

MINUTES OF BOARD OF TRUSTEES MEETING

Herbert V. Prochnow Educational Foundation
Tuesday, November 19, 2024
Indian Wells, California

PRESENT

Randy Hultgren, President and CEO, Illinois Bankers Association, Springfield, *IMMEDIATE PAST CHAIR*
Karl Adam, President, South Dakota Bankers Association, Pierre, *CHAIR*
Michael J. Adelman, President and CEO, Ohio Bankers League, Columbus, *TREASURER*
Kirby Davidson, *CEO*
Paul Katz, *PRESIDENT*
Richard Baier, President and CEO, Nebraska Bankers Association, Lincoln
Adrian Beverage, President and CEO, Oklahoma Bankers Association, Oklahoma City
Jackson Hataway, President and CEO, Missouri Bankers Association, Jefferson City
Kevin Pernick, President and CEO, Bank Plus, Estherville, Iowa
Rose M. Oswald Poels, President and CEO, Wisconsin Bankers Association, Madison
Rann Paynter, President and CEO, Michigan Bankers Association, Lansing
Jenifer Waller, President, Colorado Bankers Association, Denver
Joe Witt, President and CEO, Minnesota Bankers Association, Edina
Rick Clayburgh, President and CEO, North Dakota Bankers Association
John K. Sorensen, President and CEO, Iowa Bankers Association, Johnston
Lorrie Trogden, President and CEO, Arkansas Bankers Association, Little Rock, *IMMEDIATE PAST CHAIR*
Doug Wareham, President and CEO, Kansas Bankers Association, Topeka
Julie Redfern, Chief Banking Officer, Lake Ridge Bank, Cross Plains, Wisconsin
Vicki Kraai, CEO, Interaction Training, Lincoln, Nebraska

ABSENT

Vallabh "Samba" Sambamurthy, Albert O. Nicholas Dean, Wisconsin School of Business, University of Wisconsin-Madison
Ballard W. Cassady, Jr., President and CEO, Kentucky Bankers Association, Louisville
Amber R. Van Til, President and CEO, Indiana Bankers Association, Indianapolis
Michael A. Wear, President, 39 Acres Corporation, Omaha, Nebraska

OTHERS PRESENT

Kathy Berman, *VICE PRESIDENT, MARKETING & COMMUNICATIONS*
Katie Bolen-Irwin, *CFO*
Adam Gregg, Incoming President, Iowa Bankers Association, Johnston

CALL TO ORDER

Chair Adam called the Meeting to order at 1:32pm.

INTRODUCTION

Adam Gregg was introduced as incoming President of Iowa Bankers Association. Vicki Kraai was introduced as incoming Curriculum Advisory Committee Representative and sitting in for Michael Wear who was absent.

APPROVAL TO COMBINE GSB and PEF BOARD MEETINGS

It was moved, seconded and approved to combine the Foundation and School meetings and hold them simultaneously.

APPROVAL OF MINUTES

Minutes of the Board of Trustees Meeting from June 13, 2024, were approved.

(June 13, 2024, minutes attached to official minutes as Exhibit I.)

CEO'S REPORT

CEO Davidson highlighted and reviewed the following items in his report:

- Enrollments for GSB were mixed for 2024 as the Freshman class for the Graduate School of Banking fell short, three specialty schools reached capacity and had waiting lists. Collectively with banking schools there was some cautious optimism heading into 2025. Retention has seen some decline in enrollment for Junior year due to project requirements.
- Online Seminars saw a dramatic decline in enrollment in Fall 2024 with the root cause being an email issue with the switch to Zoho which has stricter guidelines for emails.
- Partner Programs had 171 bankers participating and is a great outreach for GSB and a way to showcase GSB's faculty and our partnership with GSB's sponsoring associations.
- GSB's student evaluation scores continue to be exceptional.
- BAB met at summer session where a group of bankers tested FiSim Fundamentals to share feedback. Good ideas were shared but the overall impression of FiSim Fundamentals was very positive with many expressing interest in using at their bank. BAB still has 10 scholarships to award for 2025. BAB is meeting in January with CAC. BAB leadership (Julie Redfern and Kevin Pernick) were part of a GSB working group that was formed this fall to discuss a variety of strategic ideas ahead of next summer's strategic planning session with the full board.
- Banking school education directors met in October. Other schools are dealing with the same economic uncertainties in the industry and have seen recent declines in enrollment as well.
- President Katz has been introduced to key GSB partners throughout the transition this summer and fall. GSB is in talks with UW on how to provide advance placement into UW's professional MBA program following graduation from the Graduate Banking School program.
- Scholarships that are available for 2025 and were awarded in 2024 were presented.

