

**PORTER COUNTY COUNCIL
AND
PORTER COUNTY COMMISSIONERS
FOUNDATION MEETING
June 26, 2018**

The Porter County Council and the Porter County Commissioners met on Tuesday, June 26, 2018 at 5:00 p.m. in the County Administration Center, 155 Indiana-Suite 205, Valparaiso, Indiana.

Mr. Jessen, called the meeting to order with the Pledge of Allegiance.

Members present were Council Member Mike Jessen, Council Member Jeff Larson, Council Member Dan Whitten, Council Member Andy Bozak, Council Member Jeremy Rivas, Council Member Karen Conover, Council Member Sylvia Graham, Commissioner Laura Blaney, Foundation Advisory Board Member Mathew Vessely, Foundation Advisory Board Member David Kwait and Foundation Advisory Board Member Mark Ritzi. Also present was Council Attorney Harold Harper, County Attorney Scott McClure, Auditor Vicki Urbanik, Treasurer Michelle Clancy and Council Administrative Assistant Joy Blakely. Members not present Commissioner Jeff Good and Commissioner Jim Biggs.

Approval Of Minutes

Approval of Foundation minutes for February 27th, 2018.

Mr. Jessen, Very good, welcome everyone to this evenings Foundation meeting and the first thing on the agenda is the approval of the minutes.

Mr. Whitten, I'll make a motion to approve.

Mr. Rivas, Second

Mr. Jessen, Motion on the floor that has a second to approve the Foundation minutes for February 27th, 2018 any discussion? Seeing none all those in favor signify by saying Aye? All those opposed? Motion carries.

Motion carries on a unanimous voice vote

Capital Cities Presentation

Mr. Jessen, And then that moves us right onto Capital Cities presentation. Are you solo tonight?

Capital Cities Joe Bill Wiley, I am solo, you are stuck with me.

Mr. Whitten, That answers your question Jeremy.

Mr. Rivas, Thank you Dan.

Capital Cities Joe Bill Wiley, So she is booting up the presentation there...if you go to the considerations and Observations page (see below).

Porter County Government Nonprofit Charitable Foundation, Inc. Considerations and Observations Period Ended March 31, 2018		
Topic	Observations	Action
Items for Discussion:		
Fee Analysis	•Capital Cities has prepared a presentation in order to assist the committee in reviewing the Portfolio's investment management, custody and consultant fees.	Please see Fee Analysis Presentation dated June, 2018.

Operational/Other:

<p>Externally-held municipal bonds</p> <p>(Page 21)</p>	<ul style="list-style-type: none"> ▪ There are municipal bonds held directly by Porter that are not part of the Foundation account at Schwab. ▪ Principal and interest payments are received twice a year, in July/August and January/February. ▪ The City of Portage Series 2013 and Valpo Schools bonds both matured in January 2018. ▪ A deposit of \$2,705,000 in principal was received at Schwab in January. ▪ As of this report, these bonds total ~\$1.2 million. 	<p>Continue monitoring the receipt of principal and interest payments.</p>
<p>Fund Changes</p>	<ul style="list-style-type: none"> ▪ Per the November 2017 meeting, the Vanguard Institutional Index was replaced by the Schwab S&P 500 Index, reducing fees by 0.5 bps. ▪ This change took place at the beginning of December. 	<p>Performance for the Schwab S&P 500 index began in the IQ18 Performance & Evaluation Report.</p>
<p>2017 Distribution</p>	<ul style="list-style-type: none"> ▪ The 2017 distribution is \$6,785,181. ▪ Funds were sold in February to raise cash for the distribution and the check went out on February 14th. 	<p>None.</p>



So we do projects on a quarterly basis throughout the year. In this meeting even though we are four days away from the end of the second quarter of 2018 we are here to cover the first quarter of 2018 results and along with that we've done a fee analysis to show you basically the fees that you pay for the various services that you're provided from not only my firm but also the money managers and the custodial relationship we have with Schwab. A couple of items of note the externally held bonds that we do not hold a Schwab you get basically two payments a year they come in July/August and January/February. There were a couple of payments made and deposited in the first quarter \$2.7 millions dollars in principal was received and deposited in the Schwab account in January. We had a fund change if you recall there was a cheaper share class available at Schwab for one of the passive managers and we were able to save about a half of a basis point so we were able to make that change. That actually took place at the beginning of December and then on February 14th we sent you a Valentines Day card with your 2017 distribution of...just under \$6.8 million dollars. So those are kind of some operational issues and I will go over the fee analysis when we get through the report. If you'll...

Mr. Whitten, Can I ask you one quick question?

Capital Cities Joe Bill Wiley, Yes.

Mr. Whitten, You say that as of this report the bonds total \$1.2 million, are you talking today or are you talking March 31st?

Capital Cities Joe Bill Wiley, It would have been March 31st.

Mr. Whitten, Ok.

Capital Cities Joe Bill Wiley, And that information is back on page 21 I think.

Mr. Jessen, Ok there is just four remaining municipal bonds?

