

Town of Freeport Custody Account

Account #560022

Account Information On: 03/31/2012

Enclosed for your information is a copy of the current accounting for the above referenced account. Should you have any questions regarding the accounting, please do not hesitate to contact us. Thank you for this opportunity to be of service.

Trust Officer

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Investment Officer

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TOWN OF FREEPORT
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Investment Commentary - April, 2012

The first quarter of 2012 ended, and equity markets experienced their strongest quarterly gains since 1998. The S&P 500 is up 12% since the end of 2011, and some clear winners and losers have emerged among the sectors of the benchmark. The utility sector, one of last year's top performers as a shift towards yield grew, was the only sector to have negative performance—ending with a loss of 2.68%. Financials and the tech sector were both up just over 20% after a poor showing in 2011. Five of the S&P's ten sectors registered double digit gains for the quarter as optimism in the growth of the US economy grew. In the first quarter, investors worried less about Europe and stock prices were driven more by underlying fundamentals. This also accounts for the sharp decline in volatility. During the first quarter, the S&P 500 closed up or down more than 1% just seven times. By contrast the fourth quarter of 2011 saw 36 days of 1% moves and 14 sessions with 2% or greater moves.

Investors have scaled back holdings of high-quality low-yielding government debt where capital had been parked while the news was bleak and uncertainty great. Investors are finally feeling safe enough to poke their heads out of their bunkers after hearing good news on the economy and better news from overseas. The euro zone has stepped back from the brink of collapse while the US economy is showing strong signs of life particularly on the jobs front. Recent data showed that 227,000 jobs were created in February while January and December figures were revised upwards. In all, the average monthly payroll gain for the past three months was 245,000. The improving job market is lifting consumer confidence and thus spending on a wide range of consumer products. In February retail sales surged 1.1% and the government upwardly revised the prior two months. Gasoline revenues were strong due to rising prices; however, auto, department store and appliance sales were very strong as well indicating strong pent up demand.

The news from abroad is better but still uncertain. A recent debt exchange in Greece will help move the country toward a financial restructuring and buy some time. However, economic concerns still linger across the euro zone and worries about slowing growth in China are cropping up. There is also the Middle East where there are many problems stemming from last year's "Arab Spring" and the Iranian nuclear arms issue. Hopefully China will have a soft landing and the Middle East will work out its problems peacefully through negotiations.

Interest rates have moved up from the beginning of the year due to demand for higher risk investments. As the stock market moves higher, investors fear that they will be left behind and are selling their high quality bond holdings to purchase equities. Rates are still very low by historical standards. On March 30, the 10-year U.S. Treasury bond stood at 2.22%, up from a 70-year low of 1.67% in late September of 2011. The move upward is healthy and is another indication that the economy is getting better. As long as the economy is improving and stock prices are climbing, higher rates are not necessarily harmful. Slowly rising rates may push home buyers to move more quickly and help the housing market.

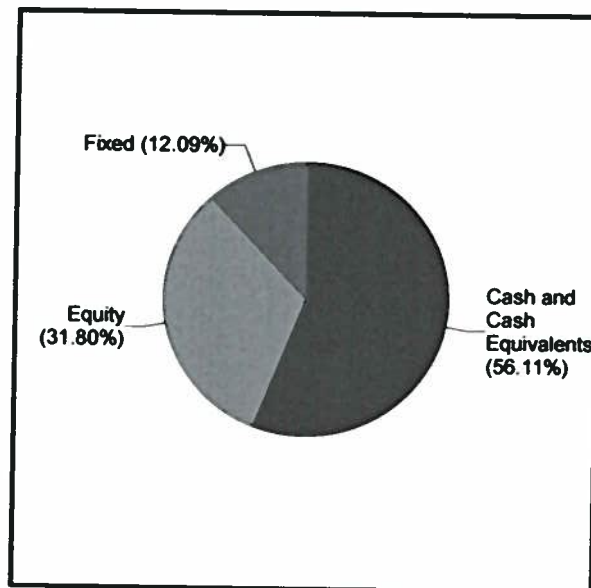
As stock prices move higher there will be more pressure to sustain the positive flow of news, especially from corporate earnings. Earnings are not looking to be as strong as last year; many investors believe that profit margins have peaked. Earnings growth is expected to be in the high single digits compared to 15% last year. We are well diversified in companies that have strong balance sheets with growing earnings and dividends—and are achieving even broader diversification through increased use of mutual funds and exchange traded funds (ETF's). It is our belief that quality equities (in stocks or mutual funds that hold such stocks) will prove to be the best place to be over the intermediate and long term. In the near term, we urge caution, as always, with monies slated for immediate needs.

