

## HISTORY

### THE FEOFFEES OF THE GRAMMAR SCHOOL IN THE TOWN OF IPSWICH TRUST

In 1650, the Ipswich Town Meeting voted to create a land trust and granted to two individuals, William Paine (one of the founders of the Ipswich School Committee) and his brother Robert, legal title to certain parcels of land then held by the Town, "for the use of the school". Upon his death in 1660, William Paine bequeathed the 36 acres known as Little Neck to the trust for "the benefit of the said school of Ipswich forever-----". Over the years, various parcels from the trust were sold, leaving only Little Neck in what became one of the oldest community land trusts in North America. Without belaboring the entire history of governance of the trust, the Massachusetts legislature passed Chapter 26 of the Acts of 1756 which formally incorporated the four then existing privately designated feoffees as lifetime trustees with the power to appoint their successors, with the three eldest selectmen of the Town to serve as additional trustees (collectively, the "Old Feoffees").

#### RECENT HISTORY:

-December, 2006: "Tenants" of Little Neck (cottage owners, land tenants) sue the Old Feoffees over lease terms.

-December, 2009: Old Feoffees and Tenants reach settlement in Superior Court to sell Little Neck to the Tenants for \$29.1 million if they can get approval from the Probate Court to "deviate" from William Paine's will. The Old Feoffees pursue litigation in Probate Court to deviate from Mr. Paine's will. The litigation involves the School Committee (beneficiary of the trust) and the Attorney General.

-December, 2011: Old Feoffees and the School Committee reach an agreement (documented as Agreement for Judgment dated and approved by the Probate Court on December 23, 2011) to settle the suit, which has the assent of the Attorney General. The assented motion added \$2.4 million in "Use and Occupancy" costs to the settlement value and introduced a Trust Administration Order that among other things changed the name of the trust to: "Feoffees of the Grammar School in the Town of Ipswich Trust" (the "Trust") and established new Trust governance.

-May, 2012: The Ipswich School Committee, Finance Committee and Board of Selectmen each appoint two new trustees to the newly constituted Trust. Those trustees are to take their role as "New Feoffees" upon the filing of the master deed to sell Little Neck (the "Master Deed"), but begin work immediately as a Town committee to prepare for their roles described in the

Trust Administration Order. (Upon the filing of the Master Deed, a seventh trustee of the Trust is to be appointed by the Old Feoffees.)

-August, 2012: On August 9, 2012, the Master Deed is filed and, on August 10, 2012, the Trust becomes monetized.

#### MAY-AUGUST, 2012/NEW FEOFFEEES' DUE DILIGENCE TO SECURE RESOURCES DUE THE RECONSTITUTED TRUST:

The transformation to and monetization of the Trust has been a complex undertaking involving extensive due diligence on the sale of the land on Little Neck including, without limitation, erosion, waste water treatment, collection of rents and a myriad of other issues. Extensive work has also been done on transactional issues including, without limitation, truth-in-lending disclosures, mortgages, promissory notes, title insurance, taxes and the like.

The terms of the Settlement Agreement/Judgment/Trust Administration Order/June 8, 2012 Amendment to the Settlement Agreement (collectively, the "Order") related to Little Neck are complex. Quantifying how much was to be immediately available for long term investment by the Trust has been a moving target depending on how many of the Little Neck cottage owners sought New Feoffee financing for their condominium purchases; how many of those obtaining New Feoffee financing also elected New Feoffee financing of the so-called Use and Occupancy payments (noted above and more fully described below); and how many of the cottage owners elected to rent.

Under the Order, the 167 cottage owners had the right to purchase or rent their condominium units (the land and cottages were combined into a condominium). At the closing, 166 elected to purchase. Those purchasing had the right to obtain up to 90% New Feoffee financing. (The terms are 6% per annum interest only financing for 5 years; and then a mortgage on both principal and interest amortized over 20 years at the higher of 6% per annum or prevailing market rates.) The number of cottage owners opting for New Feoffee financing has varied widely over the past several months. In the end, 59 elected to use New Feoffee financing. This number could change in the near term in that a representative of the Little Neck Action Committee has represented to the New Feoffees that all cottage owners electing New Feoffee financing will refinance over the next several months.

