

# THE MINUTES OF THE TRUSTEES OF THE CINCINNATI SOUTHERN RAILWAY

September 17, 2024

A regular meeting of the Board of Trustees of the Cincinnati Southern Railway (the "Board") was held on Tuesday, September 17, 2024, at 3:00 p.m. at the Cincinnati Parks Administration Office at 950 Eden Park Drive, Cincinnati Ohio. Amy Murray, Paul Muething, Mark Mallory, and Paul Sylvester were present in person. Ashley Pannell, City of Cincinnati Law Department Supervising Attorney – General Counsel Complex Contracts; Holly Schnapf, Financial and Administrative Director of Cincinnati Southern Railway; Allen Zaring, Eric Gioia, and Tim Bayer, representatives from UBS Financial Services, Inc. ("UBS"); Kristin Fafard and James Malone, representatives from Community Capital; Chrissy Noone and Karen Alder, representatives from the City of Cincinnati's Finance Department; and members of the public were in attendance as well.

## MISCELLANEOUS ADMINISTRATION

Mr. Muething introduced and welcomed Ashley Pannell as the new representative to the Board from the City of Cincinnati Law Department and Holly Schnapf as the new Financial and Administrative Director for the Cincinnati Southern Railway.

Mr. Muething recognized the exemplary work and support of Kaitlyn Geiger, who served as Clerk of the Board and additionally provided legal guidance in her role as Supervising Attorney with the City of Cincinnati Law Department.

Ms. Schnapf read a proposed Board Resolution of Cincinnati Southern Railway in Recognition and Profound Appreciation of Distinguished Service by Kaitlyn Geiger. Mr. Muething moved to approve the Resolution, and Mr. Sylvester seconded the motion. It was unanimously approved.

Mr. Muething moved to approve the minutes from the May 21, 2024 Regular Meeting, and Ms. Murray seconded. The motion passed unanimously.

## UBS PRESENTATION OF THE TRUST FUND PERFORMANCE

Mr. Gioia reported that UBS is quite pleased with the position and performance of the portfolio. He presented global market analysis that could impact the trust fund to the Board. Mr. Gioia noted that while there was market volatility over the summer,  
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fundamentals remain positive, and UBS does not anticipate a recession market. Mr. Gioia emphasized that markets historically correct around the presidential outcome regardless of who is elected, and that the markets prefer certainty.

Mr. Zaring reaffirmed and commended the Board for its commitment to DEI, noting that 46% of the portfolio is managed in diverse impact and ERG strategies. This includes inclusive investing, sustainable investing, and exclusion investing (excluding companies involved in environmental degradation, poor labor relations, and firearms manufacturing from investment by the CSR Trust).

Ms. Fafard and Mr. Malone explained their strategy of impact investing, which involves deploying capital to address societal challenges while receiving market rate return. They noted that the CSR portfolio which they manage is well-diversified, holding 118 bonds, including bonds issued in Hamilton County, where they have invested \$21 million from the CSR trust to lending and investing in projects supporting low- and moderate-income communities.

Ms. Fafard shared that Community Capital's investment program had outperformed its benchmark, the Bloomberg U.S. Intermediate Aggregate Index, since inception. Ms. Murray asked for additional information about the benchmarks and investment returns. Mr. Fafard remarked that the CSR portfolio managed by Community Capital has grown by approximately \$10 million (a 5.62% return) since its inception. Mr. Mallory noted that if the railroad had not been sold, there would be \$21 million less directly impacting our community in the last eight months. He added that this strategy creates double impact – direct spending on existing infrastructure projects in the City of Cincinnati, as well as utilizing the power of trust to invest in local communities.

August for US Digital for website hosting services, totaling \$1,402.30. Mr. Muething moved to approve the invoices and Mr. Mallory seconded. Unanimously approved.

Mr. Sylvester noted that Director and Officer Insurance is up for renewal in December at a rate of \$7500 annually and asked the Board if this was still needed, given the change in the Board's financial resources and the fact that we have legal and liability coverage through the city. Ms. Murray stated that she believed it should be renewed and would not feel comfortable stopping coverage unless advised by a lawyer. Mr. Mallory agreed that it should be renewed. Mr. Muething made a motion to authorize the Treasurer to renew the policy. Ms. Murray seconded. Unanimously approved.

DISBURSEMENT DISCUSSION TO THE CITY OF CINCINNATI FOR FY26,  
BEGINNING 7/1/25

Mr. Muething shared that according to the Ferguson Act, the City must be notified of the disbursement amount they can expect from the Board for FY26 by September 30, 2024. Mr. Sylvester noted that the Board's objectives include that the trust earn 5.5% interest overall with goals to distribute 3.5% or more to the City, grow the trust to keep up with inflation, and create an internal financial reserve to create a smoothing effect over multiple years to allow for adequate City distribution even in downturns. This will take multiple years to achieve. Mr. Sylvester continued that given these considerations, he was comfortable with a distribution of \$55 million – over twice what was previously received in lease payments annually.

