

**2001 DRAFTING REQUEST**

**Assembly Amendment (AA-AB579)**

Received: 10/29/2001

Received By: kahlepj

Wanted: Today

Identical to LRB:

For: Glenn Grothman (608) 264-8486

By/Representing: himself

This file may be shown to any legislator: NO

Drafter: kahlepj

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Subject: Econ. Development - bus. dev.

Extra Copies:

Submit via email: YES

Requester's email: Rep.Grothman@legis.state.wi.us



Carbon copy (CC:) to:

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**Pre Topic:**

No specific pre topic given

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**Topic:**

Require capco to maintain investment office in state

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**Instructions:**

See Attached

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**Drafting History:**

<u>Vers.</u>	<u>Drafted</u>	<u>Reviewed</u>	<u>Typed</u>	<u>Proofed</u>	<u>Submitted</u>	<u>Jacketed</u>	<u>Required</u>
/?	kahlepj 10/29/2001	hhagen 10/29/2001		_____			
/1			jfrantze 10/30/2001	_____	lrb_docadmin 10/30/2001	lrb_docadmin 10/30/2001	

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**LRBa0859**

FE Sent For:

**<END>**

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1/?	kahlepj	11 hmk 10/29/01	J 10/30	Self 10/30			

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## CERTIFIED CAPITAL COMPANY (CAPCO) CHANGES

### I. **Certified Capital Company Headquarters In Wisconsin**

ao 859  
Current Law: Existing law does not require a CAPCO to have staff or maintain an office in the State of Wisconsin. By administrative rule, the department imposed a requirement that the CAPCO maintain in the State of Wisconsin an investment office and staff actively engaged in making investments.

Problem: Of the seven persons certified as a CAPCO in 1999, one was headquartered in the State of Wisconsin; the other six were headquartered in New York, Louisiana or Missouri. Presently, there are three active CAPCOs. None of the three CAPCOs with certified capital available for investment is headquartered in the state, resulting in Wisconsin CAPCO decisions being made in either Louisiana or New York.

Recommended Solution: The administrative rule requirement should be codified in law by creating section 560.31 (2) (g), Stats., as follows:

"The person agrees to maintain an investment office and staff actively engaged in making investments in this state."

7  
In addition, consideration should be given to expanding the proposed statutory requirement to require the CAPCO to be headquartered in the state and to maintain its principal business operations in the state.

*Don't do this (per Ron Sklonsky)*

### 2. **Administrative Fee**

ao 860  
Current Law: Section 560.30 (10), Stats., permits the CAPCO to make payments to its equity holders for the costs associated with forming, syndicating, managing or operating the CAPCO. It may also pay an annual management fee that does not exceed 2.5% of its certified capital, plus fees for professional services related to the CAPCO's operation. Finally, the CAPCO may disburse funds to equity holders for projected increases in federal or state taxes, including penalties and interest thereon, if the increase is related to the ownership, operation or management of the CAPCO.

Problem: As of December 31, 2000, qualified distributions made by the CAPCOs totaled \$12,704,158, or 25% of certified capital. Eighty-three percent of the qualified distributions, or \$10,524,088, represented costs associated with forming and syndicating the CAPCO. As of the same date, \$7,536,039 of certified capital had been placed in qualified businesses.

Recommended Solution: The department recommends several technical corrections to the existing categories of qualified distributions, including the imposition of reasonable



State of Wisconsin  
2001 - 2002 LEGISLATURE

LRBa0859/1  
PJK:hmh

~~PRELIMINARY DRAFT - NOT READY FOR INTRODUCTION~~  
**ASSEMBLY AMENDMENT,**  
**TO 2001 ASSEMBLY BILL 579**

*Tug  
Tam*

- 1 At the locations indicated, amend the bill as follows: ✓
- 2 1. Page 1, line 5: after "limitations," insert "certified capital company office,".
- 3 2. Page 3, line 1: before that line insert:
- 4 "SECTION 1c. 560.31 (2) (g) of the statutes is created to read: ✓
- 5 560.31 (2) (g) The person agrees to maintain in this state an investment office
- 6 and staff actively engaged in making investments."
- 7 3. Page 3, line 1: delete "SECTION 1" and substitute "SECTION 1m". ✓

8

(END)