

STATE OF WISCONSIN



REQUEST FOR QUALIFICATIONS FUND OF FUNDS INVESTMENT MANAGER

Released: 9/9/2013

Questions Due: 9/20/2013

Submissions Due: 10/17/2013

State of Wisconsin
Department of Administration
Capital Finance Office
101 East Wilson Street, Fl 10
Madison, WI 53703
Phone: 608-266-2305
Web: www.doa.state.wi.us/capitalfinance
E-mail: DOACapitalFinanceOffice@Wisconsin.gov

I. Background

2013 State of Wisconsin Act 41 (“Act 41”), signed into law on July 18, 2013, creates a fund of funds venture capital investment program (the “Program” or “Fund”) that invests in businesses located in the State of Wisconsin. In the 2013-2014 Fiscal Year, the State of Wisconsin will contribute \$25 million to the Fund. The bill requires that at least \$5.3 million is also invested in the Fund from other sources. The full text of the bill is available in Appendix A.

The State is seeking information from qualified fund managers to serve as a fund of funds manager (the “Investment Manager”) for the State. The Investment Manager will be charged with developing an investment plan designed to achieve the goals set forth by the State of Wisconsin, selecting venture funds per the requirements of Act 41, negotiating and executing agreements with venture funds, performing regular due diligence of each selected fund and evaluate fund performance and compliance, periodic monitoring and completing required annual and quarterly reporting.

The goal of the Fund is create jobs and economic growth in Wisconsin by increasing investment in Wisconsin companies through qualified venture capital funds that 1) identify new investors for Wisconsin, 2) bring new capital to Wisconsin investments, and 3) cultivate Wisconsin entrepreneurship. The Investment Manager will select venture capital funds, which may include funds managed by existing venture capital fund management companies as well as new management companies comprised of managers with qualifications and expertise necessary to develop and organize an emerging fund.

Qualifications of the respondents will be reviewed by a committee comprised of representatives of the State of Wisconsin Investment Board (“SWIB”) and the Department of Administration’s (the “Department”) Capital Finance Office¹. The successful respondent will need to demonstrate exceptional credentials and expertise to properly manage the Fund.

The contract with the Investment Manager will have a maximum of a four year term and will establish the Investment Manager’s compensation, including any management fee. The annual management fee may not exceed one percent of assets managed by the Fund, excluding the Investment Manager’s capital contribution of at least \$300,000. The contract will be reviewed by the Legislative Audit Bureau and must be approved by the Joint Committee on Finance.

II. Fund Requirements, Structure and Reporting

A. Funding Sources and Uses

The Investment Manager will invest the following monies in at least four venture capital funds:

- 1) The Department of Administration, on behalf of the State of Wisconsin, will contribute \$25 million in fiscal year 2013–14.
- 2) At least \$300,000 of the Investment Manager’s own money.

¹ Act 41 exempts this procurement from requirements set out in State of Wisconsin Statutes sections 16.705 and 16.75.

- 3) At least \$5 million that the Investment Manager raises from sources other than the Department.

The Investment Manager must commit at least one-half of the above total investment dollars to investments in venture capital funds within 12 months of entering into a contract with the State and all of the money within 24 months. No more than \$10 million may be invested in a single venture capital fund.

B. Venture Capital Funds

The Investment Manager will contract with each venture capital fund that receives moneys and will require that each venture capital fund:

- 1) Invest all money in one or more businesses that are headquartered in Wisconsin and employ at least 50 percent of their full-time employees, including any subsidiary or other affiliated entity, in the State.
- 2) Invest at least half of the money 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.
- 3) Companies must return invested capital received from the Fund to the venture capital fund if within three years of the initial investment, the firm:
 - a. Relocates its headquarters out of state, or
 - b. Fails to employ at least 50% of its full time employees in Wisconsin, including any subsidiary or other affiliated entity.
- 4) Commit at least one-half of any money it receives to investments in businesses within 24 months of the date it receives those moneys and commits all of the money to investments in businesses within 48 months of that date.
- 5) Invest all of the moneys in businesses in the following sectors:
 - a. Agriculture
 - b. Information Technology
 - c. Engineered Products
 - d. Advanced Manufacturing
 - e. Medical Devices
 - f. Medical Imaging Industry
- 6) Attempt to ensure that all of those moneys are invested in businesses that are diverse with respect to geographic location within the State.
- 7) Match investments in each business at least 1:1 with sources separate from the Fund.
- 8) Match investments, on average, 1:2 with sources separate from the Fund.
- 9) Provide the Investment Manager the information necessary to complete required quarterly, annual and other periodic reports.
- 10) 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 money.

The Investment Manager's profit-sharing agreement with each venture capital fund that receives moneys must be on terms that are substantially equivalent to the terms applicable for other funding sources of the venture capital fund. The Investment Manager and venture capital fund must be prepared to substantiate this information.

C. Special Requirements for Money Invested by the State

The Investment Manager will hold in an escrow account its gross proceeds from all investments of the State's money until the Investment Manager has returned the State's capital. At least annually, the Investment Manager will pay any money held to the Secretary for deposit into the State's General Fund until the Investment Manager has paid a total of \$25 million. After the \$25 million has been returned, the Investment Manager will pay 90 percent of its gross proceeds from investments of the moneys contributed by the State to the secretary for deposit into the State's General Fund.

Subject to the requirements of the State's Qualified New Business Venture Program, private investments in the Fund may be eligible for the WI Act 255 tax credits. Money contributed to the Fund by the State of Wisconsin will not generate credits.

D. Financial and Performance Reporting

Annual Reporting

Annually, within 120 days after the end of the Investment Manager's fiscal year, the Investment Manager will submit a report to the Department for the previous fiscal year that includes all of the following:

- 1) An audit of the Investment Manager's financial statements (the Fund) performed by an independent certified public accountant.
- 2) Management fees with cash compensation paid to the Investment Manager listed separately.
- 3) An investment report on the Fund indicating total fund commitments, cumulative paid in capital, investment cost, fair market value, realizations and distributions.
- 4) The Investment Manager's internal rate of return from the fund (gross and net).
- 5) For each venture capital fund that contracts with the Investment Manager all of the following:
 - a. The name and address of the venture capital fund.
 - b. The amounts invested in the venture capital fund.
 - 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 internal rate of return on its investments of the moneys it received from the Fund. Additional return information may be required such as total value to paid-in-capital, cash-on-cash, etc.
- 6) For each business in which a venture capital fund invests, 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 from the Fund, 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.
 - g. A statement or other information confirming that at least 50 percent of the full-time employees for the business, its subsidiaries and/or other affiliated entities, are employed in Wisconsin.
 - h. A statement or other information confirming that the business is headquartered in Wisconsin.
 - i. Provide the total amount of Wisconsin payroll, property and other state taxes paid by the business.
- 7) 30 days prior to the Investment Manager's fiscal year end, an annual budget for the subsequent year.

Quarterly Reporting

Within 90 days after quarter end, the Investment Manager will submit a report to the Department for the preceding quarter that includes all of the following:

- 1) Identification of each venture capital fund under contract with the Investment Manager.
- 2) Identification of each business in which a venture capital fund held an investment using moneys the Fund received from the State and a statement of the amount of the investment in each business that separately specifies (1) the amount of State money contributed to the investment (2) capital invested from other sources.
- 3) A statement of the number of employees the business employed when the venture capital fund first invested State moneys in the business and the number of employees the business employed at the end of the quarter.

The Department will make the Investment Manager's quarterly report readily accessible to the public on the Department's website.

III. Summary Scope of Services

- 1) Develop an investment plan designed to achieve the Fund goals set forth by the State of Wisconsin and effectively implement and administer the Fund.

