



Douglas La Follette, *Secretary of State*
Matt Adamczyk, *State Treasurer*
Brad D. Schimel, *Attorney General*

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PO Box 8943
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608 266-1370 INFORMATION
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Jonathan Barry, *Executive Secretary*

AGENDA

January 17, 2018

2:00 P.M.

Board of Commissioners of Public Lands
101 E. Wilson Street, 2nd Floor
Madison, Wisconsin

Routine Business:

- 1) Call to Order
- 2) Approve Minutes – January 3, 2018 (Attachment)
- 3) Approve Loans (Attachment)

Old Business: None

New Business:

- 4) Ratify Adjustments to Loan Program Interest Rates (Attachment)
- 5) Proposed Land Bank Sales to the Public
 - a. S1806 – Boot Jack Lake Road 80, Oneida County (Attachment)
 - b. S1807 – 40 East of Willow River, Oneida County (Attachment)

Routine Business:

- 6) Future Agenda Items
- 7) Executive Secretary's Report (Attachment)
 - Investment Transaction Report – January 11, 2018
 - 2017 Q4 Investment Summary – December 31, 2017
- 8) Adjourn

AUDIO ACCESS INFORMATION

Toll Free Number: **(888) 291-0079**
Passcode: **6363690#**

**BOARD MEETING
JANUARY 17, 2018**

**AGENDA ITEM 2
APPROVE MINUTES**

Attached for approval are the minutes from the January 3, 2018, board meeting.

Board Meeting Minutes
January 3, 2018

Present via teleconference were:

- | | |
|---|--|
| Doug La Follette, Commissioner | Secretary of State |
| Matt Adamczyk, Commissioner | State Treasurer |
| Brad Schimel, Board Chair | Attorney General |
| Jonathan Barry, Executive Secretary | Board of Commissioners of Public Lands |
| Vicki Halverson, Office Manager | Board of Commissioners of Public Lands |
| Richard Sneider, Loan Analyst and
Chief Investment Officer | Board of Commissioners of Public Lands |

ITEM 1. CALL TO ORDER

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

ITEM 2. APPROVE MINUTES – DECEMBER 5, 2017

MOTION: Board Chair Schimel moved to approve the minutes; Commissioner La Follette seconded the motion.

DISCUSSION: None.

VOTE: The motion passed 3-0.

ITEM 3. APPROVE LOANS

Executive Secretary Barry reported that the loans had been reviewed for proper public purpose.

Municipality	Municipal Type	Loan Type	Loan Amount
1. Center Rock County Application #: 02018091 Purpose: Refinance BCPL loan #2017075	Town Rate: 3.50% Term: 10 years	General Obligation	\$108,929.81
2. Elmwood Pierce County Application #: 02018095 Purpose: Remodel village-owned nursing home	Village Rate: 4.00% Term: 20 years	General Obligation	\$450,000.00
3. Gillett Oconto County Application #: 02018094 Purpose: Purchase capital equipment	City Rate: 3.50% Term: 10 years	General Obligation	\$167,750.00
4. Hawkins Rusk County Application #: 02018093 Purpose: Purchase land	Village Rate: 3.50% Term: 10 years	General Obligation	\$140,000.00

5.	Hewitt Marathon County Application #: 02018096 Purpose: Purchase dump truck	Town Rate: 3.50% Term: 10 years	General Obligation	\$100,000.00
6.	Lodi Columbia and Dane Counties Application #: 02018092 Purpose: Purchase smart lab equipment	School Rate: 3.00% Term: 5 years	General Obligation	\$230,000.00
7.	Sturtevant Racine County Application #: 02018097 Purpose: Finance TID #4 property and projects	Village Rate: 3.50% Term: 10 years	General Obligation	\$800,000.00
TOTAL				\$1,996,679.81

MOTION: Commissioner La Follette moved to approve the loans; Board Chair Schimel seconded the motion.

DISCUSSION: Commissioner Adamczyk questioned the interest rate for the village of Elmwood’s loan. He had contacted village officials about other lending options and learned one lending institution’s interest rate for the project would have been 5 percent. He asked why State Trust Fund Loan interest rates were broken into three categories and why there was a nine-year span for the 11-20 year term but only a three- and four-year span for the other categories. He also asked why the 20-year interest rate was set at four percent. Executive Secretary Barry said rate terms are set for simplicity and ease of administration. Richard Sneider added that they are also set to be competitive with current market rates.

