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STATE OF WISCONSIN

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July 19, 2013

TO THE HONORABLE MEMBERS OF THE ASSEMBLY:

I have approved Assembly Bill 181 as 2013 Wisconsin Act 41 and have deposited it in the Office of the Secretary of State. I have exercised the partial veto in Section 2.

Assembly Bill 181 creates a venture capital program which will stimulate investment, economic development, and job creation in the state. The bill includes investment and payment parameters as well as contract and matching fund requirements that will maximize the impact of the state's resources and result in a diverse investment portfolio. The bill also includes reporting requirements that will ensure program accountability and transparency. I fully support Assembly Bill 181 and the creation of a state venture capital investment program.

Section 2 provides $25,000,000 GPR in fiscal year 2013-14 for the fund of funds investment program under a new appropriation (s. 20.505(1)(fm)).

I am striking out all of the digits in the appropriation amount under s. 20.505(1)(fm) except for the last zero because I object to inclusion of funding in the bill when 2013 Wisconsin Act 20 already appropriates $25,000,000 in the Joint Committee on Finance supplemental appropriation for a capital investment program developed under separate legislation. The funding can be transferred to the Department of Administration's new appropriation upon approval of the Committee.

Respectfully submitted,

SCOTT WALKER
Governor

State of Wisconsin

2013 Assembly Bill 181

Date of enactment:
Date of publication*:

2013 WISCONSIN ACT

AN ACT *to create* 16.295, 20.505 (1) (fm) and 25.17 (72) of the statutes; **relating to:** venture capital investment program and making an appropriation.

The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:

SECTION 1. 16.295 of the statutes is created to read:

16.295 Fund of funds investment program. (1) DEFINITION. In this section, "investment manager" means the person the committee selects under sub. (3) (a) 1.

(2) ESTABLISHMENT OF PROGRAM. The department shall establish and administer a program for the investment of moneys in venture capital funds that invest in businesses located in this state.

(3) SELECTION OF INVESTMENT MANAGER; CONTRACT APPROVAL. (a) 1. The secretary shall form a committee to select the investment manager. The committee shall consist of 3 representatives of the investment board and 2 representatives, appointed by the secretary, of the capital finance office in the department. The committee shall select a person as investment manager who has expertise in the venture capital or private equity asset class.

2. When the department gives the notice under par. (b) 1., the department shall submit its proposed contract with the investment manager to the legislative audit bureau for review. The legislative audit bureau shall review the proposed contract and, within 14 days after it receives the proposed contract for review, submit to the joint committee on finance and the department a letter of review that evaluates the terms of the contract and offers an opinion concerning the extent to which the contract conforms with this section and implements subs. (4) to (7).

(b) 1. The secretary shall notify in writing the joint committee on finance of the investment manager selected under par. (a) 1. The notice shall include the department's proposed contract with the investment manager.

2. If, within 14 working days after the date the joint committee on finance receives the legislative audit bureau's letter of review under par. (a) 2., the cochairpersons of the joint committee on finance do not notify the secretary that the committee has scheduled a meeting to determine whether the department's proposed contract with the investment manager is contrary to this section or fails to implement an applicable provision of subs. (4) to (7), the department and investment manager may execute that contract. If, within 14 working days after the date of that notice, the cochairpersons of the committee notify the secretary that the committee has scheduled that meeting, the department and investment manager may execute the contract unless the committee determines at that meeting that the contract, in whole or in part, is contrary to this section or fails to implement an applicable provision of subs. (4) to (7).

(4) CONTRACT WITH INVESTMENT MANAGER; DISCLOSURE REQUIREMENT. (a) Subject to sub. (3), the depart-

* Section 991.11, WISCONSIN STATUTES: Effective date of acts. "Every act and every portion of an act enacted by the legislature over the governor's partial veto which does not expressly prescribe the time when it takes effect shall take effect on the day after its date of publication."

ment shall contract with the investment manager. The contract shall establish the investment manager's compensation, including any management fee. Any management fee may not exceed, annually for no more than 4 years, 1 percent of the total moneys designated under sub. (5) (b) 1. and raised under sub. (5) (b) 3.