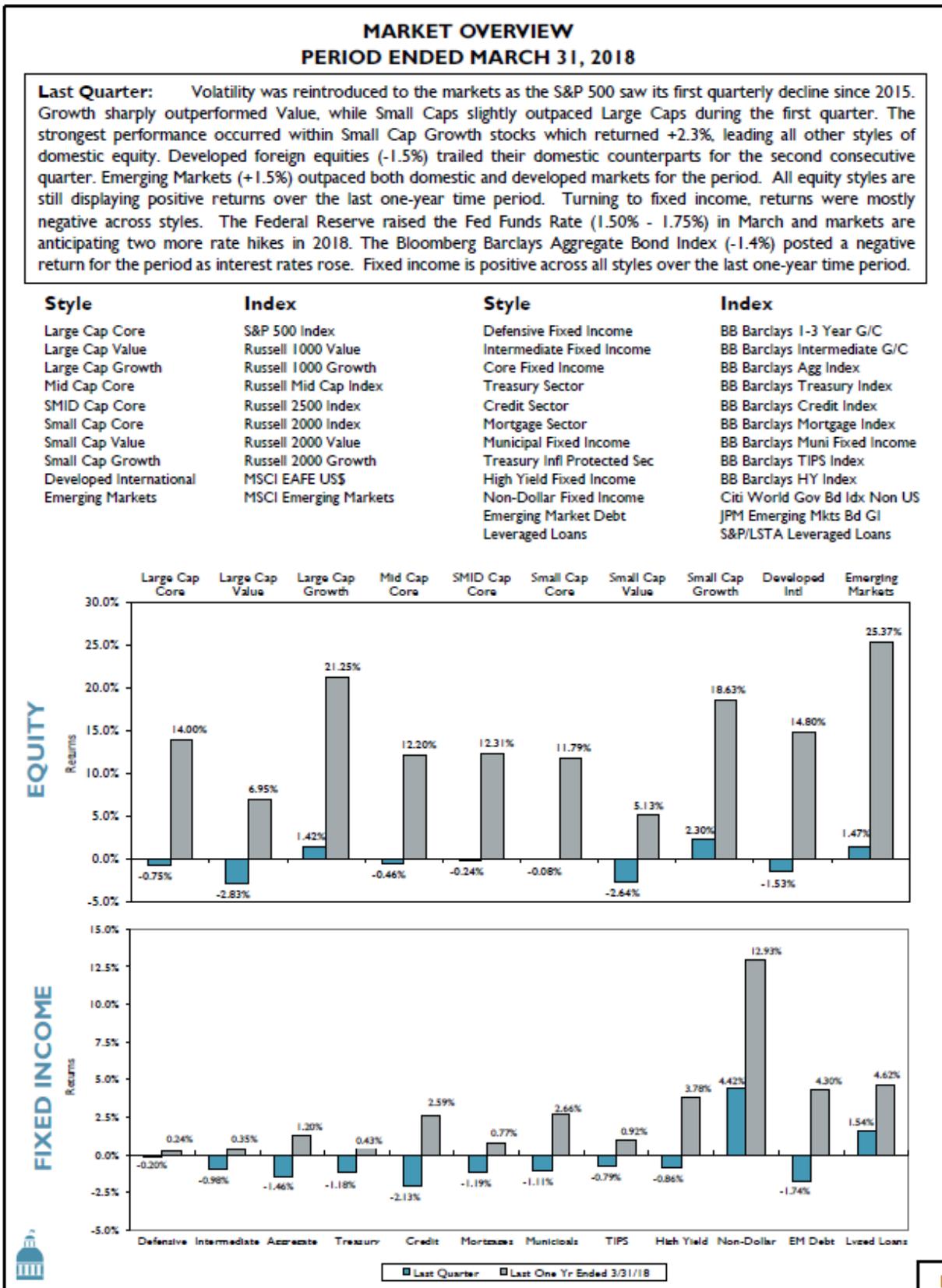
Capital Cities Joe Bill Wiley, Correct, you've got two Town of Chesterton and two City of Portage on page 21 (see below).

External Municipal Bonds Payment Schedule								
Name	Date	Principal	Rate	Interest	Total Payment	Total Principal Payment	Total Principal Remaining	Total Cumulative Payment
City of Portage	7/15/2013	\$145,000	2%	\$7,375.00	\$152,375.00		\$1,330,000	
Series 2013	1/15/2014	\$145,000	2%	\$13,299.99	\$158,299.99	\$290,000	\$1,185,000	\$310,674.99
	7/15/2014	\$145,000	2%	\$11,850.00	\$156,850.00	\$435,000	\$1,040,000	\$467,524.99
	1/15/2015	\$145,000	2%	\$10,399.99	\$155,399.99	\$580,000	\$895,000	\$622,924.98
	7/15/2015	\$145,000	2%	\$8,950	\$153,950.00	\$725,000	\$750,000	\$776,874.98
	1/15/2016	\$145,000	2%	\$7,500	\$152,499.99	\$870,000	\$605,000	\$929,374.97
	7/15/2016	\$150,000	2%	\$6,050	\$156,050.00	\$1,020,000	\$455,000	\$1,085,424.97
	1/15/2017	\$150,000	2%	\$4,550	\$154,549.99	\$1,170,000	\$305,000	\$1,239,974.96
	7/15/2017	\$150,000	2%	\$3,050	\$153,050.00	\$1,320,000	\$155,000	\$1,393,024.96
	1/15/2018	\$155,000	2%	\$1,550	\$156,550.00	\$1,475,000	\$0	\$1,549,574.96
		\$1,475,000		\$74,574.96	\$1,549,574.96			
Valpo Schools	7/15/2014	\$0	1.751%	\$120,819.00	\$120,819.00		\$12,000,000	
	1/15/2015	\$0	1.751%	\$105,060.00	\$105,060.00		\$12,000,000	\$225,879.00
	7/15/2015	\$1,445,000	1.751%	\$105,060.00	\$1,550,060.00	\$1,445,000	\$10,555,000	\$1,775,939.00
	1/15/2016	\$1,445,000	1.751%	\$92,409.03	\$1,537,409.03	\$2,890,000	\$9,110,000	\$3,313,348.03
	7/15/2016	\$2,590,000	1.751%	\$79,758.05	\$2,669,758.05	\$5,480,000	\$6,520,000	\$5,983,106.08
	1/15/2017	\$2,590,000	1.751%	\$57,082.60	\$2,647,082.60	\$8,070,000	\$3,930,000	\$8,630,188.68
	7/15/2017	\$1,965,000	1.751%	\$34,407.15	\$1,999,407.15	\$10,035,000	\$1,965,000	\$10,629,595.83
	1/15/2018	\$1,965,000	1.751%	\$17,203.58	\$1,982,203.58	\$12,000,000	\$0	\$12,611,799.41
		\$12,000,000		\$611,799.41	\$12,611,799.41			
City of Portage	7/15/2014	\$0	2%	\$12,833.33	\$12,833.33		\$3,500,000	
Series 2014	1/15/2015	\$370,000	2%	\$35,000.00	\$405,000.00	\$370,000	\$3,130,000	\$417,833.33
	7/15/2015	\$380,000	2%	\$31,300	\$411,300.00	\$750,000	\$2,750,000	\$829,133.33
	1/15/2016	\$380,000	2%	\$27,500	\$407,500.00	\$1,130,000	\$2,370,000	\$1,236,633.33
	7/15/2016	\$385,000	2%	\$23,700	\$408,700.00	\$1,515,000	\$1,985,000	\$1,645,333.33
	1/15/2017	\$390,000	2%	\$19,850	\$409,850.00	\$1,905,000	\$1,595,000	\$2,055,183.33
	7/15/2017	\$395,000	2%	\$15,950	\$410,950.00	\$2,300,000	\$1,200,000	\$2,466,133.33
	1/15/2018	\$395,000	2%	\$12,000	\$407,000.00	\$2,695,000	\$805,000	\$2,873,133.33
	7/15/2018	\$400,000	2%	\$8,050	\$408,050.00	\$3,095,000	\$405,000	\$3,281,183.33
	1/15/2019	\$405,000	2%	\$4,050	\$409,050.00	\$3,500,000	\$0	\$3,690,233.33
		\$3,500,000		\$190,233.33	\$3,690,233.33			
Town of Chesterton	6/30/2014	\$0	2%	\$0.00	\$0.00		\$1,500,000	
	8/1/2014	\$0	2%	\$2,583.33	\$2,583.33		\$1,500,000	\$2,583.33
	2/1/2015	\$0	2%	\$15,000	\$15,000.00		\$1,500,000	\$17,583.33
	8/1/2015	\$180,000	2%	\$15,000	\$195,000.00	\$180,000	\$1,320,000	\$212,583.33
	2/1/2016	\$185,000	2%	\$13,200	\$198,200.00	\$365,000	\$1,135,000	\$410,783.33
	8/1/2016	\$185,000	2%	\$11,350	\$196,350.00	\$550,000	\$950,000	\$607,133.33
	2/1/2017	\$185,000	2%	\$9,500	\$194,500.00	\$735,000	\$765,000	\$801,633.33
	8/1/2017	\$190,000	2%	\$7,650	\$197,650.00	\$925,000	\$575,000	\$999,283.33
	2/1/2018	\$190,000	2%	\$5,750	\$195,750.00	\$1,115,000	\$385,000	\$1,195,033.33
	8/1/2018	\$190,000	2%	\$3,850	\$193,850.00	\$1,305,000	\$195,000	\$1,388,883.33
	2/1/2019	\$195,000	2%	\$1,950	\$196,950.00	\$1,500,000	\$0	\$1,585,833.33
		\$1,500,000		\$85,833.33	\$1,585,833.33			

