

Board Meeting Minutes
March 19, 2024

Present were:

Sarah Godlewski, Board Chair	Secretary of State
Josh Kaul, Commissioner	Attorney General
John Leiber, Commissioner	State Treasurer
Tom German, Executive Secretary	Board of Commissioners of Public Lands
Rich Sneider, Chief Investment Officer	Board of Commissioners of Public Lands
Denise Nechvatal, Controller	Board of Commissioners of Public Lands
Chuck Failing, IT Manager	Board of Commissioners of Public Lands
Mike Krueger, IT Specialist	Board of Commissioners of Public Lands
Thuy Nguyen, Office Manager	Board of Commissioners of Public Lands

ITEM 1. CALL TO ORDER

Board Chair Godlewski called the meeting to order at 2:03 p.m.

ITEM 2. APPROVE MINUTES

MOTION: Board Chair Godlewski moved to approve the minutes; Commissioner Kaul seconded the motion.

DISCUSSION: None.

VOTE: The motion passed 3-0.

ITEM 3. APPROVE LOANS

MOTION: Commissioner Kaul moved to approve the loans; Commissioner Leiber seconded the motion.

DISCUSSION: Mr. Sneider reported that loan #1 is to the City of Seymour to finance annual payments the city owes on a land purchase. Loan #2 to the Village of Strum is for operations. The village needed additional funding as it went over budget on a street project in 2023. Loan #3 is for roadwork in the Town of Delafield.

VOTE: The motion passed 3-0.

The Board of Commissioners of Public Lands (BCPL) unanimously approved **\$950,000.00** in State Trust Fund Loans to support 3 community projects in Wisconsin.

1. City Seymour / Outagamie County / Finance Promissory Note Debt Payment / \$200,000.00
2. Village of Strum / Trempealeau County / Finance operations / \$500,000.00
3. Town of Delafield / Waukesha County / Finance roadwork / \$250,000.00

ITEM 4. OLD BUSINESS

None

ITEM 5. NEW BUSINESS – Proposed Easements - Moose Lake

Executive Secretary German shared that the purpose of this easement is to clean up some unresolved issues from transactions that occurred decades ago. BCPL had some land in this area, did some land exchanges and granted some easements. The access easements that were granted did not mention utilities. We want to make sure that the easements we granted are the proper easements to the proper parties going across the proper areas. This is a minor adjustment and BCPL believes that the fair value of this easement is \$500, which the parties have agreed to. Since this is a transaction outside the ordinary course of business, we are asking the board for authorization to grant this easement.

Commissioner Leiber asked about the lot, as it looks like it sits in a neighborhood on a lake. He is surprised nobody has tried to buy it.

Executive Secretary German explained that there are two separate lots, and both are on the water. The southernmost lot has eastern exposure and is mostly marsh. On the map, there is a noticeable difference between the white area compared to the area outlined in green. That difference is because the marsh sometimes takes up more space than the actual legal description of that lot. This is not a very attractive lakefront lot. The lot to the north is more attractive. Under the current statutes, BCPL would be required to retain access to the navigable waters across that property. If someone were to buy that lot from BCPL, they too, would have to allow the public to cross their land to get to the water. That reservation of access rights has a significant negative impact on value. For that reason, we have not pushed forward with selling that property. Toughly 10 years ago the property got hit hard by storms. Executive Secretary German has walked that property twice and the first time it looked in rough shape from the tornadoes that came through which downed many trees. The land could be developed into a viable lot, but he believes that the existence of statute 24.11(3) will have a significant negative impact on what someone would pay for such a waterfront lot.

ITEM 6. CHIEF INVESTMENT OFFICER'S REPORT

Mr. Sneider talked about BCPL's venture capital investments. The current asset allocation for the Common School Fund includes a 4% target allocation to private equity / venture capital with an approved range of 0% to 10%. This allocation is important to the Common School Fund as it helps grow the trust fund principal at a rate above the long-term rate of inflation. Our commitment to the private equity / venture capital asset class are long term investments expected to last well over a decade and over the full course of these investment periods. Expected returns remain significantly higher than in the public equity markets. BCPL has made commitments to venture capital totaling \$92.5 million dollars.