(b) The investment manager shall disclose to the department any interest that it or an owner, stockholder, partner, officer, director, member, employee, or agent of the investment manager has in a venture capital fund that receives moneys under sub. (5) (b) or a business in which a venture capital fund invests those moneys.

(5) INVESTMENTS IN VENTURE CAPITAL FUNDS. (a) Subject to sub. (4) (a), the department shall pay $25,000,000 from the appropriation under s. 20.505 (1) (fm) to the investment manager in fiscal year 2013–14.

(b) The investment manager shall invest the following moneys in at least 4 venture capital funds:

1. The moneys under par. (a).

2. At least $300,000 of the investment manager's own moneys.

3. At least $5,000,000 that the investment manager raises from sources other than the department.

(c) 1. Of the moneys designated under par. (b), the investment manager may not invest more than $10,000,000 in a single venture capital fund.

2. Of the moneys designated under par. (b), the investment manager shall commit at least one–half of those moneys to investments in venture capital funds within 12 months after the date the investment manager executes the contract under sub. (4) (a), and the investment manager shall commit all of those moneys to investments in venture capital funds within 24 months after that date.

(d) The investment manager shall contract with each venture capital fund that receives moneys under par. (b). Each contract shall require the venture capital fund to do all of the following:

1. Make new investments in an amount equal to the moneys it receives under par. (b) in one or more businesses that are headquartered in this state and employ at least 50 percent of their full–time employees, including any subsidiary or other affiliated entity, in this state, and invest at least one–half of those moneys in one or more businesses that employ fewer than 150 full–time employees, including any subsidiary or other affiliated entity, when the venture capital fund first invests moneys in the business under this section. The venture capital fund's contract with a business in which the venture capital fund makes an investment under this subdivision shall require that, if within 3 years after the venture capital fund makes that investment, the business relocates its headquarters outside of this state or fails to employ at least 50 percent of its full–time employees, including any subsidiary or other affiliated entity, in this state, the business shall promptly pay to the venture capital fund an amount equal to the total amount of moneys designated under par. (b) 1. that the venture capital fund invested in the business. The venture capital fund shall reinvest those moneys in one or more businesses that are eligible to receive an investment under this subdivision, subject to the requirements of this section.

2. Commit at least one–half of any moneys it receives under par. (b) to investments in businesses within 24 months after the date it receives those moneys and commit all of those moneys to investments in businesses within 48 months after that date.

3. Invest all of the moneys it receives under par. (b) in businesses in the agriculture, information technology, engineered products, advanced manufacturing, medical devices, or medical imaging industry and attempt to ensure that all of those moneys are invested in businesses that are diverse with respect to geographic location within this state.

4. At least match any moneys it receives under par. (b) and invests in a business with an investment in that business of moneys the venture capital fund has raised from sources other than the investment manager. The investment manager shall ensure that, on average, for every $1 a venture capital fund receives under par. (b) and invests in a business, the venture capital fund invests $2 in that business from sources other than the investment manager.

5. Provide to the investment manager the information necessary for the investment manager to complete the annual report under sub. (7) (a) and the quarterly report under sub. (7) (c).

6. Disclose to the investment manager and the department any interest that the venture capital fund or an owner, stockholder, partner, officer, director, member, employee, or agent of the venture capital fund holds in a business in which the venture capital fund invests or intends to invest moneys received under par. (b).

(e) The investment manager's profit–sharing agreement with each venture capital fund that receives moneys under par. (b) shall be on terms that are substantially equivalent to the terms applicable for other funding sources of the venture capital fund.

(6) SPECIAL REQUIREMENTS FOR INVESTMENTS OF MONEYS CONTRIBUTED BY THE STATE. (a) The investment manager shall hold in an escrow account its gross proceeds from all investments of the moneys designated under sub. (5) (b) 1. until the investment manager satisfies par. (b).