Mr. Whitten, Thank you.

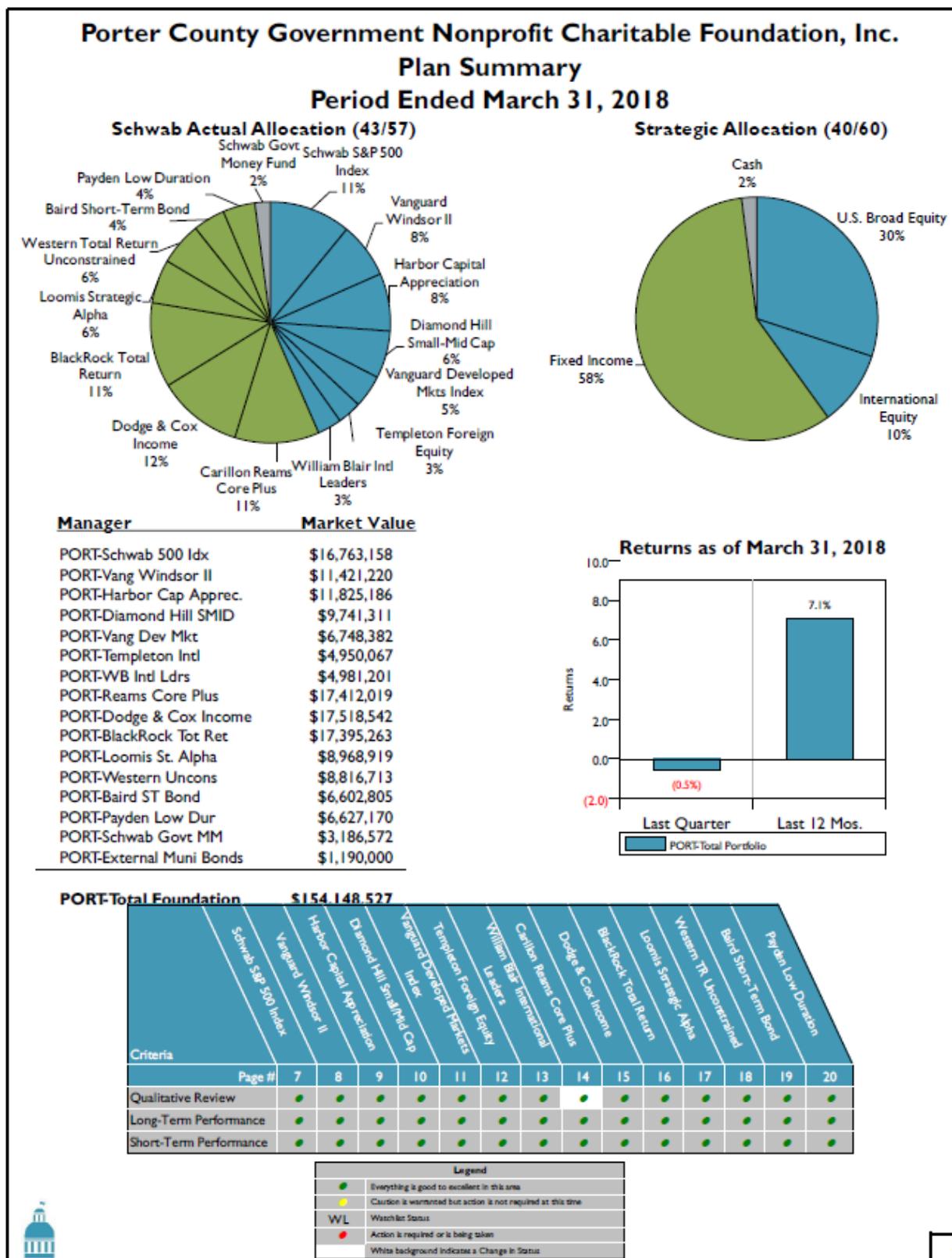
Capital Cities Joe Bill Wiley, So if you go to page one (see below) of the report then which is the bar charts there. So the first quarter we saw volatility back in market place, we had a good 2017 but...and we started out in January with a good January but in February and March we saw the S & P 500 retreat about 8%. You saw volatility creep in there were movements of 2% percent or more in the S & P 500 I think six or seven times and that didn't happen once in 2017 so the volatility obviously impacted returns. We saw Jerome Powell as the new Chairman of the Fed

and his first meeting raised rates 25 basis points. A couple of weeks ago they had another 25 basis points raise so obviously you are at 4% percent Equity 60% percent Fixed Income portfolio so when rates rise it impacts fixed income in negative fashion generally and so returns were hard to get in the market place in the first quarter. You can see as represented in the bar charts on page one (see below) you've got Equity returns and Fixed Income returns, the blue represents the quarter the gray represents the trailing twelve months. Equity returns were mixed; you saw growth stocks both in the small and large space have positive returns. You saw primarily negative returns across most other equity styles. A merging market actually has a slight positive return as well and in Fixed Income results were mostly negative and obviously you have a larger allocation to Fixed Income within the Foundation.



