Butler Family Foundation Investment Committee

Conference Call

August 17, 2016 at 10:00 a.m. CT

I. Welcome

II. Approval of Minutes

III. Portfolio and Performance Update
  A. Portfolio Summary Statement
  B. Manager Performance

IV. Review of Investment Policy Statement (IPS)

V. Update on Current or New Investments

VI. Overview of "J Curve"

VII. Other Business

Attachments:

a. Minutes of February 24^{th} Investment Committee
b. Wells Fargo Portfolio Summary Statement
c. Current Manager Performance
d. Investment Policy Statement
e. Wastewater Capital Management Release
f. Goldman Sachs Article on "Understanding the J Curve"

MINUTES OF THE FEBRUARY 24, 2016
INVESTMENT COMMITTEE MEETING
OF THE
PATRICK AND AIMEE BUTLER FAMILY FOUNDATION

The Investment Committee meeting of the Patrick and Aimee Butler Family Foundation was held on Wednesday, February 24, 2016, at 1:00 p.m. Central Time via conference call.

The meeting was called to order by Patrick Butler, who acted as Chair of the meeting. John K. Butler acted as recording Secretary of the meeting.

Upon call of the Secretary, the following Committee members were present: Patrick Butler, Bridget McElroy, Brigid Butler and Peter K. Butler. Also present were John Butler and Robert Hybben.

The Chair called for consideration of the minutes of the August 5, 2015, meeting of the Investment Committee, which had been previously circulated to the Committee members. Upon motion duly made, seconded and unanimously carried, the minutes of the August 5, 2015 Investment Committee were approved, ratified and confirmed.

The Chair called on Mr. John Butler, Chief Investment Officer, to review the current holdings of the portfolio and summarize any major changes since June 30, 2015. Mr. Butler reviewed the portfolio and asset allocation, noting that there were no major changes in terms of holdings or outside investment managers, and that actual asset allocation was within target ranges for all asset classes with the exception of cash, which is slightly above target. Mr. Butler also reviewed a summary of fees, managers and custodians for the Foundation, highlighting changes that have occurred since Wells Fargo was hired as the Foundation's primary custodian. The Committee also reviewed the controls that will be in place with the new custodian, and recommended that Peter Butler, Treasurer of the Foundation, have on-line access to the account.

Mr. John Butler then reviewed the Foundation's performance, both for the Foundation as a whole and for individual managers. For the full-year 2015, the Foundation returned just under 1%, which should compare favorably to the average foundation (results will not be available until August of 2016). The Foundation's long-term performance continues to be extremely good. Mr. Butler also reviewed the performance of the individual investment managers and noted that all are performing well, including the internal management of domestic equities. Finally, Mr. Butler mentioned that while it is difficult to measure the shorter-term performance for many of the alternative investments, all the funds are performing in-line or ahead of expectations.

Mr. John Butler then provided the Committee with an update on Equilibrium Capital. The Foundation had tentatively committed $3 million to a new fund, The Equilibrium Multi-Strategy Vehicle, which would invest in other sustainability driven real asset funds (also managed by Equilibrium Capital). However, fundraising for this fund turned out to be more difficult than expected, and after realizing that they would not raise the minimum needed to make the Fund feasible, withdrew the offering in December. However, one of the underlying funds of the Multi-Strategy Vehicle was the Wastewater Opportunity Fund. This Fund has raised close to $200 million and has a final close in March of 2016. Mr. Butler reviewed the advantages and disadvantages of this Fund with the Committee and mentioned that he is planning to commit $3 million to the Fund. The Fund is expected to generate competitive returns and provide good diversification, and will mark the first impact investment made by the Foundation. The Committee discussed the Fund and members were generally supportive of the idea.

Finally, Mr. Patrick Butler directed the Committee to the revised "Overview of the Butler Family Foundation Investment Committee". The original Overview was approved by the Board of Trustees at the October 2013 meeting. At the August 2015 Investment Committee, members discussed the need to update the Overview and bring it forward to the full Board for approval. The one comment to the revised Overview was a suggestion to better define when the Chair of the Committee would be selected, which would be every two years. With this change, the Committee decided to recommend the new Overview of the Butler Family Foundation Investment Committee to the Board for approval at the Spring 2016 Board meeting.

The next Committee meeting will be in August 2016. The meeting will be scheduled in July and materials for the meeting will be sent one week prior to the meeting.

The meeting adjourned at 2:20 p.m. Central Time.