With respect to renters (in the end, only 1 elected to rent), the Order provides that the Condominium Association will provide the New Feoffees with a so-called "Balance of Purchase Price Note" (in essence, the difference between the Purchase Price and the price assigned to the unit or units being rented) which will be for a 5 year term, bear interest at 6% per annum, and be paid in monthly payments of principal and interest based on a 20 year amortization schedule, the entire principal balance to be due at the end of the 5 year term.

In addition to the Purchase Price noted above, the Order requires the payment of \$2.4m in Use and Occupancy payments. (In short, Use & Occupancy payments were mandated as a means of evening out rent payments by cottage owners.) Those who opted for New Feoffee financing on the purchase of condominium units also had the option of obtaining New Feoffee financing of their Use & Occupancy payments. In the end, 30 elected to do so. In this instance, the financing terms are again different: a 5 year, fully amortized, unsecured note at 4% per annum with 5 equal installments; provided, however, that the full balance becomes due and payable upon prepayment of more than 10% of the principal due to the New Feoffees under the note for purchase of the condominium unit. The School Committee will receive the Use & Occupancy payments off the top of all proceeds (Purchase Price, minus various adjustments, plus Use & Occupancy payments) which will further diminish the proceeds available for immediate long term investment but provide the School Committee, if it elects to receive all of same, with \$800,000 or more in 2012, 2013 and 2014.

There are other provisions under the Order with respect to interest on escrow payments and rents and other adjustments that, in the interest of simplicity, we will not attempt to explain here. For anyone who wants to read all the specifics, you can click on the links to Settlement, Judgment, Trust Administration Order, Amendment to the Settlement Agreement on this website.

ASSETS OF THE TRUST: **(UNDER CONSTRUCTION)**

- Transaction
- Balance Sheet
- Projections

POLICIES:

-DISTRIBUTION POLICY: **(UNDER CONSTRUCTION)**

A Spending and Distribution Policy has NOT yet been adopted by the New Feoffees and won't be until after an investment advisor has been selected and after consultation with the School Committee, Finance Committee and Board of Selectmen. Accordingly, the initial FINANCIAL MODEL noted on the website link is NOT final and will change from time to time based on changing facts and input from the School Committee, Finance Committee and Board of Selectmen. Nevertheless, in the spirit of complete transparency, the New Feoffees wanted to give the citizens of Ipswich a preliminary idea of what the Trust MIGHT look like over a 5 year period. In that regard, we have assumed that all of the New Feoffee financed mortgages and Use & Occupancy notes will be retired at the end of 5 years.

-INVESTMENT POLICY: **(UNDER CONSTRUCTION)**

The New Feoffees have determined that the \$2.4m in Use & Occupancy payments will be invested with the utmost in conservatism in insured bank CDs. The balance of the proceeds will be invested in similarly conservative instruments until the public procurement process for selection of an investment advisor has been completed. Please be advised that both legal counsel and an accounting firm have already been retained by the New Feoffees (and have worked extensively on due diligence and other matters) and a public procurement process is being initiated to select a mortgage servicing firm and an audit firm. An audit of the Trust will be performed after selection of the audit firm.

#### ABOUT THE NEW FEOFFEEES:

The initial, reconstituted New Feoffees include two community members appointed by each of the School Committee, Board of Selectmen and Finance Committee and one appointed by the Old Feoffees upon the filing of the Master Deed. The New Feoffees are Ipswich residents: Tracy Filosa, George Markos, Tom Reardon, Greg Stevens, Joe Tragert, Peter Twining and Seth Ward.

#### BRIEF BIOGRAPHIES:

#### THANKS:

The New Feoffees are thrilled to have this opportunity to serve the school children of the public schools of Ipswich; to put in place the fundamentals to prudently grow the Trust's endowment in perpetuity; and to thank William Paine for his extraordinary generosity.