Our primary investment strategy is achieving the highest risk adjusted rate of return for our beneficiaries. Part of this strategy has included committing to asset managers based in Wisconsin and the Midwest. There are good opportunities in this part of the country, even though most venture capital funds are focused on Silicon Valley, Boston, and the North Carolina Research Triangle. The lack of funding in the Midwest should lead to higher expected returns because there is less competition from other investors. This Midwest focus has secondary benefits, which include helping the entrepreneurial environment in Wisconsin by investing in Wisconsin small businesses. BCPL has made investments in the following ten companies that have had an impact in Wisconsin.

EnsoData - Based in Madison, EnsoData is a company spun out of the UW that utilizes artificial intelligence in analyzing waveforms to assist clinicians in diagnosing sleep disorders. EnsoData currently has 54 employees, 19 of which are in Wisconsin. BCPL has invested \$1.3 million in EnsoData through our commitment to the Venture Investors Health Fund 6.

Invenra - Also located in Madison, Invenra is a biotech company founded to discover and develop antibodies for immune oncology with a vision to cure cancer and other immune related diseases. BCPL has invested \$800,000

through Venture Investors and currently has 74 employees with 73 located in Wisconsin.

Histosonics – This is a company that has recently achieved a historic milestone with FDA clearance of its breakthrough robotic Edison System. The Edison System is the culmination of over 20 years in the evolving science of histotripsy with research developed at the University of Michigan with tremendous support from the University of Wisconsin (UW). Histotripsy destroys tumors noninvasively through focused high intensity sound waves and has the potential to revolutionize cancer care in our lifetimes. With the first ever FDA clearance for this novel treatment beginning with liver tumors, Histosonics is now entering a hyper growth mode. While based in the Twin Cities, Histosonics' impact in Wisconsin includes UW research jobs and the employment of consultants over the many years of development. A press release issued by the UW recently announced that in January the University Hospital completed the first ever histotripsy based tumor ablation by a radiology department in the United States. BCPL has invested nearly \$4 million in Histosonics through our commitment to Venture Investors along with a direct co-investment made in late 2022.

Elephas - Elephas is a developing technology to assess how human live tumor fragments respond to cancer therapies to improve precision medicine outcomes and accurate drug development. Elephas has 126 employees with 106 located in Wisconsin. BCPL has invested \$1.4 million in Elephas through our recent commitment to Venture Investors Health Fund 7.

Forj – Forj is headquartered in Milwaukee. Forj provides online member engagement for professional associations and employs 65 Wisconsinites. BCPL has invested approximately \$300,000 through Baird Venture Partners 5.

Avid Ratings – Avid Ratings provides customer experience software for the home building industry. BCPL has invested approximately \$700,000 in this company through our commitment to 4490 Ventures II. More than half of Avid's 32 employees are based in Wisconsin.

Distribution Depot – Distribution Depot provides software that enables wholesale HVAC, plumbing and electrical distributors to implement e-commerce strategies. The company centralizes product and marketing materials from brand manufacturers to deliver a turnkey online presence for their customers. This early stage company has five Wisconsin employees. BCPL has invested about \$100,000 through our commitment to the Idea Fund II of La Crosse.

GolGix – This early stage company has benefited from BCPL's investment through the Idea Fund II. GolGix employs AI in a software only solution that utilizes machine data from manufacturers to minimize unplanned downtime and boost productivity. GolGix currently has two Wisconsin employees.

Fiveable – Fiveable is based in Milwaukee and is an Ed-tech company offering AP exam prep and other digital learning opportunities and has supported over 7 million students. Since being established in 2018, BCPL has invested about \$100,000 through our commitment to NVNG Fund I. Fiveable currently has 17 full time staff and close to 100 student writers, editors, hosts, content creators and social coordinators.

Benny – This company is based in Madison and is another early stage company. It provides a platform for financing employee participation in employee stock purchase plans for large firms like Google and Microsoft. The BCPL investment was made through our commitment to NVNG's investment in the venture capital firm Matchstick Ventures.

Wisconsin has been approved for \$80 million in U.S. Treasury funding for what is called the State Small Business Credit Initiative or SSBCI. SSBCI monies invested in venture capital require a match from participating fund managers and several of our fund managers have been approved for this program. While the investment committee remains laser focused on our fiduciary duties to the trust funds we manage, we are also proud to have a role in supporting the Wisconsin economy through our investments in venture capital, bonds

issued by the State of Wisconsin, Wisconsin municipalities and the hundreds of millions we have invested in community projects through the state trust fund loan program.

