# Downers Grove Police Pension Board Meeting

## Meeting Minutes

## January 23, 2017

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BEFORE THE DOWNERS GROVE POLICE PENSION BOARD

IN RE THE MATTER OF: )
)
Meeting Minutes )

PENSION BOARD MEETING
January 23, 2017
One o'clock P.M.

Proceedings had and testimony before the DOWNERS GROVE POLICE PENSION BOARD, taken at the Downers Grove Ante Room, 801 Burlington Avenue, Downers Grove, Illinois, before Tabitha Watson, CSR License No. 084-004824, duly qualified and commissioned for the State of Illinois.



BOARD MEMBERS PRESENT:
MR. PAUL LICHAMER, President
MR. ANDY BLAYLOCK, Vice President
MR. DENNIS BURKE, Secretary
MR. NORM SIDLER, Trustee
MR. WILLIAM NIEMBURG, Trustee

ALSO PRESENT:

MS. JUDY BUTTNY, Acting Finance Director
MR. DOUGLAS OEST, Marquette Associates
MR. ERIC ENDRIUKAITIS, Lauterbach & Amen, LLP



PRESIDENT LICHAMER: Call to order the Downers Grove Police Pension Board meting dated January 23rd, 2017 at 1:00 o'clock.
Can I get a roll call, please?
MR. BURKE: Burke, here.
PRESIDENT LICHAMER: Lichamer here.
MR. BLAYLOCK: Blaylock here.
MR. SIDLER: Sidler here.
MR. NIEMBURG: Niemburg here.
PRESIDENT LICHAMER: I believe -- Go ahead, Mr. Secretary.
MR. BURKE: We can skip the motion for electronic attendance.
PRESIDENT LICHAMER: We'll go ahead and skip number two.
MR. BURKE: I'll make a motion to accept the minutes of December 19, 2016.
MR. BLAYLOCK: Second.
PRESIDENT LICHAMER: Roll call.
MR. BURKE: Burke, aye.
PRESIDENT LICHAMER: Lichamer, aye.
MR. BLAYLOCK: Blaylock, aye.
MR. SIDLER: Sidler, aye.
MR. NIEMBURG: Niemburg, aye.



MR. BURKE: For matter of making room for our presentation, Mr. President, can we ask for Lauterbach & Amen's report to be done now and so they can give it and skedaddle?
PRESIDENT LICHAMER: Yes.
MR. ENDRIUKAITIS: I do appreciate the accommodation. I believe I sent these out I know like 25 minutes ago. I did bring the December 31st compilation report.
We'll start on 2-1, the balance sheet. It gives December 31st, 2016. Starting with your assets, your cash and cash equivalents; 1,045,903 and some change.
You investment, money market mutual funds, 1,084,497. Your securities at 18,000,925. Insurance contracts at 5.9 million. Equities, 4,114,982. Mutual funds at 18,864,823. With the accruing on the fixed income portfolio of 155,958. Total net health and trust of 50,083,125.85.
2-2 is our income statement. Activity for a full year, your village contribution is two million six. Your active member contributions, 772,223. Investment income, interest dividens earned, 1,063,239. The unrealized and realized gates losses,

1,863,283. Gross of fees, two million nine. Net of fee, two million eight. Deductions, AmExs, expenses paid to date, 66,715. And benefits at 7.7 million. For a full year, we have a positive transition of 2,430,263.

3-31 is a simple the pie chart of your investment. 4-1 is your attached sales report for a rolling 12 months of non-investment activity. So it's strictly your cash inflows and outflows. That stop quarter is your cash and money market account balances. The middle section, contributions; that's what we call income.

And finally we have expenses, benefits at 322 which will increase as of January 1st followed by administrative expenses throughout the last 12 months.

5-1, graph of data from 4-1. Blue is your cash, red is the income, green is the expense. 6-1, we have your village and contributions totals for month and totals for the fiscal year; followed by investment income, dividens, gains, and losses broken down by account and category and totals for the year. Next page, 7-1 is a bar graph of your expense mixed with service pensions taking a line share.



8-1, we have pension benefits broken down by type. Totals for month and totals for fiscal year followed by administrative expenses broken down by category. 9-1 through 9-3 is a contribution report. That first column for fiscal year is tied to your 12-31 DOR report.

Next column, current fiscal year is tied back to your income statement. Then we have your accumulative running total for each member into the fund.

10-1 to 10-11 is a pay withdrawal for the month of December. Gross amount of the benefit, deductions, and medical life withholdings. Finally, 11-1 to 11-2 is a report that structures -- tracks expenses out of funds as of October 1st through December 31st of 2016.

We just processed your reimbursement today, so you should get that soon.

MR. BURKE: You did both? They said they were doing both.

MR. ENDRIUKAITIS: Yes.

MR. NIEMBURG: Okay. I need to talk to you about that afterwards. I think they refunded my credit card. She sent me an e-mail that she had



called. I'll talk to you afterward.

MR. BURKE: Is there a problem?

MR. NIEMBURG: I don't want --

MR. BURKE: Oh. Yeah. Well, I thought they were refunding the money from --

MR. NIEMBURG: There's not a problem yet. I'm trying to avoid one.

MR. BURKE: When the State's Attorney shows up at your door.

MR. NIEMBURG: This is a setup, isn't it?

MR. ENDRIUKAITIS: Any questions, comments, concerns?

PRESIDENT LICHAMER: Not on this. That things -- That other document you sent out --

MR. ENDRIUKAITIS: Active member statements?

PRESIDENT LICHAMER: Right. People have been asking why they're 2015 and not 2016.

MR. ENDRIUKAITIS: We don't do 2016 until you get an accepted filing from a DOI report. Our office is kind of delayed right now, so we just sent out the '15 data. So you probably won't receive the '16 data until the following January. We're one year lagged.

PRESIDENT LICHAMER: Because the Department of Insurance has to review all that?



MR. ENDRIUKAITIS: Correct. And since your filing is not due until June 30th of this year ...

MS. BUTTNY: Until next year.

PRESIDENT LICHAMER: I'll pass that along. Everyone is like, Why are they giving me 2015?

MR. ENDRIUKAITIS: I know. We want to make sure their security number and their birth dates are all correct before they retired. Otherwise, it may cause an issue.

MS. BUTTNY: A lot of issues.

MR. ENDRIUKAITIS: Also to give you an update, we had sent out our 1099s for your vendors by the 31st deadline, just an FYI.

And I did bring copies of the COLA increases. I think that's further down as well if I'm not mistaken.

MS. BUTTNY: Eric e-mailed them to everyone, but if anybody needs to see them, there are copies.

MR. ENDRIUKAITIS: Just a standard 3 percent increase.

MR. BURKE: I looked at them already.

MR. SIDLER: Name by name?

MR. BURKE: These are the COLA's you're looking for approval on, right?

MR. ENDRIUKAITIS: I think you have to have them for the minutes.
MR. BURKE: Make a motion we accept COLA for January 1, 2016 as provided by Lauterbach.
MR. ENDRIUKAITIS: '17.
MR. BURKE: Did I say '16?
MR. SIDLER: Everyone but Burk in the increase. '17.
MR. BURKE: Accept from January 2017 that board --
MR. BLAYLOCK: I'll second that eloquent motion.
MR. BURKE: Burke, aye.
MR. BLAYLOCK: Blaylock, aye.
MR. SIDLER: Sidler, aye.
MR. NIEMBURG: Sustain. No. Niemburg, aye.
MR. ENDRIUKAITIS: And then the Romeo refund. We're processing that as well.
MR. BLAYLOCK: Oh, the new police.
MR. BURKE: We have the approval of COLA done. We have refund of contributions to Christopher Romeo who was with the department for about eight months. He resigned and is requesting a refund.
MR. BLAYLOCK: I will make a motion that we refund the money to Chris Romeo per his request since



he is no longer an employee.
MR. BURKE: I'll second your better eloquent motion.
MR. SIDLER: Should we put a dollar amount in the --
MR. BLAYLOCK: Oh, yeah.
MS. BUTTNY: $4,674.60.
MR. SIDLER: One more time?
MS. BUTTNY: $4,674.60.
MR. ENDRIUKAITIS: And you've got to take full refund according to statute since he did not work a full year. So he cannot roll that over if he were to.
MR. BURKE: And then the third order of business --
THE BAILIFF: We have to vote.
PRESIDENT LICHAMER: Roll call?
MR. BURKE: Burke, aye.
PRESIDENT LICHAMER: Lichamer, aye.
MR. BLAYLOCK: Blaylock, aye.
MR. SIDLER: Sidler, aye.
MR. NIEMBURG: Niemburg, aye.
PRESIDENT LICHAMER: Now the next order, Mr. Secretary.



MR. BURKE: Next order of business is we have a new police officer, made application to the fund. Kaitlyn Baker. She started with the department on January 3rd, 2017. She filled out the applications with Vice President Blaylock and we now have them and we're here for us to accept her into the fund.
MR. BLAYLOCK: I make a motion to accept her into the fund.
MR. BURKE: Second.
PRESIDENT LICHAMER: Roll call?
MR. BURKE: Burke, aye.
PRESIDENT LICHAMER: Lichamer, aye.
MR. BLAYLOCK: Blaylock, aye.
MR. SIDLER: Sidler, aye.
MR. NIEMBURG: Niemburg, aye.
MR. BURKE: Okay. Eric, you can go if you want.
MR. ENDRIUKAITIS: Appreciate it. Thank you.
MR. SIDLER: Thanks, Eric.
MR. NIEMBURG: Thank you.
PRESIDENT LICHAMER: Thanks, Eric.
MR. BURKE: You're going to give us a once over of what we're going to get?
MR. OEST: If you flip over Exhibit 2, we took a search from last time and we updated all the members



to the end of the year. We just included just the three you're hearing from today so that while you're listening, you can flip back and forth and evaluate them. They'll all bring in materials too. They'll have hard copies for everyone.
Just as refresh, Kennedy I believe is going first, then Northern Trust, then Ziegler. It's laid out that way in your books.
Kennedy is first. They're a fundamental firm. Northern is quantitative. Ziegler is fundamental. The difference with Ziegler is they're core, the other two guys are value.
Again, looking at replacing SouthernSun with one of these three managers. We told them all 20 minutes, but if you guys have more questions than that, certainly ask them. We told them don't spend a ton of time talking about the firm, we've already covered that. So hopefully they'll just do two or three minutes and then spend most of the time talking about the product.
If you want to see performance -- I mean, it will be in their books, but if you want to have it up, pages 9 and 10 in our book have the performance of all of them.

I think everyone brought in their portfolio manager too, so you'll hear from the guy that's actually managing the money.

PRESIDENT LICHAMER: I'm trying to find my notes from last time. Northern was kind of the big conglomerate mutual fund.

MR. OEST: Mutual fund. Right.

PRESIDENT LICHAMER: Where the other ones were --

MR. OEST: Would be a separate account.

PRESIDENT LICHAMER: And Northern was diversified.

MR. OEST: Northern is the most diversified. They target a 2 percent tracking area, so it's real tight to the benchmark. They're the most stable out of the group if you look at their annualized performance. It always seems to be about one and a half to 2 percent above generally speaking. The other guys are still broadly diversified, but they're going to have a little bit more tracking area -- I mean deviation from the benchmark. And they are fundamental, which means they'll do screens, but they'll do bottom-up fundamental research on the stocks. Whereas, Northern Trust, you'll hear they



have a model and they'll talk about that.

PRESIDENT LICHAMER: Did you put that in the last -- Where was all that?

MR. OEST: Yeah. Northern Trust was one of the groups we looked at the last time and then in the peer comparison.

PRESIDENT LICHAMER: Was that in a separate handout for us?

MR. OEST: It should have been in the book.

MR. SIDLER: In the back of the December book.

PRESIDENT LICHAMER: In the book? Exhibit 3?

MR. SIDLER: Under Exhibit 2 and 3.

PRESIDENT LICHAMER: Yeah. Okay. That's what I wanted. Yeah.

MR. OEST: Out of all the groups, they have the most consistent return.

(A short break was had.)

MR. OEST: You guys are up.

MR. BRYANT: Thanks, Doug. Thanks all for having us in. We appreciate it. My name is Chuck Bryant. With me is Frank Latuda. Frank is the -- Well, Frank what hat do you want to wear? Frank is the portfolio manager on this product. Frank is also our chief investment officer and he also sits on our



board of directors.

I kind of run the sales side of things at Kennedy Capital. I've been -- Actually, Frank joined Kennedy capital in 1997 and I joined -- I started as an intern in '94 and was full-time hired in '98. So we're starting to kind of ease into it and get the hang of it. It's almost 40 years combined. We didn't have any gray hair when we started.