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John K. Butler, Secretary

ATTEST: ______________________
Patrick Butler, Vice-President

Note: These Minutes have not been approved by the Investment Committee

FD433
SUMMARY STATEMENT
OF INVESTMENT HOLDINGS
BY SECURITY CATEGORIZATION

PATRICK AND AIMEE BUTLERFAMILY FOUNDATION
CONSOLIDATED ACCOUNT
BASE CURRENCY: USD

25007299

AS OF DECEMBER 31,2015

	COST	MARKET VALUE	ACCRUED INCOME	%GAIN (LOSS)	% MKT	ESTIMATED ANNUAL INCOME	CURRENT YIELD
SETTLED CASH	0.00	0.00	0.00	.0	.0	0.00	.00
RECEIVABLES	150,685.06	150,685.06		.0	.1		
NET CASH	150,685.06	150,685.06		.0	.1		
CASH EQUIVALENTS	13,906,186.95	13,906,186.95	114.85	.0	13.8	1,390.75	.01
FIXED INCOME	12,949,861.16	12,739,656.95	90,142.22	(1.6)	12.7	620,715.49	4.87
PREFERRED STOCK	105,280.00	110,480.00	0.00	4.9	.1	5,900.00	5.34
COMMON STOCK	25,259,271.30	43,821,407.83	60,182.99	73.5	43.6	1,177,847.46	2.69
EQUITY FUNDS	5,099,694.36	3,360,845.29	245.00	(34.1)	3.3	117,328.44	3.49
MISCELLANEOUS	360.00	360.00	0.00	.0	.0	0.00	.00
VENTURE/LMTD PART/CLS HLD	25,742,592.50	26,436,800.87	0.00	2.7	26.3	0.00	.00
NET ASSETS	83,213,931.33	100,526,422.95	150,685.06	20.8	100.0	1,923,182.14	1.91

FD433
SUMMARY STATEMENT
OF INVESTMENT HOLDINGS
BY SECURITY CATEGORIZATION

PATRICK AND AIMEE BUTLERFAMILY FOUNDATION
CONSOLIDATED ACCOUNT
BASE CURRENCY: USD

25007299

AS OF JUNE 30,2016

	COST	MARKET VALUE	ACCRUED INCOME	%GAIN (LOSS)	% MKT	ESTIMATED ANNUAL INCOME	CURRENT YIELD
SETTLED CASH	0.00	0.00	0.00	.0	.0	0.00	.00
RECEIVABLES	384,678.88	384,678.88		.0	.4		
PAYABLES	(108,988.11)	(108,988.11)		.0	(.1)		
NET CASH	275,690.77	275,690.77		.0	.3		
CASH EQUIVALENTS	11,209,580.21	11,209,580.21	610.50	.0	10.9	11,475.27	.10
FIXED INCOME	13,090,762.78	13,217,339.07	89,082.02	1.0	12.8	652,662.66	4.94
PREFERRED STOCK	105,280.00	110,000.00	0.00	4.5	.1	5,900.00	5.36
COMMON STOCK	25,781,995.56	45,910,468.89	53,815.00	78.1	44.6	1,188,372.16	2.59
EQUITY FUNDS	5,099,694.36	3,868,511.50	0.00	(24.1)	3.8	117,328.44	3.03
MISCELLANEOUS	360.00	360.00	0.00	.0	.0	0.00	.00
VENTURE/LMTD PART/CLS HLD	27,598,727.20	28,355,015.49	0.00	2.7	27.5	0.00	.00
NET ASSETS	83,162,090.88	102,946,965.93	143,507.52	23.8	100.0	1,975,738.53	1.92

Patrick and Aimee Butler Family Foundation - Current Manager Performance

Asset Class	Assets	Wgt	Target	Range	6 MOS	1 YR	5 YR	Incep. Date
	Allocation - June 30, 2016				**Performance Data - June 30, 2016**			
Cash	$10.7	10%	5%	0-10%	0.0%	0.0%	0.1%	NA
Fixed Income								
Sit Investment Assoc.	$14.1	14%	15%	10-20%	4.9%	6.1%	NA	12/31/2011
Barclays Aggregate					5.3%	6.0%	3.8%	
Domestic Equities								
Internally Managed	$45.9	45%	45%	40-50%	8.5%	5.9%	12.5%	12/31/1999
S&P 500					3.8%	4.0%	12.1%	
International Equities								
Mondrian Investment Group	$19.9	19%	20%	15-25%	2.1%	-7.1%	NA	6/30/2004
MSCI All-Country World					-1.0%	-10.2%	NA	
Alternative Investments								
Miscellaneous	$12.3	12%	15%	10-20%	5.0%	0.5%	NA	NA
HFRI FOF Composite					0.8%	-4.0%	2.0%	
Total Foundation	$103	100%	100%					

