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Wisconsin Legislature Creates Venture Capital Funding Pool

Today, Governor Walker signed into law 2013 Wisconsin Act 41, which establishes a state-funded pool of venture capital for investment in Wisconsin companies.

The legislation appropriates \$25,000,000 from the Department of Administration's general funds for investment in at least four venture capital firms, which will in turn make investments in Wisconsin companies. The selection of those venture capital firms will be made by an investment manager hired by a five-member committee, comprised of three representatives of the State of Wisconsin Investment Board and two representatives of the capital finance office of the Department of Administration.

The legislation seeks to leverage the State's \$25,000,000 investment in two ways. First, as one of the conditions of the investment manager's engagement, the manager will be required to invest, alongside the State's \$25,000,000, \$300,000 of the manager's own money and \$5,000,000 of third-party investment secured by the manager. Second, the legislation mandates that the investment manager require each venture capital fund to which the manager directs the State's money to match each \$1 of that money with \$2 of investment from other sources. Considering the \$5,300,000 that will be raised or provided by the investment manager alongside the State's \$25,000,000, the legislation ultimately is designed to create a pool of roughly \$90,000,000 for investment in Wisconsin companies in the next four years. As a frame of reference, this amount approximates the total venture capital dollars invested in Wisconsin companies in 2012.

That \$90,000,000 will be invested in Wisconsin agriculture, information technology, engineered products, advanced manufacturing, medical device and medical imaging companies. Half of that amount is required to be invested in companies with fewer than 150 full-time employees.

This legislation creates a welcome pool of dedicated venture capital funding for Wisconsin companies. However, some patience will be required by entrepreneurs seeking this funding, as an investment manager will first need to be selected, that investment manager will in turn need to identify venture capital firms willing to meet the requirements of the legislation, and the venture capital firms will then need to select their investments. Nevertheless, the legislation is a welcome effort to bring more venture capital dollars to early stage Wisconsin companies thirsty for investment, and could well raise the State's profile in the venture capital community.

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