The falling dollar helped non-dollar stocks you can see that most returns across the Fixed Income style as portrayed by the bottom bar chart there are negative non-dollar stock...I mean non-dollar Fixed Income did reasonably well because of the falling dollar just over 4% percent in its return. So the Aggregate (Agg) the broad bond

market here in the domestically was down about a percent and a half. So on page two (see below) of the report what did that mean for the Foundation when we had a negative return of about 50 basis points for the quarter, you have rebounded here in the second quarter as of Friday...we had a rough day yesterday but as of Friday you were up about a percent and a half for the quarter but you had about a fifty basis point loss in the first quarter in 2018.



Over the past year the return in the portfolio is just over 7% percent, as of Friday at the close you have a \$156,466,720 dollars and that includes the external bonds.

Mr. Jessen, Could you repeat that on the first quarter of course we lost a half of percent?

Capital Cities Joe Bill Wiley, Yes.

Mr. Jessen, And so far for the second quarter...

Capital Cities Joe Bill Wiley, Through Friday.

Mr. Jessen, Through Friday.

Capital Cities Joe Bill Wiley, You were up a 1.5% percent.

Mr. Jessen, We were up a percent and a half.

Capital Cities Joe Bill Wiley, Yes.

Mr. Jessen, So anything we lost in that first quarter that is reflected in this report we've regained.

Capital Cities Joe Bill Wiley, You regained outside of yesterday we were down about 300 points obviously...

Mr. Jessen, Right.

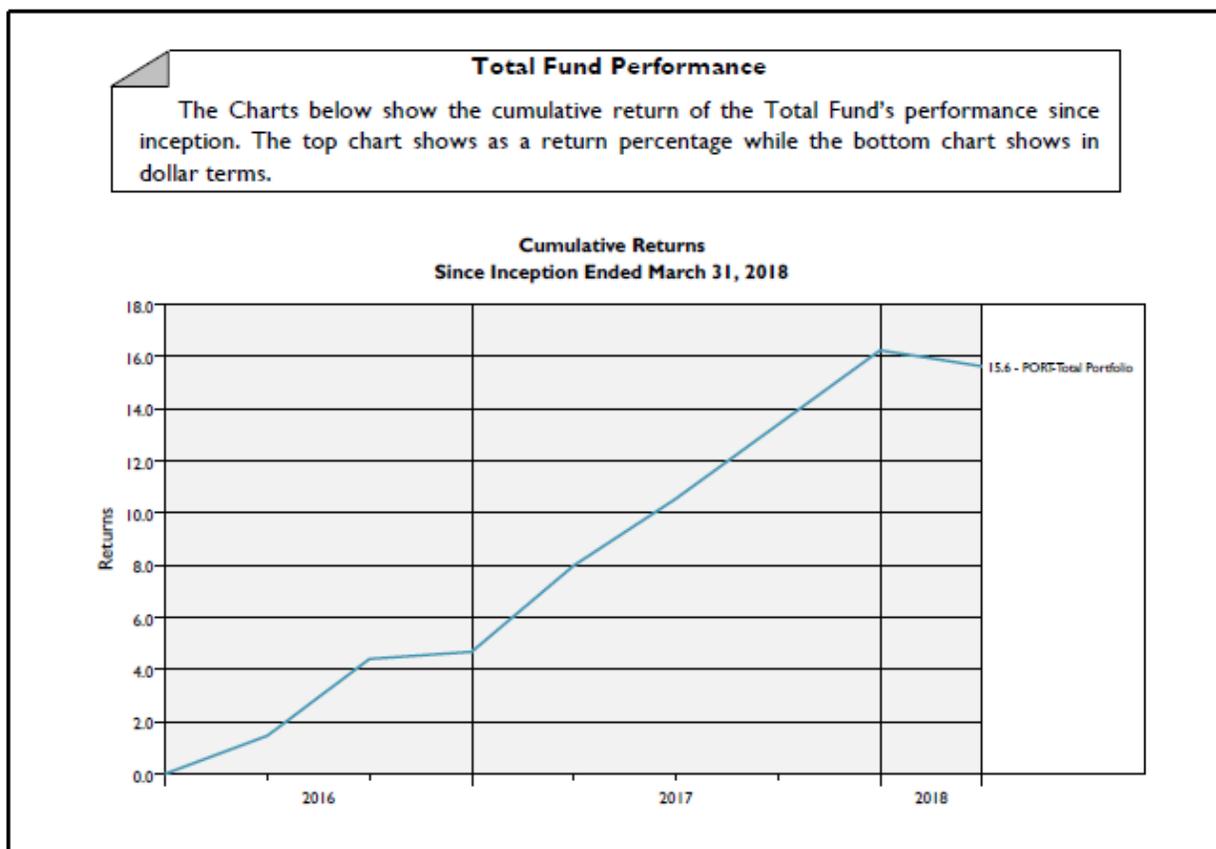
Capital Cities Joe Bill Wiley, But your only 40% percent in Equities...

Mr. Jessen, Ok.

Capital Cities Joe Bill Wiley, So you didn't get all of that downward loss in the market yesterday but...

Mr. Jessen, And you said it was \$156,???

Capital Cities Joe Bill Wiley, \$156,466,720 dollars, if you go down to the stoplight grid we're happy with all the managers are doing. You can see the Carillon Reams Core Plus Manager has a white background, that means that it changed from yellow last quarter to green. If you will recall Reams is based out of Columbus Indiana they sold to Carillon Towers, they're a subsidiary of Raymond James. From an organizational standpoint the team in Columbus have long term contracts we put it on yellow just to watch to see if there were going to be any negative results from the organizational change, they're not we're comfortable with things so we changed it back to green and that's why the white background is signified there. On page six (see below) of the report just from the inception your cumulative return for the portfolio is about fifteen and a half percent 15.6% percent since we first invested the dollars. So we are happy with how the markets have treated the portfolio.