Notes:

Domestic Equities managed by same indivdual while at Mairs and Power prior to September 2013
Mondarian fund was changed from International Equity Fund to All Countries World in January 2012
Performance for Alternative Investments is an estimate ation due to manager changes and time lags

Patrick & Aimee Butler Family Foundation

Investment Policy Statement

Investment Objectives

- The Foundation is a private family foundation incorporated in 1951 and based in St. Paul
- It is expected the foundation will be in existence for perpetuity
- The investment objective for the Foundation is Balanced Growth
- Total program expenses are expected to average 5% over rolling periods

Guidelines: Internally Managed Assets

- The Foundation will oversee all cash investments and manage a fixed income portfolio consisting of investment grade bonds and preferred stocks. The Foundation's Chief Investment Officer (CIO) is responsible for this portfolio.
- The Foundation will also manage a domestic equity portfolio consisting of individual securities. The Foundation's CIO is also responsible for all management and trading decisions for this portfolio.

Guidelines: Externally Managed Assets

- The Foundation will utilize a variety of investment advisers to mange other asset classes. These currently include: fixed income, international equities, domestic and global real estate, mezzanine debt, infrastructure and commodities. It is expected that many of these investments will be in a fund or partnership format rather than individual securities.
- Additional asset classes may be added in the future and the Foundation may consider mission related investments (MRIs), assuming that the projected returns of the proposed investment are competitive with non-MRI alternatives and that the investment fits within the overall investment strategy. In addition, illiquid asset classes may be used as long as the total portfolio has adequate liquidity
- The Foundation's CIO is responsible for hiring, monitoring and if necessary, terminating, all external managers and opening any associated custodial accounts.

Communication and Oversight

- While the Foundation's CIO has day-to-day responsibility for the investment portfolio and reports to the Investment Committee, the ultimate responsibility for the investment portfolio lies with the Board of Trustees.
- At the annual Board meeting, Foundation Trustees will at a minimum receive the following: current Portfolio Appraisal, a summary of all current custodians and fee schedules, a summary of performance relative to other foundations, and a current Investment Policy Statement.

ASSET ALLOCATION TARGETS

Asset Class	Target	Range	Benchmark
Cash	5%	0-10%	Not Benchmarked
Fixed Income	15%	10-20%	Barclays Aggregate
Domestic Equities	45%	40-50%	S&P 500
International Equities	20%	15-25%	MSCI ACWI
Alternative Investments	15%	10-20%	HFRI FOF Composite
Total Foundation	100%		COF Foundation Avg. Undiversified Index

General Notes

The Fixed Income portfolio performance only includes the externally managed portion

The performance of the Alternative Investments asset class is an estimate

Index Notes

ACWI stands for All Country World Index (ex U.S.)

HFRI FOF stands for Hedge Fund Research Fund of Funds

Council on Foundation Average is only calculated annually

Adopted by the Butler Family Foundation Board of Trustees on October 3, 2014

Wastewater Capital Management
An Equilibrium Capital Asset Manager

Wastewater Opportunity Fund
2Q 2016 Capital Call
Investment Summary

Dear Investors,

We are pleased to share information about the Fund's latest investment that utilized funding from the June 2016 capital call and that was completed in the 2nd quarter. A full Fund quarterly report will be forthcoming.

Thank you again for your investment and support.

Sincerely,
The Wastewater Opportunity Fund Team

Midwest Cluster – Central Ohio BioEnergy (COBE) Facility

Investment Closed:
June 30, 2016

Location:
Columbus, OH

Project Type:
Wastewater biosolids and food waste anaerobic digester

Energy Production:
Renewable gas for electricity generation and on-site transportation fuel distribution

Photo Description:
A truck depositing biosolids from the neighboring wastewater treatment plant into the COBE receiving area.

The Fund's first investment in the Midwest cluster was used to acquire a majority interest in an operating asset that processes wastewater biosolids, food waste and fats, oils and grease in an anaerobic digester. The facility has been operating since 2012 at a stabilized level below the expected capacity of 85,000 tons per year (tpy). In 2015, the facility processed on average 55,000 tons of feedstock and the fund's underwriting anticipates the acquisition of an additional 30,000 tpy which have been identified from current and new sources in the area. The current process includes operating two equalization tanks of 230,000 gallons each to mix and homogenize the incoming feedstock as well as a 1,500,000 gallon digester operated in the mesophilic range (~100 degrees Fahrenheit).

