

CAPITAL DISTRICT KIWANIS FOUNDATION, INC.
Meeting of the Board of Directors
August 8, 2015

The 201st meeting of the Board of Directors of the Capital District Kiwanis Foundation was held on August 8, 2015 at the Fredericksburg Hospitality House Hotel and Conference.

President Roy Sheets opened the meeting at 10:00 AM. Gary Boswell led the Pledge of Allegiance and Nancy Simonelli gave the invocation.

Introduction of Guests: President Roy Sheets introduced Joe Stankus, Key Club District Administrator and Kelly Boswell, Governor-Elect.

Roll Call - Charles Adams

The following members were in attendance:

Roy Sheets	Gary Boswell	Nancy Simonelli
Tim Wesling	Brian Bell	David Heppner
Scott Zimmerman	David Lurie	Tim Owings
Bernice Oden	Bob Cassada	Mike Dasovich
Melinda Dalton	Jon Rife	Charles Adams
Joe Maranto	Tom Varner	Ken Hogan

Approval of Agenda- Motion to accept the agenda was made by Jon Rife and seconded by Mike Dasovich.. Motion passed.

Minutes of the April 10, 2015 Meeting: Motion to approve the minutes as corrected and circulated by email was made by Ken Hogan and seconded by David Heppner. Motion passed.

Treasurer Report: Tim Wesling circulated the Treasurer's report by email to the Board. A motion to accept the Treasurer's report was made by Gary Boswell and seconded by Ken Hogan. Motion Passed.

A motion was made by David Heppner to move the processing of checks to the hospitals to the Bylaws and Policy Committee for the November meeting. Second by Jon Rife. Motion passed with one abstention.

Life Membership: Secretary Charles Adams reported that we have 4new life members since the last meeting.

Caring Corner: Nancy Simonelli reported 33 baskets were donated raising \$2017. This is 10 more baskets than last year which raised \$1130. Flyers will be sent out for the DCON in April 2016.. The raffle of the baskets will benefit the 8 pediatric trauma hospitals. Volunteers are

needed to sell raffle tickets for the baskets.

Ducky Derby: Bob Cassada reported the DCON is April 22-24, 2016 in Richmond, VA. Adoption Certificates will be passed out at the November meeting. These need to be distributed by the CDKF Directors to the clubs as soon as possible since complaints were received last year that clubs did not get their adoption certificates.

Founder's Society- John Mayfield from the Kentucky District donated \$1,000 to the Founder's Society.. Directors are the ones that need to promote the Founder's Society. The funds raised stay in the district.

Finance Committee – Gary Boswell stated that was no business to report.

FINANCIAL ADVISOR'S Report- Bob Cressy

See the report below made a permanent part of the minutes. Bob Cressy advised that the PIMCO Total Return Fund (PTTAX) be sold and the funds be added to the JP Morgan Mid-Cap Growth Fund –A (JCMAX). There is no cost to sell the PIMCO and the CDKF is tax exempt. There is a cost to buy the JCMAX fund at the \$50,000 Rights of Accumulation level. It was approved. A motion was made by Bob Cassada to approve the transfer. Second by Gary Boswell. Motion passed.

FINANCIAL ADVISOR'S COMMENTS

Disclaimer Note: Comments on the markets are my viewpoints as of this date and not those of Lombard Securities. I have continuing teleconferences with and significant input from major financial institutions such as PIMCO, JP Morgan, Lord Abbott, American Funds, S&P Advisor's and numerous MF companies, etc., on past & current market conditions and trends. Of course, past performance does not guarantee future performance.

My General Comments

I find it increasingly difficult to offer different quarterly problems to discuss or different solutions to address them. It's frustratingly hard on productive working people. The highest corporate taxes, income taxes, government's regulations, new and old, limited access to capital continue to slow national growth and employment.

National debt has doubled to over \$18.5T in eight years with no effective attempt by politicians to slow spending or pay down any debt. We are bankrupt at the federal level and most states. So what happens as UST's mature and big foreign governments decide that the 30 year rate at 2.92% interest is just not a good re-investment? Governments (you) would still have to pay investors their principle back, plus interest. The debt payment is crushing capital investment & even the desire to invest and take business risks for many.

The Republicans had landslide victories in 2010 capturing the House and in 2014 winning a majority in the Senate. Judging from what has been accomplished since, you'd never know it. Taxation proposal rates go up, new taxes, new regulations without spending cuts are largely continued from the Ds and are unchallenged by the Rs. Questionable perhaps unconstitutional 'executive directives' for energy, labor, the border issues, international 'agreements', finance are issued to get around Congress without their review or consent. Few complain. Many millennials can barely overcome their college loans now, let alone start a traditional life, build a house and have a family.