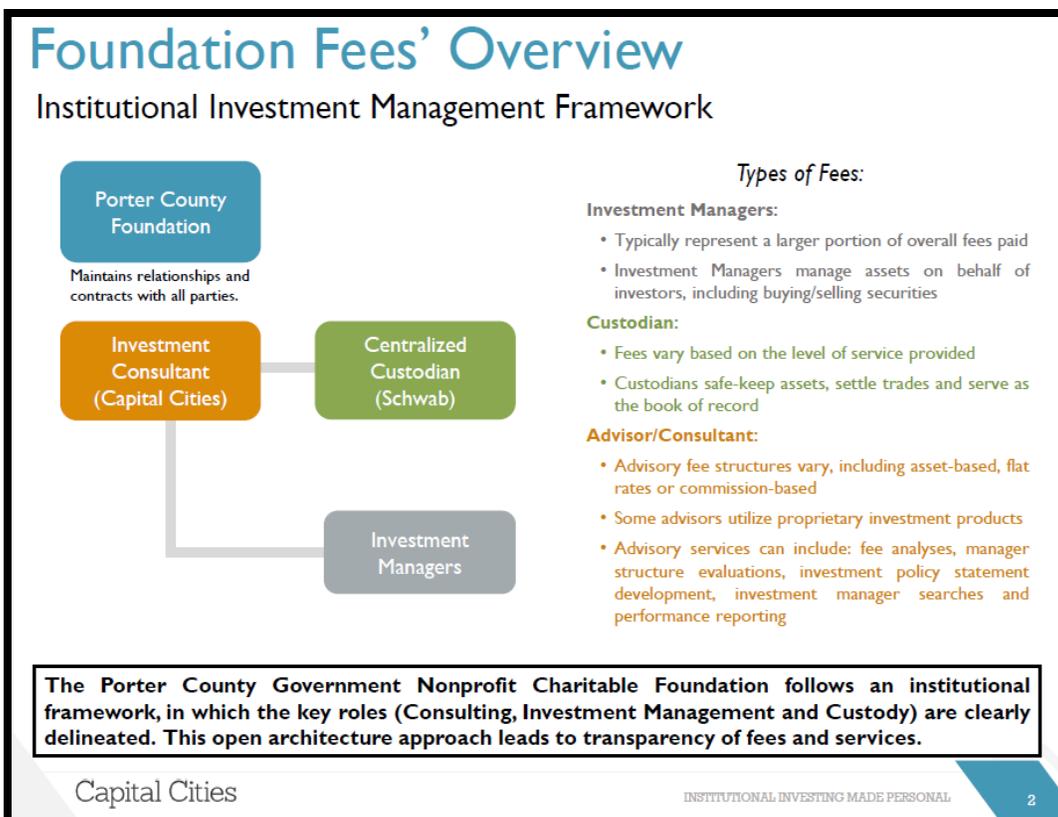


PERIOD ENDED MARCH 31, 2018				
	January 1, 2016 Market Value	Deposits/ Withdrawal	Investment Gain/Loss	Ending Market Value
PORT-Total Portfolio	\$0	\$131,708,261	\$21,250,266	\$152,958,527

Mr. Whitten, And as you guys may recall that's why we had that holding fund to build up a little bit of reserve for the quarters when we didn't have bumper crops as they say so...

Mr. Rivas, To protect ourselves from the volatility that we saw in the first quarter.

Capital Cities Joe Bill Wiley, Right. So that really covers the report if you'll flip past the second tab we do projects that really help you from a fiduciary standpoint answer to your constituency that your handling your fiduciary responsibilities prudently. One of the things that you are charged with is making sure that you pay fairly from a fee perspective for the various providers that are involved in the portfolio. On page two (see below) on the fee analysis we use an open architecture environment in the institutional world, it's the best approach that you take because it provides transparency for the services and the fees that you are being provided by the different vendors involved. That includes us the Investment Consultant Capital Cities; the Custodian which is Schwab and then the various Investment Managers that we have in the Portfolio.



So those are going to be reflected in the pages that follow but on page three (see below) the way that we kind of look at this we ask ourselves the question first of all are the

overall Investment Management fees reasonable? So we utilize a combination of Active Managers and Passive Managers, so we have Index Funds that are just passive in nature and then we have Active Managers that are actually on a day to day basis making trading decisions in the various styles for which we were hired...I mean which we hired those managers. Are we utilizing the least expensive share class? Fees are very important in today's world of investing and so we're always watching for whether there is a new share class that might be available that might be cheaper and there have actually have been a couple that we've been over the past year able to recognize and change out and allow for fee savings on your behalf. The Loomis Sayles Strategic Alpha fund they lowered their share class from 78 bps to 68 basis points (bps) on an annual basis that's about a \$6,300 dollar savings for the Foundation. The Harbor Capital Appreciation fund was lowered from 65 bps to 57 bps that change was made and that represented about a \$9,500 dollar savings over a twelve month period of time. And then the S & P 500 change that we made from Vanguard to Schwab was about a half of a basis point so it was kind of negligible in fee savings but it was still fee savings. And then we are looking right now the Western Total Return Unconstrained Fund has a new share class it's not yet available to Foundations...it's been available to retirement funds. We're working with Schwab right now to see if we could make it available to our Foundation Clients and it would save ten basis points on that particular allocation for the Western Unconstrained.

Investment Management Fees

Monitoring of Investment Management Fees



Are overall investment management fees reasonable?

- Active management, while more expensive, is utilized for diversification and alpha
- Passive management is utilized for broad exposure at a low cost



Is the least expensive share class utilized?

- Capital Cities continuously surveys the landscape to ensure clients are invested in the lowest-priced share class available
- Over the past year, fee savings were made in the following:
 - ✓ Loomis Sayles Strategic Alpha, which lowered the fee from 75 bps to 68 bps
 - ✓ Harbor Capital Appreciation, which lowered the fee from 65 bps to 57 bps
 - ✓ The passive S&P 500 mandate was changed from Vanguard to Schwab to save 0.5 bps and have commission free trades
- Capital Cities is also working with Schwab on the below share classes:
 - Western Total Return Unconstrained: IS share class would save 10 bps



Is each fund's investment management fee reasonable?

- Underlying funds should be benchmarked according to their specific style
- All of the active investment mandates in the Portfolio are competitively priced given account sizes and constraints
- Passive investment mandates are managed by Schwab and Vanguard at very low costs

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And then are the fees reasonable and we are going to show you here in a second relative to peers what those fees look like so if you turn to page four (see below) let's look at equity first we've got the different Equity Managers there listed as I indicated, we have Passive and Active Managers there. We show the name of the fund, the Peer Group against where there measured, the Fee Schedule you're paying and then kind of the percentile relative to peers. On all managers lower than your peers with the exception of William Blair and your 5 basis point (bps) above the median there so we're comfortable with the fact that you are paying fair and reasonable fees across the equity style.