So we're not going to go page by page or bullet by bullet, but I'll cover just the first page or two and do a quick update or overview on the firm and then I'll turn it over to Frank. We'll spend most of the time talking about the product.

On page 4, a couple big pictures. The firm was founded in 1980. We're down in St. Louis, Missouri in the suburbs of St. Louis. As we sit here today, there are 55 employees managing roughly \$6 billion. Of that 6 billion, there's a little over 1 or 1.1 billion in Small Cap Value 1 product.

Is that correct?

MR. LATUDA: Mm-hmm.

MR. BRYANT: So the top statement on there that talks about the fact that we're independent, that we're 100 percent employee owned, some of you may be



thinking, That's great for you, Chuck, but what does that do for us? So the relevancy of a 100-percent-employee-owned firm is that it really does align our interest with yours. One of the key things we've done at Kennedy Capital is we've gone to great lengths to try to as much as we can to align the client interest with our interest so that when we win, you win. So when you are an employee owned firm, as an owner in the business, you think differently and you think about what is in the best interest of the client. Protecting that recurring revenue stream is the most important thing you can do as a shareholder and an owner. So it changes your thinking. How do you retain clients? You do that by performing over the long run and by doing a good job of client service. So it really does set the firm's focus. You become less focused on other things and very, very focused on doing a great job for the clients we have. As a result, we tend to have very long standing relationships, which Frank will touch on.

The process that we'll talk to you about, we are very much bottom-up stock pickers. So we are building your portfolio one stock at a time. We have a team of 14 equity analysts at Kennedy Capital. They are each industry sector specific. They are the people that are out there in the field, talking to companies, meeting with management teams, kicking the tires, and bringing those ideas for Frank to look at.

The last bullet point on the bottom is that we're performance driven, again, aligning with clients' interests. We tried to create our compensation plans for the investment professionals, again, so that we really directly tie their performance and their bonus to your success and your performance.

If you flip to the next page, on page 5, one of discussions as I travel around the country and talk to our clients and investment consultants, and I'm sure is very topical, is there's a conversation going on about active versus passive management. There's a lot of -- in a low return environment, you hear a lot of clients get frustrated and say, Hey, is this really worth it? I think in small cap -- and you can certainly make a compelling case in some asset classes for passive management. But in small cap land, you really should be able to find good active small cap managers that really can earn their



fees.

This slide, we put this together. The data point on the far left of the start date on this, October 1st of 2000, which might seem random, but that is actually the date when Frank Latuda took over the Small Cap Value 1 product. So Frank has been managing this product for 16-plus years. What this chart shows is that a $10 million investment when Frank took the product over would now be worth $77 million roughly and would have earned you an excess return of about 3-, 400 basis points on a compounded basis and about $30 million.

These numbers, by the way, are net of fees. So what that demonstrates I think is that it is worth in small cap land, if you find the right partner or you find the right manager, to pay active fees. And we call this page at the top, we call it a value proposition. We acknowledge there are probably less expensive small cap managers that you could find. We really think that when you look at the long-term track record and consistencies of the returns, that we actually do create a tremendous amount of value for our clients. We like to think if you hire us, you're done looking at small cap managers. You can



have this manager for -- You can have us for 16 years, generate a tremendous amount of alpha over the long run, and really not have to think about that asset class again for the long run. We really think that over the long run, we create a strong value proposition for our clients.

Those are sort of the main points on the firm unless there's any question. I know Doug briefed you all on sort of the structure of the firm. If there's any questions, I'm happy to take them. Otherwise, I'll turn it over to Frank.

MR. LATUDA: Thanks, Chuck.

Just turning to page 6, I wanted to highlight a few things. This is a representative list of clients. Really, the point of this slide is to show the diversity in terms of type and geographic reach of our client base.

I think importantly too, there is no single client here that's more than 15 percent of firm assets. So we're fairly diversified in that regard as well. As Chuck alluded to, many of these clients have been with us for, in some cases, more than 20 years. So we do really value the relationship we have with our clients. Much like when we invest in



the long term, hopefully our clients are investing with us for the long term as well. It has been, for the most part, I think a mutually beneficial relationship for them as well.

We have on page 7 a clear view of our overall org chart. Believe it or not, this is everybody within the firm listed. It really highlights where we're making our investments in terms of people. We are very much a research oriented firm as Chuck alluded to with also a heavy emphasis on compliance, and I'll touch on that in a little bit because that's certainly it's an important part of the culture of Kennedy.

As you can see if you look on the left-hand part of the slide, that's really the research time, the one that's out there making the decisions -- the investment decisions for you.

If we go to the next page, we drill down deeper and it shows you the way we are structured. We have internal specialists align this sector. This serves us well in a couple ways. First and foremost, it enables our analyst to develop expertise within a given sector and they truly are the experts within the firm as it relates to particular areas of interest that we're looking at. It also enables us to measure our analyst in a very objective manner. Chuck alluded to the incentive systems that we have in place in Kennedy. And for a firm that was actually founded by two engineers over 30 years ago, you can appreciate that we like to measure everything possible. And to that end, the majority of the analyst incentive comp is tied directly to performance. The way we do that is we actually measure the performance of stocks that a particular analyst recommends from client portfolios and we measure the performance of those holdings against the respective bench mark, i.e., healthcare analysts are measured against the performance of the healthcare sector of the Russell 2000. What this does is provides a very transparent measure of each analyst's contribution to overall client portfolio performance.

More importantly, there is also another subtle element in the system in that by mirroring transactions that occur in client accounts in this analyst shadow, they're only compensated on those securities that are bought for clients. At first, one might say, What happens if they recommend a security and they don't buy it, there's no reward?



The short answer is correct. And that's intentional. We want the process to be collaborative with the analyst working with the portfolio managers. So to that end, we structure the incentive system such that motivates them to actually advocate for their ideas, to come talk to the portfolio manager. It provides that compensation, incentive if you will, only if its purchased for client accounts.

Again, we're trying to create a scenario that the only way our analysts are benefiting is if the clients are benefiting. Again, it has been a system that has really been the rudder on our ship through the years in terms of aligning everyone's interests.

In terms of how we go about building a portfolio, I want to start on page 9 just to create this image and hold onto this for a second as we talk. Essentially, when we're investing in companies, we try to take the perspective of a business owner. What we're doing isn't overly complicated. However, we try to take the perspective of investing in companies that are going to be worth more -- the value of the business is going to be worth more three, five years from now, et cetera. I



think our advantage as an organization is our ability to look out into the future and take a longer term view. Particularly in this day in age, as mini-investors seem to compress, taking a little bit longer-term view is probably what presents us the best opportunities.

When we think about value creation in a business, really it's quite simple in the sense that we look at a company's return on invested capital, the key measure of the corporate performance. We look at it a little differently than simply a traditional accounting measure that has a net income number in the numerator and the balance sheet invested assets in the denominator. If you think about it for a second, two identical businesses could generate very different measures on that measure simply by the decision to lease a building or own a building. In one case, owning a building puts it on the balance sheet, it goes into the investment base. By leasing the building, it stays out. The reality of it is looking at it from a pure economic perspective, you should look at that the same way. What we'll do, for instance, is capitalize those lease expenses and include those in the investment



base. Once you do that, it gives you the ability to distinguish between companies as to who's the most efficient in terms of generating a dollar of cash flow for a dollar worth of invested assets; not only within an industry, but now we can also compare a cross industry and get a real good sense of where capital is being used efficiently. Our goal, much like you're making a decision on how to allocate your assets, we view our role as making decisions on where to allocate our investor's capital for businesses. So we want to identify companies that we think are doing it as efficiently as possible.

The other component of value creation is reinvestment. Here's where that power of compounding comes into play. We're looking for companies that have not only the ability to generate good returns on every dollar they invest, but also reinvest in business. What that does, as you can imagine, is it compounds the wealth and, therefore, creates a business that's going to be worth more in the future. So even though our product is a value product, we're not necessarily looking at trying to buy assets at 25 or 50 cents on a dollar that value can be realized through some sort of monetization or a catalyst type

25

transaction. We're trying to invest in ongoing businesses that are going to grow in value.

The third element though is -- which is equally important is once we've identified these businesses, what are we willing to pay for those? Obviously the return from investor prospective always is dictated by the price paid for the original investment. So to that end, what we do, this is where our analyst come in to play. Our analyst works at, first of all, understanding how that business driving the returns they're achieving. Meaning, is it through better margins? Is it a more efficient cost of goods sold being a gross margin that they're able to price their products perhaps at a premium? Maybe it's a more efficient management through lower SGNA costs. Or maybe its asset efficiency. Maybe they're doing more with less, meaning they turn their inventory faster or they're able to generate more dollars out of a plant for instance. All these measures could be utilized to drive a return profile higher, such that you could have two businesses generating a equal level of returns very differently. I always use the example of Walmart and Tiffany's. Everybody can identify Walmart being a high-volume

26

turnover business but lower margin, versus a Tiffany's which is a very low turnover; inventory at a Tiffany's jewelry store turns over less than once a year, but obviously very high margin. That's really where the strength of our analyst team comes in. They're able to identify, not only historically what levels a business has been able pull, but also be able to make projections going forward as to how those measures will look.

To that end, we incorporate the price of the business as it's being priced today in the marketplace, make a determination of what level of future returns that business will need to generate that would then generate a stream of cash flows discounted back equal to today's price of the business. Again, from a business owner's perspective, what we want to understand is what level of return generates in the future and what level or growth rate will they need to reinvest to create that stream of cash flows that equals today's price? So effectively, we let the market set the hurdle. We're trying to invest our clients' dollars in those companies we feel the corporate performance will exceed going forward. Over time, what you find is

27

that's what has enabled us to generate the performance we've been able to. Again, we're not trying to buy things, quote/unquote, on the cheap, but we're trying to pay a fair price or hopefully better than fair price for a business that is going to grow in value over time; and as shareholders, we're going to benefit as well.

I want to jump ahead a little bit in the interest of time. I wanted to show what the portfolio actually looks like in that context. If you jump to page 12, this is a quick snapshot. On the left-hand side, you can see the return profile of those companies in the portfolio represented by the blue bars and then comparing that to the Russell 2000 benchmark, which are the orange bars.

A couple things you can see here. Certainly, the corporate performance of the companies in the portfolio are consistently above that of the overall universe. On the right-hand side, that's the reinvestment component represented by asset growth. As you can see, these business are also reinvesting at a rate equal to or better than their peers. The third component really is the value creating opportunity from an investor perspective, and that's

28

captured by the circles and the dots off the to right. What that effectively does is that's that hurdle, that bar that has been set by the current prices in the market. Meaning, the current portfolio companies, even though they're generating returns -- and these are returns on a real basis, meaning adjusted for inflation -- are generating returns north of 8 percent, really 9 percent. They're being priced as though those returns are probably going to deteriorate to a range of about 7 to 8 percent. Again, our analysts have made the decision that the corporate performance, they believe, will exceed that threshold, and, therefore, that's why we put that in the portfolio. If you compare that to that orange circle, you can see that's a measure that implies a level of returns quite consistent with the current level; some perhaps an argument for overall efficiency in the marketplace, meaning the market appears to be paying for a return level consistent with the current level. Nevertheless, it's the delta, if you will, that difference between the level of corporate performance that we think these businesses can achieve relative to the price that -- or the level of future returns needed implied by

29

today's price. That's really the way we make that determination.

Even though this sounds unconventional perhaps relative to some of the more traditional statistics, on page 18 --

MR. BRYANT: 13.

MR. LATUDA: Sorry. 13. We put some of the traditional metrics of the portfolio here, really just to demonstrate it is, in fact, a small value portfolio. A couple comments though, PE will typically be below the benchmark. Again, these metrics fall out of the process. Our price to book will typically be a little bit higher. That's primarily a function of having these higher return companies in the portfolio. It tends to create an accounting price to book measure that's going to be a little bit higher. Yield will typically be a little bit lower than the benchmark. Two reasons for that. One is a function of the current sector weightings; underweight, utilities, and real estate investment trust which are typically a high source of yield. The other component is that reinvestment component I touched on earlier, meaning our companies -- we're looking for those that are able to reinvest back in

30

their business as opposed to perhaps those that are paying off all their cash flow to shareholders. As a result, there is a bit of a downward bias.

In terms of portfolio turnover, it's about 41 percent. That's fairly consistent where it has been for the last several years. A little bit of that turnover is actually created by adjusting position sizes. Our average holding period is well north of three years. Again, we're looking to invest in companies we're looking to hold for a period of time.

MR. SIDLER: Quick question. On your weighted average market cap, do you have absolutes on how low you'll go and how large you'll go?