(b) At least annually, the investment manager shall pay any moneys held under par. (a) to the secretary for deposit into the general fund until the investment manager has paid a total of $25,000,000 under this paragraph.

(c) After the investment manager satisfies par. (b), the investment manager shall pay 90 percent of its gross proceeds from investments of the moneys designated

under sub. (5) (b) 1. to the secretary for deposit into the general fund.

(7) REPORTS OF THE INVESTMENT MANAGER; PUBLIC DISCLOSURES. (a) Annually, within 120 days after the end of the investment manager's fiscal year, the investment manager shall submit a report to the department for that fiscal year that includes all of the following:

1. An audit of the investment manager's financial statements performed by an independent certified public accountant.

2. The investment manager's internal rate of return from investments under sub. (5) (b).

3. For each venture capital fund that contracts with the investment manager under sub. (5) (d), all of the following:

a. The name and address of the venture capital fund.

b. The amounts invested in the venture capital fund under sub. (5) (b).

c. An accounting of any fee the venture capital fund paid to itself or any principal or manager of the venture capital fund.

d. The venture capital fund's average internal rate of return on its investments of the moneys it received under sub. (5) (b).

4. For each business in which a venture capital fund held an investment of moneys the venture capital fund received under sub. (5) (b), all of the following:

a. The name and address of the business.

b. A description of the nature of the business.

c. An identification of the venture capital fund that made the investment in the business.

d. The amount of each investment in the business and the amount invested by the venture capital fund from funding sources other than the investment manager.

e. The internal rate of return realized by the venture capital fund upon the venture capital fund's exit from the investment in the business.

f. A statement of the number of employees the business employed when the venture capital fund first invested moneys in the business that the venture capital fund received under sub. (5) (b), the number of employees the business employed on the first day of the investment manager's fiscal year, and the number of employees the business employed on the last day of the investment manager's fiscal year.

(b) No later than 10 days after it receives the investment manager's report under par. (a), the department shall submit the report to the chief clerk of each house of the legislature, for distribution to the legislature under s. 13.172 (2).

(c) Quarterly, the investment manager shall submit a report to the department for the preceding quarter that includes all of the following:

1. An identification of each venture capital fund under contract with the investment manager under sub. (5) (d).

2. An identification of each business in which a venture capital fund held an investment of moneys the venture capital fund received under sub. (5) (b) and a statement of the amount of the investment in each business that separately specifies the amount of moneys designated under sub. (5) (b) 1. that were contributed to the investment.

3. A statement of the number of employees the business employed when the venture capital fund first invested moneys in the business that the venture capital fund received under sub. (5) (b) and the number of employees the business employed at the end of the quarter.

(d) The department shall make the investment manager's quarterly report under par. (c) readily accessible to the public on the department's Internet site.

(8) PROGRESS REPORTS. In 2015 and 2018, no later than March 1, the department shall submit reports to the joint committee on finance that include all of the following:

(a) A comprehensive assessment of the performance to date of the investment program under this section.

(b) Any recommendations the department has for improvement of the investment program under this section and the specific actions the department intends to take or proposes to be taken to implement those recommendations.

(c) Any recommendations the investment board has for improvement of the investment program under this section and the specific actions the investment board proposes to be taken to implement those recommendations.

(9) EXEMPTION FROM LOW BID AND CONTRACTUAL SERVICES REQUIREMENTS. Sections 16.705 and 16.75 do not apply to this section.

SECTION 2. 20.005 (3) (schedule) of the statutes: at the appropriate place, insert the following amounts for the purposes indicated:

				2013–14	2014–15
20.505	**Administration, department of**				
(1)	SUPERVISION AND MANAGEMENT				
(fm)	Fund of funds investment program	GPR	A	25,000,000	–0–

SECTION 3. 20.505 (1) (fm) of the statutes is created to read:

20.505 **(1)** (fm) *Fund of funds investment program.* The amounts in the schedule for the venture capital investment program under s. 16.295.

SECTION 4. 25.17 (72) of the statutes is created to read:

25.17 **(72)** Appoint the board's representatives to the committee under s. 16.295 (3) (a).