Commissioner Adamczyk said he was not supportive of the loans; the Board had a fiduciary responsibility to the beneficiaries; and the Board does not have a “fiduciary duty to give Elmwood Village a good deal.” He said he also contacted officials at the city of Gillett and town of Hewitt regarding their borrowing options. The rates they would have received from a local bank were the same as a State Trust Fund Loan. He does not support the loans and will vote no.

VOTE: The motion passed 2-1. Commissioner La Follette and Board Chair Schimel voted aye; Commissioner Adamczyk voted no.

ITEM 4. FUTURE AGENDA ITEMS

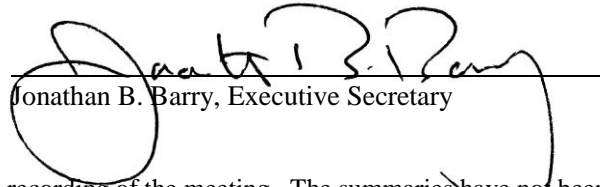
None.

ITEM 5. EXECUTIVE SECRETARY’S REPORT

Richard Sneider reported that 2017 finished with capital gains over \$10 million, a record for the agency; nearly \$500 million in State Trust Fund Loans; and \$540 million in bonds. Commissioner La Follette and Board Chair Schimel thanked the staff for the efforts.

ITEM 6. ADJOURN

The meeting adjourned at approximately 2:11 p.m.


Jonathan B. Barry, Executive Secretary

These minutes have been prepared from a recording of the meeting. The summaries have not been transcribed verbatim.
Link to audio recording: ftp://doafpt1380.wi.gov/doadocs/BCPL/2018-01-03_BCPL-BoardMtgRecording.mp3

**BOARD MEETING
JANUARY 17, 2018**

**AGENDA ITEM 3
APPROVE LOANS**

<u>Municipality</u>	<u>Municipal Type</u>	<u>Loan Type</u>	<u>Loan Amount</u>
1. Middleton Dane County Application #: 02018101 Purpose: Finance TID #5 economic development incentive	City Rate: 4.00% Term: 18 years	General Obligation	\$1,500,000.00
2. Vandebroek Outagamie County Application #: 02018098 Purpose: Remodel town hall	Town Rate: 4.00% Term: 20 years	General Obligation	\$750,000.00
3. Vandebroek Outagamie County Application #: 02018099 Purpose: Purchase fire truck	Town Rate: 3.50% Term: 7 years	General Obligation	\$120,000.00
4. West Allis Milwaukee County Application #: 02018100 Purpose: Finance TID #11 economic development project	City Rate: 4.00% Term: 20 years	General Obligation	\$5,000,000.00
TOTAL			\$7,370,000.00

BOARD MEETING
JANUARY 17, 2018

AGENDA ITEM 4
RATIFY ADJUSTMENTS TO LOAN PROGRAM INTEREST RATES

Background

Market interest rates on shorter term debt (1-5 years) have increased significantly over the past several months, reflecting actual and expected future policy changes by the Federal Reserve. Interest rates for medium term debt of 6-10 years have risen less dramatically and rates for longer term debt have not increased.

Staff Recommendations

To keep pace with changes in the financial markets, staff recommend an increase in the short- and medium-term interest rates charged by the BCPL State Trust Fund Loan Program. The proposed new rate structure for the BCPL State Trust Fund Loan Program is as follows:

Loan Term	Current Rate	Proposed Rate	Change
2 Years	3.00%	3.25%	+0.25%
3-5 Years	3.00%	3.50%	+0.50%
6-10 Years	3.50%	3.75%	+0.25%
11-20 Years	4.00%	4.00%	N/C

Loan interest rates available in the State Trust Fund Loan Program should reflect the current market environment. Staff believes that the appropriate rate structure will maximize revenues generated by the loan program to allow greater distributions to our beneficiaries, while maintaining the competitiveness of the loan program compared to other funding sources available to our customer base.

Interest Rate Adjustment Authorization

The Board had previously authorized the Executive Secretary in consultation with the Board Chairman to adjust loan interest rates up to 1% in between board meetings. In accordance with this authority, the Executive Secretary and Board Chairman approved these changes effective January 11, 2018.

Proposed Resolution

NOW, THEREFORE BE IT RESOLVED, that the Board of Commissioners of Public Lands ratifies the changes in BCPL State Trust Fund Loan Program, with annual interest rates to be set at 3.25% for 2-year loans, 3.50% for 3-5 year loans, 3.75% for 6-10 year loans, and 4.00% for 11-20 year loans.