MR. LATUDA: On the low end really, it's going to be a function of liquidity. We tend to look at liquidity more so than the actual absolute. So to answer your question, no there's not an absolute per se. Having said that, that's also one of the reasons why you'll notice there's up to 150 names in the portfolio, recognizing some of the smaller names' liquidity would probably limit our ability to make it a full 1 percent of the portfolio. We're not afraid to put position size in the 25 to 50 point range

31

because, again, with a deep research team, we feel that we can add a lot of value. So rather than excluding a company because it's, quote/unquote, too small, we'll just -- we will include it in the portfolio but recognize it may push our position count up a little bit. 150 is our hard ceiling though in terms of the number of positions.

In terms of the upper end, really that's a dynamic number that we look to the Russel rebalance every year to say what is the upper end or the Russell 2000. It got a little bit more complicated because of the way Russel reconstitutes its averages every year now so that it's not a hard cutoff like it used to be. Having said that, at the time of initial purchase, we're typically limiting ourselves to 4 billion and under. Once a security starts to go north of five, approaching six is normally when we're looking to reallocate. So we do try to maintain that discipline in terms of maintaining a small cap portfolio.

There are a couple of banks at year end that did exceed 6 billion in market cap. We saw it year end and we're actively looking at replacing those in the portfolio as a result.

32

MR. SIDLER: Thank you.

MR. LATUDA: I touched on it a little bit; we have on page 14, current sector weighting and profit and holdings. The point really of the top ten is to show the diversification of the portfolio. Typically no position is going to be more than 2 percent of the portfolio with the top ten normally being in that 10 to 15 percent range. Again, this is fairly typical. Sector weightings are going to fall out of where we're finding ideas. It would be unusual to see us not have representation in any sector because, again, if you think back to the way we're structured from an analyst team, our analysts are incented to find ideas. So we're always being presented with ideas in every sector. So as a result, you'll typically see the portfolio waiting to be somewhat representative of the benchmark, although we're not necessarily trying to align ourselves directly with that.

We include some attribution analysis on page 15 of the last one-year and three-year. The point here is to just highlight the alpha generation over the last three years is predominantly coming from a selection effect. Meaning, it's from picking the right stocks in the sectors; it's not from making the right top-down sector bets. Really, that's consistent with our style.

I just want to conclude I guess by touching on our culture and compliance. I think this is really an important part of our firm that does differentiate us as well. We have four full-time compliance individuals with us within the firm. It very much permeates everything we do at Kennedy. It provides oversight, make sure we adhere the client guidelines, make sure there aren't unique risks being taken. It really is very strong within the overall cultures. I think one of the other unique things is our CCO, chief compliance officer, reports directly to our independent board members. We've instituted a level I think of professional corporate governments with a direct report of the CCO for the independent board members.

I'll pause there for questions. I know we covered a lot here, but I want to be sensitive to time.

MR. SIDLER: Position size 2 percent. That's at market or cost?

MR. LATUDA: At market. That would be the highest. Ideally we would be -- Well, depending on



the conviction level. But I would say a target position size would be roughly 1 percent plus or minus, but we would adjust accordingly recognizing some smaller positions would be limited by liquidity.

MR. OEST: Any other questions?

PRESIDENT LICHAMER: Any public pension funds in Illinois? I was going through your list of clients. I didn't know if there were any in the past.

MR. BRYANT: We have a long list of -- We have some Illinois-based clients. I don't believe that we have any Illinois public pension fund clients. We have a ton of public pension fund business. We certainly work with a lot of police officers, fire departments all over the country. I don't think at this current time we have any Illinois pension funds. But we'd like to add one.

MR. SIDLER: Good answer.

Quick question. Last SEC review?

MR. LATUDA: It has probably been about four years ago I would say. I hate to say that too loudly because that's usually --

MR. SIDLER: It's a call to come in and feel comfortable obviously notwithstanding any issues.

MR. BRYANT: We actually got a letter of zero



deficiencies, which is almost unheard of. It's the only time you'll see compliance people high-fiving in the hallways. So we actually did get a letter of zero deficiencies. No legal actions and the firm is very stable financially.

MR. SIDLER: That's good.

MR. BRYANT: I guess I don't have a big fancy wrap-up or anything. The performance is on 19. If we didn't have solid investment performance and Marquette didn't think highly of us, we wouldn't be here. You have three high quality managers to look at today. The question for you all is sort of what gives you a level of confidence. Repeatability is the challenge. All three firms have done well in the past. What gives you a level of confidence of that three years from now, five years from now? There was an infomercial and it was some kind of new-wave cooker. They put the chicken in there and the tag line was set it and forget it. It was on every night. I kind of like to think that, you know, if you hire us as your small cap manager, that you can set it and forget it. We come back in in 16 -- I'd like to be retired in 16 years -- but that you're making a long term decision and you can sort of put



this asset of class aside and focus on other stuff and trust us that we will be good stewards of this money for a long period of time.

PRESIDENT LICHAMER: Part of the reason you're here is Bill was kind enough to go through our old mutual fund companies and look at some of the assets they were holding within their fund. Half of them are, like, tanking. You know? This is what I do on Ameritrade. Do you guys keep so that this doesn't happen? Sorry, Doug.

MR. OEST: Everybody is going to have some stock misses.

PRESIDENT LICHAMER: We talked about stock misses and then we talked about tanking too, you know? Within some of -- Within a year, we've seen $30 drops. I mean, you guys keep an eye on this kind of stuff and that these things don't happen, right?

MR. LATUDA: Well, you know, again, in a 150-stock portfolio, certainly there will be some stocks that don't work out. I think the way we try to, again, protect ourselves against that is having a deep research bench that is closely monitoring each and every position in the portfolio. I think, importantly, somebody's bonus is tied to the performance of every one of those securities. So if a stock is underperforming, we're asking why; we're trying to understand why, because clearly some element of the value creation thesis that we set out is not being realized. So then the question becomes: Is this a cyclical issue or is this a secular issue or a competitive issue that's impacting those metrics like I talked about? So it's really important understanding what's causing that corporate performance to deteriorate. Oftentimes what you'll see is stock prices track corporate performance quite closely. So to the extent that we're right, this business continues to compound in value, often times the stock price will perform accordingly. It's when that compounding effect isn't happening that you get into scenarios when the market starts to lose faith or --

PRESIDENT LICHAMER: I just want to make sure that whoever we hire puts some of these companies -- You know, these go from $40 a share to 10 within nine months.

MR. NIEMBURG: I was going to ask a question. 150 holdings is a lot of holdings. Sometimes with a smaller cap company, it doesn't have the same



transparency as a larger company. How do you stay close to those? A lot of the instances Paul was bringing up were where a company's performance was tied to one individual or one relationship with a client.

MR. LATUDA: Again, it goes back to how we analyze a company. And, really, it starts with understanding how the business works. It means understanding the margins, what's driving those margins. It's understanding the asset efficiency, what's driving those turns. So what our analysts are doing, at a minimum, every quarter a company has to report all that data. Our analyst are looking very closely at those metrics. Are they improving? Are they deteriorating? Are they staying constant?

So even though perhaps the smaller companies aren't as, quote/unquote, efficient from the standpoint of analyst coverage from a sell side perspective, meaning the brokerages on the street covering them, we have our own internal people looking at all these metrics. We have developed a very sophisticated proprietary system that aggregates data from multiple sources. So a key element of our process is every day our download captures all the



companies that have reported earnings that day and we look at those metrics and flag whether there was an improvement margin, deterioration margin. So the best protection I can say is identifying early on when things look to be deteriorating and understanding why that is.

Oftentimes, balance sheet deterioration is a good tip off that problems manifest themselves, maybe inventory terms start to slow before they actually show up in profitability shortfalls. Really, that's the best way to do it. Again, by having someone within the firm, their incentive compensation tied directly to the performance of that individual security, it tends to keep your attention on what's happening. So -- So, again, it's really just through --

MR. NIEMBURG: All and all that's good. What was the investment company where they used to say, We don't just invest, we take the plant tours, we go to the restaurants, and we kind of do that intrinsic research into the company performance. A lot of what you're talking about is good and necessary, but it's all rearview-mirror.

MR. BRYANT: Those 14 analysts are out in the



field. They have no maximum travel budget. We encourage them to be out visiting companies, meeting with management teams one on one. It's one of the beauties of small cap, those management teams are far more accessible. So those are a big part -- Those fees that you pay us, that 14-person research team where each -- We have a person that follows nothing but reeps (phonetic). That's a tremendous advantage to have that level of depth and knowledge and experience following those individual sectors and groups. That's inhouse expertise. We don't have to rely on Goldman Sachs or Merrill Lynch or anybody else. We can do a tremendous amount of research on a lot of companies and it allows us to follow them very, very closely. That does -- That is a big part of what generates consistencies and returns and avoids those 40 to $4 situations. Somebody is paying attention to it that, again, as Frank alluded to, has a financial stake in not letting that happen.

MR. LATUDA: To your point though, I think that's really what creates the opportunity for outperformance, particularly within the small cap realm. The ability -- Anybody in this day and age with electronic filing can do the backward looking analysis. It's really that ability to use that backward data, if you will, to get perspective, but then being able to make that assessment as to whether those trends are going to continue. Meaning, understanding is there truly a product advantage that has been driving better margins. If so, is that sustainable? So to be able to make that assessment, it's important to not just visit with the management of that company, but be out there visiting with customers and competitors to understand what else is coming.

So by internal having sector specialists like we do, they then have the ability to make the assessment whether or not a technology company still has the same competitive advantage it has had historically. Or perhaps if a company has been growing quite rapidly over time but we start to see evidence that the revenue relative to leased assets for a retailer or a restaurant is starting to diminish, that's a sign to us that maybe they've used up all the best locations and the future invested dollars are probably going to start to deteriorate. That, to us is a yellow flag.

Again, I think the historical lookback is



very important to give context. But the real value add of a research team is being able to make those determinations as to whether or not those conditions are still present or if they're improving or if they're deteriorating. That's really, to Chuck's point, why we invest while we do.

MR. SIDLER: Final quick question -- or unless anybody else has any other. Your analyst, do they model -- do they build their own earnings or do they say, Hey, I'm really off from where our consensus is from this or this? How do they approach?

MR. LATUDA: The level of detail will vary by analyst. Certainly some industries are going to be more homogenous than others. But all of our analysts are trying to make their own determination independent of the sell side models out there.

We certainly use the sell side for information. One thing they're very inept at is creating a lot of information and such. But we're making our own decisions in terms of evaluation. I like to say we use them for information, but not advice I think is the best way to think about it. Yes, our analyst have many tools at their disposal for modeling their assumptions and being able to do



the types of analysis we just talked about in terms of making those projections.

MR. NIEMBURG: If you're doing active stock picking, how do you prevent your holdings from becoming victim of some index fund movement? How do you watch the passive market?

MR. LATUDA: That's an interesting question. It's something that has come on our radar screen. It clearly can have meaningful short-term implications. We do run some reports as to ETF inclusion for some of our holdings. Particularly, from time to time, you'll see strange anomalies meaning there was a point in time where one of the substantially large holdings within the home building ETF was Pier 1 Imports. This was a point in time where home builders were running and it explained some of the reasons why that particular security I think was performing like it was.

Another good example currently is utilities, where many of the utilities which I think we tend to think are overvalued right now, over 25 percent of the outstanding is probably held by two passive index managers. So that, to us, is a good indication that money flow is probably a bigger



short-term driver. I would characterize it as something to watch. I would not say it drives our investment decision, but it's something we are cognizant of and aware of and do use as one more data input. I can't say though that it directly affects our investment decision. I'd like to think in the long run, though, it does create opportunities for us to the extent that we're aware of those.

MR. OEST: Good?

MR. BURKE: Yeah.

MR. OEST: Thank you, guys.

(A short break was had.)

MR. PARISE: Thank you for the opportunity to come in. As Doug may have told you, we're Northern Trust Asset Management. My name is Bob Parise. I'm the practice leader, the head of our Taft Hartley public funds business. With me today is Bob Bergson, who is a senior portfolio manager with our quantitative equity team. We're going to talk to you about our small cap value product. I think throughout our time today, we're going to do our best to tell our story and help you guys get back on time as best you can; but we're not going to forfeit telling the story to do that.

If you would for me, open the presentation and look at page 2. Everybody is probably familiar with the Northern Trust name. I think one of the things that people aren't as familiar with sometimes is that we manage $945 billion globally for our clients across the globe. There's a lot of benefits to that. As we approach that trillion dollar number, there's obviously a really distinct mindset that trillion dollars under management means to the industry. But it also provides resources for individuals like Bob to use in managing portfolios. So I just wanted to point that out. We're going to skip over slide 3 and head over right to slide 4 and you can hear from Bob.