- Kathy Berman provided a recap of 2024 enrollment. GSB exceeded budgets in three specialty schools while the other three specialty schools underperformed compared to budget. Graduate School didn't hit budgeted targets. SBAs are seeing conservative budgets among their members for spending in their organizations. Direct mail is seeing some traction. SBAs are seeing some restrictions in emails as well. Berman has connected with Ed Directors via email and one-on-ones to assist, as usual, with GSB's annual marketing campaign.

Q - Is there a ceiling of tuition costs and how is this shared among banking schools? A - Management doesn't see a cap and noted that GSB has fallen to second to last in tuition rates among peers. The value of the leadership certificate warrants a competitive tuition rate.

Q - What is the perception on scholarships? A - a few noted that these are helpful and drive interest in the school.

Vicki Kraai shared information regarding quality of education.

- Student composite evaluation scores were again in the excellent category for all GSB residential schools. In addition to good marketing, the faculty pride themselves on offering high quality educational programs that exceed student expectations. Here are the 2024 composite score for each GSB educational program (scale of 1-5 with 5 being high):
 - Graduate School of Banking: 4.53 which is a very impressive average when you're working with 80+ faculty and courses. It's also worth noting that the FiSim capstone course averaged a 4.53 in its fourth year at the school.
 - HR Management School: 4.74 (first year Kraai was Program Coordinator)
 - Bank Technology Management School: 4.78
 - Financial Managers School: 4.76
 - Strategic Marketing School: 4.79
 - Bank Technology Security School: 4.83
 - Digital Banking School: 4.82
- CAC members have enjoyed serving on the GSB Working Group this fall (Katz will report on this later in the meeting) to help shape the future of GSB from a faculty and student standpoint.
- CAC is looking forward to the upcoming annual BAB/CAC 3-day meeting in January which is always informative, strategic and thought-provoking from these two passionate GSB constituent groups.
- Kraai thanked Katz for hitting the ground running.

Q - How many other schools are offering leadership certificates? A - Stonier, Colorado, Pacific Coast all have one through their universities.

Q - Has GSB taken a deeper look at which banks and states sent students in the past versus who sent some in 2024? A - Haven't look at this but can. Historically, GSB has run a Top Customers report and shared with BAB, CAC and Trustees.

Q - Is this because of mergers and acquisitions? A - Unsure.

Q - Have we seen a decline in international enrollments? A - Yes, we had fewer international students for session this year and CAB haven't had students in a few years.

PRESIDENT'S REPORT

President Katz highlighted and reviewed the following items in his report:

- Online Seminars have taken a hit. GSB is looking at this globally to determine what makes sense moving forward as a program offering.
- There is potential for other specialty schools.

- Mary Hermes starts 12/2 and will be traveling on 12/3 to meet with education directors.
- GSB is looking to outsource marketing with a fresh look at brand and strategy.
- Business development for 2025 is a goal for the release FiSim Fundamentals. Other goals include analyzing and engaging the top customers and potential customers, galvanizing alumni engagement.
- Revenue sharing opportunity on GSB enrollment with GSB sponsoring associations.

Discussion - Ed Directors may be more interested in marketing the Graduate School if it helped the bottom line. Most think this would be helpful for SBAs. It may help to close the deal as well in engaging potential students to attend (need more immediate information vs backward looking, personal ask). FLA and GSB alumni event with the Illinois Bankers Association in spring 2024 was very successful and may drive more enrollment for GSB. Retention is worth looking at as well. This is being discussed with the working group. The proposed pilot looks good, but it is hard to know if this will work.

Q - Do any other schools do this? A - Management doesn't believe this is happening.

Q - How would board react to extending this referral fee to external groups at a reduced rate? A - All agree with this.