The site is owned and leased to the project entity by the Solid Waste Authority of Central Ohio (SWACO) und a sublease structure. Two companies have entered into put or pay feedstock agreements for a minimum of 60,000 tpy of wastewater biosolids and food waste under 10 and 15 year contract structures. SWACO may be able to provide an additional 10,000 tpy and the facility may be able to process more feedstock than 85,000 tpy over time.

The project currently sells excess electricity under a power purchase agreement with the City of Columbus Ohio which requires renewal in the short-term however renewable electricity revenues have historically been less than 10% of overall revenues.

The facility requires several upgrades that are anticipated to be completed over the next twelve months. These expansion plans are required to increase processing capacity, improve effluent management and potentially to inject gas into a nearby natural gas pipeline.

The operations may be improved particularly with short-term and long-term investments to reduce the effluent disposal costs which have historically accounted for over 40% of operating costs. There is potential additional revenue from tipping fees associated with certain types of organic waste streams processed by the facility.

The investment was completed on June 30, 2016 and further upgrades may be pursued as early as late 2016 or early 2017. The contemplated investment of $9.75m includes $6m to acquire an equity ownership position of 75% with the additional $3.75m allocated to future follow-on upgrade capital. The base case unlevered return on the initial investment is 12.1% with an expected levered gross return ranging from 14.1% to 22%. The investment may start generating distributions from operations in 2017.

Goldman Sachs Asset Management

Strategic Research

December 2006

Understanding the J-Curve: A Primer on Interim Performance of Private Equity Investments

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Executive Summary

Private equity provides a number of benefits to investors, such as access to the private economy, attractive potential returns and diversification. But investing in private equity also exposes investors to the so-called "J-Curve," a less attractive aspect of the asset class.

The J-Curve is an industry term that derives from the graphical pattern exhibited by some key metrics used to gauge the performance of private equity investments. Specifically, the J-Curve commonly refers to attributes such as negative cash flows for several years after commitments are made, poor apparent performance early in the life of an investment, and valuations held at, or near, cost for investments that may be several years old.

In this paper, we outline the main factors driving the J-Curve, and provide a framework for investors to assess its impact on apparent fund performance. It is important to keep in mind that the "J-Curve Effect" is not an indicator of the overall performance of a private equity investment, but rather an attribute of the investment at a certain point in its life cycle. In our view, understanding the mechanics behind the J-Curve allows investors to better manage their expectations regarding private equity investments.

We begin our analysis by modeling J-Curves for three commonly tracked private equity investment measures: Cumulative Net Cash Flow (CNCF), Interim Internal Rate of Return (IRR) and Interim Return on Investment (ROI).[1] While the specific attributes of the J-Curve (e.g., minimums, curvature, etc.) differ for each metric, they often share many similar traits, providing enough consistency to validate our efforts. Our model of a typical private equity fund projects that:

- CNCF reaches a minimum around year five of the fund. In other words, total contributions are expected to be greater than total distributions until the fifth year of the investment.
- The Interim IRR may be between -5% and +16% three years into the investment, even for a fund that will eventually have a 15% net annual return.
- The ROI is expected to be between 90% and 130% after three years, even for a fund that will eventually have a total return of twice the overall contributed capital.

At first glance, these statistics may surprise many investors, given that most private equity investments are likely to be profitable at the end of their lifecycle. The discrepancies between final and interim return numbers are due to the combined effects of management fee structures, the cash flow pattern of private equity investments and the valuation practices of the General Partners (GP) of private equity partnerships.

Although the J-Curve Effect can not be completely eliminated, our research suggests that it can be mitigated. We discuss how investors concerned about the interim performance of their portfolios can utilize several methods to minimize the negative impact of the J-Curve, such as adopting steady annual commitment programs and investing in specialized funds that experience shorter investment cycles, such as secondary, mezzanine and distressed funds.

[1] CNCF is the sum of all cash flows to and from an investment. The Interim IRR and ROI are the performance metrics calculated part-way into a fund's life, and are the performance measures most often associated with private equity investments. See Appendix A for detailed definitions of these measures.