**BOARD MEETING
JANUARY 17, 2018**

AGENDA ITEM 5a

PROPOSED LAND BANK SALE TO THE PUBLIC – BOOT JACK LAKE ROAD 80 (S1806)

BCPL staff recommends the sale of an 80 acre parcel located in Oneida County to the public via sealed bid process for the following reasons:

- The property is inside the consolidation zone but is isolated, has no legal access, and has limited potential for significant timber production;
- The property does not provide access to other BCPL lands;
- Sale of the property would provide BCPL with funds to purchase other lands that would provide better access to its existing lands, produce timber revenue, improve management efficiency, reduce forest fragmentation, or all of the above;
- No governmental entities in Wisconsin have determined that the property is required for their respective use; and
- Sale of the property via sealed bid process is expected to be the best method for maximizing the sales proceeds from the property.

Attachments:

Resolution w/Exhibits

Exhibit A - BCPL Sales Analysis

Exhibit B - Appraisal Certification

BCPL Project Map

**BOARD MEETING
JANUARY 17, 2018**

AGENDA ITEM 5a

PROPOSED LAND BANK SALE TO THE PUBLIC – BOOTJACK LAKE ROAD 80 (S1806)

RECITALS

- A. The Board of Commissioners currently holds title to the following property, consisting of approximately 80 acres:

NE $\frac{1}{4}$ of the NE $\frac{1}{4}$ and NW $\frac{1}{4}$ of the NE $\frac{1}{4}$, Section 17, Township 38 North, Range 4 East, Town of Minocqua, Oneida County, Wisconsin (the “Property”).
- B. The Property has been evaluated by BCPL staff against sale criteria previously adopted by the Board. The Property has been determined by BCPL staff to be appropriate for sale according to such criteria. A copy of the sale analysis is attached to this resolution as Exhibit A.
- C. The Property was independently appraised by Compass Land Consultants at a value of \$775 per acre for a total of \$62,000. A copy of the Certification of the Appraisal is attached to this resolution as Exhibit B.
- D. BCPL staff members assert that, to the best of their knowledge, the Property is not required by any other governmental unit in Wisconsin.
- E. BCPL staff recommends that the Board authorize the sale of the Property at public sale pursuant to the sealed bid process set forth in Wisconsin Statutes Chapter 24.

NOW, THEREFORE BE IT RESOLVED, that the Board of Commissioners of Public Lands authorizes the sale of the Property pursuant to a sealed bid process. The minimum acceptable bid for the Property shall be the appraised value as determined by the independent appraiser as set forth above. Such sale shall be conducted in accordance with Chapter 24 of the Wisconsin Statutes on such terms and conditions as the Executive Secretary determines to be reasonable and necessary. The Executive Secretary is authorized and directed to execute any documents reasonably necessary to complete such transactions.

Board of Commissioners of Public Lands
Summary Analysis of Potential Property Sale
Transaction ID#: S 1806

Exhibit A
Item 5a

Common Name for Land Parcel: Bootjack Lake Road 80

County: Oneida Township: Minocqua

Legal Description: NENE and NWNE of Section 17, Township 38 North, Range 4 East

GLO Acres: 80

Sale Criteria

1. Title

- Ownership verified with Register of Deeds.
- Title appears merchantable.

2. Timber Management

- Parcel is located outside of Consolidation Zone.
- Parcel is an isolated or unproductive parcel within the Consolidation Zone.

3. Access

- Parcel does not provide the only reasonable access to other BCPL parcels that will be retained.
- If parcel does provide the only reasonable access to other BCPL parcels to be retained, a public access easement across the parcel has been reserved.
- Parcel has no current access.

4. Parcel Required By Other Government Entity: _____

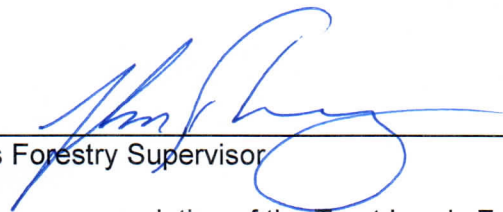
- The parcel is located within a project boundary of another government agency or adjacent to a parcel of land owned by another unit of government.
- Parcel is otherwise required by another unit of government.

5. Recommend Selling via Public Auction or Sealed Bid

- Parcel is not otherwise required by another unit of government and will be sold via public auction or sealed bid.

I recommend that BCPL sell the above property on terms and conditions acceptable to BCPL:

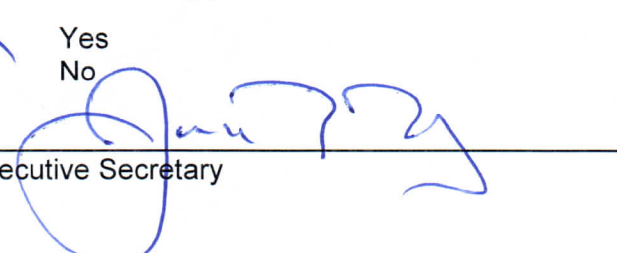
- Yes
- No


Trust Lands Forestry Supervisor

10-31-17
Date

I accept the recommendation of the Trust Lands Forestry Supervisor and direct the staff to proceed accordingly.