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Holding Summary On: 03/31/2012

| Asset Segment | 2/29/2012 Valuation | % | 3/31/2012 Valuation | % |
|---------------------------|---------------------|---------|---------------------|---------|
| Cash and Cash Equivalents | \$3,980,285.59 | 52.92% | \$4,248,478.25 | 56.11% |
| Equity | \$2,356,007.78 | 31.33% | \$2,407,738.32 | 31.80% |
| Fixed | \$1,184,478.27 | 15.75% | \$915,948.00 | 12.09% |
| Grand Total | \$7,520,771.64 | 100.00% | \$7,572,164.57 | 100.00% |



Town of Freeport Custody Account

Account #: 560022
Account Detail On: 03/31/2012

| | Shares | Current Price | Cost | Market Value | Estimated Annual Income |
|---|---------------|---------------|--------------|--------------|-------------------------|
| Cash | | | | | |
| % of Portfolio: 0.00% | | | | | |
| Income Cash | | | 745,731.41 | 745,731.41 | |
| Principal Cash | | | -745,731.41 | -745,731.41 | |
| Total Cash | | | 0.00 | 0.00 | |
| Cash Equivalents | | | | | |
| CD - Bank % of Portfolio: 44.33% | | | | | |
| Ally Bank Midvale Utah DTD 11/02/11 .7% Due 05/02/13 - Principal | 240,000.000 | 100.4240 | 240,000.00 | 241,017.60 | 1,680.00 |
| American Exp Cent Bk CD DTD 11/03/11 1.15% Due 11/04/13 - Principal | 240,000.000 | 100.8700 | 240,000.00 | 242,088.00 | 2,760.00 |
| Apple Bk for Svgs CD DTD 11/02/11 .45% Due 02/04/13 - Principal | 240,000.000 | 100.2380 | 240,000.00 | 240,571.20 | 1,080.00 |
| Bank of Baroda CD DTD 12/23/11 .55% Due 9/24/12 - Principal | 150,000.000 | 100.1130 | 150,000.00 | 150,169.50 | 825.00 |
| Bank of Baroda CD DTD 2/17/12 .35% Due 2/15/13 - Principal | 90,000.000 | 100.1640 | 90,000.00 | 90,147.60 | 315.00 |
| Bank of India CD DTD 12/29/11 .5% Due 6/27/12 - Principal | 150,000.000 | 100.0570 | 150,000.00 | 150,085.50 | 750.00 |
| Bank of America Bank USA CD DTD 2/8/12 .3% Due 2/6/13 - Principal | 240,000.000 | 100.1130 | 240,000.00 | 240,271.20 | 720.00 |
| Bank of Commerce Commercial Bank CD DTD 2/14/12 .5% Due 2/13/15 - Principal | 185,000.000 | 98.6870 | 184,905.45 | 182,570.95 | 925.00 |
| First National Bank CD DTD 1/31/12 .6% Due 1/30/15 - Principal | 215,000.000 | 98.9860 | 215,000.00 | 212,819.90 | 1,290.00 |
| First State Comm Bk DTD 2/8/12 .4% Due 2/10/14 - Principal | 240,000.000 | 99.6870 | 240,000.00 | 239,248.80 | 960.00 |
| GE Capital CD DTD 1/27/12 1.15% Due 1/27/15 - Principal | 240,000.000 | 100.2580 | 240,000.00 | 240,619.20 | 2,760.00 |
| GE Capital Retail Bk CD DTD 10/28/11 .8% Due 4/29/13 - Principal | 240,000.000 | 100.5270 | 240,000.00 | 241,264.80 | 1,920.00 |
| Georgia Bank & Trust CD DTD 3/7/12 .4% Due 12/9/13 - Principal | 100,000.000 | 99.9210 | 100,000.00 | 99,921.00 | 400.00 |
| Goldman Sachs Bk DTD 2/1/12 .85% Due 2/3/14 - Principal | 140,000.000 | 100.3460 | 140,000.00 | 140,484.40 | 1,190.00 |
| Medallion Bk CD DTD 10/28/11 .9% Due 10/28/14 - Principal | 240,000.000 | 100.0130 | 240,000.00 | 240,031.20 | 2,160.00 |
| Sovereign Bank CD DTD 2/1/12 .40% Due 1/31/13 - Principal | 240,000.000 | 100.1920 | 240,000.00 | 240,460.80 | 960.00 |
| Wright Exp Finl Svcs CD DTD 3/9/12 .5% Due 3/10/14 - Principal | 165,000.000 | 99.6680 | 165,000.00 | 164,452.20 | 742.50 |
| CD - Bank Total | 3,355,000.000 | | 3,354,905.45 | 3,356,223.85 | 21,437.50 |
| Money Market - Taxable % of Portfolio: 11.78% | | | | | |
| Federated - Gov't Oblig. Tax Managed Fd #636 - Income | 98,320.400 | 1.0000 | 98,320.40 | 98,320.40 | 9.83 |
| Federated - Gov't Oblig. Tax Managed Fd #636 - Principal | 637,949.510 | 1.0000 | 637,949.51 | 637,949.51 | 63.80 |
| Northern Trust Government Select - Income | 12.230 | 1.0000 | 12.23 | 12.23 | 0.00 |
| Northern Trust Government Select - Principal | 154,617.600 | 1.0000 | 154,617.60 | 154,617.60 | 15.41 |
| Wells Fargo Advantage Treasury Money Market CIA - Income | 1,114.690 | 1.0000 | 1,114.69 | 1,114.69 | 0.00 |