Commissioner Kaul asked about good government practices. Does BCPL have particular safeguards in place to ensure we're making investments objectively and doing things in a way that ensures BCPL is protected?

Mr. Sneider explained that before the investment committee approves any investments, there is a significant due diligence process. This includes hiring a third party due diligence company to review both operating and investment policies of the managers. The investment committee also has meetings with these managerial firms.

Board Chair Godlewski shared that the process is outlined in the investment policy statement which is reviewed every other year. The process is documented and outlined on how we go about the overall investment strategy to include the due diligence process.

Executive Secretary German shared that the third-party due diligence Mr. Sneider spoke about comes in two different pieces. First, financial and operational due diligence. BCPL hires Marquette & Associates to provide their independent third-party view. Marquette is considered one of the gold standards in providing that analysis and review. If that comes back with a clean report and a thumbs up, it moves to the next stage. This stage involves hiring outside legal counsel to assist in the review of the subscription agreements, the limited partnership agreements and drafting side letters that protect the interests of BCPL, especially with respect to some of the special considerations that we have. We are a different type of investment fund, and our side letters reflect that and provide us with that additional protection as well.

Board Chair Godlewski commented that there has been a lot of focus on how we are transitioning to meet our venture asset allocation and making sure we do it in a way that can ensure not only strong returns, but also how we are benefiting the state. Learning the number of employees is exciting.

ITEM 7. EXECUTIVE SECRETARY'S REPORT

Executive Secretary German commented that learning the number of jobs that are supported by our investments is a great affirmation of the role we play in the state. We are a quiet entity that ends up making a lot of difference behind the scenes. In order to make those differences, it's amazing how much day-to-day work goes into a lot of these transactions.

We are continuing our due diligence on the possibility of migrating to a different software platform for reporting on our investment portfolio. Since 2011 we have used Schwab Portfolio Center. It worked great when we first started buying bonds on the secondary market and when we first started buying stocks. However, now we have different types of investments and Schwab Portfolio Center struggles with that data. We have to do a lot manually to produce reports for the board. Schwab Portfolio Center cannot report on our loan portfolio, and it cannot report on our cash held in the State Investment Fund. Portfolio Center cannot report on investments not custodied at Schwab such as many of the venture capital investments discussed today. To produce our full portfolio reports for the board, we have to manually take all those different pieces of information and put them together. So, we have been looking at other software options. Unfortunately, most of those solutions cost somewhere in the neighborhood of \$75,000 a year or more. Our current total agency appropriation level is actually below what it was in 2017. We do not have \$75,000 available, but we did find another option that may work a lot better, and it is priced roughly the same as our current Portfolio Center software. We are investigating that option and should be able to report back to the board sometime in June. He is optimistic about this potential change.

Last week we talked about The Conservation Fund and the possibility of some transactions. We have worked a little bit more on that and have identified a block of 6,000 acres of The Conservation Fund's land that would be

a significant target acquisition for BCPL. If we are able to work something out, it would provide significant timber revenue opportunities. It is a separate consolidated block that has a little bit of BCPL land contiguous to it. There are more blocks of land within The Conservation Fund's holdings we are also looking at. Our primary target would be those 6,000 acres and two secondary blocks as well. We are starting to do more due diligence including walking those properties to give us a better sense of what it looks like on the ground and that takes a fair amount of time. Compared to the average city lot in Madison, which is about 1/4 acre, 6,000 acres is a lot and will take a while to walk. We are looking forward to continuing to work on this and we will keep the board updated as we proceed.

ITEM 8. BOARD CHAIR'S REPORT

None

ITEM 9. FUTURE AGENDA ITEMS

None

ITEM 10. ADJOURN

Board Chair Godlewski moved to adjourn the meeting; Commissioner Kaul seconded the motion. The motion passed 3-0; the meeting adjourned at 2:29 p.m.

A handwritten signature in black ink, appearing to read "Thomas P. German", is written over a horizontal line.

Thomas P. German, Executive Secretary

Link to audio recording:

[https://bcpl.wisconsin.gov/bcpl.wisconsin.gov Shared Documents/Board Meeting Docs/2024/2024-03-19 BoardMtgRecording.mp3](https://bcpl.wisconsin.gov/bcpl.wisconsin.gov/Shared%20Documents/Board%20Meeting%20Docs/2024/2024-03-19/BoardMtgRecording.mp3)