- Yes
- No

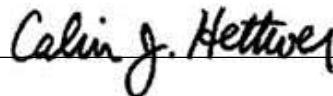

Executive Secretary

11-13-17
Date

CERTIFICATION

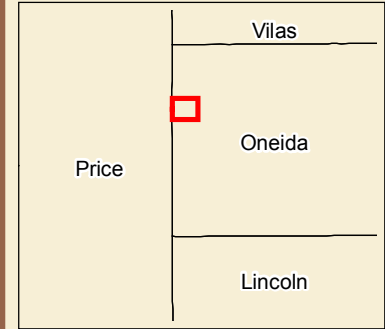
I certify that, to the best of my knowledge and belief:

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- I have no present or prospective interest in the property that is the subject of this report, and no personal interest with respect to the parties involved.
- I have no bias or personal interest with respect to the property and parties involved in the assignment.
- I have had no previous appraisal experience on the subject property within three years of the effective date of value.
- My engagement in this assignment is not contingent upon developing or reporting predetermined results.
- My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- My analyses, opinions, and conclusions were developed, and this report has been prepared in conformity with the "Uniform Standards of Professional Appraisal Practice."
- I personally inspected the subject property on December 14, 2017. The selected sales were field inspected by either myself or Erik Barttelt, Appraisal Assistant with Compass Land Consultants, Inc.
- It is my opinion that the subject property has a value of \$62,000 as of December 14, 2017.



Calvin J. Hettwer
Real Estate Specialist/Appraiser
WI CGA #2089-10
(Expires 12/14/2019)

BOOTJACK LAKE ROAD 80



S1806

County: Oneida

Town: Minocqua


**Common Name:
 Bootjack Lake Road 80**

Acres - 80

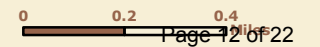
Fund 745



 **Parcel being Sold**

 **Current BCPL Land**

 **DNR Land**



**BOARD MEETING
JANUARY 17, 2018**

**AGENDA ITEM 5b
PROPOSED LAND BANK SALE TO THE PUBLIC – 40 EAST OF WILLOW RIVER
(S1807)**

BCPL staff recommends the sale of a 40 acre parcel located in Oneida County to the public via sealed bid process for the following reasons:

- The property is inside the consolidation zone but has no legal access and is unproductive;
- The property does not provide access to other BCPL lands;
- Sale of the property would provide BCPL with funds to purchase other lands that would provide better access to its existing lands, produce timber revenue, improve management efficiency, reduce forest fragmentation, or all of the above;
- No governmental entities in Wisconsin have determined that the property is required for their respective use; and
- Sale of the property via sealed bid process is expected to be the best method for maximizing the sales proceeds from the property.

Attachments:

Resolution w/Exhibits

Exhibit A - BCPL Sales Analysis

Exhibit B - Appraisal Certification

BCPL Project Map

**BOARD MEETING
JANUARY 17, 2018**

**AGENDA ITEM 5b
PROPOSED LAND BANK SALE TO THE PUBLIC – 40 EAST OF WILLOW RIVER
(S1807)**

RECITALS

- A. The Board of Commissioners currently holds title to the following property, consisting of approximately 40 acres:

NE¼ of the NW¼, Section 20, Township 38 North, Range 4 East, Town of Minocqua, Oneida County, Wisconsin (the “Property”).
- B. The Property has been evaluated by BCPL staff against sale criteria previously adopted by the Board. The Property has been determined by BCPL staff to be appropriate for sale according to such criteria. A copy of the sale analysis is attached to this resolution as Exhibit A.
- C. The Property was independently appraised by Compass Land Consultants at a value of \$675 per acre for a total of \$27,000. A copy of the Certification of the Appraisal is attached to this resolution as Exhibit B.
- D. BCPL staff members assert that, to the best of their knowledge, the Property is not required by any other governmental unit in Wisconsin.
- E. BCPL staff recommends that the Board authorize the sale of the Property at public sale pursuant to the sealed bid process set forth in Wisconsin Statutes Chapter 24.