- 2) Select venture capital funds per the requirements set forth in Act 41 and be able to produce due diligence supporting the selection of these aforementioned venture capital funds.
- 3) Negotiate and execute agreements with the venture capital funds.
- 4) Perform regular due diligence of each selected fund and evaluate Fund performance and compliance.
- 5) Provide monitoring and reporting services as required.
- 6) Complete required annual, quarterly and other periodic reporting.
- 7) Attend all Department meetings in person and present Fund performance.

IV. Minimum Requirements

Respondents must meet the following criteria to be considered for further evaluation:

- 1) Minimum Experience: The respondent must demonstrate at least five years of experience investing in the venture capital or private equity asset class with fund of fund management experience.
- 2) The respondent must submit a proposal for purposes of fulfilling the duties of the RFQ.
- 3) The respondent's key professionals and/or organization must disclose any current potential or perceived conflicts of interests in regards to managing the Fund.
- 4) The respondent must also agree and certify to provide the Scope of Services previously outlined.

V. Submittal Content

A. Format of Information

- 1) The response should contain a cover letter addressed to the designated contact of the Department identifying the respondent's name and principal address. Respondent should provide the name, telephone number and email address of the person authorized to represent the respondent in all matters related to the RFQ. The cover letter shall explicitly affirm the following:
 - a. The respondent has the current capability to provide the proposed services;
 - b. The respondent has thoroughly reviewed the RFQ;
 - c. A person authorized to bind the respondent to all commitments made in its proposal is the signatory to the letter.The respondent should explain how they meet the minimum qualifications set forth in Section IV.
- 2) The questions and/or requests for information should be duplicated in their entirety in the proposal submission with each question and/or request repeated before the answer or response.

B. Respondent Information

- 1) Name and address of the respondent. If different from the address of the firm, the locations of office that that will provide service to the Program. Please also indicate if your firm is certified by the State as minority, women, or disabled-veteran owned firm.
- 2) Firm's inception date and ownership structure. Describe, if any, recent or pending changes in ownership structure.
- 3) History of the firm including history of the firm's investment management experience.
- 4) An organization chart with all investment and non-investment professionals. The organizational chart should include a diagram on how the investment professionals and non-investment professionals will support the functions to meet the Scope of Services outlined in Section III.
- 5) A detailed resume and background (not subject to page limit) of the individual or individuals who will actively work on this contract if your firm is selected. Information should include prior employment history, start date, area of focus and relevant experience.
- 6) List the total number of back office operations professionals that would support the Fund, including locations of the back office and resources devoted.
- 7) Contact information for the firm's auditors and legal counsel. If there have been any recent (5 years) changes in providers, please explain.
- 8) Describe whether the firm or any investment professional has been involved in any litigation or disciplinary action concerning investment advice or activity.
- 9) Describe what fiduciary liability insurance it carries and the level of coverage.
- 10) If applicable, respondent should indicate whether or not the firm is willing to provide a copy of the firm's most recent audited financial statements.
- 11) Describe how it addresses potential or perceived conflicts of interest between key investment professionals and investments.
- 12) Provide a summary of the firm's compliance regime, including identifying key professionals in the firm involved in the compliance process.
- 13) References
 - a. Provide the name of the entity, contact name and information of a fund relationship that the firm has worked with in the past.
 - b. Provide two references from current clients and include the entity name, contact name and contact information.

C. Investment Strategy and Process

- 1) Provide a list of all investment strategies offered by the firm and include the total amount of assets managed under each strategy. Describe programs managed with a similar strategy to that of the proposed Fund.
- 2) Describe funds, if any, that the firm manages for public entities. How do you manage the confidentiality requirements imposed by venture capital funds?
- 3) Describe the firm's experiences in working with academic institutions to capitalize on technology transfer opportunities.