MR. LATUDA: I'm happy to take any questions and there will be time at the end as well. But a brief introduction on myself. I've been with Northern Trust almost 20 years. I've been focused on small cap strategies since '99. The small cap value strategy we're talking about is managed by a group here on page 5, which is devoted to quantitative active strategies. And our strategies are similar in many ways; each market has its own specialties. But what we're trying to do is out perform the benchmark



and do it with the least possible risk. So it's very important to us that we take the right amount of risk for the amount of return that we're expecting.

The group you see here manages small cap as I'm focused on all together and some large cap strategies. As Bob pointed out, even though we're like a little boutique, we have all the resources of Northern Trust around us. We have traditional research, quantitative research. We have our trade investment, which is important in small cap, economic research, and, of course, all the other aspects of a large organization managing almost a trillion dollars.

So onto the philosophy and the actual strategy, pages 6 and 7. I'll start off by saying we come to managing the small as investors. What is it that we think in small cap value is important to be able to out perform in a consistent way and to do it with relatively little risk in a very cost effective way. Our investment thesis is pretty straight forward. We're looking for reasonably priced but profitable small company stocks. Equally as important, to avoid stocks that have signs of some sort of distress. So the two sides of it looking for



the opportunities as well really trying to identify those companies that have some quality issues that would make it suspect for further growth. So those two components are very important to us.

We also have to take into account in small caps that there are higher transaction cost. Less liquidity, higher transaction costs. So we need to make sure that all the processes before the construction, the way we run out of stock selection models are really sensitive to those transaction costs in small cap space.

We also have to be somewhat suspect about the data that's available in the small cap market. Unlike SNP 500 stock where every institutional portfolio in the world holds it, we use U.S. small cap stops. There's much fewer eyes on the data. So we've developed a strategy that is a pretty straightforward basic accounting of relationships to identify the stocks we want to buy and, as I'll repeat a couple more times, the stocks we don't really want to buy.

The models that we use are on page 7. There are two models. We run the models on a quarterly basis. We wait for the new information to



come to the market and we run it against our own universe of small cap stocks and make our determination of value from that propriety universe. It tends to be similar to our benchmark, the Russel 2000 value, but we are limited to the companies within that pension fund.

The two models we use are shown on page 7. The first three columns you see here -- valuation, momentum, profitability -- in each case, we're looking for stocks that are reasonably priced; so we're looking for valuation. Relative to other stocks within our small cap value universe, does this stock have the right stock characteristic valuation? What we find is valuation, if it's something too good to be true or too bad to be true, it usually is. We want to avoid those extreme valuations and we also want to make sure we're not in a sense backing into unintended exposures, including very small steps. As you get smaller, you also tend to look for more like value stocks. So we put into this stock selection model as a way to help us avoid fooling ourselves on valuation.

Momentum, again, going back to -- in a way avoiding the words, we're trying to avoid those stocks that have the lowest momentum score. We do that because what we found is the prices move a whole lot faster than the underlying data. So if we don't back up a little to make sure that we have the right data at the right price, we can, again, fool ourselves into stocks that look like value but are really not.

Finally, earnings. We want profitability. What we find is that companies that were both profitable in the past and have some forecast for profitability tend to do better. In each case, all of these scores are run for each company in our universe and we make sure that we're not comparing different sectors to each other. So these are all rescored in each sector so we end up with a buy, hold, or sell recommendation. The top 30 percent then in our ranks become buys, the bottom 30 percent on our sells become sells -- the ranks become sells. In the middle, there's a hold. Do we go back to -- do we want to slow down, make sure we're not having to trade more than we need to. So that's the first model.

The second model, we look only, only to find the lowest quality stocks and avoid them.



Within this model, there are three types of factors, earnings, liquidity or we can look at it as a balance sheet analysis, as well efficiencies or margins; a greater need to go to outside sources to fund their balance sheet and have low earnings quality or low cash rates within their earnings. We say we're looking for those that have those negative characteristics because when we find them, we flag them and we can't buy them. It's basically a negative indicator only. We put it all together, such that on page 8, what we're really trying to do is exactly as we discussed, group them into very broad categories; buy, hold, and sell. Avoid anything that has a rank that's low quality. And then around that, we build a portfolio in a very cost effective way.

I'll only speak briefly about the transaction strategy. The idea is, first of all, be widely diversified. So we'll hold between had 4- and 600 securities, which gives us sort of a great advantage because we can buy a lot of little pieces of a lot of stocks. We don't have to buy one stock at one time and hope that the other side of the market is there waiting for us. We can actually be



quite patient and when we need to trade, we can trade, again, a lot of little positions across a wide range of stocks; and we can do it in a way such that the market comes to us. So if we don't have to buy a particular stock at a particular time, we can put a limit on the stock and the other side will usually be less patient than we are. The only way we can do that is we're buying a lot of stocks at a single time; we hold them a long time so we don't have to trade a whole lot; and we look at the turnover, just how much the portfolio trades each year, it tends to be between 20 and 30 percent depending on the conditions of the market. Again, it's trying to be long range, hold the stock a long time, and try to keep that focus on minimizing the transaction as best as we can.

The results tend to be -- I'll take you over to page 12 and 13 -- is that, again, we have a preference to take less risk and try to maximize the return to the amount of the risk we're taking. So on page 12, you see our objectives and something called an information ratio, which is simply a measure of how much return we get for the amount of risk we take. When we look at this strategy relative to our



peers on page 13, what we find is that we tend to have very high rank of that return risk. That's something that's very important to us, not just in this strategy, but in all of our strategies. In fact, it's important enough that part of my compensation is based on being able to manage that risk. So if I had a really great year and beat the index by a thousand -- or 10 percent, but if I took too much risk, it doesn't help my personally. Culturally, we're really -- are we taking the right amount of risk for the level of return we get? And so, again, long term, we find that when we look -- here, the tracking. How much risk are we taking relative to benchmark? That 99 over ten years means that we're at the low end of our competitors in terms of the amount of risk we take, while we tend to be above average in terms of the return we get. We know we're not going to be getting the home runs and doing 10 percent outperformance in a year. But the idea is very steady excess outperformance, being able to beat the index in a consistent way.

If you look at pages 14 and 15 but also 16, this is a chart I like. This simply tracks through the years, over a three-year basis on each quarter,

53

how much we're ahead of our benchmark in each quarter. Since 2005, we've never had a three-year period in which we've trailed that benchmark. So, often, that's something our clients appreciate because not only are we consistent in terms of sort of the performance, but we do this without taking a whole lot of risk and we don't switch between value under oath or small and mid cap. We're very focused on small cap value. With a small cap value manager, you know from one quarter to the next, you know what that's going to be. We work hard at it and hopefully the results will speak for them selves.

I went pretty quickly, but I'm happy to take some questions.

MR. NIEMBURG: On the excess returns, it looks like every three or four years, there's a speed bump. Can you give us insights as to what happens? How do you turn it around? How do you prevent it? I know it's going to happen from time to time.

MR. BERGSON: Well, there is sort of a cyclicality in some of the securities, particularly when you look at our quality buys. So we know that from time to time, the lower quality stocks will start to outperform just because it becomes so

54

discounted in nature; so when we look at years like 2009 for example, which was the sort of rebound from this very sharp financial sell off. It's tempting to be able to say, Oh, it's every three years; and we just turn the model upside down and buy the stuff we otherwise wouldn't want to buy. What we found, though, is that it's very tough to make a prediction. So if we did it on the third year last year, we would have lost out on a pretty good year. The idea is long term. If you think about holding periods, which tend to be four or five years long, and really trying to minimize the transaction costs associated with going back and forth between styles, what we found is long-term tends to be safer, less risky. And, ultimately, we get to a higher point by staying true to this quality.

MR. PARISE: So another way to look at it is with the quality basis, when quality is out of favor, we will underperform.

MR. NIEMBURG: You don't have a bargain hunter strategy?

MR. PARISE: Not in this strategy. Other strategies. But we're disciplined to the approach of keeping quality momentum looking for that distress

55

signal. So when you hear that quality small cap stocks or quality stocks in general are underperforming in the marketplace, we will underperform. We know that. We will communicate that to you. At the end of the day, we're not going to change our strategies and biases and our philosophies to chase the market. So it's a positive discipline.

MR. BERGSON: So 2008, 2009 a great example. 2008 we outperformed by 6 percent. 2009 it was less than 2 percent. I take that trade off if I could do it every two years.

MR. PARISE: Is there another question, sir?

MR. SIDLER: Your market cap size goes from 50 million to the Russel 2000 index. So generally on the upper end, 4 billionish?

MR. BERGSON: It depends. Right now because the way some of these things run, there's security in the Russel 2000 that's 10 billion. When we rearranged our own universe, it tends to be pretty close. I think 4 billion as more recently tends to be about right. Probably a little bit higher on this last year, just given the way this month and value stocks have gone up.

56

MR. SIDLER: So, generally, your media market caps will be larger than the index?

MR. BERGSON: Yes. And that's as much because we pulled fewer of the microcaps.

MR. NIEMBURG: Do you have a sector weighting strategy or is it just it's chosen by the picker quality model?

MR. BERGSON: Excellent observation. We have a target of plus or minus 2 percent relative to the benchmark sector, but it is a residual. We don't have a review of the sectors. So we're always going to be in all the sectors that the benchmark has and to some extent, it's a residual; but we keep it tight enough that it typically isn't an issue. Long term, we don't get much from the sector selection. It's from stock selection.

MR. SIDLER: Bob, was the model creation present when you joined back in '97 or has it been something that you started with and looks a lot different today?

MR. BERGSON: It's something I put together when I started on this strategy specifically in 2001. So we've been managing to this current strategy since 2001 when I got started. So that's sort of my baby.

MR. NIEMBURG: I'll ask this question again. I asked it the last time and it made me sound smart. How do you keep track on the impact of past investments and holdings?

MR. BERGSON: Well, from our point of view, we've always sort of appreciated the role that passive investors have. To the extent that we're really trying to take some of these more nuanced views on the securities, we understand how the passive flows help. So, for example, one a year, our benchmark rebalances. There might be 30 percent turnover that happens on the close of this particular day. But because of the way we've looked at it, we've understood the passive investing, we can take advantage of that flow. So the same way on an every day trade, we'll sort of wait for the other side to come to us. It's a perfect effect example. We'll put -- Because we're flexible in terms of what we buy, we'll put limits on the trades and often we'll get -- I shouldn't say dumb money, but they have to trade at a particular time and we don't. There are times we can actually make money off that. Because we trade so patiently in general, from our point of view, there are advantages in doing it the way we are



and perhaps taking advantage somewhat of the asset flows we know somewhat come up.

MR. SIDLER: Would it be safe to say that if you have a range of 400 to 600 names, if you are feeling a little bit more barish than you normally would, the names will increase or will you play cash also as a defensive --

MR. BERGSON: Yeah. We don't use cash. We're fully equitized. What we will do is when we want to lower risk, so when we think we're going into periods where our strategy might do less well, low quality rally, we'll tend to hold more names. When we have more evidence that our strategy might be doing -- might have better chance, more opportunities, we'll hold fewer names. We'll tend to be within that 4- to 600 security range.

MR. SIDLER: Thank you. And the fee on the mutual fund is ...

MR. BERGSON: 108 for the mutual fund?

MR. SIDLER: Did I hear --

MR. BERGSON: 1 percent. Yeah.

MR. OEST: Any other questions?

PRESIDENT LICHAMER: I don't. No.

MR. BERGSON: Thank you.



MR. PARISE: Thank you.

(A short break was had.)

MR. DAVIS: I'm Todd Davis with Ziegler Capital Management. My colleague is Dan Skubiz. Dan is our chief investment officer of our small cap core products. So if we're successful in earning your business, you'll see Dan and I hopefully going forward.

Our book goes through the firm, kind of who we are. Our firm is a Chicago based firm and I live about ten minutes away. It's always nice to be local. He lives in Palos, so he's southwest. I mean, from a local standpoint, I help oversee our Illinois police and fire business. So I'm very familiar with the environment we're working in, but I also want to bring that local Midwestern client service.

The firm is Ziegler Capital Management. $10.7 billion firm. 83 people. I like our size in the sense we're big enough to have lots of resources and people back in the office, but small enough to where we know our clients very, very well. Our process driven firm, very consistent results. One of the things you'll see, I know you've gone through



some volatility in your past manager looking on your website. Our process is very, very detailed, very strong, but also very consistent. So when you see our results in the back, you'll see Dan and his team did a good job not only managing performance, but also managing risk. You'll see on the right-hand side of the page here a lot of detail on products. The biggest thing I think for you looking at our small cap products, we're a very diverse firm revenue-wise. So if we ever go through another 2008, and I don't ever want to do that, we're a stable firm when it's all said and done.