NOW, THEREFORE BE IT RESOLVED, that the Board of Commissioners of Public Lands authorizes the sale of the Property pursuant to a sealed bid process. The minimum acceptable bid for the Property shall be the appraised value as determined by the independent appraiser as set forth above. Such sale shall be conducted in accordance with Chapter 24 of the Wisconsin Statutes on such terms and conditions as the Executive Secretary determines to be reasonable and necessary. The Executive Secretary is authorized and directed to execute any documents reasonably necessary to complete such transactions.

Board of Commissioners of Public Lands
Summary Analysis of Potential Property Sale
Transaction ID#: S 1807

Exhibit A
Item 5b

Common Name for Land Parcel: 40 East of Willow River

County: Oneida Township: Minocqua

Legal Description: NENW of Section 20, Township 38 North, Range 4 East

GLO Acres: 40

Sale Criteria

1. Title

- Ownership verified with Register of Deeds.
- Title appears merchantable.

2. Timber Management

- Parcel is located outside of Consolidation Zone.
- Parcel is an isolated or unproductive parcel within the Consolidation Zone.

3. Access

- Parcel does not provide the only reasonable access to other BCPL parcels that will be retained.
- If parcel does provide the only reasonable access to other BCPL parcels to be retained, a public access easement across the parcel has been reserved.
- Parcel has no current access.

4. Parcel Required By Other Government Entity: _____

- The parcel is located within a project boundary of another government agency or adjacent to a parcel of land owned by another unit of government.
- Parcel is otherwise required by another unit of government.

5. Recommend Selling via Public Auction or Sealed Bid

- Parcel is not otherwise required by another unit of government and will be sold via public auction or sealed bid.

I recommend that BCPL sell the above property on terms and conditions acceptable to BCPL:

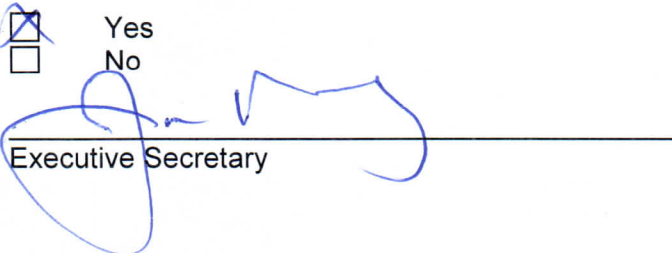
- Yes
- No


Trust Lands Forestry Supervisor

10/31/17
Date

I accept the recommendation of the Trust Lands Forestry Supervisor and direct the staff to proceed accordingly.

- Yes
- No

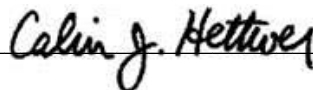

Executive Secretary

11-13-17
Date

CERTIFICATION

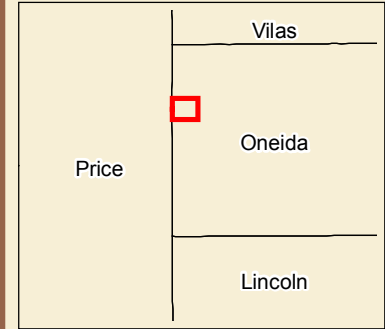
I certify that, to the best of my knowledge and belief:

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- I have no present or prospective interest in the property that is the subject of this report, and no personal interest with respect to the parties involved.
- I have no bias or personal interest with respect to the property and parties involved in the assignment.
- I have had no previous appraisal experience on the subject property within three years of the effective date of value.
- My engagement in this assignment is not contingent upon developing or reporting predetermined results.
- My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- My analyses, opinions, and conclusions were developed, and this report has been prepared in conformity with the "Uniform Standards of Professional Appraisal Practice."
- I personally inspected the subject property on December 14, 2017. The selected sales were field inspected by either myself or Erik Barttelt, Appraisal Assistant with Compass Land Consultants, Inc.
- It is my opinion that the subject property has a value of \$27,000 as of December 14, 2017.



Calvin J. Hettwer
Real Estate Specialist/Appraiser
WI CGA #2089-10
(Expires 12/14/2019)

40 East of Willow River



S1807

County: Oneida

Town: Minocqua

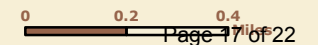
**Common Name:
 40 East of Willow River**

Acres - 40

Fund 745



-  Parcel being Sold
-  Current BCPL Land
-  DNR Land



**BOARD MEETING
JANUARY 17, 2018**

**AGENDA ITEM 7
EXECUTIVE SECRETARY'S REPORT**

Attached for review is the following report:

- Investment Transaction Report – January 11, 2018
- 2017 Q4 Investment Summary – December 31, 2017

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Jonathan Barry, *Executive Secretary*