Comment - Attendee noted his organization is finishing up a strategic plan and did a survey among banks. Banks noted that online training is too expensive.

(The President's Report and the CEO's Report are attached to official minutes as Exhibit II and Exhibit III. Enrollment reports are attached to official minutes as Exhibit IV. SBA Incentive Program is attached to the official minutes as Exhibit V.)

EXECUTIVE COMMITTEE

Chair Adam discussed the following:

- Board government and committee assignments are on the resource site.
- Transition update - thank you's to Rose Oswald Poels and Randy Hultgren that have served on the President & CEO transition committee. Encouraged President Katz to start when he could (May 28th) so he could attend the FiSim faculty meeting in Madison the end of May. CEO Davidson retained CEO title for 7 months. Transition meetings occurred every 3 weeks. It was important that President Katz attend session with CEO Davidson in 2024. As of September 1, President Katz moved into the leader role while CEO Davidson moved to a support position. Trustees are not here to micromanage and are here to help when needed.
- The Executive Committee compensation and benefits report and recommendations will be provided in executive session.

FINANCE AND AUDIT COMMITTEE

Treasurer Adelman presented the financial report. The anticipated October 31, 2024, financials pending the financial review with Baker Tilly in January, were shown.

- \$2.61 million of revenue for the Grad School with \$1.64 million of expenses for a contribution to the bottom line of \$974k.
- Specialty schools were held in person, except for the Digital Banking School which, by design, is always held virtually. The specialty schools did well with most meeting or exceeding budgeted attendance, which led to a bottom-line contribution of \$367k.
- Online seminars had a strong spring but due to some email change limitations the fall seminars were about 50% of budgeted revenue, contributing about \$37k to the bottom line.
- Advanced programs added about \$9k to net operations.
- After deducting the net \$1.63 million of administrative expenses, GSB finished the year with a net deficit of \$15k.

- There was an intercompany contribution from GSB to PEF in June for \$225k. This was originally forecasted to occur in 2025 but happened one year earlier due to the overall financial performance and, thus, reserves of GSB.
- It is important to note that consolidated one-time costs for FY2024 for search consulting process, additional CEO, lease implementation and other new staff costs are estimated at \$218k. There were additional one-time costs of \$30k in 2024 that were not budgeted for. If these one-time expenses had not been incurred, GSB net surplus would have been \$233k.
- Combined cash for the School at year end was \$792k.
- Receivables are \$135k, which is high due to the \$90k still owed to GSB by the IRS for 2 quarters of Employee Retention Credit.
- Fixed assets are at \$208k, which includes investments for FiSim 2.0, FiSim Fundamentals and GSB's new website and information systems. Fixed assets are shown net of their accumulated depreciation and amortization.
- GSB signed a lease with WBA that includes an automatic renewal. Leases are now required to be listed on the financial statements starting with FY23. The lease was added as an estimate of a 5-year renewal which is shown in Other Assets and Lease Liability.
- Total combined assets of the School and Foundation are almost \$11.6 million, with net equity of \$11.2 million.

It was moved, seconded and carried to approve the Finance and Audit Committee's FY2024 consolidated financial report as presented.

(GSB Financial Report as of 10/31/2024 is attached to official minutes as Exhibit VI.)

(GSB Fees Chart is attached to official minutes as Exhibit VII.)

FY2025 Budget:

Treasurer Adelman presented the 2025 budgeted:

- FY25 Budgeted Revenue:
 - Revenue reflects price increases of \$150/student for the Graduate Banking School and \$150/student for each specialty school.
 - Enrollment:
 - The Grad School is budgeted at 145 incoming freshmen for a total of 410 students. The lower Freshman class from 2023 is resulting in a budgeted 37 fewer Seniors for 2025 than in 2024. The budgeted Freshman class for 2024 was 175 while actual was 142. With the downward trend of Freshman enrollment in the last 2 years, a budget of 145 is relatively conservative.
 - In person specialty schools are budgeted as follows: HR (50), Financial Managers (60), IT Management (50) and IT Security (35). Digital Banking School is the only planned virtual school, which is budgeted for 35 banks to attend. Strategic Marketing School was completed in 2024 with enrollment not meeting break-even expectations, so the school will not be provided in 2025.
 - Due to current email constraints and changes, OLS enrollment has been low in Fall 2024. While staff are researching the issue and identifying solutions, GSB anticipates lower revenue for Fall 2024 and Spring 2025 due to the email constraints along with managing staff capacity with recent turnover in the organization.
 - Total budgeted consolidated deficit for FY25 is projected to be \$192k (this is net of scholarships used).
- FY25 Budgeted Expenses:

- Personnel costs will be discussed in the executive session. Increased costs are due to two CEOs for two months of 2024.
- Important to note that consolidated one-time costs for 2025 include strategic planning session, additional CEO, additional travel expenses for working group meeting and additional night for June meeting, consulting services for hiring new staff and performing a salary market analysis are estimated at \$123k.
- PR/Promo costs are budgeted to be \$250k, which includes funds to hire an outsourced marketing firm and FiSim Fundamentals marketing estimates. The overall budget for marketing didn't change from the 2024 budget but it is to be re-purposed in 2025 to focus on creating a clear marketing strategy.
- Travel expenses for board, committee, and advisory meetings anticipate all meetings being held in person with increases for higher airfare, lodging and food costs. The June board strategic planning session includes an additional night which is adding to one-time expenses for 2025. The budget also includes additional funds for added alumni and bank visits in 2025 and training for GSB staff.
- Student lodging and meal costs have increased for 2025 due to a 14.5% increase in rates from UW Housing for the primary Graduate School of Banking. While this increase is significant, the budget looks similar to 2024 actual expenses due to overall lower enrollment expected in 2025. The specialty schools also have minor increases for facility costs and meals.
- Scholarship expenses have been calculated at \$134k, based on age of the scholarships and the likelihood of being used.
- Depreciation/amortization is included on \$108k of FiSim enhancements to be done in 2025. Deposits for FiSim Fundamentals total \$62k. GSB anticipates modest revenue of \$25k with expenses to get the product to market of \$30k in 2025.
- No intercompany contributions are included in the budget.
- Given these one-time expenses noted earlier, GSB is budgeted with a net deficit of \$263k. PEF is budgeted with a net surplus of \$71k. The consolidated net deficit of \$192k.

Comment - acknowledge that realized/unrealized gains/losses not being budgeted might present a different picture if 2025 performs as well as 2024. 2024 results would be more comparative to 2025 budget if unrealized/realized gains were removed.

It was moved, seconded and carried to approve the Finance and Audit Committee's FY2025 budget as presented.

(GSB Financial Budget for 2024/2025 is attached to official minutes as Exhibit VIII.)

PEF Investments Committee Report:

The Investment Committee Chair Witt provided an update on the investment committee activities. The committee is focused on dividends and interest income and stock investments are producing positive results.

Joe Zabratanski from Donaldson Capital Management (DCM) presented FY2024 investment results.

- Portfolio dashboard - portfolio started with \$4.7M in 2016 when DCM was first hired. The current value is just over \$10m. Target and current asset allocations are shown. DCM Endowment Cornerstone is the management strategy they are using for the PEF portfolio.
- Security - diversification in EQ and F/I, quality in EQ and F/I. Not over invested in any one sector. EQ safety rating is added external info. EQ safety ratings are being updated at least monthly.
- The goal is consistent and predictable income each year.

- Growth dashboard - this yr we have underperformed from benchmarks, outperformed 3yr, 5yr and all time are comparative to benchmarks. Investment policy statement directs how to invest in equities - this can be good or bad depending on what happens.

Clayburgh - is this the historic high? Yes. Is there anything that would require an NFP to pay taxes with this level of investment? If PEF mission is consistent the 501c3 exemption should allow for investment growth. This may be an opportunity to utilize growth in portfolio to invest in GSB educational offerings.

- Portfolio summary - reduction in technology based on policy. Not investing in as many biotech companies, invest in more stable/established orgs - healthcare is an area that we are looking at lightening up on.