Mr. Jessen, Joe Bill can you explain a little bit about how those basis points...we are better than the median on all but the one, but what creates the variance? What changes those basis points?

Capital Cities Joe Bill Wiley, Its just how each management company chooses to value there fees that they are charging the clients and so we're looking at for example Harbor Capital Appreciation we're looking at all large company growth managers and what they charge across the landscape of large cap growth managers. And they range from 200 basis points oh I'm sorry from 180 basis points (bps) down to

63 basis points (bps). Your managers are falling somewhere in between but they are all below the median.

Investment Management Fees

Monitoring of Investment Management Fees - Equity

Equity Funds	Peer Group	Fee Schedule	Peer Group Fees					
			10th	25th	Median	75th	90th	
Schwab S&P 500 Index	Passive Large Cap Core	3 bps						
Vanguard Windsor II	Large Cap Value	26 bps	175 bps	133 bps	95 bps	68 bps	53 bps	
Harbor Capital Appreciation	Large Cap Growth	58 bps	180 bps	131 bps	100 bps	75 bps	63 bps	
Diamond Hill SMID	SMID Broad	93 bps	200 bps	141 bps	113 bps	91 bps	81 bps	
Vanguard Developed Mkts Index	Passive International Equity	6 bps						
TIF International Equity Series	International Value	78 bps	191 bps	130 bps	92 bps	78 bps	53 bps	
William Blair International Leaders	International Growth	110 bps	185 bps	135 bps	105 bps	85 bps	65 bps	

- **Passive Equity Management provides market exposure at a low cost:**
 - Schwab S&P 500 = 3bps; Vanguard Developed Markets = 6bps
- **Active Equity Managers seek to provide alpha over passive management:**
 - Most Active Equity Manager fees are considerably below the median of their respective peer group. The only Active Equity Manager above the median of the respective peer group is William Blair (110 bps vs 105 bps).

Capital Cities Note: Lower percentiles (closer to 100th percentile) are better when looking at expense ratios INSTITUTIONAL INVESTING MADE PERSONAL 4

Mr. Jessen, Gotcha.

Mr. Whitten, Along that vein, I mean this may be a loaded question understanding our Equities limitations but how was our first in comparison to our peer group? How did we do across the board?

Capital Cities Joe Bill Wiley, Well so it's difficult to compare you relative...

Mr. Whitten, And I understand that we have those restrictions and limitations...

Capital Cities Joe Bill Wiley, Well it's because allocation drives your performance.

Mr. Whitten, Right.

Capital Cities Joe Bill Wiley, So the peer group against which you compared is Foundations that are generally around a \$100,000,000 million dollars in size and the allocation of the peer group is closer from an Equity perspective to 55% percent and you're 40% percent.

Mr. Whitten, Right.

Capital Cities Joe Bill Wiley, So you didn't...you're not going to look good against a peer group just because you're more conservatively allocated unless the markets are you know really bad in the Equities space. So it's difficult to do a peer group comparison because allocations drive performance.

Mr. Whitten, Right.

Capital Cities Joe Bill Wiley, But at 50 basis points (bps) in a negative return I can tell you our other Foundation and Endowment clients were down somewhere between 80 and 90 basis points (bps) for the quarter.

Mr. Whitten, Alright thank you.

Mr. Larson, Are these fees based on the amount of work that they are doing on our account or is this...?

Capital Cities Joe Bill Wiley, So your utilizing mutual funds...

Mr. Larson, Right.

Capital Cities Joe Bill Wiley, So these are all bases on what they for any investor who might be co-mingled in the account with you. But it is set by the fund company and it's based on the type of work they're doing. So Passive Managers are much cheaper...

Mr. Larson, Right.

Capital Cities Joe Bill Wiley, Because you are just buying a computer...

Mr. Larson, Right.

Capital Cities Joe Bill Wiley, That's choosing the stock to mimic an Index. Active Managers are going to be more expensive because they require greater resources from a staff standpoint to do the due diligence on the companies that they plan to buy. And when you get into small companies in the active space are going to be more expensive then large companies because large companies are considered...it's kind of considered an efficient market and the information is readily available. Smaller companies you're going to have to do more research on the stock that might be available. International is even more expensive because it requires greater resources to look at the companies across the globe.

Mr. Larson, Ok thank you.

Capital Cities Joe Bill Wiley, If you go to page five (see below) in the fixed income space the same is reflected here from a standpoint of the funds that we are utilizing the peer group against of which they are being measured for the fees that you are paying and you can see that your well below across all the fixed income managers below the median fee that you would pay if you were to go out and find a median fee manager.

Investment Management Fees

Monitoring of Investment Management Fees – Fixed Income

Fixed Income Funds	Peer Group	Fee Schedule	Peer Group Fees				
			10th	25th	Median	75th	90th
BlackRock Total Return	Core Fixed Income	44 bps	145 bps	95 bps	70 bps	48 bps	40 bps
Dodge & Cox Income	Core Plus Fixed Income	43 bps	148 bps	104 bps	73 bps	48 bps	40 bps
Carillon Reams Core Plus	Core Plus Fixed Income	40 bps	148 bps	104 bps	73 bps	48 bps	40 bps
Loomis Sayles Strategic Alpha	Unconstrained Fixed Income	68 bps	176 bps	136 bps	95 bps	70 bps	57 bps
Western Total Return Unconstrained	Unconstrained Fixed Income	75 bps	176 bps	136 bps	95 bps	70 bps	57 bps
Baird Short-Term Bond	Defensive Fixed Income	30 bps	148 bps	98 bps	68 bps	46 bps	35 bps
Payden Low Duration	Defensive Fixed Income	43 bps	148 bps	98 bps	68 bps	46 bps	35 bps

- **Unconstrained Fixed Income Managers provide the opportunity for absolute positive returns in a challenging fixed income marketplace:**
 - The average expense for the Unconstrained managers (72 bps) falls materially below the median for the peer group.
- **Traditional Fixed Income further diversifies the Foundation's fixed income exposure and provides relative return and income potential:**
 - The Traditional Fixed Income Managers all rank favorably relative to peers.

Capital Cities Note: Lower percentiles (closer to 100th percentile) are better when looking at expense ratios INSTITUTIONAL INVESTING MADE PERSONAL 5

Mr. Larson, You have mentioned that Western Unconstrained was maybe 10 basis points (bps) lower?

Capital Cities Joe Bill Wiley, So they have a share class that's not available to you as a foundation yet...

Mr. Larson, Ok.