Investment Transaction Report January 11, 2018

Bond Purchases

Issuer	Credit Rating	Trade Date	Par Value	Price Paid	Coupon	Call Date	Yield to Call	Maturity Date	Yield to Maturity
FFCB	Aaa	01/04/2018	\$5,000,000	\$4,976,500	3.470%	03/22/18	5.69%	12/22/32	3.51%
FHLB	Aaa	01/04/2018	\$1,785,000	\$1,783,750	3.625%	12/28/18	3.70%	12/28/37	3.63%
FFCB	Aaa	01/05/2018	\$5,000,000	\$4,973,750	3.470%	02/22/18	6.05%	12/22/32	3.52%
UST*	Aaa	01/09/2018	\$11,000,000	\$10,984,270	00.75%	N/A	N/A	03/31/18	1.40%

*This US Treasury Note was purchased for the Common School Income Fund that is used to hold monies to be distributed in early April 2018. The investment is a substitute for maintaining cash reserves in the State Investment Fund, and provides a higher yield. Our beneficiaries will earn an additional \$5,000 income through March 31, compared to the SIF rate available on the purchase date.

Bond Sales

Staff has not sold bonds since the Investment Transaction Report of 12/29/17.

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Jonathan Barry, *Executive Secretary*

Investment Report - Fourth Quarter 2017

Executive Summary

BCPL investment performance continues to exceed benchmark returns. The risk-adjusted return in BCPL-managed portfolios was **0.94% greater** than benchmark yields during the fourth quarter. This enhancement provides beneficiaries with **\$2.56 million more** during the fourth quarter than would be generated by an investment in the benchmark portfolio.

Interest rate volatility during 2017 provided staff with several opportunities to profit through both long and short-term capital gains. These opportunities helped fill the CSF smoothing fund to more than 50% of the targeted amount and increased the 2018 distribution to the second highest level in agency history at \$35,700,000. And for the first time in modern history, additions to CSF principal were made through a mechanism outside of the constitutional allocation of unclaimed property and fees, fines and forfeitures that accrue to the State.

The BCPL Investment Committee remains cautious regarding entry into public equity markets as stock indices continue to reach new records. Discussions have begun with SWIB regarding the development of an appropriate strategy to enter these markets. Due diligence continues regarding BCPL investments in the venture capital funds 4490 Ventures II and Venture Investors Fund 6, and in a package of seasoned WHEDA apartment mortgage loans.

Q4 Investment Highlights and Outlook

Our performance during Q4 was excellent, with the overall expected yield improving to 3.55% from 3.34% at the end of the 3rd quarter. This improvement was primarily due to the investment of cash reserves at better yields, including growth in the bond and loan portfolios totaling \$74 million.

At the end of 2017, the loan portfolio had reached its highest total since early 2011 with loans continuing to provide an excellent risk-adjusted rate of return. For example, at the end of 2017, the average State Trust Fund Loan had a maturity of 5 years with an interest rate of 3.62%. On that same date, the 5-year Treasury rate was 2.21%. Although the securities have a similar default risk profile (there has never been a default), the loan program provides BCPL-managed trust funds with 64% more yield than Treasury Notes of the same maturity. The continued availability of this program is extremely important to maintaining strong annual distributions to our beneficiaries.

The benchmark 10-year Treasury rate ended 2017 at 2.40%, almost exactly where it began the year. But there was turbulence during the year, with the rate reaching a high of 2.62% on March 13, and a low of 2.05% on September 7. The benchmark has a direct impact on trust fund earnings because new investments are purchased at a spread (percentage rate) above that benchmark rate.

The Federal Reserve raised short-term rates three times during 2017, and expectations are for three more increases in 2018. Long-term rates have remained stubbornly low as they are more dependent on expected inflation than on actions taken by the Fed. Economic shifts due to globalization and disruptive technologies appear to have changed the inflation calculation, and it will be interesting to see if these changes are temporary or more permanent. The impact of robotics on future wage growth within the United States is a good example of this economic uncertainty.

If short-term interest rates move higher than long-term rates (called an inverted yield curve), history tells us that a recession is on the horizon. Some economists are speculating that relationship may no longer hold, but staff is reminded of the internet stock bubble in the late 1990s when pundits said that earnings (and even sales) no longer mattered. We know what happened then.

Summary and Benchmark Comparison

The overall expected yield of funds managed by BCPL was 3.55% at the end of fourth quarter, a significant increase from 3.34% in Q3. The risk-adjusted BCPL returns outperformed our benchmark by nearly 1%, which translates into a very significant increase in distributable income. These calculations do not account for realized or unrealized capital gains.