Page 2 is our org chart. The biggest takeaway is for Dan and I, it's our job to manage money, go see clients, don't worry about minding books. So from a research standpoint here, our CEO, Scott Roberts, gives a lot of tools to be very successful.

If you look down on the bottom left-hand side of the page, it's your MVP group. Dan and a colleague of his lead that team, seven people based in St. Louis managing money. Our small cap product that we're talking to you about today is our most successful product. We run about $685 million today between assets under advisement and assets under management. We are managing about 285 million a year. So this is a product we're seeing tremendous success in, tremendous results and a lot of business growth.

Client rosters on page 3. I apologize for the .2 font. Hopefully you take that as a sign of success. Our public fund listing is on the upper left-hand side of the page. We work with seven Illinois police and fire funds. We take a lot of interest in our products across the board.

You see on the right-hand side of the page senior living. Those are very important to our firm in the sense that enhanced cash short-term and that sort of thing. So a lot of stability, again, for our organization. But, again, a very, very diverse client roster. Again, hopefully you can take the small font as a sign of success. That's pretty much it on the firm, unless you guys have any questions. I'll hand it over to Dan and he'll dive into how we handle money.

MR. SKUBIZ: Thanks. I'll focus really on our philosophy and how we manage strategies, as well as the overall process and just so you have a sense for



how we put it together and how we run it through time. Overall, on page 4 it just kind of talks about some of the bullet points in terms of our philosophy. Really, it comes down to we are bottom-up stock selection, very analyst driven. So we have a very experienced analyst staff who has been through the cycles working constantly to identify new ideas as well as maintaining the ones we have.

Part of the process that we use from a discipline prospective is cash flow return on investment approach. We find cash is a much cleaner accounting than earnings, and we find a much greater connection between cash return and stock returns. So what we're trying to evaluate is really corporate performance and by evaluating how companies are managing their business, what those key drivers are that they -- what levers they have to pull. So it allows us to kind of put ourselves in the seat of the CEO, CFO, really understand how they're driving value in the business. We can look over historically how they've done that and we can also, through our own work on the fundamental side, really identify what we anticipate they're going to be able to do going forward.



What we tend to do on the names is do a five-year forecast for cash flow return on investment. Understanding, you know, we're probably not going to be right on your four and five exactly; but what we're trying to really understand is what the opportunities are for the companies to drive value, how we view that going forward and then we can also stress test those assumptions. So what if we're being too aggressive with our assumptions or what if we're being too conservative? What are the range of outcomes we can potentially expect from those companies? And it gives us a better understanding of that risk reward within the investment time horizon.

Overall, that enables us to kind of build out what we see as the current value or the intrinsic value of the firm and then we're, of course, looking for firms that are trading at a discount to that intrinsic value. Again, the last point goes into the discipline investment process. I'm going to talk about that in a couple pages, but I think that's another really big part of our success historically.

The next page goes through our team. Like Todd said, we're based in St. Louis. We have six members of the -- working on our small cap team. He



had mentioned we have about 685 million or so in assets. That's in both -- we have small cap core as well as a small cap growth product; growth a subset of core. So when we kind of talk about assets, we talk about combined assets. We have about 65 million in growth and the balance is in core.

Overall, you can see from an experience standpoint, a heavily experienced team. Greg Glidden and I co-manage the product. Greg, Gary, and Danette have been together since the late 80s, early 90s. The team has been together for a long time. John Price, actually, just joined the team in October as we've been able to increase the size of the assets, Ziegler reinvested in the team. John came to us with a lot of experience covering consumer -- He's doing some work getting up to speed on healthcare right now. He has portfolio experience as well. We thought it was a great opportunity to kind elongate our bench and add a lot of great qualities to the team.

The next page is kind of that filter that I'm sure you see in pretty much every presentation. I always find it important just from your perspective to be able to understand how we get from essentially all the stocks down in the market down to what's in the portfolio. So we are starting out with the Russel 2000. As you saw in the previous page, we breakdown all the sectors to each individual analyst so they have separate responsibilities. We get into valuation analysis that I talked about on the cash flow return on investment approach to identify names trading at a discount to their intrinsic value.

Then we get into step three of portfolio instruction. We'll own about 75-85 names. We're typically around 80. For simple math, 80 stocks, that's on average about -- position size is about one and a quarter percent. So we'll look at initiating on names at about 75 to a hundred basis points and look to increase those as they get seasoned. Once a name gets above 2 percent, we look to de-risk. We don't sell it -- You know, we don't cut it back as soon as it gets to 2, but right as it gets over 2, we'll trim it back just to make sure we don't get too far over our skis in terms of position size. We've kind of been doing this long enough that we understand that stocks don't go up in a linear fashion. That's even more true in small caps that even the best stocks have going to periods of time



they don't perform their best. So we try to diversify out and not take as much of that position-sized risk. But from there, from a risk controlled standpoint, we kind of always say risk control starts with the analyst. But going beyond that, we have the position sizing and we also look from a sector weighing prospect. So our limits are plus or minus 10 percent of the benchmark for sector weights. But we're typically plus or minus 5 percent, so we're not taking big sector bets. We just don't feel like that's something that we do well. We're focused on kind of a bottom-up stock selection.

Beyond that, on a cash perspective, our limit is 5 percent, but we're typically 3 percent. We try to be a little less than 3 percent cash. Again, we're not market timers. Our clients hire us to provide small cash exposure, so we want to make sure we provide that. Even to that end from a market cap perspective within the portfolio, we won't buy anything that's larger than 4.2 billion in market cap. That gives us 20 percent upside to 5 billion. At 5 billion, the name becomes a source of cash. So as new names come into the portfolio, we'll sell



those names above 5 million. That helps, again, if we're trying to be hired to be small cap manager. We're not being hired to be a smid or a mid cap manager. We're going to make sure we own small cap stocks. So we have that limit on that.

Also within the portfolio, we have -- from a portfolio perspective, weight average market cap, we try to stay within 15 percent of the Russel 2000. So we're not getting too far out one way or another in terms of risk exposure relative to the Russel 2000. That was kind of a handful. I can go on or if you have any questions.

The next few pages really just go into a little more detail about each of those areas. I probably won't spend a whole lot of time, so certainly if you have any questions or want me to go into anymore detail, I will happily do it.

Page 7 just gets into kind of how we're identifying ideas. It really all comes from the analyst. It's very analyst driven. On the right side, you kind of see some of the things we're focused on from a fundamentalist prospective.

One of the things I'll mention just from an accounting quality piece is we're very balance-sheet



oriented. We don't like bad balance sheets. So what we've found is when you get some of these names, especially small cap names that get heavily levered, when you do have the periods in the market whether it's something the company does or something happens in the market, those companies with bad balance sheets suffer tremendously. We make sure that the companies we own have good balance sheets. It's very important to us.

The next page, just kind of getting into that valuation analysis. Again, you know, we talked a little bit on the price discovery in terms of really evaluating what the current fair value is of the stocks and making sure that we target the good total return potential out of those.

On the right side, we have this thing called relative metric identification. This is really just saying we do look at the traditional methods of valuation just to look for any kind of inconsistencies we may have in our model to make sure we're not doing anything wrong and if there are differences that we can really explain what those differences are in terms of identifying any kind of discrepancy in the market place.

The next page is kind of going through what we see as the key drivers for kind of wealth creation within the companies. It's really kind of here to show you that we do what we say we do. From a portfolio perspective, we're able to identify companies that as a whole trade a little bit higher; top line growth, earning higher margins off of those revenues, turning their assets at a higher rate and generating a higher cash flow return out investment. To which, they can invest a greater amount of investment growth back into the business to continue to drive those returns. That's really the formula we're looking for as we evaluate companies as we put the portfolio together.

Portfolio construction, I talked a lot about this on the previous page; but a couple things I'll mention here. On the macro review, we get together once a week as a team on Wednesday afternoons just to go from really a higher level view of each analyst's sector. We understand things that happen in one sector can have an impact on other sectors. So we want to make sure the analysts are -- kind of take worldly view in terms of the market. So it's a good chance to get together and kind of talk



about what's going on in our areas and, you know, better understand how those can have impacts on the other sectors.

You can kind of see the outlines of the sell discipline on the right side. One of the things I'll mention from a turnover perspective, we tend to be, and we kind of say we target to be 40 and 60 percent turnover. The past five years, we've been kind of on the lower end of that; I think around 45 percent turnover. The last two years have been what I would say are abnormally low, a little bit below 30 percent turnover.

For us, the perfect situation is being able to buy those stocks at a smaller size and, you know, have to tell them when they get above 5 billion. We're really patient with the names. We do our work in terms of evaluating the companies and go in and really monitor them through time.

Jump to page 12 on the characteristics page. You can kind of see the weight average market cap that I mentioned previously. You can see the sector weights on the right side. You know, a lot of people ask us what environments do we tend to do well in and which ones do we not? You can kind of see on



the yield that we do have a lower yield than the market. We don't invest in companies from a yield perspective. We just believe that if you're -- when you're involved in small caps, you're trying to get access to smaller companies that have a little bit better growth profile than larger cap stocks. So when we invest in names, we're looking for companies that are able to kind of hopefully grow internally and have that investment growth I talked about earlier, being able to invest back into the business. So for that reason, we tend to be underweight in real estate and then too to some extent on the financial side and then utilities.

Beyond that, because of the balance sheet aspect that we take, we've tended to be just in the material section -- we haven't been necessarily underweight, but that was certainly a headwind for us last year when you saw a lot of those bad balance sheet stocks within metals and mining and the kind of commodity chemical company. So when you have some of these lower quality moves that you occasionally see in the market, those would tend to be headwinds for us.

On the other side, really, those go-go



growth markets. Because we're focused more on the quality, we tend to be underweight. Biotech, mostly because you have a very binary nature of small cap biotechs of their business and a lot of those names don't generate cash; so it's really difficult for us to handicap those names. So in those go-go growth environments, biotech is a traditionally an area that does very well and that would tend to be a headwind for us in that type of environment.

If you go to the next page, the other thing that people tend to ask as core managers is do you tend to lean a little more value or do you lean a little more growth. What we've tried to show here is, you know, over the last five years when you look by month when value has been in favor versus growth in favor, we've been able to do pretty well in either environment. I think if you go back to the page with the different numbers on there with the cash flow return out investment, revenue growth margins, et cetera, I think what you get from that is, you know, we're able to identify names that have -- on average, not every name, but on average generate a little bit better growth profile. But because we're evaluating names based on where they trade relative to their actual valuation, we can kind of get that nice balance between getting a little more growth but names trading below where they should be trading. I think that's important in terms of identifying where we stand as a core manager.

The next page gets into historical performance. You can see one through five to ten year and since inception. I'll point out last year we were down about 200 basis points. So that was actually the first year since '09 -- or since 2008 that we underperformed. A lot of that was materials, again was a headwind for us. Financials was a bit of headwind. The biggest was really on the tech side. I wish I had a great answer. It was just stock selection on tech. The previous year, we had out performed on tech by over 300 basis points, 3 percent. Last year we were down close to 2. You know, that happens. The names don't all work every year. But from last year, that was what we faced. But I think over the long term, the track record has been pretty solid.

The next page gets into the actual peer ranking. I'm going to point out this is still from September because where we get the peer ranking,



they're not finalized I think for another week or so. But you can see where we stand from a peer ranking standpoint perspective on the various time periods.

The next page gets into our quarterly performance going back since really the inception of these numbers. And I think you can kind of see a lot of stability in those numbers, not a whole lot of volatility. So you can kind of go through quarter by quarter and look at how high those are taken out.

And then the last page is simply our disclosures page, which kind of goes through the overall strategy historically.

So with that, I'm happy to take any questions that you might have.

MR. SIDLER: In terms of -- By the way, too, on performance, don't beat yourself up too much. As you guys well know, your three-year numbers are right in line with everything we're looking at. Five, seven, and ten are very solid. You guys have done very well over the long-term. So congratulations.

MR. DAVIS: I'll also point out, it's always interesting it depends on when they stop the clock, right? We were about flat at the beginning of September and biotech took off in September, so that



was a headwind for us. But it's -- you know, I think that's, again, why you kind of look at the long term and, of course, what you guys are doing in terms of looking, understanding the process and making sure that's a process you can live with.

MR. SIDLER: Just maybe a quick question for the board. You're part of a bigger group at Ziegler. Keeping your team there, keeping everybody together, can you give a little bit about the ownership structure in terms of -- or employment contracts for your groups so there's a comfort level, everybody is there and they're happy, they're going to stay there.