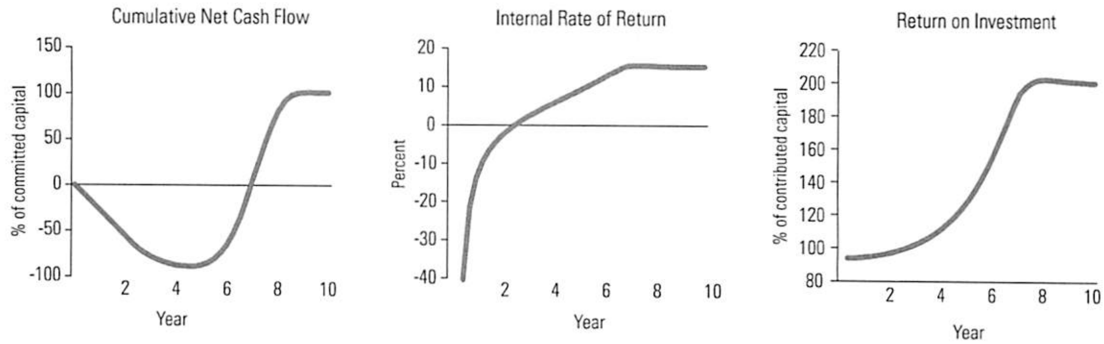
What is the J-Curve?

Investments in private equity boast a wide range of features that set them apart from their public counterparts – relatively limited liquidity, negative cash flows in the early years of the investment, valuation constraints and management fees based on committed capital, among others. These features – inherent to the asset class – impact the management of investors' cash flows as well as the timing of when the potential returns in private equity funds can be harvested. These impacts are usually measured by the J-Curve, an industry term that derives from the graphical pattern exhibited by key metrics used to gauge the performance of private equity investments.

In our research, we modeled a typical private equity fund and studied the J-Curves for three commonly tracked private equity investment metrics: Cumulative Net Cash Flow (CNCF), Interim Internal Rate of Return (IRR) and Interim Return on Investment (ROI). The result of this analysis is shown in *Exhibit 1*.[2]

The chart of CNCF is the one that most closely follows the shape of the letter "J," declining in the early years of the fund before increasing and turning positive. Although not as visually clear as the CNCF chart, the IRR and ROI charts are also often referred to as J-Curves.

Exhibit 1 – Private equity investments show specific cash flow and return attributes known as the J-Curve



For illustrative purposes only.
Simulated performance results do not reflect actual trading and have inherent limitations. Please see additional disclosures.
Source: Goldman Sachs Asset Management (GSAM)

Since private equity funds draw down capital over the course of several years and make investments that often last four years or longer, most cash flows are negative in the first few years after a commitment is made, causing the initial decline in the CNCF curve.

In addition, it is not unusual for GPs to take several years to find a sufficient number of attractive opportunities in which to invest all of their capital. Also, GPs will often make subsequent investments in the companies in their portfolio to help them expand.

[2] In order to adjust for the fact that contributions to private equity investments are conducted in a staggered fashion, the ROI charts in this paper show the evolution over time of return on investment as a percentage of the contributed capital.

Furthermore, private equity investments do not typically have a significant current income component. Thus, most cash received from an investment comes only when the investment is sold. Since the duration of private equity investments is typically between three and seven years, it may be six or seven years before a fund experiences significant distributions. This slow rate of distributions, combined with the time it takes GPs to fully invest their funds, means that investors will often be called upon to fund their capital commitments for several years before any eventual profits are returned to them.

However, as the fund becomes fully invested, and early investments mature and are realized, positive cash flows begin to dominate, shifting the curve upward around year six. Eventually, if the fund is profitable, CNCF becomes positive (in other words, all of the capital contributions have been returned to investors), and by year 10 the fund has been fully liquidated.

The J-Curves for IRR and ROI, as illustrated in *Exhibit 1*, have somewhat different shapes. They both start out quite low and gradually increase to their final value over several years. In the early stages of the fund's life, performance appears poor, even though the returns on the underlying investments may be quite attractive. That's because the IRR and ROI curves are largely determined by the valuation practices of the GPs as well as the management fee structure typically seen in private equity partnerships (the CNCF curve, on the other hand, is determined by the investment activity and the time it takes to liquidate the fund's investments). Thus, while the ultimate values of IRR and ROI at the end of a fund's life represent the performance of the fund's underlying investments, the IRR and ROI curves are actually more representative of – and more influenced by – the fund's management structure.