Mr. Bayer commented that a distribution of \$56 million would be 3.5% of the original balance of the trust fund. Mr. Sylvester moved that the Board certify a distribution of \$56 million to the city paid in four, quarterly payments on 7/1/25, 10/1/25, 1/1/26 and 4/1/26. Mr. Muething seconded. Unanimously approved.

Mr. Bayer highlighted that the trust fund has grown by \$94 million to date, up about 5.9% since inception. Ms. Murray asked if any of the fund managers' portfolios are not performing as expected. Mr. Bayer said that while some funds dipped sporadically, they are all trending as hoped and meeting expectations. Mr. Sylvester asked what has caused volatility. Mr. Bayer noted that uncertainty in both the presidential election and the decisions of the federal reserve were primary drivers.

Mr. Bayer reported that equity phase-in is near completion with a goal of completion by December of this year.

Mr. Zaring advised that the income expectation through June 30, 2025 is \$54,844,789 and that unrealized gains as of 9/16/2024 are \$69,544,376. He also noted that based both on one-year and 5-year projections, the Board is in a great position to distribute significant funds to the City of Cincinnati and still invest ahead of original projections.

#### UPDATE ON POTENTIAL KENTUCKY TAX LIABILITY

Mr. Muething stated that the Board is investigating potential tax liability in the State of Kentucky. Squire Patton Boggs (US) LLP is researching this. Any liability would be payable in 2025 after the 2024 tax return is filed.

#### TREASURY REPORT

Mr. Sylvester summarized invoices for the Board's approval. He first presented two invoices from Squire Patton Boggs (US) LLP for legal services from March through June totaling \$34,892, which Mr. Muething moved to approve, and Mr. Mallory seconded. Unanimously approved. Mr. Sylvester then presented an invoice from the City of Cincinnati for support from the City Solicitor's Office from January 1 through June 30, 2024 for \$33,151.14. Mr. Muething moved to approve the invoice, and Mr. Mallory seconded. Unanimously approved. Mr. Sylvester presented invoices for June, July, and

Mr. Muething moved that the board request the City to provide an update to the board every July regarding how the previous year's funds were spent and the proposed use of the future year's funds. Ms. Alder remarked that the City was prepared to do this. Mr. Mallory seconded the motion. Unanimously approved.

DISCUSSION REGARDING NAMING CONVENTIONS FOR CINCINNATI SOUTHERN RAILWAY BOARD OF TRUSTEES

Mr. Muething shared that the board is created by state law under the Ferguson Act, but it is not an incorporated entity by the Ohio Secretary of State. Additionally, it is no longer a functioning railway. He suggested that the Board choose a name to do business as (not a formal name change) on Board materials, and the website that emphasizes the "trust" nature of the Board. Mr. Mallory suggested using Cincinnati Southern Railway Trust to preserve the history, while also clarifying the current structure. Ms. Murray agreed. Mr. Muething said he would submit a Fictitious Name Filing to the State of Ohio. Mr. Mallory made a motion to begin doing business as Cincinnati Southern Railway Trust. Mr. Muething seconded. Unanimously approved.

AUTHORIZATION TO CONDUCT AN RFP FOR BRANDING/WEBSITE DEVELOPMENT

Ms. Schnapf stated that with the structure and name use of the Board changing, new branding and a new website are likely necessary. She added that the website serves three main purposes: a repository for historical information, a place to share public records, and a location to report on the infrastructure projects made possible. Additionally, she noted that it is important to have a website that can be easily updated in-house. Mr. Mallory agreed that ease of updating was important. Mr. Muething added that he would like to have the ability to share more information than we currently do, including the monthly financial

statements from UBS. Mr. Mallory made a motion to authorize the RFP. Ms. Murray seconded the motion. Unanimously approved.

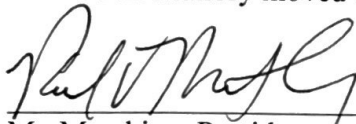
ADDITIONAL REMARKS

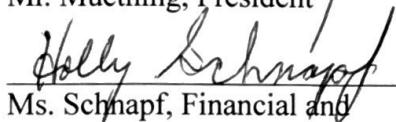
Mr. Muething has a conflict for the next meeting scheduled for November 19. The Board rescheduled the meeting for November 18, 2024 at 3 p.m..

Ms. Murray acknowledged the absence of Mr. Luken and voiced appreciation for his considerable contributions to the Board over many years. The other board members agreed and noted that his expertise and perspective were critical to the railroad sale and getting to the current, quality position.

ADJOURN

Mr. Mallory moved to adjourn. Ms. Murray seconded. Unanimously approved.

  
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Mr. Muething, President

  
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Ms. Schnapf, Financial and  
Administrative Director