MR. DAVIS: Yeah. I mean, I guess I'll point out, again, three of the six have been together since the end of -- late '80s, early '90s. So they've been together for a long time. I think I've been six and a half years with the group. Matt Nahorski joined us, who runs tech for us, in 2012. He came -- You know, we're owned by Ziegler, a wholly owned subsidiary, Stifel Financial. He was on the Stifel sell side technology team, so he came to us with a lot of tech experience. All of us have firm roots in St. Louis. John Prize is the -- he just joined us from a firm in Louisville. So they're excited about



moving up to St. Louis.

Overall, a lot of firm roots within St. Louis. We have a product that's growing quite a bit. So that's certainly a lot of excitement there. Really, if terms of Ziegler and, you know, compensation, it's kind of the traditional salary bonus structure with a bonus pool determinant by assets under management. So obviously the greater the assets, the bigger the pool.

MR. SIDLER: Employment contracts in place?

MR. DAVIS: We don't have employment contracts. We never -- So we joined -- our team joined Ziegler in 2014. We didn't have them previous. We just haven't really felt the need for them.

MR. SIDLER: No easy answer. Some want it, some don't.

MR. SKUBIZ: It's personal preference I think. I think we've built up a good team and a lot of the longevity prove some of that out and when you have the assets doing what they have. I think we're a pretty close-knit team.

MR. SIDLER: Is it typically when you guys get barish, will you see more towards 85 names? Will the names increase if you -- obviously you indicated as a

77

risk control, you do 3 percent cash; you're not going to go on a timing standpoint. Is it safe to say in periods where you have a bit of a more negative take on the market names increase in the portfolio?

MR. SKUBIZ: I wouldn't say that. I would put it at we target 80 names. Then we have -- We have 78 names currently. No real reason. We had a couple names that were acquired and so we sold and liked some names that we owned. We recycled the money back into the portfolio. We don't really do a lot of targeting name size based on what has happened in the market. We're focused on the companies that we own, that bottom-up approach and we just kind of target -- try to be around that 80 name portfolio.

MR. NIEMBURG: With small cap, sometimes there's not as much data or transparency on the performance. How do you stay close to your holdings and/or working?

MR. SKUBIZ: I think with a lot of the names we have, we have pretty good data from them. Certainly, all the analysts have opportunities to meet with management. We don't require meetings with management. Sometimes if you have too many meetings with management, you start getting your judgment a

78

little clouded because you get to know them and sometimes it's nice to have a little bit of an arm's length and really being able to go take some of that bias out. I think the cash flow return on investment approach that we have is a very important part of our process because I think that that really helps us anchor to focusing what's going on with the company. It's all right there. You can really see companies that are driving value within the business and it's very clear companies that are destroying value. And you see that quite a business, especially, you know, companies when they're investing back in the business and their returns are going down. A lot of times, that comes from acquisitions. They'll make these acquisitions and they either won't run them well or they weren't a good acquisition to begin with and you can just see those returns start to move down. So that makes it a little bit easier for us to avoid a lot of those names. So we're looking for companies that have proven that they can manage the business and drive higher returns and whether they're getting that from sales growth or margin growth or their asset turns, it doesn't matter. Those are different levers that they have to pull. So we just want to

79

make sure they're pulling the right levers.

MR. NIEMBURG: Can you give us a little more insight into some of the impacts of 2016, what missed and didn't work out?

MR. SKUBIZ: I mean, I think -- Like on a name-by-name basis? I think from the tech prospective, a lot of it was in software. Tech is one of those areas where it can be more volatile than a lot of other sectors even in the large cap space. So when we look at it in a small cap, we own quite a number of names in tech because we don't want to put too much of our eggs in one basset even from an individual name prospective because anything can happen with those names. I think, you know, for us -- You know, I've even looked at this and tried to really get a feel for what went wrong and I'd like to say there was a great -- it would be a much easier story to tell if I can -- I could talk to you about materials. I think that was pretty straightforward that it was the bad balance sheet names, had huge runs, and we weren't in those names. That's easy.

In tech, it was just names here and there and a lot of it was in software and some of the names there. We do have a bigger overweight in

80

semi-conductor stocks because we see -- it's a lot of the more -- and it's based on end markets where semi-stocks have traditionally been pretty cyclical, but we're starting to see some secular gross stories in end markets like autos and medical equipment and machinery. So we've been in some of those higher quality names. But, you know, it really just came down to some of the names that we had, some that worked last year and some that just had a problem this year. It didn't work and we just didn't have the names on the other side to balance it out.

MR. SIDLER: On the market cap size, you said 4.2 billion and then 5 billion is your limit to liquidate on the low end. What's the smallest market cap that you own?

MR. SKUBIZ: Usually it's more on the volume side, but I would say we probably won't go below 200 million.

PRESIDENT LICHAMER: Somebody on your team is watching the holdings on a consistent basis?

MR. SKUBIZ: Sure. Greg and I as co-managers are watching those on a consistent basis, every day. Again, we have these meetings every Wednesday that we have, more top-down; but we also talk about

performance and if there's any issues within any portfolio in terms of the names we have.
MR. SIDLER: And the final move for a name to go into a portfolio, is it an agreement of the group? Is it just your call?
MR. SKUBIZ: Yeah. Good question. So Greg and I as co-managers -- It's kind of an informal process. When the analysts are looking at names, they typically come to us and say, Hey, there's a couple of names we're looking at, just to kind of get it on our radar screen so we can at least have some knowledge of the names. And as they continue to do the work when they want to normally recommend purchasing it, they'll come talk to us. We do like a one-page write up just looking at what the company does, what the macro risks are with the name, what's the opportunities, and why would we sell the name. Every name we put in there, we had the analysts say, Why would we sell that name, just to anticipate and understand the full cycle of that stock and that investment. So we'll provide -- we basically challenge the analysts' assumptions sometimes before -- even when they bring the names to us, try and understand why -- what's the value there,



concerns that we might have. And it helps them so that they know what they're going to need to overcome in order to get the name in. Once they come to us, it's a decision on, you know, do we want to put that in a portfolio and, if so, what kind of position sizing do you want?
We're also very focused on short interest. We want to understand how many people are shorting the name. We found that above a certain level, there's people out there that really believe the name is not going to go up. So not that we won't own names that have a higher short interest, but if we do, we're going it adjust the position size accordingly. So we have one name now that has been kind of beaten up by a lot of the shorts. They've been in it for a while and we I think only have a 60 or 70 basis point position because our analysts really like the story but we're cautious of the short interest. The name has gone up probably 40 percent the past quarter or so and it has done really well versus the shorts. But that's just an example of -- You know, we understand there's risk and we're going to adjust to them accordingly.
MR. SIDLER: So you and Greg at the end, it's



you two that have to come to an agreement and it's the analysts that make the pitch.
MR. SKUBIZ: That's right.
MR. OEST: Any other questions?
MR. DAVIS: Thank you all for having us in. I told Dan before, it's always flattering to be invited in to talk to you about a product. It's more flattering to be invited back for your first review. So hopefully we would have convinced you of that. Dan and I will be your team going forward if we're successful today. I live close, so I'm able to stop by a lot and everything. Again, thank you.
MR. SIDLER: Fee on the product?
MR. DAVIS: Our standard fee is 100 basis points on the first 10 million, 90 on the balance. You're close. I'm not getting on an airplane, et cetera. So we'd get it down to 90 for sure. There's probably more room beyond that too.
MR. SIDLER: Okay.
MR. DAVIS: I want to make it work.
PRESIDENT LICHAMER: Thank you.
(A short break was had.)
MS. BUTTNY: Who do you choose?
MR. SIDLER: Three good companies that came in



with three-year numbers pretty close. Standard deviation on three pretty close, five-year, seven-year, ten-year differentiate a little bit between companies. Three good names. Three good groups.
MR. OEST: We have client assets with all of them. Our research is comfortable with all of them. I mean, you can get the sense for the difference of style. SouthernSun is super concentrated. All these guys are very diversified. That was the communication that we kind of felt. Lower the standard deviation of returns.
Again, Ziegler is core. So if you want to go with Ziegler, we'd probably have to change the asset allocation because it's going to tilt you a little bit more growth than what we currently are. The other two are two value. So when you return -- If you look, Ziegler, 19 percent. SouthernSun tends to be a little bit more of a core manager too. But don't look at Ziegler and go, 19 and Kennedy is up 31. Ziegler manages to a different benchmark. That's the difference there.
MR. SIDLER: 15, Kennedy was negative, Northern was negative.

85

MR. OEST: Both -- They both outperform by a pretty healthy margin relative to their benchmark for 2000 value. Core outperformed value in '15, but Ziegler even -- they outperformed the core benchmark too by a pretty healthy margin.

So, again, you know, three high quality. I don't think you can really wrong with any of these. I think if you want to go with something with tight tracking relative to benchmark, Northern Trust is a perfect fit for it. They protect in the down markets. They participate almost fully in the up markets. Good strategy, mutual fund, hundred basis points.

Kennedy will probably be a little bit more in terms of up-capture and a little bit less in terms of down-capture; but, overall, still very well diversified. You heard them in terms of the number of holdings and the true value with that cash flow focus.

Ziegler has a cash flow focus too, but as core manager. Ziegler is the most concentrated out of everyone, around 80 stocks. But, again, that's still much more diversified with your existing manager.

86

MR. SIDLER: We didn't get Kennedy -- We have Northern at one; Ziegler at 90 or some room; and Kennedy, are they hard and fast at one or --

MR. OEST: We can always ask. I've had them in meetings before where they kept it at one. Their thought is they're out doing a lot of work for it and have a good track record of outperforming net of that fee.

MR. SIDLER: The size that we're bringing --

MR. OEST: Yeah, we can certainly ask them. We've had them in searches that are much, much larger and they've said no. But it's always worth it to ask.

Any thoughts? Anybody you heard and said absolutely not?

PRESIDENT LICHAMER: No.

MR. NIEMBURG: No. Are we taking your last comment as a recommendation for Northern Trust?

MR. OEST: I can certainly -- I think based on right now, unless we change the asset allocation, I would do a value manager. If we go with Ziegler --

MR. NIEMBURG: Why do we have to change the asset allocation?

MR. OEST: You already have a growth position, a

87

Russel 1000 growth in the portfolio and its balanced out to a certain extent by the value position of small cap.

MR. NIEMBURG: Is that a State mandate?

MR. OEST: No. There's no State mandate. We just like to style a little bit more style mutual.

MR. SIDLER: What would you propose then if we went the route --

MR. OEST: If you went core, you'd want to take off the 1,000 growth index and look to get a little bit more straight.

MR. NIEMBURG: What if we feel bullish and we want to load on?

MR. OEST: We tend to not make style bets like that.

MR. NIEMBURG: You guys don't let us have any fun.

MR. OEST: It's pretty difficult to make those calls correctly. I think if you were to do that, we'd want to take off your 1000 growth. That would also take away your mid cap exposure, so we'd recommend then putting some mid cap into the portfolio as well.

MR. NIEMBURG: That's if we go with Ziegler?

88

MR. OEST: Ziegler.

MR. NIEMBURG: Because they're growth.

MR. OEST: They're not growth, but they're a core manager -- they don't really tilt one way or another. It just would -- The whole equity portfolio as a whole would shift more growth if you didn't do anything about it.

MR. SIDLER: So we have the Vanguard growth index, the Vanguard institution index, and then SouthernSun. So the Vanguard growth, we've got classified as a large cap growth index and not looking at the concentration within that growth index. You're just saying we'd have some crossover versus core on the small cap side of the index.

MR. OEST: The 1,000 growth is going to be have the large cap and it has mid cap in it. So it gives you that exposure. The thing is, without any true value in the portfolio then, you're going to just basically tilt the portfolio growth.

I think all of them are great. If you are most concerned about staying close to the benchmark, Northern is probably the best one. They're going to look the most like the benchmark with the least amount of errors, standard deviation, tracking error,

89

et cetera from the benchmark, if you -- that's kind of the important thing.

The two other managers are the typical fundamental managers. So they're making stock picks. Some of those stock picks will be wrong, maybe you come up with those types of things. The difference between it is these guys have 80 to 150 names. So when the misses happen, it's a much smaller --

PRESIDENT LICHAMER: What was SouthernSun running?

MR. OEST: 25.

MR. SIDLER: 25. Very concentrated. Anything we're looking at is double. For an observation, for what it's wroth, I see exactly what you're saying. From a comfort zone, Northern Trust is going to be right at the index. I would say for a 1 percent fee, we'll go by index. It's not exactly an index, and they've got screens in there that were built that are against that. But with 4- to 600 names at 520, they are going to be very close to the index on either side trying to alpha on it. If that's what we think we want, we can look at that, but we can also probably say maybe we might be able to do that at a lower fee if we just want the index.

90

MR. OEST: You could. I will say in Northern's credit, they've out performed by 200 plus basis points net of fees. So it's not like buying the index. They're screened for that at some alpha over time. You're right. With Northern, you're not going to get a year where you're outperforming by 10 percent. Bob said that. It's not within the strategy.