Capital Cities Joe Bill Wiley, So we consult to \$25,000,000,000 or \$26,000,000,000 billion dollars so we have some leverage with Schwab and we are trying to use that leverage that we have to say hey, you need to make this available to our Foundation clients as well. If we're successful in that negotiation it will be 10 basis points lower than what you are currently paying. On page six (see below) the Custodial Fees you're at Schwab. Schwab doesn't charge a fee other than transaction fees. So you paid \$140 dollars last year in transaction fees so you effectively are paying zero cost for custodial fees.

Custodian Fees

Monitoring of Custodial Fees

- What services are covered?**
 - Schwab provides a number of services including: safekeeping of Portfolio assets, transaction settlement, cash management, consolidated accounting and reporting, online account access, collection of income, etc.
 - Customized, local client service is not provided by Schwab
- Are custody fees benchmarked and negotiated?**
 - Capital Cities continues to monitor the custodian marketplace and benchmarks Schwab to other custodians
- Are custodian fees reasonable?**
 - Schwab's fees are considerably lower than other custodians
 - Capital Cities facilitates most custodial services
 - Schwab's low-cost fee structure makes it the best option for The Porter County Government Nonprofit Charitable Foundation at this time

Schwab's Fee Schedule:

All Assets: 0 bps

Transaction Costs: \$20 per transaction on mutual funds. \$0 on OneSource mutual funds.

\$4.95 per transaction on equity/ ETF trades.

\$25 per wire

Capital Cities INSTITUTIONAL INVESTING MADE PERSONAL 6

Capital Cities Joe Bill Wiley, And then our fees are on page seven (see below)

Investment Consultant Fees

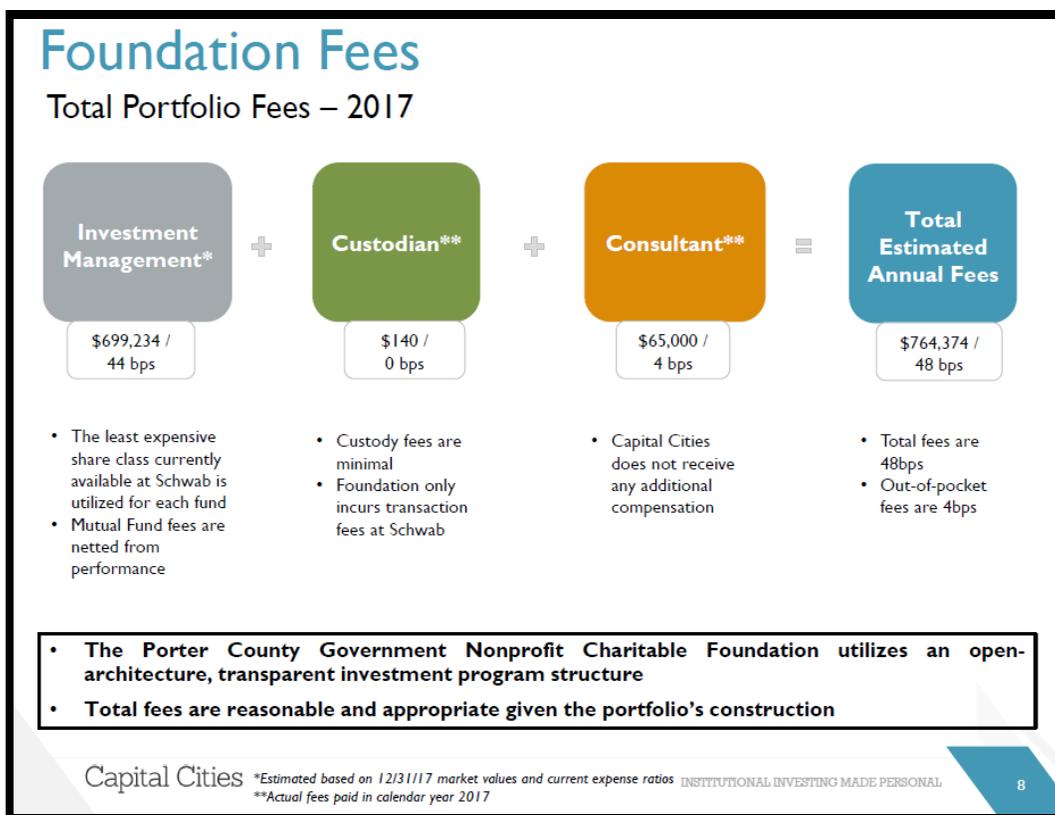
Monitoring of Investment Consultant Fees

- What are the Investment Consultant's fees?**
 - Capital Cities' fee is a flat \$65,000 on all assets
 - Fees are transparent
- What services does the Investment Consultant provide?**
 - Capital Cities' views our relationship as "full-retainer" – in addition to providing quarterly performance measurement and evaluation reports, custom projects are delivered throughout the year:
 - Fee Analyses
 - Portfolio Construction Evaluations
 - Investment Manager and Custodian Searches and Ongoing Evaluations
 - Investment Policy Statement Development
 - Fiduciary Reviews
 - Ad Hoc Educational Presentation
- Are the Investment Consultant's interests aligned with yours?**
 - Capital Cities is independent & employee-owned
 - Capital Cities has no affiliation to custodians, banks or investment managers
 - Capital Cities serves as a co-fiduciary
 - Capital Cities does not receive any compensation beyond the fees stated above

Capital Cities INSTITUTIONAL INVESTING MADE PERSONAL 7

our fees include not only just coming here to these quarterly meetings and reporting performance but on an ongoing basis doing these projects like the fee analysis. We'll do a portfolio construction evaluation on an annual basis, we're always looking at investment managers doing due diligence on an ongoing basis because if we have to replace one we'll do a search and that's all inclusive in our fees. Investment policy statement review we'll come and do that on an annual basis so basically our fee of \$65,000 dollars it's flat and it's a full retainer relationship. So we don't charge you for travel or anything like that it's just all inclusive on an annual basis.

So what's that mean across the board then on page eight (see below). So on page eight you're paying 44 basis point (bps) for manager fees for across both equity and fixed income management, effectively 0 basis points (bps) for custody fees and 4 basis points to us (Capital Cities) for consulting fees. So your total fees your total fees are under a 1/2 of one percent which we think is very reasonable when you look at fees on an account as large as yours. The department of Labor if you were to look at what they say you should get fees to at least somewhat inaudible, so your under one half of one percent so we're comfortable with the fees that you are paying and the services that you are being provided so with that said...



Mr. Whitten, The fees are a whole lot easier to swallow when we are actually making money too.

