



Douglas La Follette, *Secretary of State*
Sarah Godlewski, *State Treasurer*
Joshua L. Kaul, *Attorney General*

101 E. Wilson Street
2nd Floor
PO Box 8943
Madison, WI 53708-8943

608 266-1370 INFORMATION
608 266-0034 LOANS
608 267-2787 FAX
bcpl.wisconsin.gov

Jonathan Barry, *Executive Secretary*

AGENDA

April 16, 2019
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 - April 2, 2019 (Attachment)
- 3) Approve Loans (Attachment)

Old Business: None

New Business:

- 4) Discuss the Possibility of Drafting Statute Language to Return the Unclaimed Property Program to the State Treasurer's Office (*deferred to May 7 meeting*)
- 5) Discuss BCPL Commitment to gener8tor Fund VII (Attachment)

Routine Business:

- 6) Board Chair's Report
- 7) Executive Secretary's Report
- 8) Future Agenda Items
- 9) Adjourn

AUDIO ACCESS INFORMATION

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

**BOARD MEETING
APRIL 16, 2019**

**AGENDA ITEM 2
APPROVE MINUTES**

Attached for approval are the minutes from the April 2, 2019, board meeting.

Board Meeting Minutes
April 2, 2019

Present in person were:

- | | |
|---|--|
| Sarah Godlewski, Board Chair | State Treasurer |
| Jonathan Barry, Executive Secretary | Board of Commissioners of Public Lands |
| Tom German, Deputy Secretary | Board of Commissioners of Public Lands |
| Vicki Halverson, Office Manager | Board of Commissioners of Public Lands |
| Richard Sneider, Chief Investment Officer | Board of Commissioners of Public Lands |

Present via teleconference were:

- | | |
|--------------------------------|--------------------|
| Doug La Follette, Commissioner | Secretary of State |
| Josh Kaul, Commissioner | Attorney General |

ITEM 1. CALL TO ORDER

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

ITEM 2. APPROVE MINUTES - MARCH 19, 2019

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

DISCUSSION: A typographical error was noted, which will be fixed by staff.

VOTE: The motion passed 3-0.

ITEM 3. APPROVE LOANS

<u>Municipality</u>	<u>Municipal Type</u>	<u>Loan Type</u>	<u>Loan Amount</u>
1. Rock Elm Pierce County Application #: 02019113 Purpose: Purchase tractor and equipment	Town Rate: 4.00% Term: 5 years	General Obligation	\$80,000.00
TOTAL			\$80,000.00

Mr. Sneider reported that the loans had received legal review by the Department of Justice.

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

DISCUSSION: None.

VOTE: The motion passed 3-0.

ITEM 4. REPORT ON LEGAL ADVICE FROM DOJ REGARDING STATE TREASURER’S ABILITY TO AUDIT AND/OR REQUEST AUDITS OF UNCLAIMED PROPERTY PROGRAM

Executive Secretary Barry explained that the report he sent to the Commissioners via email related to audits of Unclaimed Property by third parties, which are distinct from audits of the Unclaimed Property Program (the “Program”). The State Treasurer had met with attorneys at the DOJ to discuss whether the Board had the authority to request or require an audit of the Program or whether that request needed to go through the

Legislative Audit Bureau. State Treasurer Godlewski said that she is awaiting information and would provide an update at the next board meeting.

Executive Secretary Barry said there has not been a reconciliation of the Program since its transfer to the DOR from the State Treasurer's Office, and perhaps an audit would be in order. Board Chair Godlewski said this was a concern to her.

Commissioner La Follette expressed his desire for the Program to be transferred back to the State Treasurer's Office and asked if staff could begin drafting legislation. He requested that the topic be included on a future board meeting agenda. Board Chair Godlewski replied that while she did not disagree with that suggestion as a final outcome, she would prefer legal guidance from DOJ before legislation is drafted. A discussion of the topic will be added to the next board meeting agenda.

ITEM 5. DISCUSS POTENTIAL REVENUE OPPORTUNITIES FROM TRUST LANDS

Board Chair Godlewski had recently met with BCPL staff to discuss other potential sources of Trust Lands revenue including the promotion of eco-tourism through partnerships with the DNR and other entities, and the reorganization of Trust Lands through the sale of unproductive parcels and the purchase of timberlands adjacent to large blocks of productive Trust Lands.

ITEM 6. REPORT OF THE CHIEF INVESTMENT OFFICER

Mr. Sneider reported that the BCPL Investment Committee voted to change the mix of stock exchange-traded funds (ETFs) within the public equity allocation to include small cap stocks, which historically have provided an above-average rate of return. The March decrease in interest rates had a favorable impact on total unrealized gains/losses in the Board's public bond portfolio. The unrealized net gain now stands at \$3.5 million.

ITEM 7. EXECUTIVE SECRETARY'S REPORT

Executive Secretary Barry provided a summary of the report he provided to the Board regarding third party audits of Unclaimed Property. While the Department of Revenue has the authority to conduct its own audits on unclaimed property, they are not allowed to contract with third parties to conduct audits.

Executive Secretary German explained that, per state statutes, companies are required to file unclaimed property reports and the funds with the DOR when the rightful owner of such property is unable to be located after a period of time. Because there is currently no capacity for the DOR to audit businesses to ensure they are complying with the law, some may not be filing the required reports nor transferring the funds. A brief explanation of third-party audits was also provided.