You look at SouthernSun's return, we all know the last three years, but prior to that, there were years where they'd out perform by 20 percent. That's not possible with Northern Trust. The way they conduct this portfolio, it won't happen.

MR. SIDLER: Safe to say with any of these, even if --

MR. OEST: 2009, Kennedy outperformed by 20 percent. Ziegler, they outperformed by a pretty significant amount in 2009. Those two managers, while they are well diversified, there will be points in time where they significantly outperform. There is that potential for underperformance. It's in their track record, they just haven't experienced it yet.

That's the one thing I want to make sure

91

everybody is aware of. The fundamental manager, no matter how many holdings, no matter what you do, in the nature of that, there is that potential for underperformance. The way that Northern constructs that product, they'll underperform, but there's a band at which that underperformance will hit.

MR. SIDLER: Safe to say we have to look at anything and say, Hey, let's look at this over a three-year period to say if somebody comes in and we hire them and the first quarter they're under, we can't -- we have to sort of look at this and ...

PRESIDENT LICHAMER: It just felt like Northern Trust, with that many -- 400 to 600 holdings, it just sounds like they just put it into a computer and whatever spits out.

MR. OEST: It's a quantitative model. Yeah.

PRESIDENT LICHAMER: That's what they -- Nobody sits there and pays attention to it.

MR. OEST: They're looking at it all the time.

PRESIDENT LICHAMER: How do you look at 600 stocks? You know what I'm saying? It's when the computer hits something.

MR. OEST: Yeah. That's the nature of the quantitative model. Trust me, there are people

92

looking at it. But you're right. The difference there is fundamental, they're all doing these same screens, but then they're doing this fundamental analysis where they'll talk to the management teams and things like that. Northern is a quantitative strategy.

So if it's something where they want to be closer the index, I think Northern. From an active side of things, if they want to have that potential for that bigger upside, Kennedy and Ziegler is the way to go. With Ziegler, again, we have to make some more S allocation changes. With Kennedy, it's a true value manager. You can just slide them into your existing portfolio.

PRESIDENT LICHAMER: Dennis? You're awfully quiet. I know he's tired.

MR. BURKE: I'm kind of leaning toward Northern Trust. I think it's a good pick for us. I think it keeps us where we need to be. It's going to make money every year. I don't see where it will have downside like SouthernSun. I liked all three of them; but I think for our portfolio, I think Northern Trust is the better choice.

MR. NIEMBURG: It's safer. We would be leaving

93

some return on the table based on past performance. It sounds like it's an insurance policy.
MR. OEST: It depends on the market. They have had the better down market capture, but they have also historically captured most of the upside. You know, really, if quality is out of favor, they'll suffer more and the other guys will pick up more. 2009 is a perfect example where the two fundamental guys really outperformed and Northern basically matched the index.
MR. NIEMBURG: There's not many opposite scenarios where the others failed to capture upside and they did. That's where you're leaving some money on the table with Northern.
MR. OEST: From past performance, absolutely. The reason why I'm mentioning it is the potential. I mean, we've had the same conversation with SouthernSun about the kind of high alpha. This was a long time ago. I just want make sure everybody is aware, even though they haven't experienced the down markets, there's the potential for it. They're higher tracking error relative to Northern Trust. So just the nature of how they put these portfolios together, they're going to be more different than the

94

benchmark. So while they've outperformed by more, there's still the potential for underperformance.
MR. NIEMBURG: Any industry intangible information on these three?
MR. SIDLER: I think the only point that I would say is -- All of this is obviously public like, so we'll be -- I think they're all three very good. I do know the one group in St. Louis, that bigger group. They've done an extremely solid job and they've been a great junior picking ground for a lot of other groups and they've grown and a lot of those people have gone on to different firms. They've gone just because I think of their size.
MR. BURKE: Ziegler?
MR. SIDLER: That's Kennedy. They've done well and I think you've seen a lot of their analysts go to other firms and have great careers at their other firms. I think that's just a part of they're a very big group and so a lot of these small cap groups, if you get somebody that's really good, they're looking to say, Okay, I'd like to become a person on the team where I can make --
MR. NIEMBURG: Do you think that's a risk though?

95

MR. SIDLER: Yeah. I think that's a part -- you've got people there that built it up, but a lot of the younger guys -- at least from my perspective, that's not negative or positive, but I do think it poses some bit of a risk. I like the active management part. But I do know the people at Ziegler. I think they're good people. I like the cash flow approach, but I also look at Northern Trust and say it's much more conservative.
So I think we've got three good groups. If you look at the five-year number, Ziegler is ahead. If you look at the three-year number, they're on top of each other. If you look at last year, Kennedy was on the top. But over seven years, Ziegler is on top. Over ten years, it's pretty much a break between Ziegler and Kennedy. Then you starting saying, who can we beat in fees to get a little bit --
MR. BLAYLOCK: What is the total amount we're looking to invest in this one?
MR. OEST: The entire small cap assets. It's around 4 -- Yeah. 4.5. Then I'm guessing it's not going to happen today, but I have an S allocation in here. I'm just guessing because I know of time, we might not get to it. We might look at adjusting that

96

down the road or if you want to go with Ziegler, we'll definitely want to take a look at that again.
MR. BURKE: What do you guys think?
MR. SIDLER: I think you have three good firms. If I had to rank, I'd go Ziegler one, Northern two, and Kennedy three. Just form the standpoint of I understand where you're coming from. It depends on are we okay with some volatility? And I look at it and say each three of these are a heck of a lot more diversified than what we've currently got. SouthernSun rocked for us early on. Diversification was so limited that it went south.
PRESIDENT LICHAMER: I think Ziegler offers us the opportunity that that other gentleman to be here if we needed to.
MR. OEST: I mean, I will say, if you wanted any of these guys to ever come, it's just a matter of us calling them and telling them to come.
PRESIDENT LICHAMER: Oh, really?
MR. OEST: I'm not saying Marquette. I'm saying if you guys want them to come, you can probably call them and they'll be here.
MR. SIDLER: Local, they've got Illinois police and fire.

97

PRESIDENT LICHAMER: That's why I asked Kennedy.
MR. OEST: They do work with Chicago Fire. They are not -- Ziegler will go there.
MR. BURKE: You're leaning towards Ziegler because you think over a three-year period, we'll earn more through them than on Northern Trust?
PRESIDENT LICHAMER: They've demonstrated that. Since 2009, they've demonstrated bringing more money in.
MR. NIEMBURG: I don't like the Northern option.
MR. BLAYLOCK: I agree. I think we need to have, with four and a half million dollars, the potential to make more money. That's what we've done with Southern for a long time. But we're trying to make it so it's not as big of a risk. I prefer the norm. So I prefer Ziegler myself.
MR. OEST: Thoughts?
PRESIDENT LICHAMER: I kind of like that -- I like the personal approach. I mean, Northern, I just feel like anybody can -- anybody can just -- You know what I'm saying.
MR. OEST: I know. A lot of people, they either like quantitative products or they don't.
PRESIDENT LICHAMER: It's like 4- to 600 stocks.

98

I'm like, why don't we just go buy them?
MR. NIEMBURG: Is there anything about last year though that should be a pause? Kennedy had a 31 percent return and Ziegler had 19. Is there something out there --
MR. OEST: That's a value -- It's purely small cap value. If you look at the -- You can turn to the sectors. I'll explain the differences between the two. Page 20 on our book has the sectors.
So yeah page 20 at the bottom, look at the big areas. Look at healthcare, finance, and info tech. The Russel 2000 value has a high weighting to financial. Being a core strategy, Ziegler will not -- I mean, it's managed to a different benchmark. So they will be significantly under in financials. If you look last year, financials did spectacularly. Again, the healthcare and tech, those are not relative to the core substantial overweights. It just looks like it is relative to value. Those three sectors are probably the biggest differences between the value benchmark and the core benchmark. While there's --
MR. NIEMBURG: This is the kind of stuff that makes me nervous. Look at the weighting for

99

healthcare, where Ziegler is more exposed then --
PRESIDENT LICHAMER: You brought this up before. I mean, that is significant. Everyone I hear is talking finance up. You know, and they're the least.
MR. OEST: Healthcare is -- Again, this is the difference between core and value. Healthcare is 12 percent of the Russel 2000. So they still have overweight, but it's less of an overweight relative to the value index. This is -- They will be higher in health care. They will be higher in tech. They will be lower in financials.
MR. SIDLER: We have a 30 percent weighting in the Russel value index and finances.
PRESIDENT LICHAMER: I understand what you you're saying.
MR. OEST: All these guys have relative sector constraints. So they won't go too far about it, but the big difference with Ziegler is that they're to the core benchmark. So it's just a different strategy.
MR. NIEMBURG: Kennedy looks like they let themselves a little cash too.
MR. OEST: They do.
MR. NIEMBURG: I like that.

100

MR. OEST: Not an excessive amount, but they'll have a little bit in cash.
MR. SIDLER: So all three of those, do they have upper limits of anything that they'll keep a little cash but none of these guys -- Each one sort of made the comment of if --
MR. OEST: Yeah. They know they're not hired to hold on to cash. We would put that into the investment policy for Ziegler and for Kennedy that there's a cap that we wouldn't want them to go --
MR. SIDLER: 25 or whatever limit we want to set.
MR. OEST: Yeah.
MR. NIEMBURG: I don't like that they're from St. Louis, but I do like that they have an unlimited travel budget and they go out and kick the tires.
MR. OEST: There's actually quite a few -- St. Louis is actually like a little hub. There's a couple of groups down there that are pretty good, so they do tend to get some traffic.
So it seems like the consensus Northern is out?
MR. BURKE: I guess I'm overruled.
MR. SIDLER: Make your case.

MR. BURKE: I really turn to you two guys because of your background and your experience.
MR. SIDLER: This is all -- But that doesn't matter of just having the industry background of who is going to be a good manager. You guys need to be comfortable with the group, the people going to be there, and the fee we're going to get and we're getting more than what we're doing right now.
MR. BURKE: That's important. It's the up swung low down swing that I want to get rid of. I want consistency. I mean, in business as much as you can.
MR. SIDLER: In the most volatile asset class.
MR. NIEMBURG: Doug won't let us have any fun, but I put a little extra weighting in the sector weighting and I like where Kennedy is. That's the tipping point for me.
MR. SIDLER: So rank?
MR. NIEMBURG: Kennedy, Ziegler, Northern.
MR. SIDLER: I think as I said earlier, I just have -- but I have -- just for full disclosure on it, I have knowledge of both of those groups and see them and how they're represented and Ziegler has representation within the IPPFA local. So I would vote Ziegler, Kennedy, Northern. I think either way



we go, it's good.
MR. NIEMBURG: It proves we're not in cahoots.
MR. SIDLER: I think we're good with either one of those. We've said that Northern -- Understanding exactly what you're bringing, Doug, if we want to go with something more active ...
MR. OEST: Those are the two. And, again, I think the style difference is just core versus value. Do you want to be a little more value right now or do you want to be core? Again, if we want Ziegler, I would say on the asset allocation we can adjust things and certainly get that to work in the overall portfolio.
PRESIDENT LICHAMER: If we went with the core, how would you get adjust -- you get rid of the Russel, which is what?
MR. OEST: About 5 percent of the portfolio.
PRESIDENT LICHAMER: What is that?
MR. OEST: Growth.
PRESIDENT LICHAMER: So we'd move something with value?
MR. OEST: What we'd want to do is take a look at the portfolio with Ziegler in it and just kind of see -- they tend to be pretty core.



PRESIDENT LICHAMER: Even if we did go with Ziegler, we adjust somewhere else.
MR. OEST: We would want to take off the growth cap for the overall portfolio.
MR. BURKE: That's what he's been saying all along. If we did Ziegler, we'd have to change ...
MR. OEST: Yep.
MR. SIDLER: We can get another Vanguard index slice and do that.
MR. OEST: It's very easy to do. It's just a matter of you guys seeing what the portfolio would look like.
MR. BLAYLOCK: It's going to take a while to move that stuff. Probably our next meeting.
MR. BURKE: Where are we at?
MR. BLAYLOCK: Are we ready to vote?
MR. BURKE: I've heard Kennedy, Ziegler. What are you?
PRESIDENT LICHAMER: I'm Kennedy and Ziegler also.
MR. BURKE: Which one is first?
MR. BLAYLOCK: Ziegler. I like to have -- I know you want to get away from volatility. I don't mind a little bit of it.