BCPL Investment Summary

4th Quarter 2017

as of December 31, 2017

BCPL Investment Summary						
4th Quarter 2017						
as of December 31, 2017						
Portfolio Summary		Total Assets	Expected Yield¹	SEC Yield²	Average Credit Quality³	Weighted Avg Maturity
Total BCPL Managed Financial Assets		\$ 1,090,769,076	3.55%	3.60%	Aa1	9.54
Benchmark Performance ⁴				3.03%	A1	8.84
BCPL Investments	% of Total BCPL Managed Assets					
Bonds	48.06%	\$ 524,269,877	3.79%	3.88%	Aa2	15.04
BCPL State Trust Fund Loans	45.80%	\$ 499,533,143	3.62%	3.62%	Aa1	5.05
Cash and Cash Equivalents ⁵	6.14%	\$ 66,966,057	1.21%	1.21%	Aaa	0.00
Total BCPL Managed Investments	100.00%	\$ 1,090,769,076	3.55%	3.60%	Aa1	9.54
Benchmark Components	Weighting					
S&P Long Intermediate Term Taxable Municipal Bond Index ⁶	60.00%		3.21%	3.82%	Aa3	9.54
S&P U.S. Treasury Bill Index ⁷	10.00%		1.22%	1.02%	Aaa	0.07
Wisconsin Tax-Exempt Bond Mutual Funds (combined) ⁸	30.00%	\$ 340,900,001	N/A	2.14%	Baa1	10.37
Total Benchmark	100.00%			3.03%	A1	8.84
Important Notes on Following Page						
						Prepared by Richard Sneider

Notes to BCPL Benchmark Comparison:

¹ **Expected Yield** is the weighted average yield to the redemption date for each bond, and assumes that issuers will redeem bonds at the earliest possible date, when it is in their best interest given current market interest rates. Also called 'yield-to-worst', this number is equal to the lower of the 'yield to call' and 'yield to maturity' for each investment in the portfolio.

² **SEC Yield** - The SEC yield should not be confused with the expected yield on invested funds. The SEC yield will vary substantially with market conditions because it is calculated using the current market value of assets, and the value of fixed income assets fluctuates with market interest rates. For example, although interest payments produced by an individual bond remain constant following the issuance of the bond, the SEC yield on this bond will increase with market interest rates solely because the value of the bond decreases (yield = income/value). If all bonds are held to maturity, the actual return to the investor would equal the "yield to maturity at cost". This calculation is not provided for benchmark components and is therefore not included in this comparison. Many investors prefer to use "yield to worst", which calculates the return using the lower of the "yield to call" and "yield to maturity". The most appropriate method to compare bond portfolios is to look at Total Return, which combines both income and changes in the market value of the underlying assets (see note 8 below). BCPL does not have the ability to use Total Return as a method of comparison because the Trust Fund Loan Portfolio has never been valued. Rather, the SEC Yield is used for comparison because it is a standardized methodology for calculating yield as required by the Securities and Exchange Commission for all mutual funds and provides a means to compare BCPL managed funds to a simple benchmark. The SEC yield is a close approximation to the net yield to maturity of the fund using the current market value of the fund, and is calculated as the yield to the investor (after fund expenses and fees) during the previous 30 days assuming all bonds are held to maturity. The SEC Yield for the State Investment Fund is for the most recent month available.

³ **Average Credit Quality** - Except for the BCPL loan portfolio, all average credit quality ratings shown equal the weighted average credit rating of individual securities held within each portfolio. A rating for the loan portfolio is provided to improve the ability to compare BCPL managed funds to other funds. The Aa1 rating presumed for the loan portfolio is considered reasonable, as there has not been a single default in the State Trust Fund loan program since inception in 1871, and BCPL has the statutory right and requirement to cure any future default by intercepting state aid otherwise due the borrower. Mutual Fund credit quality is provided by Morningstar. The global long-term rating scale of Moody's Investor Services begins at 'Aaa' for obligations judged to be of the highest quality, subject to the lowest level of risk. The ranking in order from highest to lowest quality then includes: Aa, A, Baa, Ba, B, Caa, Ca, and C. Ratings from Aa to Caa are modified with 1,2, or 3 to provide a high, middle and low ranking within each alphabetic category. 'Investment-grade' securities have ratings of Baa3 or higher.