(Laughter)

Capital Cities Joe Bill Wiley, Yes that's true and it's a whole lot easier to fire me when you're not so...

(Laughter)

Mr. Whitten, Which bring us to the next thing on the agenda.

Capital Cities Joe Bill Wiley, Ok.

Mr. Jessen, Joe Bill on the fees and I appreciate your focus on which it is important to us and we've had some success in lowering the fees on several of the funds. Have any of the fees increased on any of the funds?

Capital Cities Joe Bill Wiley, No

Mr. Jessen, So we're not just solely listing the reductions?

Capital Cities Joe Bill Wiley, No

Mr. Jessen, Have we ever experienced any increases?

Capital Cities Joe Bill Wiley, No, if we saw increases in fees it would send a red flag up for us and we would probably look for another manager who could do something equally as good and fit in the portfolio equally as well that would do it for cheaper without raising fees.

Mr. Jessen, Good.

Foundation Advisor Board Member David Kwait, I have a question on the fixed income?

Capital Cities Joe Bill Wiley, Yes.

Foundation Advisor Board Member David Kwait, Are you tracking weighted average duration for the portfolio and if so do you know where we are right now?

Capital Cities Joe Bill Wiley, I can't answer that off the top of my head but yes my research team would have a good idea based on the mixed of fixed income managers you have and I would happy to get that information for you.

Foundation Advisor Board Member David Kwait, I would appreciate that and I am assuming unconstrained funds that are listed in here means they can take a variety of actions to manage maturation the over the course of the portfolio?

Capital Cities Joe Bill Wiley, Correct, yes so they're looking across the globe at the interest rate environment....

Foundation Advisor Board Member David Kwait, Yes.

Capital Cities Joe Bill Wiley, and they are not being managed...or there not being benchmarked against an index we're giving them the flexibility to say here is where we think from an interest rate standpoint the best opportunity wise and we give the manager that discretion.

Foundation Advisor Board Member David Kwait, Thanks.

Capital Cities Joe Bill Wiley, I'll give you my card as walk out and you can send me your information I will get that question answered.

Foundation Advisor Board Member David Kwait, Alright thanks.

Mr. Jessen, Joe Bill if you could just send that answer to Joy

Capital Cities Joe Bill Wiley, Yep.

Mr. Jessen, And she'll disseminate to everybody that would be great.

Capital Cities Joe Bill Wiley, Ok great, that's all I have.

Mr. Whitten, Alright that is fantastic man.

Capital Cities Joe Bill Wiley, Ok thank you.

Mr. Whitten, Great news.

Mr. Jessen, Any additional questions for Joe Bill before he leaves? No, very good thanks so much.

Mr. Larson, Thank you.

Mr. Whitten, So I guess that I suppose at our next meeting or certainly when we get into our budget sessions from the Council's perspective we are going to have some conversations of where we are at on earnings this year and how much we have in our Capital Holdings and make some adjustments would be my suspicion.

County Attorney Scott McClure, Along those lines who would you like to submit the Foundation budget?

Mr. Whitten, I think that...

County Attorney Scott McClure, They are due I believe July 16th?

Mr. Whitten, Mr. President?

Mr. Jessen, I say you and I will work on that.

Mr. Whitten, Alright.

Mr. Jessen, Dan and I will take care of it.

County Attorney Scott McClure, Ok.

Mr. Rivas, Well at our Council meeting we sent out a firm letter that they be on time so I suggest you two have that budget in on time.

Mr. Jessen, I believe that I may have reiterated that.

Mr. Whitten, Yeah but the repercussion is that we just go to the year before so will take it...

Mr. Jessen, Ok any other comments on Capital Cities?

Mr. Whitten, Now more than ever we just have to like I said and I hate to keep reiterating but when we were doing...you know when the market was better it was a question of how much was going into our Capital Holdings fund, but now the Rainy Day fund or whatever you want to call it. But now that we are seeing more volatility in the market, I think that we have to really be having a lot of conversations collectively the Commissioners and Council as we move through and predictions and expenditures in the future and that sort of thing.

Mr. Jessen, And it helps validate the first quarter, it helps validate the need for the Rainy Day fund quite frankly.

Mr. Whitten, Yeah.

Ms. Graham, Oh absolutely.

Mr. Jessen, Not as much fun.

Mr. Whitten, Nope.

Attorneys Report

Mr. Jessen, Ok attorney's report Harold and Scott?

Council Attorney Harold Harper, We don't have anything at this point and time to...

County Attorney Scott McClure, The Audit.

Council Attorney Harold Harper, We have talked about the Audit...

County Attorney Scott McClure, The Audit is underway we are cooperating with whatever they are requesting.

Mr. Whitten, That's good news.

County Attorney Scott McClure, We'll keep you posted if there is anything that...

Mr. Whitten, Or if you decide not to cooperate let us know.

County Attorney Scott McClure, We would also let you know immediately.

Mr. Jessen, Is there a date where you anticipate being complete with that audit?

County Attorney Scott McClure, Not that I am aware of at this point.

Mr. Whitten, At this point do you...I mean you don't have to but I guess maybe you can tell us now but do you see any issues with the audit? Or have you found out any things that have been problematic that we should know about?

County Attorney Scott McClure, Nothing has been brought to our attention yet.

Mr. Whitten, Awesome.

Mr. Jessen, Vicki I know you've been involved with the information gathering and analyzing do you have anything that you'd like to add relative to the Audit?

Auditor Vicki Urbanik, No we're still in the gathering of the information phase but I sent them a number of documents last week and I am waiting to hear back from them.

Any other matter that may properly come before the Board

Mr. Jessen, Ok, any other matter that may properly come before the Board?

Meeting Adjourned

Mr. Jessen, If not motion to adjourn?

Mr. Whitten, Hey I am going to make that m.

Mr. Bozak, Second.

Mr. Jessen, Motion on the floor to adjourn all those in favor of adjournment signify by saying Aye? All those opposed? Meeting is adjourned.

Motion carried on a unanimous vote.

There being no further business, meeting was adjourned.

**PORTER COUNTY COUNCIL
PORTER COUNTY, INDIANA**

Andy Bozak

Karen Conover

Sylvia Graham

Mike Jessen

Jeff Larson

Jeremy Rivas

Dan Whitten

**PORTER COUNTY COMMISSIONERS
PORTER COUNTY, INDIANA**

Absent

Jim Biggs

Laura Blaney

Absent

Jeff Good

Attest: _____
Vicki Urbanik, Auditor