Energy prices in oil & natural gas is going lower due to a huge world-wide over supply. Canada may face recession in the next few weeks mainly due to energy production cuts. Terrorism & local violence remains without many effective checks. Watch housing. Fanny Mae (FNM) & Freddie Mac (FRE) again carry a very high percent of sub-standard loans (low assets & low income loans). This may again set up defaults on mortgages still having its root causes in the 1977 Community Reinvestment Act (CRA) which forced many banks & mortgage companies to make loans or be prosecuted by the Feds for 'discrimination' known as red lining. Heavily used in the 1990's and forward into the 2000's they set up a crisis and a collapse of much of the housing market. Many housing financial institutions joined the party and we began the 2007-2008 financial break down. Coming again?

Enough for now? I agree. Yet the USA is still the land people try to break into, not out of. It is still a land of great opportunity. The political activity on both sides will get more exciting with all those competing for the presidency. It's a good thing and stimulating. So get in there yourself. The financial markets are a bit more volatile & reactionary are holding up rather well.

It's beyond entertaining; it's critically important to us all help solve the problems. So dive in.

CDKF MUTUAL FUND Background, July 31, 2015, Lombard Account Statement Report

All MF performance is benchmarked to the appropriate public index. For example, a U.S. equity stock fund is benchmarked to the S&P 500 largest stocks, as well as to its peers. Foreign stocks are measured against the MSCI EAFE (Europe/Asia/Far East) index. The PIMCO Total Return bond fund is benchmarked against the BarCap US Aggregate Intermediate Bond Trust index. Remember the overall value of the CDKF funds can not be measured against any one 'benchmark' as they have different objectives so are measured against that security's appropriate benchmark.

The CDKF MFs are chosen in part for their conservative investments often including dividend income. They may not be the top fund against all funds in their category all the time but are chosen for total investment objectives, performance, moderate risk and volatility vs. other funds.

Recent Market Index Bench Marks (dates are of CDKF Financial Reports)

Report	Dow Jones 30	S&P 500 Index	NASDAQ
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8/15/14	16662	1955	4465 August 2014
10/24/14	16805	1964	4483 Nov. 8 Meeting
RECORD	18133 (2/27/15)	2115 (2/24/15)	4964 2/27 (Not Record)
2/6/15	17824	2055	4744
4/8/15	17903	2081	4950
7/31/15	17689	2104	5128 (5219 Record 7/20/15)
YTD 2015	+0.71%	+3.35%	+8.95% MSCI +8.08%

UPDATED CDKF INVESTMENT PERFORMANCE as of August 8, 2015

Performance underscores the value of the CDKF Investment Policy of asset allocation. The percentages of allocations are based on costs, not market value. There is \$213,000 in CD's which are FDIC insured and \$1,656 in Money Market Funds in BOTH the Copeland & main investment accounts. A \$50,000 CD will mature 12/31/15 for rollover.

IMPORTANT Calculation on Fixed/Bond/Cash % values vs. Equities Values:

Market Value - Kopeland Fund	\$ 13,312	CD + Money Market
Main Account #185290399	\$201,344	CDs face value + Money Market
Main Account (Bond Funds)	\$ 60,465	Nuveen & PIMCO Tot Ret .Bond FD.
Total Fixed Income & Bonds	\$275,512	Cash, Fixed & Bond Value (35%)

PIMCO Total Return Intermediate Bond Fund (PTTAX) is a bond fund with a Sector Allocation

consisting of UST & UST Inflation Protected, U.S. Agency bonds, plus Corporate bonds, Securitized bonds (Agency – MBS Pass Through, ARMs, CMOs), Muni bonds and cash. The PIMCO Total Return Bond Fund has been under pressure since founder & manager Bill Gross left the funds for Janice Funds, plus general lower bond prices. This is being monitored.

Fixed Income securities do not participate in the stock markets changes, so as equity markets grow, asset allocations can change. Conversely, if stock markets drop as they can, the fixed securities principal is more stable although potential interest rate increases can affect principal, especially if sold before maturity.