MR. BURKE: I'm old school conservative.
MR. SIDLER: It's a small cap manager. So this is the most volatile area of the portfolio. I think we've got -- The comment at the end was 90 and some room a little bit lower. So it sounds like we can get at least 90 from --
MR. BURKE: With Ziegler?
MR. BLAYLOCK: That's almost $5,000 difference right there.
MR. BURKE: Where are you at?
PRESIDENT LICHAMER: Ziegler is -- I hear Bill's argument and I kind of agree with that. What I pay attention to, finances and stuff like that seems to be what everyone is talking about going. I do, since 2009, appreciate Ziegler's return over Kennedy and Northern, you know? I guess if I was going to -- I mean, even on the downside in 2011, they weren't far off of Northern.
MR. BURKE: Better cherry picker.
MR. OEST: The performance, again, it's just core versus value.
PRESIDENT LICHAMER: But it's better.
MR. OEST: That's why I'm saying if we were going to --

105

PRESIDENT LICHAMER: I understand the difference between core versus value, but if core is winning since 2009 --

MR. OEST: That's why we have the growth component on the large cap is to get exposure to that. That's why if ...

PRESIDENT LICHAMER: In layman terms, looking at this, I mean -- I understand it. So I probably -- you know, with the IPPFA and with them being local, I think probably lean toward Ziegler but more Kennedy.

MR. BURKE: These three guys are Ziegler. Can you vote Ziegler?

MR. SIDLER: Make your case.

MR. NIEMBURG: I'd be okay with that. I made my case. I think we're going to see three rate hikes and I think healthcare is going to be a volatile sector and I don't like where Ziegler is positioned.

PRESIDENT LICHAMER: The big banks, obviously they're small caps so we're not going to have the big banks in --

MR. SIDLER: Finances --

PRESIDENT LICHAMER: The rate hikes are going to go up, but they're not going to invest in those.

MR. OEST: Small cap value financials were the

106

biggest reason why they performed so well last year.

PRESIDENT LICHAMER: Right. He's mentioning he doesn't like the healthcare stance. They're not betting on the big healthcare either though; they're betting on the smaller ones. If that has any room in your decision too -- yeah, they're so high in healthcare, but they're also going to be in small cap healthcare.

MR. SIDLER: They also still have roughly 12 percent in finance.

PRESIDENT LICHAMER: I didn't see where Ziegler's top ten holdings were.

MR. OEST: 18 in our back.

MR. BURKE: I think health care is going to have a wild year this year with the changes coming.

MR. NIEMBURG: Finances is going to be strong and info tech is going to be a crap shoot. So that's what's pushing me more to Kennedy. I'm go ...

PRESIDENT LICHAMER: Give them six months, see how they do.

MR. NIEMBURG: We can't trade stocks, we can trade funds.

MR. OEST: Oh, if you're going to do that, then we have to go Northern Trust. A mutual fund, you can

107

do whatever you want.

MR. NIEMBURG: I also -- The other things I like is Kennedy is keeping cash, which puts them in a position they can take advantage of opportunities.

PRESIDENT LICHAMER: We can do this all day.

MR. OEST: I mean --

MR. BLAYLOCK: I'm fine with either one. My thing is the local and the fact they're with IPPFA, which pushes me a little bit more.

PRESIDENT LICHAMER: And the fees.

MR. BLAYLOCK: And the fees.

MR. BURKE: Make a motion. See if you get three votes.

MR. NIEMBURG: I'm okay with going Ziegler. I'll just point out Kennedy's performance.

MR. SIDLER: I will make a motion that we move to Ziegler and terminate SouthernSun.

MR. BLAYLOCK: Second.

PRESIDENT LICHAMER: We need two motions?

MR. OEST: One would be fine hiring them and terminating.

PRESIDENT LICHAMER: Do I have a second?

MR. BLAYLOCK: I seconded it.

PRESIDENT LICHAMER: Roll call. It's fine if

108

you say no.

MR. BURKE: Burke, aye.

PRESIDENT LICHAMER: Lichamer, aye.

MR. BLAYLOCK: Blaylock, aye.

MR. SIDLER: Sidler, aye.

MR. NIEMBURG: Niemburg, aye.

PRESIDENT LICHAMER: You're going to work on the fees?

MR. OEST: We will give them a call. You didn't do anything. Norm just asked and they already lowered.

MR. BLAYLOCK: And we have a court reporter. We'll get those minutes and send them off to him.

PRESIDENT LICHAMER: Doug, do you have a brief --

MR. OEST: I will give you the highlights. 6.2 percent for the year. The big disappointment obviously was SouthernSun. Asset allocation wise, we pretty much had the right asset allocation. You saw the small cap value numbers. Small cap value did really well. SouthernSun was up about 17 percent, they underperformed again. We obviously just made a change --

MR. BURKE: We just fired them.

109

MR. OEST: We just fired them. I'll say from a return standpoint, that would be the one thing that probably irked us the most was that you had the asset allocation right and the managers didn't execute it.
MR. BLAYLOCK: If they would have even hit the benchmark, just ballpark --
MR. OEST: We would have been over 7 percent for sure. That's the -- Again, just to reiterate, you're absolutely right, Paul. They made mistakes these last three years. Again, for record so everyone knows, that's one of your best managers over the long term. They out performed net of fees over the history of your relationship with them. If anyone asks you about it, since inception -- just so you guys -- I mean, you're making the right decision because you don't agree with what they're doing. I don't want you to feel like you've lost money with that investment. Feel good about the long-term.
PRESIDENT LICHAMER: I do. How far do we ride it down was my problem.
MR. OEST: This is with the new manager, again, you're going to want to give them some years to work it out. Three years is the length. You talked -- You want to give it more than a month. Like Norm

110

said, you want to give them three years. SouthernSun had three years and they didn't do it.
The other thing I want to point out is Boyd Watterson underperformed. I would like to put them on alert for performance. Our fixed income analyst, regularly we review these things and he has come back to me a couple times and said, I'm pretty disappointed with this performance. He wanted me to bring some other names to you guys. If you're comfortable with that, I'd like to put them on alert. And similar to what we've done with SouthernSun, you know --
MR. NIEMBURG: I think we should do this once a quarter, pick a sector and take a look at it. Maybe not parade them in.
MR. SIDLER: Fire somebody once a quarter?
MR. OEST: I wouldn't do it once a quarter.
MR. NIEMBURG: No. Once a quarter, pick one of the holding areas and do a review.
MR. OEST: We certainly can do that.
PRESIDENT LICHAMER: Are you saying last quarter Boyd was bad?
MR. OEST: It's the position over time that is the biggest concern for me. They had been short a

111

duration. You know, while we moved up to the intermediate duration, they then changed that positioning. It's just bad tactical calls.
PRESIDENT LICHAMER: They haven't made the benchmark -- they tied it three years. You know what I'm saying?
MR. OEST: Yeah. It's -- I would recommend you guys put them on alert and we can bring back a couple things.
PRESIDENT LICHAMER: Do we need a motion?
MR. OEST: I don't think you need a motion.
MR. BURKE: Put them on notice and tell them we're getting used to firing people.
MR. NIEMBURG: We don't have an idea of how our holdings are performing versus other options unless you tell us, right?
MR. SIDLER: We're looking at benchmark and saying they --
MR. NIEMBURG: Somebody else can be out there blowing out the benchmark and we'd have no idea.
MR. OEST: What'd I say on that, the meeting date -- You guys meet before universes come out. So whenever we sit down, you never see the univereses. If you push the meeting back just a little bit, we

112

would have universes so you could see what they look like.
MR. BLAYLOCK: What would you recommend for the next meeting?
MR. OEST: Moving them back just a week.
MR. BURKE: I mean what -- We've got this meeting done. We can do April or May. What would be the best?
MR. OEST: If you did -- Well, if you did the last week in April, we would probably have rank. Four weeks after quarter. For sure five.
MR. NIEMBURG: The first week of April?
MR. BURKE: I can't do that last week of April.
MR. OEST: That's a common meeting schedule is to do it the first week after the month end because all of the universes come in.
PRESIDENT LICHAMER: So July?
MR. OEST: Week one of May.
PRESIDENT LICHAMER: Me -- Andy, and I are on days that month, so that will work out.
MR. BLAYLOCK: Last week of April you mean?
MR. SIDLER: First week of May.
MR. BLAYLOCK: I'm on midnights.
MR. BURKE: April 24th?

113

MR. BLAYLOCK: April 24th, we're on midnights then too. He's talking about Monday the 8th. If that was not too far, that's good.
MR. BURKE: I can do the 8th.
MR. BLAYLOCK: We're both on days then.
MR. BURKE: We're setting our next meeting for May 8th. Are we going to shoot for 9:00 o'clock or do you want to say in the afternoon?
MR. BLAYLOCK: 9:00 o'clock is fine with me.
MR. BURKE: If you'd put your folks on notice that we'll need somebody on the 8th at 9:00 a.m.
We still have some work to do for Judy.
MS. BUTTNY: Before then, fiduciary liability policy is going to expire. We normally have the meeting in February.
MR. BURKE: Do we have any quotes or don't we know?
MS. BUTTNY: Not yet.
MR. BURKE: Too early?
MS. BUTTNY: Yeah.
MR. BURKE: How can we do that so we can resolve it? Can we do a --
MS. BUTTNY: Everybody is happy with the broker I'm assuming?

114

PRESIDENT LICHAMER: Mm-hmm.
MR. BURKE: We haven't been sued yet. We will be. We might.
MR. SIDLER: This calendar year, we're getting as close as we have been, right?
MR. BURKE: We're getting as close as the next disability hearing. They're fine. Should we make a motion to approve --
MR. BLAYLOCK: Judy has her report.
MS. BUTTNY: Accounts payable, we can ...
So we're looking a to pay some bills. This is for the month of December. Total is $56,805.42. All very routine. Most of them have actually to do with payroll.
MR. BURKE: What are we paying Marquette? Sorry.
MS. BUTTNY: Ask for a motion to approve.
MR. BLAYLOCK: Motion to approve.
MR. BURKE: Second.
PRESIDENT LICHAMER: Roll call.
MR. BURKE: Burke, aye.
PRESIDENT LICHAMER: Lichamer, aye.
MR. BLAYLOCK: Blaylock, aye.
MR. SIDLER: Sidler, aye.

115

MR. NIEMBURG: Niemburg, aye.
PRESIDENT LICHAMER: Judy, how are we tracking with the budget with legal expenses? If you could give me that number.
MS. BUTTNY: I can and I have an invoice that Dennis handed me -- sorry, Paul handed me. It is from Reimer for the month of December and parts of November pertaining to the disability application of Michael Eddy; $3,046.06. I'd ask for approval to pay that.
MR. SIDLER: That's a one month bill?
MS. BUTTNY: It straddles --
MR. SIDLER: Everything up until that point?
PRESIDENT LICHAMER: Including the hearing. That was about 800 --
MR. BURKE: The one thing we haven't paid for yet is he went for the IME a week ago. We're going to get billed on that. We should --
MR. SIDLER: That's not as bad as I thought honestly.
MR. BURKE: We shouldn't even think about it until we get the bill. I'll make a make a motion to accept the bills that the treasurer has presented to the board.

116

MR. SIDLER: For 3,046 --
MR. BURKE: Including the legal fee to Reimer & Associates.
PRESIDENT LICHAMER: Roll call?
MR. BURKE: Burke, aye.
PRESIDENT LICHAMER: Lichamer, aye.
MR. BLAYLOCK: Blaylock, aye.
MR. SIDLER: Sidler, aye.
MR. NIEMBURG: Niemburg, aye.
MR. BURKE: So May 8th.
PRESIDENT LICHAMER: All these bills are about standard you said? The IRS. Man.
MR. BURKE: What did we have to pay that for?
MS. BUTTNY: Taxes withheld.
MR. BURKE: That's other people's money.
MR. BLAYLOCK: Any old business?
PRESIDENT LICHAMER: I don't have anything.
MR. BURKE: I make a motion to adjourn.
MR. BLAYLOCK: Second.
PRESIDENT LICHAMER: Roll call.
MR. BURKE: Burke, aye.
PRESIDENT LICHAMER: Lichamer, aye.
MR. BLAYLOCK: Blaylock, aye.
MR. SIDLER: Sidler, aye.

MR. NIEMBURG: Niemburg, aye.

(Which were all the proceedings had and testimony taken at the public hearing of the above-entitled cause.)



STATE OF ILLINOIS )
) SS.
COUNTY OF DU PAGE )

I, Tabitha Watson, Certified Shorthand Reporter, Registered Professional Reporter, do hereby certify that I reported in shorthand the proceedings had and testimony taken at the hearing of the above-entitled cause, and that the foregoing transcript is a true, correct, and complete report of the entire testimony so taken at the time and place hereinabove set forth.

Tabitha Watson

TABITHA WATSON
CSR License No. 084-004824

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