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| | Shares | Current Price | Cost | Market Value | Estimated Annual Income |
|--|---------------|---------------|--------------|--------------|-------------------------|
| Cash Equivalents | | | | | |
| Money Market - Taxable % of Portfolio: 11.78% | | | | | |
| Wells Fargo Advantage Treasury Money Market Cl A - Principal | 239.970 | 1.0000 | 239.97 | 239.97 | 0.00 |
| Money Market - Taxable Total | 892,254.400 | | 892,254.40 | 892,254.40 | 89.04 |
| Cash Equivalents Total | 4,247,254.400 | | 4,247,159.85 | 4,248,478.25 | 21,526.54 |
| Equity | | | | | |
| Equity Growth Funds % of Portfolio: 15.69% | | | | | |
| American Funds - The Growth Fund of America Inc(Mstar ***) | 36,145.995 | 32.9200 | 859,812.73 | 1,189,926.16 | 7,915.99 |
| Equity Large Cap Blend Fund % of Portfolio: 16.11% | | | | | |
| American Funds - Fundamental Investors(Mstar ****) | 30,940.349 | 39.3600 | 916,830.46 | 1,217,812.16 | 19,183.00 |
| Equity Total | 67,086.344 | | 1,776,643.19 | 2,407,738.32 | 27,098.99 |
| Fixed | | | | | |
| CD - Bank % of Portfolio: 12.09% | | | | | |
| Bank of China CD DTD 5/11/11 .60% Due 5/11/12 | 240,000.000 | 100.0320 | 240,000.00 | 240,076.80 | 1,440.00 |
| Safra National Bank NY CD DTD 11/02/11 .45% Due 11/02/12 | 240,000.000 | 100.1420 | 240,000.00 | 240,340.80 | 1,080.00 |
| State Bank CD DTD 2/9/12 .6% Due 2/9/15 | 240,000.000 | 98.9710 | 240,000.00 | 237,530.40 | 1,440.00 |
| Winds Foremost Jumbo CD DTD 2/15/12 .7% Due 2/18/14 | 200,000.000 | 99.0000 | 200,000.00 | 198,000.00 | 1,400.00 |
| CD - Bank Total | 920,000.000 | | 920,000.00 | 915,948.00 | 5,360.00 |
| Grand Total | 5,234,340.744 | | 6,943,803.04 | 7,572,164.57 | 53,985.53 |

Tax Year Realized Gain/Loss Summary

| | Tax Year YTD Amount |
|-------------|---------------------|
| Long Term | (\$1,468.08) |
| Short Term | (\$5,887.85) |
| Grand Total | (\$7,355.93) |

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Transactions Listing: 03/01/2012 to 03/31/2012