For example, in the first few years of a fund's life, only a fraction of the total commitment is drawn down and invested in portfolio companies. Management fees, however, are typically charged annually as a percentage of the total commitment amount. Thus, the capital drawn for management fees in the first few years of the fund's life is a larger fraction of the total capital drawn than in the later years of the fund. This translates into a larger impact of management fees on the performance of the fund in the early years than in the later years.

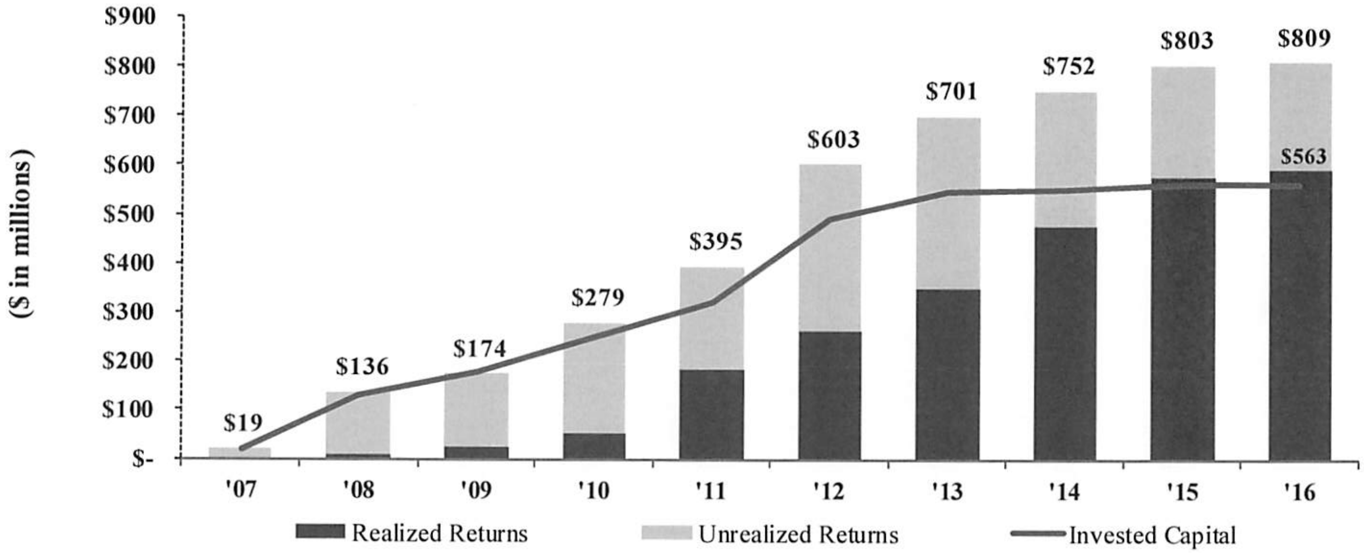
Additionally, private equity investments are often held at cost for some time after their initial purchase, regardless of whether real changes in value have taken place. This is because private equity investments, by definition, do not have a public price. Without the price discovery that a public market affords, it is difficult to assess how much a third party would pay for a given company at a particular point in time.

Many GPs choose to hold their investments at cost until a significant third-party transaction has occurred.[3] In venture capital funds, for example, this transaction may be a new round of funding, in which case an accurate – or at least market-based – value may be obtained on a somewhat regular basis. However, for many leveraged buyout investments, the only transaction that takes place following the initial acquisition is the final sale of the company. This can mean that the GP valuation may significantly under/overstate the true economic value of the investment in the period between the acquisition and the sale of the investment.

[3] In September 2006, the US Financial Accounting Standards Board (FASB) – through its Statement of Financial Accounting Standards (SFAS) No. 157 – updated and clarified existing rules on the use of fair market value (FMV) in generally accepted accounting principles. It also provided additional guidance on how to calculate FMV. While its impact on the overall industry remains unclear, we believe that the SFAS No. 157 will likely change the valuation practices of some GPs.

Northstar Mezzanine Partners V, L.P.

Fund Statistics (cont.)



Year	2007	2008	2009	2010	2011	2012	2013	2014	2015	3/31/16
Gross MOIC	1.05	1.07	0.99	1.12	1.24	1.23	1.29	1.36	1.36	1.36
Gross IRR	NM	11.6%	-1.4%	7.3%	12.4%	12.9%	13.1%	13.4%	13.6%	13.6%
Net IRR	NM	NM	NM	NM	NM	5.1%	6.3%	7.3%	7.9%	8.0%