- 4) Describe the firm's experiences in evaluating emerging managers and strategies.
- 5) Describe the firm's relationships with regional or national venture capital funds that may have interest in participating in the Program.
- 6) Describe your due diligence process for evaluating individual venture capital funds. If available, please submit a sample due diligence report.
- 7) Describe the firm's investment discipline, including the process, timing and other factors that support how the firm makes investment decisions. Describe both the quantitative and qualitative factors considered when evaluating funds.
- 8) Describe actual or perceived risk for the Fund and how the firm would monitor and manage such risk.
- 9) Describe the systems that your firm has in place to ensure that portfolios are in compliance with client guidelines.
- 10) Provide an overview of your asset allocation philosophy in a fund-of-funds context.
- 11) Describe how you envision the Fund's structure and the underlying investments in the Fund and venture capital funds.
- 12) Describe how you would manage your relationship with the State of Wisconsin, including an overview of your firm's approach to performance updates and reporting. If available, submit a sample internal performance and/or monitoring report.
- 13) Describe what unique attributes the firm has compared to competitors.

D. Performance

Provide a quarterly performance history for every private equity or venture fund that the firm has managed since inception. Include a discussion of the performance calculation methodology.

E. Term Sheet, Fees, and Related Management Costs

Provide a term sheet including proposed fee schedule for the management of the Fund. Include all proposed fees including any fees associated with raising capital, legal expenses, administration, etc.

VI. Evaluation Criteria

The review committee will evaluate the proposals to determine which respondent meets the needs to implement and administer the Fund. The proposals will generally be based on the following criteria: (1) Respondent experience managing fund of funds that have invested in venture capital funds with applicable investment experience, (2) Respondent background, and general description, (3) Conflict of interest and compliance, (4) Investment philosophy, process and capabilities, (5) Ideas on the Fund's structure and underlying investment, (6) Proposed terms to manage the Fund and (7) Respondent access to venture capital funds with relevant experience and interest in Wisconsin investment.

VII. General Information

The Department intends to enter into a contract with a respondent. The Department may enter into negotiations with the respondent in order to achieve the most effective plan. The Department reserves the right to accept portions of a competing respondent's response and use such portions to form an overall program and negotiate a contract incorporating such portions with another respondent, in the best interest of the Fund. Furthermore, the Department shall have the right to use any or all ideas or adaptations of the ideas presented in any response received pursuant to the RFQ. Selection or rejection of a particular response will not affect this right. The Department reserves the right to withdraw this RFQ or a portion of this RFQ without selecting the Investment Manager.

The respondent shall be bound by the information and representation contained in any proposal submitted. Said proposal is deemed to be a binding offer and will be incorporated by reference in a resulting contract.

VIII. Time Table

The following is the tentative time schedule for this RFQ. The Department retains the right to modify this schedule as needed.

Issuance of RFQ:	9/9/2013
Questions Deadline (firm):	9/20/2013
Response Deadline (firm):	10/17/2013

IX. Submittal Instructions

Limit responses to this RFQ to 20 pages not including resumes or other appendices. Response(s) should be submitted in PDF format and received at DOACapitalFinanceOffice@Wisconsin.gov by no later than **Noon (Central Time) on Thursday, October 17, 2013**. No response received after this deadline will be accepted. If needed, the State reserves the right to request clarifying information.

As a follow-up, six paper copies of the response (one copy should be unbound and suitable for photocopying) must also be sent to the Capital Finance Office at the address on the cover of this RFQ. Receipt of the electronic version by the above deadline allows for these paper copies to be received anytime on **Friday, October 18, 2013**.

If additional information is necessary to interpret the requirements of this RFQ, please direct questions by Noon (CT) on **Friday, September 20, 2013** to Kevin Taylor, Capital Finance Director at DOACapitalFinanceOffice@Wisconsin.gov. All questions received in accordance to the instructions will be answered. All such questions and answers will be circulated by e-mail to all respondents who have proposed a question or who request in writing a copy of the questions and the responses. If you would like to be on the Q&A circulation list but do not have a specific question, you must email your email address to Kevin Taylor, Capital Finance Director at DOACapitalFinanceOffice@Wisconsin.gov prior to the question deadline noted above. Questions submitted after the deadline will not be considered.