⁴ **Benchmark Components and Weighting** - Due to the unique set of BCPL authorized investments consisting primarily of the BCPL State Trust Fund Loan Program, and bonds issued by the State of Wisconsin and Wisconsin municipalities and school districts, there are no managed funds that perfectly match the characteristics of the BCPL portfolio. However, the chosen benchmark components provide the best opportunity to compare BCPL investments to funds managed by other professionals. The justifications of including individual benchmark components are provided below. Component weighting begins with an estimate of average liquidity levels required throughout the year, with additional factors including an estimate of the proportion between taxable and tax-exempt project funding, and the use of current taxable and tax-exempt bond yields in developing program interest rates.

⁵ **Cash** - Cash and cash equivalents includes all investments in the State Investment Fund and Farm Credit adjustable rate notes, and all funds managed by ADM in FDIC-insured deposit accounts.

⁶ **S&P Long Intermediate Term Taxable Municipal Bond Index** - This taxable municipal bond index is included as a benchmark component because it properly reflects the investment strategies of BCPL managed Trust Funds, including both the direct investment in taxable municipal bonds and the influence of taxable bond yields on the development of loan program interest rates. The S&P Long Intermediate Term Taxable Municipal Bond Index matches the weighted average maturity and duration of total BCPL managed funds fairly well, although BCPL maintains better average credit quality. This index is comprised of all taxable bonds issued by any state (including the Commonwealth of Puerto Rico and U.S. territories such as the U.S. Virgin Islands and Guam) with an investment grade rating (minimum S&P BBB- or Moody's Baa3), a minimum par amount of \$1 million, and remaining maturity between 5 and 15 years. Average credit quality level is not published by S&P, but was calculated at the weighted average rating of amounts held within the separate S&P AAA, AA, A, and BBB Rated Taxable Municipal Bond Indices using a formula developed by Schwab Portfolio Center, the portfolio analysis software used by BCPL. Overall, a weighting of 60% is appropriate given the average levels of cash and tax-exempt investments held by the Trust Funds throughout the year.

⁷ **S&P U.S. Treasury Bill Index** - The U.S. Treasury Bill Index represents the average cash position held by the Trust Funds throughout the year, and is included because BCPL maintains significant levels of liquidity needed to fund expected trust fund loan demand over the next 3-6 months. The amount of portfolio liquidity (cash) varies significantly throughout the year, and is impacted by factors including the interest rate environment, the absence of prepayment penalties within the loan program, and the statutory payment structure requiring annual loan payments on March 15 each year. The S&P U.S Treasury Bill index is a market weighted index that includes all U.S. Treasury Bills with maturities ranging from 0-12 months. Because an index is not a managed portfolio, but only a collection of securities within a specific set of criteria, management expenses are not included. Overall, a weighting of 10% for this benchmark component is appropriate given the average levels of cash held by the Trust Funds throughout the year.

⁸ **Wisconsin Tax-Exempt Bond Funds** - Tax-exempt bond funds are included as a benchmark component for three reasons: BCPL invests directly in tax-exempt bonds when available at acceptable terms; a significant portion of loans made through the BCPL State Trust Fund Loan Program fund projects that would qualify as tax-exempt; and current tax-exempt bond yields are an important factor in the construction of loan program interest rates. There are three bond mutual funds that invest primarily in Wisconsin State and Municipal Bonds, investments that are similar to the securities approved for BCPL investment. These funds are sponsored by Wells Fargo, Nuveen and Nationwide Ziegler, and there are significant differences between the management of these mutual funds and BCPL trust funds. All three mutual funds are limited to tax-exempt investments, a universe of securities that generally provide lower yields than the taxable instruments favored by BCPL. On the other hand, all three of these funds invest substantial amounts in bonds that have considerable default risk including bonds issued by the Commonwealth of Puerto Rico, community development revenue bonds, hospital revenue bonds, and other bonds types not available within the risk parameters of the BCPL investment authority. Overall, a weighting of 30% for this benchmark component is appropriate given the level of Trust Fund investment in tax-exempt instruments and the influence of tax-exempt bond rates on the interest rates charged within the loan program.

⁹ **Total Return Analysis** - A total return analysis including the periodic change in asset values in addition to earnings would provide a more comprehensive and accurate comparison between the returns generated by BCPL managed funds and our benchmark. However, total return analysis requires accurate asset valuation in order to provide a reasonable basis for measuring management performance. A significant portion of BCPL managed assets are invested in loans to municipalities and school districts through the BCPL State Trust Fund Loan Program. BCPL has never sold a trust fund loan and has always held these investments to maturity. There is currently no formula or model available to determine an accurate market value of the loan portfolio. Should BCPL sell loans in the future and establish a secondary market in BCPL State Trust Fund Loans, total return analysis may provide an improvement over the current method of yield comparison as the model for measuring BCPL investment performance against the appropriate benchmarks.