ITEM 8. FUTURE AGENDA ITEMS

Board Chair Godlewski asked that a "Board Chair's Report" topic be added to future agendas. She reported that she and staff recently hosted a BCPL "meet and greet" for freshman legislators. The legislators received information on how BCPL is investing in communities within their district (i.e., State Trust Fund Loans and Common School Fund library aid distributions) and an explanation of other programs administered by the agency. Similar sessions will be held for other legislators and staff.

She and staff attended the Wisconsin Educational Media & Technology Association's annual conference to announce the 2019 library aid distribution of \$32.6 million. She presented State Superintendent Carolyn Stanford Taylor with a ceremonial check at the event, which was well received by the school librarians and educators.

She met with legal counsel at DOJ to discuss legislation that was passed in December that could potentially limit forfeiture deposits into the Common School Fund. There is on-going litigation regarding that legislation and updates will be provided to the Board as they become available.

ITEM 9. ADJOURN

Commissioner La Follette moved to adjourn the meeting; Commissioner Kaul seconded the motion. The motion passed unanimously, and the meeting adjourned at 2:40 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: https://bcpl.wisconsin.gov/Shared%20Documents/Board%20Meeting%20Docs/2019/2019-04-02_BoardMtgRecording.mp3

**BOARD MEETING
APRIL 16, 2019**

**AGENDA ITEM 3
APPROVE LOANS**

<u>Municipality</u>	<u>Municipal Type</u>	<u>Loan Type</u>	<u>Loan Amount</u>
1. Maribel Manitowoc County Application #: 02019115 Purpose: Finance TID utility expenses	Village Rate: 4.50% Term: 20 years	General Obligation	\$95,000.00
2. River Ridge Grant County Application #: 02019116 Purpose: Finance site improvements	School Rate: 4.25% Term: 10 years	General Obligation	\$700,000.00
3. Twin Lakes Kenosha County Application #: 02019114 Purpose: Purchase fire truck	Village Rate: 4.25% Term: 10 years	General Obligation	\$574,731.00
TOTAL			\$1,369,731.00

**BOARD MEETING
APRIL 16, 2019**

**AGENDA ITEM 5
DISCUSS BCPL COMMITMENT TO GENER8TOR FUND VII**

On April 9, the BCPL Investment Committee voted to move forward towards a commitment of \$3 million to gener8tor Fund VII, a Madison and Milwaukee-based venture capital fund. This commitment is expected to be funded with annual contributions of \$1 million from the Common School Fund over each of the next three years. gener8tor Fund VII is projected to invest in approximately 120 startup companies, providing BCPL with an investment in a diverse set of businesses across industries and geographies.

Founded by Joe Kirgues and Troy Vosseller in 2012, gener8tor has become a nationally ranked seed-stage investor that typically provides the first non-friends or family investment in each company. gener8tor has developed a successful model to attract large numbers of start-up companies hoping to be accepted into their program. gener8tor accepts only a small percentage of applicants into their three-month business development programs that are located on-site in Madison, Milwaukee, Cincinnati and Minneapolis-St. Paul. gener8tor is industry agnostic but has developed corporate sponsorships in the insurance/medical device/music areas to help offset the program costs for startup investments in these industries. The Cincinnati location (called "The Brandery") was recently acquired by gener8tor and is focused on consumer-packaged-goods, advertising and marketing technology, and digitally native brands.

gener8tor provides an initial investment of \$20,000 for 6% of the equity in each startup, along with \$80,000 structured as a convertible loan. The companies receive mentorship and business development assistance from 26 FTEs, along with introductions and contacts within a wide and deep corporate network.

gener8tor has an excellent track record, both in developing startup companies and delivering financial returns to investors. Over the past six funds, the 81 accelerator companies have negotiated over \$200 million in follow-on investments and grown to include over 2,000 employees. The three earlier gener8tor funds that have reached a maturity level necessary for peer comparison are in the top quartile of their benchmarks, with returns in each fund exceeding an average of 15% per year.

In any venture capital investment made by BCPL, all returns are expected to be long-term capital gains and added to the principal of the Common School Fund.

This commitment is being made under the authority granted to staff through the Board-approved Investment Policy Statement. The current Common School Fund allocation range for the venture capital asset class is 0% to 5% (\$0 to \$55.9 million) with a target allocation of 3% (\$33.5 million). Investments made to date total \$8.9 million with total commitments at \$33 million including this commitment to gener8tor Fund VII.

Please note that capital contributions made by BCPL for the initial investment by a venture capital partnership are spread out over several years (three years in the case of gener8tor and five years for 4490 Ventures and Venture Investors - our prior venture capital commitments). In addition, and under normal conditions, the manager will not call the full amount committed by any partner during the initial investment period. This allows the partnership to retain an ability to make follow-on investments in successful portfolio companies. It is also typical that some early investments will start to generate returns during the later period of any venture capital partnership.

The above factors limit the amount invested through any venture capital (or other staged-investment partnership) to less than the total amount of the capital commitment. Therefore, to deliver the full impact on portfolio returns anticipated within the allocation model, the amounts committed must exceed the target allocation. For example, consider a \$1 million portfolio that has a target allocation of 50% to venture capital. It may be necessary to make commitments of \$700,000 or more to reach the expected investment amount of \$500,000.

The main factor that determines the amount and timing of any capital call will be the current set of investment opportunities available to the managing partner. There are many variables that determine that opportunity set. As a result, it is challenging to predict when capital calls will be made within the prescribed window for initial or follow-on investments. To increase our ability to manage our liquidity requirements throughout this process, BCPL staff remains in close contact, including frequent communication, with our investment partners. All investments are closely monitored by staff and the Investment Committee so that the portfolio is maintained within Board-approved guidelines.