Each proposal will be evaluated to determine if it was submitted in accordance with the requirements set forth in this RFQ, including whether the respondent meets the minimum criteria. All non-qualifying

proposals not subject to the waiver/cure of minor informalities will be rejected at this time and the proposing respondent so notified. The Department reserves the right to waive or permit cure of minor informalities, errors or omissions prior to the final Investment Manager selection.

Respondents that intend to submit a proposal should not contact any SWIB and/or Department staff members. An exception to this rule applies to respondents that currently do business with SWIB or the Department, but any contact made by such respondent must be limited to business other than the RFQ. Failure to abide by this restriction may result in a rejection of the respondent's proposal.

X. Incurring Costs

The State is not liable for any cost incurred by respondents in replying to this RFQ. Respondents may be asked to make a presentation if selected as a finalist. None of the costs associated with this presentation will be reimbursed.

XI. Proprietary Information

Any restrictions on the use of data contained within a response must be clearly stated on the *Designation of Confidential and Proprietary Information* form, which is attached in Appendix B. Proprietary information submitted in response to this RFQ will be handled in accordance with applicable State open records laws and procurement regulations.

XII. Oral Interview and Additional Information

The State reserves the right to schedule and conduct an oral interview with any number of the respondents to this RFQ. The Capital Finance Office also reserves the right to request clarifying information subsequent to receipt of submitted qualifications and consider other information, including but not limited to, information not requested in this RFQ and other information the Capital Finance Office is aware of but not included in submitted qualifications

APPENDIX A: 2013 STATE OF WISCONSIN ACT 41

State of Wisconsin



2013 Assembly Bill 181

Date of enactment: **July 18, 2013**
Date of publication*: **July 19, 2013**

2013 WISCONSIN ACT 41

(Vetoed in Part)

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** .

**Vetoed
In Part**

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).

* 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."

(4) CONTRACT WITH INVESTMENT MANAGER; DISCLOSURE REQUIREMENT. (a) Subject to sub. (3), the department 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-	Vetoed In Part

2013 Wisconsin Act 41

– 4 –

2013 Assembly Bill 181

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).

**APPENDIX B: DESIGNATION OF CONFIDENTIAL AND
PROPRIETARY INFORMATION FORM**

DESIGNATION OF CONFIDENTIAL AND PROPRIETARY INFORMATION

The attached material submitted in response to Bid/Proposal # _____ includes proprietary and confidential information which qualifies as a trade secret, as provided in s. 19.36(5), Wis. Stats., or is otherwise material that can be kept confidential under the Wisconsin Open Records Law. As such, we ask that certain pages, as indicated below, of this bid/proposal response be treated as confidential material and not be released without our written approval.

Prices always become public information when bids/proposals are opened, and therefore cannot be kept confidential.

Other information cannot be kept confidential unless it is a trade secret. Trade secret is defined in s. 134.90(1)(c), Wis. Stats. as follows: "Trade secret" means information, including a formula, pattern, compilation, program, device, method, technique or process to which all of the following apply:

1. The information derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use.
2. The information is the subject of efforts to maintain its secrecy that are reasonable under the circumstances.

We request that the following pages not be released

Section	Page #	Topic
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

IN THE EVENT THE DESIGNATION OF CONFIDENTIALITY OF THIS INFORMATION IS CHALLENGED, THE UNDERSIGNED HEREBY AGREES TO PROVIDE LEGAL COUNSEL OR OTHER NECESSARY ASSISTANCE TO DEFEND THE DESIGNATION OF CONFIDENTIALITY AND AGREES TO HOLD THE STATE HARMLESS FOR ANY COSTS OR DAMAGES ARISING OUT OF THE STATE'S AGREEING TO WITHHOLD THE MATERIALS.

Failure to include this form in the bid/proposal response may mean that all information provided as part of the bid/proposal response will be open to examination and copying. The state considers other markings of confidential in the bid/proposal document to be insufficient. The undersigned agrees to hold the state harmless for any damages arising out of the release of any materials unless they are specifically identified above.

Company Name _____

Authorized Representative _____
Signature

Authorized Representative _____
Type or Print

Date _____