FISIM AND FISIM FUNDAMENTALS UPDATE

President Katz provided an update on FiSim Fundamentals:

- The goal is to penetrate market with the product and use as a feeder to The Graduate School and use in SBAs and colleges/universities. Management worries about bandwidth of staff capacity. Options were to shelve until we had capacity or take a re-seller strategy.
- Discussion
 - Trustees haven't seen demo of FiSim Fundamentals - hard to know what they would need to sell
 - Demo was shown for FiSim last year and FiSim Fundamentals is a skinny version.
 - An attendee's organization is paying about \$8k (set up and per student cost). Their system has no support.
 - FiSim Fundamentals will have real-time support
 - Attendee (Kraai) noted that ABA purchased BankExec. ABA isn't investing in upgrades, and product is basically what it was back in early 2000s. GSB needs to get to a spot where they don't need programmer to run it. It has a better look and feel than current bank exec. Colleges are running simulations for a semester - they only do one turn a week. This is more than GSB does in capstone. SBAs likely don't have sales staff to do this and the return would need to be significant to do this. SBA has goal to work with colleges/universities to add curriculum and this would be a good addition to that. Ed Directors are unlikely to tackle this currently.

Q - Is train the trainer for university staff? A - yes, then support would be less needed in the future.

Q - Is there ability to co-brand it? SBA may be willing to pay for first year if co-branding possible. A - Yes this is possible.

Q - Is it possible to work through GSB to develop curriculum with FiSim and implement this at schools?

A - this may be harder as there are some with infrastructure and some without. SBAs might have a hard time paying with shrinking budgets.

Q - How far out are we from plug in play? A - We need a syllabus and infrastructure but possibly in 2025. Testing is hard to do as GSB needs to find committed people and these positions are not paid.

Q - What size bank does this market have - \$500M minimum? A - The lift is heavy upfront to sell/implement. GSB could possibly build up a queue and train 5 or so at a time. There may be two different fee structures for those that need support and those that don't.

Q - If we give this to banks, will they stop coming to bank management school? They run FiSim and this may stop students from attending. One SBA delivered product to give to a larger group over 2 years and then moved back to sending students to state banking schools. BAB member suggested using this as a tool to identify high-potential employees in this area.

Q - What skills do you need to run this? A - Understanding cause and effect is important for trainers. GSB does have consultants that are willing to train the trainers. Hardware isn't needed as it's cloud software.

Comment (Baier) - We have talked about 3 target audiences. GSB should pick a lane on who to deliver to. Don't want to tinker with product to flex to multiple customers. Management was encouraged to lean towards colleges/universities and utilize resources from PEF to get it done. Agencies were discussed as potential sales targets, though they may have long sales cycles.

STRATEGIC PLAN UPDATES:

CEO Davidson presented the results of the current strategic plan through FY24.

President Katz presented the working group results in exhibit.

- The goals are to assess what GSB looks like beyond 2025 and identify changes that can be implemented in 2025.

Trustee Pernick presented:

- How can we continue to compete/be relevant and reach those that we've started to lose? How to utilize tech with on-site and virtual learning? What is best delivered virtually? Goal is to look at mixed media learning. There will be lots of opportunities to learn in advance of on-site session and on-site session becomes practical application and networking.
- The working group looked for low hanging fruit which included increasing opportunities for women, optional events that don't focus on drinking. Small teams were created to work on micromovements.
- How can SBAs build excitement for the program and help with orientation of Freshmen?
- GSB doesn't want to reduce quality, and we are keeping our lens on rigor but in different areas.

(GSB Strategic Plan is attached to official minutes as Exhibit X. Working Group memo is attached to official minutes as Exhibit XI.)

SCHEDULE OF FUTURE BOARD MEETINGS

President Katz noted that we will have dates for spring meeting in a few weeks. The summer meeting will be virtual because of the strategic planning session in June at Broadmoor. That meeting will be Saturday arrival and end mid-day on Monday.

President Katz requested attendees share strategic planning facilitators ideas.

ABA has a fall meeting schedule available, and this will be shared with President Katz to schedule the Fall 2025 Board Meeting.

Presentation of Board Resolution to John Sorenson in recognition for his longtime service on the board and well wishes for his upcoming retirement.

ADJOURNMENT

There being no further business to come before the Board, the meeting was adjourned at 4:38 p.m.

Prepared by Paul Katz, President and Kirby Davidson, CEO