Cash Receipts

| Posted | Dividend - Ordinary | Income Cash | Principal Cash |
|------------|--|-------------|----------------|
| 03/01/2012 | Dividend - Ordinary on 26,347,174 shares of Short Term Bond Fund of America CIA (Mstar*) | 433.22 | 0.00 |
| Posted | Interest - Corporate | Income Cash | Principal Cash |
| 03/01/2012 | Interest - Corporate on 215,000 shares of First National Bank CD DTD 1/31/12 .6% Due 1/30/15 | 106.03 | 0.00 |
| 03/08/2012 | Interest - Corporate on 240,000 shares of First State Comm Bk DTD 2/8/12 .4% Due 2/10/14 | 76.27 | 0.00 |
| 03/09/2012 | Interest - Corporate on 240,000 shares of Silvergate Bank CD DTD 2/9/12 .6% Due 2/9/15 | 114.41 | 0.00 |
| 03/14/2012 | Interest - Corporate on 185,000 shares of First Commercial Bank CD DTD 2/14/12 .5% Due 2/13/15 | 73.49 | 0.00 |
| 03/15/2012 | Interest - Corporate on 200,000 shares of Worlds Foremost Jumbo CD DTD 2/15/12 .7% Due 2/18/14 | 111.23 | 0.00 |
| 03/28/2012 | Interest - Corporate on 240,000 shares of Medallion Bk CD DTD 10/28/11 .9% Due 10/28/14 | 171.62 | 0.00 |
| | Interest - Corporate Total | 653.05 | 0.00 |
| Posted | Interest - US Treasury | Income Cash | Principal Cash |
| 03/01/2012 | Interest - US Treasury of Federated - Gov't Oblig. Tax Managed Fd #636 | 5.85 | 0.00 |
| 03/01/2012 | Interest - US Treasury of Northern Trust Government Select | 1.23 | 0.00 |
| | Interest - US Treasury Total | 7.08 | 0.00 |
| | Cash Receipts Total | 1,093.35 | 0.00 |

Securities (Involving Cash)

| Posted | Purchase | Income Cash | Principal Cash | Cost | ST Gain/Loss | LT Gain/Loss |
|------------|---|-------------|----------------|-------------|--------------|--------------|
| 03/07/2012 | Purchased 100,000 shares @ \$100.0000 of Georgia Bank & Trust CD DTD 3/7/12 .4% Due 12/9/13 | 0.00 | -100,000.00 | 100,000.00 | 0.00 | 0.00 |
| 03/09/2012 | Purchased 165,000 shares @ \$100.0000 of Wright Exp Finl Svcs CD DTD 3/9/12 .5% Due 3/10/14 | 0.00 | -165,000.00 | 165,000.00 | 0.00 | 0.00 |
| | Purchase Total | 0.00 | -265,000.00 | 265,000.00 | 0.00 | 0.00 |
| Posted | Sale | Income Cash | Principal Cash | Cost | ST Gain/Loss | LT Gain/Loss |
| 03/01/2012 | Sold 2,335,613 shares @ \$10.0900 of Short Term Bond Fund of America CIA (Mstar*) | 23,330.23 | 0.00 | -23,560.35 | -230.12 | 0.00 |
| 03/01/2012 | Sold 24,011,561 shares @ \$10.0900 of Short Term Bond Fund of America CIA (Mstar*) | 0.00 | 239,849.33 | -241,317.41 | 0.00 | -1,468.08 |
| | Sale Total | 23,330.23 | 239,849.33 | -264,877.76 | -230.12 | -1,468.08 |
| | Securities (Involving Cash) Total | 23,330.23 | -25,150.67 | 122.24 | -230.12 | -1,468.08 |

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Transactions Listing: 03/01/2012 to 03/31/2012

Securities (Shares Only)

| Posted | Dividend reinvest | Income Cash | Principal Cash | Cost | ST Gain/Loss | LT Gain/Loss |
|-------------|---|-------------|----------------|----------|--------------|--------------|
| 03/19/2012 | Reinvest Dividend - Ordinary, received 97.826 shares @ 39.409873 on 30,842.523 shares of American Funds - Fundamental Investors(Mstar ****) | 0.00 | 0.00 | 3,855.32 | 0.00 | 0.00 |
| Grand Total | | 24,423.58 | -25,150.67 | 3,977.56 | -230.12 | -1,468.08 |

Money Market Activity

| | Income Cash | Principal Cash | Cost | ST Gain/Loss | LT Gain/Loss |
|-----------------------------|-------------|----------------|-----------|--------------|--------------|
| Purchase | -1,093.35 | 0.00 | 1,093.35 | 0.00 | 0.00 |
| Sale | 0.00 | 1,820.44 | -1,820.44 | 0.00 | 0.00 |
| Money Market Activity Total | -1,093.35 | 1,820.44 | -727.09 | 0.00 | 0.00 |