As of the Aug. 8, 2015, Account Unrealized Profit & Loss Statement, Lombard Securities, Inc. (Monthly Statements are received separately by each of you):

1. CDKF Account #2, Account #185303767 Kopeland Trust – Total Market value is \$13,003 consisting of one CD and \$313 FDIC cash. The CD is at Bank of China NY @ .65%, estimated income is \$85 for 2014-15. The Board (CDKF President, Executive Director & Treasurer) withdrew \$8,000 in cash from the Kopeland Fund for operating expenses & grants on 8/1/14.
2. CDKF Account # 185290399 has a current total market value (main account) of \$814,406 for all assets. A withdrawal of \$8,000 in assets was taken from the main account as well in August 2014. Increases in market value of equities are due to market growth and reinvestment of dividends & capital gains.

IMPORTANT Fixed Income Information from August CDKF Account P & L Statement

Note: CDKF is a **501C(3) tax exempt endowment foundation and doesn't receive a YE 1099.**

CD interest is posted to the Money Market. Dividends & Capital Gain earnings from MFs are reinvested back into the MF that generated them. Compounded reinvestments significantly increase the total MF performance over time. Going forward 50% of a donation plus 50% of earning from the Founder's Society will go to CDKF grants.

Fixed Income Detail: Four CD's face value of \$200,000, with \$1,344 in FDIC cash. A \$50,000 CD will mature 12/31/15 and it is recommended that it be replaced with a 12 month CD then.

Current CD's:

1. \$50,000 matures 12/31/2015 @ .45 Goldman Sachs
2. \$25,000 matures 5/20/2016 @ .50 Bank of China NY
3. \$50,000 matures 8/12/2016 @ .60 Discover Bank DE
4. \$75,000 matures 2/13/2017 @ .90 Capital One Glen Allen VA

NOTE: Market CD rates remain low. Fed rate is 0.25%. Current Two year UST is 0.67%; a 10 year UST is now 2.2%, 30 year 2.92%.

Notes on Costs of Doing Business: CDKF uses the "traditional method" of managing equities. CDKF pays to buy each new MF once. Most initial MF investments were made from 2004 to 2009 and held. Funds are Actively Managed by the MF company to buy/sell securities held by that fund, as they are with any MF. There is NO BROKERAGE ACCOUNT or TOTAL ASSET

ANNUAL FEES charged in a traditional account. There is no cost to sell if sold. There have been No BUYs of either MFs or additions to principal in recent years as cash income from CDKF fund raising has been used for operating funds and not invested. That is somewhat understandable, but without contributing some fund rising to endowment investment which built the CDKF, the CDKF will begin to wither.

With American Funds because of the total amount in that ‘family’, CDKF receives a Rights of Accumulation (ROA) buy discount. Most original purchases were made at a discount rate between 3.5% to 2.5% vs. 5.75%. (The current rate for Am. Fds. is at \$250K ROA is 2.5%). Initial ‘buys’ were ‘amortized’ long ago over five years, (i.e. 0.7% to 0.5% cost average per year). There are no asset management brokerage fees based on assets held. There are normal MF management services expenses to manage the MF charged by each MF company (for all management styles). The average expense is 0.85% per year. Any trades are recommended by the Finance Committee, authorized by the Board. Confirmations are sent to CDKF Treasurer.

FUND HOLDINGS - Mutual Funds Market Values July 31, 2105 Lombard Securities Report.

Symbol	MF Name	Category	Market Value	Est. Yld	Est. Yr Income
AMECX	Amer. – Income Fund	Moderate Allocation	\$47,517	3.7%	\$1474
ANWPX	Amer. New Perspective	World Stock	\$77,556	.56%	\$458
CAIBX	Amer. – Cap Inc. Bldr.	World Allocation	\$99,071	4%	\$3328
PNEAX	Allianz NFJ Div Adv.	Large Value	\$90,266	2.0%	\$1789
CWGIX	Amer. Cap Wld. G & I	World Stock	\$76,536	2.2%	\$1409
IGAAX	Amer. Intern’l G & I	Foreign Lg. Stock	\$33,812	2.6%	\$911
SMCWX	Amer. Small Cap Wld. Gr.	World Stock	\$100,365	.0%	zero
JCMAX	JPM Mid Cap Growth	Mid Cap Growth	\$26,625	0.1%	\$28
Sub-Total MF Values			\$551,748		\$9307
PTTAX	PIMCO Tot. Return	Interm. BOND Fd.	\$28,641	3.6%	\$576
	Nuveen Dividend Adv. Muni MD S&L Bonds		\$32,361	5.9%	\$1859

(NZF) Nuveen current Yield 5.6%)

Total Bond & Equity MF Values	\$ 61,002	\$11832
+ CD's \$200,000 Face Value; Mkt Value	\$200,000	\$1325
+ Money Market Funds - Cash	1,656	
Total Fixed (large Account)	\$201,656	
TOTAL Assets Value (with CDs)	\$814,406	\$13157

Note: NO NEW dollars were added to Investments by any "Kiwaniis fund raising contributions" (Founder's Society, Life Member, Memorials, or \$3.00 per member club donations, etc.).

