



**WISCONSIN DEPARTMENT OF  
ADMINISTRATION**

**SCOTT WALKER**  
GOVERNOR

**SCOTT A. NEITZEL**  
SECRETARY

Office of the Secretary  
Post Office Box 7864  
Madison, WI 53707-7864  
Voice (608) 266-1741  
Fax (608) 267-3842

---

November 12, 2015

Mr. Patrick E. Fuller  
Assembly Chief Clerk  
17 W. Main Street, Room 401  
Madison, WI 53707

Mr. Jeff Renk  
Senate Chief Clerk  
Room B20 Southeast  
State Capitol

Dear Chief Clerks:

Pursuant to Section 16.295(7)(b), Wisconsin Statutes, please find attached the annual report for the Badger Fund of Funds I ("Fund"). This annual report has been prepared by Sun Mountain Kegonsa, LLC, as Investment Manager for the Fund, and provides a summary of private capital raising and investment activity as of June 30, 2015. The Department and Sun Mountain Kegonsa, LLC, entered into the Limited Partnership Agreement for the Fund on June 3, 2015.

The attached report shows that the Badger Fund of Funds I has achieved a number of milestones and has other ongoing positive activities, including the following:

- Held its initial closing on June 3, 2015;
- Secured more than \$5.7 million of private matching capital from investors;
- Had several more investors commit to the Fund after its initial closing; and
- Performed due diligence for potential fund managers in geographic areas across the State, including current groups in Madison, Oshkosh, La Crosse, and Vilas County.

Please contact me at (608) 267-0374 or [david.erdman@wisconsin.gov](mailto:david.erdman@wisconsin.gov) with any questions regarding the attached annual report.

Sincerely,

David R. Erdman  
Capital Finance Director

November 2, 2015

David Erdman  
Director, Capital Finance Office  
Department of Administration  
State of Wisconsin

### **Badger Fund of Funds I Annual Report for the period ended on June 30, 2015**

In accordance with *Section 7(c) – Reports to Partners*, of the Limited Partnership Agreement of the Badger Fund of Funds I, L.P. (the “Fund”), and pursuant to provisions in Section 16.285 (7), Wisconsin Statutes, Sun Mountain Kegonsa, LLC (the “General Partner”) shall provide an annual report that provides specific information on the investment activity, financial performance, and economic impact of the activities of the Badger Fund of Funds. In addition, the annual report would include audited financial statements that are in accordance with U.S. generally accepted accounting principles, and inclusive of an opinion from an independent firm of certified public accountants.

The Badger Fund of Funds I completed its initial closing on June 3, 2015, and was active for 28 days through the period ending June 30, 2015. There have been no investments made nor capital drawn to date. Given that, the General Partner does not recommend incurring unnecessary fees to complete an audit for this stub period. In accordance with *Section 4(b) – Powers of the General Partner*, of the Limited Partnership Agreement of the Fund, the General Partner recommends including the aforementioned 28 days to be included as part of the financial audit for the period ending June 30, 2016. This practice is very common within the investment management industry.

### **Summary**

We are pleased with the progress that the Badger Fund of Funds I has made thus far. The Fund held its first closing on June 3, 2015, having secured in excess of the \$5,000,000 of private matching capital as required by Wisconsin Statute. In addition, we are working with a number of candidate fund managers across the State and currently have several of them in due diligence. Finally, we have garnered significant positive press coverage and have had a positive impact in the entrepreneurial ecosystem in Wisconsin. Below is a summary on what the Badger Fund of Funds I has accomplished.

### **Private Capital Fund Raising Activity**

The Fund completed its first closing on June 3, 2015 with assets under management at that time of \$30.7 million, representing \$25 million from the State of Wisconsin and \$5.7 million from private investors. The Fund has been actively raising private capital after its initial close. We have several additional investors who have committed to the Fund subsequent to its initial close and the team is actively engaged with a number of potential new investors. The Fund expects additional commitments will be received between now and a second close planned for December 2015. In addition, we believe that our fund-raising will continue into first quarter of 2016 given the interest level in the Fund.

### **Investment Activity**

Throughout 2015, we have begun actively engaging a number of potential fund managers and are in various stages of discussion and due diligence. To date, five groups have been identified as potential fund managers, spanning geographies across the State of Wisconsin including groups in Madison, Oshkosh, La Crosse, and Vilas County.

The due diligence process for candidate fund managers encompasses many levels of review. First, candidates meet with the Fund's team for a preliminary introduction and discussion. After this first assessment, the candidate fund manager completes a set of return-focused questionnaires with the assistance of the Fund to model the economics, investment pacing and investment strategy. Once this is completed, the Fund's Investment Committee must provide supermajority (75%) approval for the candidate fund to progress into the next level of diligence.. To date, two candidates have completed the return-focused diligence level, and one has been approved to move into the next level of review. Second, candidate funds and their management team must complete a diligence questionnaire that has been developed based on fund of funds program management and industry best practices. Following the completion of this level of diligence, the Investment Committee must again provide supermajority (75%) approval for the candidate to progress into the next level of review.

### **Portfolio Reporting Requirements**

Given that the Badger Fund of Funds has not made any portfolio investments as of June 30, 2015, there are no items to report for several categories outlined in the Limited Partnership Agreement and Wisconsin Statutes:

- Portfolio fund information, including name and location of fund, amount invested, fees paid, financial performance such as IRR, and other required information;
- Underlying business information, including name and location of business, description of the business, Portfolio funds invested in the business, employment information, and other required information.

### **Conclusion**

In closing, the year ended June 30, 2015 has been eventful with the first closing of the Fund and significant activity with portfolio fund managers. We are looking forward to an exciting fiscal year 2016 as the Fund begins to deploy capital and help launch funds in multiple geographies across the State.

If you have any questions or wish to discuss any aspect of this report, please do not hesitate to contact either myself or Ken Johnson.

Best Regards,



Brian Birk  
President  
Sun Mountain Kegonsa, LLC  
Investment Manager for the Badger Fund of Funds

CC: Kenneth U. Johnson  
Partner  
Sun Mountain Kegonsa, LLC  
Investment Manager for the Badger Fund of Funds