PERFORMANCE Report by Morningstar vs. Benchmarks as of July31, 2015 (+ means better; - less than benchmark). Note: Three, 5 & 10 year is Average Performance PER/Each Year.

Symbol & Description (Above)	1yr	3yr	5yr	10yr
AMECX – Income Fund	+3.64%	10.1%	+10.45%	+6.7%
+/- MornStar Mod. Target	+1.74%	+1.9%	+2.3%	+3%
ANWPX – New Perspective	+11.4%	+15.4%	+12.3%	+8.7%
+/- MSCI EAFE	+14.8%	+6.8%	+7.1%	+3%
CAIBX – Cap. Income Bldr.	+3.5%	+8.4	+6.9%	+6.2%
+/- M.S. Moderate Tgt Risk	+1.6%	+.23%	+.7%	-.15%
PNEAX – Alliance Div. Adv.	+2.8%	+13.4%	+12.8%	+6.0%
+/- S&P 500 Trust Index	-8.9%	-3.7%	-2.87%	-1.7%
CWGIX – Cap. World Growth	+5.5%	+13.6%	+10.24%	+7.5%
+/- MSCI EAFE	+9.2%	+5.1%	+5.0%	+2.5%

IGAAX – World Gr. & Income	+3.8%	+9.3%	+1.9%	(Fund 5 years old)
+/- MSCI EAFE	-.06%	+7.4%	+1.9%	
JCMAX – Mid Cap Growth	+17.3%	+20.1%	+17.4%	+9.5%
+/- S&P 500 Index	+5.7%	+3.2%	+1.7%	+1.7%
SMCWX – Small Cap Growth	+13.0%	+17.1%	+12.2%	+8.7%
+/- MSCI EAFE	+16.7%	+8.5%	+7.0%	+3.7%
PTTAX – Total Return Bond Fd.	+1.9%	+1.8%	+2.8%	+6.0%
+/- BarCap US Agr Bond Trust	-2.6%	+0.22%	+0.26%	+0.87%

SUMMARY of M F Performance: CDKF holdings compare well against their Benchmark Indices. Performance comparisons are slightly lower as they are being measured with a banner 2013 year and still good 2014. The CDKF has benefitted from good assets, management and compounded growth of principal and dividend & capital gains reinvestments.

END of the Aug 8, 2015 financial statistics with Market Comments for the August 2015 meeting.

Submitted By:

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A motion to accept the Financial Advisor's report was made by Ken Hogan and seconded by Brian Bell. Motion passed.

New Business

Nominating Committee Report- Jon Rife reported that the nominating committee proposed the following slate of officers;

President- Gary Boswell
President-Elect- Nancy Simonelli
Vice President- Mike Dasovich.

A motion was made by Charles Adams and seconded by Brian Bell to close the nominations Motion passed. The proposed slate was approved..

A unanimous motion was made by the nominating committee to have Executive Secretary Adams and Treasurer Wesling serve for another year. Motion passed.

Teenager of the Year

Governor Bell received a Thank You letter from the recipient Megan Peterson. Roger Diehl stated that her division had presented the award, but that Megan had agreed to come to the 2016 DCON to have the award presented to select the recipient

A motion was made by Brian Bell to move the process for selecting the TOY to begin in September with completion in time to honor the recipient at the 2016 DCON. Second by David Heppner. Motion passed.

President's Items

Roy Sheets stated as a Board and as individuals, we need to provide financial support to the Capital District Kiwanis Foundation. A poor job has been done in getting new Founder's Society members. It was started 16 years ago and has raised \$110,000. We do a lot of good in helping other people- schools, hospitals , etc.

There being no further business to come before the Board,. President Sheets adjourned the meeting.

The next Board meeting will be on Saturday, November 7, 2015 at 10:00 AM in the Monroe Room at the Fredericksburg Hospitality House and Conference Center.

Respectfully submitted,
Charles Adams, Executive Secretary
Capital District Kiwanis Foundation