Alberta Darling
Wisconsin State Senator
Joint Committee on Finance

TESTIMONY BEFORE THE SENATE COMMITTEE ON
ECONOMIC DEVELOPMENT AND LOCAL GOVERNMENT
Senate Bill 169
Senator Alberta Darling
June 6, 2013

Thank you Committee Chairman Gudex and members for giving me the opportunity to testify in favor of Senate Bill 169 and its substituent amendment which creates a Wisconsin investment capital program. I am pleased to be joined by Sen. Tim Cullen to discuss the details of the bill and changes that we have put forth.

For over 2 years, I along with fellow legislators have worked to develop a solution to Wisconsin's lack of capital for new and growing businesses. As the Kaufmann report showed, all net new jobs over the 29 year study came from young companies, 5 years old or less. Both the Be Bold study and the Growth Capital Coalition white paper have recommended Wisconsin join the numerous other states that have already started similar programs including all of our neighbors.

Throughout this process I have stressed the need to build in safeguards to protect the taxpayer and ensure responsible oversight. I am pleased to report that this bill achieves both. The $25 million that Governor Walker has included in his budget must both be matched 2 to 1 with private dollars and invested entirely in Wisconsin without limiting sectors. The state will be treated equally as other investors and the fund manager's compensation will be capped while being required to put skin in the game. WHEDA will receive an annual report from the fund manager which will be submitted to the legislature including an independent audit of the program. The Joint Committee on Finance will have passive review over the Fund manager's contract.

I ask that the committee support Senate Bill 169, to provide greater access to capital for Wisconsin businesses. Thank you again for allowing me to testify in favor of this important piece of legislation.

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WISCONSIN LEGISLATIVE COUNCIL

Terry C. Anderson, Director
Laura D. Rose, Deputy Director

TO: SENATOR ALBERTA DARLING

FROM: Michael Queensland, Staff Attorney

RE: Senate Substitute Amendment 1 to 2013 Senate Bill 169, Relating to a Venture Capital Investment Program

DATE: June 6, 2013

This memorandum describes Senate Substitute Amendment 1 ("the substitute amendment") to 2013 Senate Bill 169 ("the bill"), relating to a venture capital investment program. The substitute amendment creates a fund-of-funds venture capital investment program to facilitate the investment of venture capital in Wisconsin businesses.

OVERVIEW OF KEY DIFFERENCES BETWEEN THE SUBSTITUTE AMENDMENT AND THE BILL

The substitute amendment retains many provisions from the bill. However, under the substitute amendment, the Wisconsin Housing and Economic Development Authority (WHEDA), rather than the Wisconsin Economic Development Corporation (WEDC), is responsible for implementing the venture capital investment program. The substitute amendment also removes the requirement in the bill that each venture capital fund must invest all capital it receives under the program in businesses in the agriculture, information technology, engineering products, advanced manufacturing, or medical devices and imaging industries. In addition, the substitute amendment replaces the dollar-based limitations on the investment manager's management fee with a limitation based on the percentage of specified program funds.

THE SUBSTITUTE AMENDMENT

Selection of Investment Manager

The substitute amendment specifies a process to select the investment manager responsible for managing investments in venture capital funds. In addition, the substitute amendment requires that there be a contract that includes certain conditions between WHEDA and the investment manager.

Selection Committee

The substitute amendment directs the State of Wisconsin Investment Board (SWIB) and WHEDA to form a committee, consisting of representatives of WHEDA and representatives of SWIB, to select a person as investment manager who has expertise in the venture capital or private equity asset class. The majority of the committee's members must be representatives of SWIB.

Contract Requirements

The substitute amendment requires the contract negotiated with the investment manager to establish the investment manager's compensation, including any management fee. The management fee may not exceed 1% of the total amount of the following program funds:

- The $25 million payment from WHEDA.
- The capital raised by the investment manager from sources other than WHEDA.

The investment manager may receive the management fee for no more than four years.

In addition, the contract must require the investment manager to disclose to WHEDA 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 capital under the program or a business in which a venture capital fund invests that capital.

Review of the Contract by the Joint Committee on Finance

The substitute amendment requires the executive director of WHEDA to notify the Joint Committee on Finance that an investment manager has been chosen by the selection committee and submit its proposed contract with the investment manager to the Joint Committee on Finance for a 14-day passive review. The review by the Joint Committee on Finance is limited to a determination whether the contract is contrary to the relevant provisions of the substitute amendment or fails to implement an applicable requirement set forth in the substitute amendment.

Investments in Venture Capital Funds

The substitute amendment requires WHEDA to pay $25 million to the investment manager for the program during fiscal year 2013-14. The substitute amendment requires the investment manager to contribute an additional $300,000 of its own capital and $5 million raised from other sources to the $25 million that it receives from WHEDA. The investment manager must commit at least 50% of the capital in venture capital funds within 12 months after the date the investment manager executes its contract with WHEDA and must commit all of the capital in venture capital funds within 24 months after the date the contract was executed.

In addition, the investment manager is required to invest all of the capital in at least four different venture capital funds and is prohibited from committing more than $10 million to any single venture capital fund. The investment manager must ensure that, on average, a venture capital fund invests $2 in a business for every $1 the investment manager contributes to the investment in that business. Furthermore, the investment manager's profit-sharing agreement with each venture capital fund must be on terms that are substantially equivalent to the terms applicable for other funding sources of the venture capital fund.

Venture Capital Fund Responsibilities

The investment manager is required to contract with each venture capital fund that receives capital under the program. The contracts must include all of the following requirements:

- **Investment in Wisconsin businesses**. Each venture capital fund must make new investments in an amount equal to the capital it receives under the program in one or more businesses that are headquartered in Wisconsin and employ at least 50% of its full-time employees, including any subsidiary or other affiliated entity, in Wisconsin.

- **Investment in small businesses.** When it first invests venture capital funds through the program, each venture capital fund must invest at least half of the capital received through the program in businesses that employ fewer than 150 full-time employees, including any subsidiary or other affiliated entity.

- **Invest all capital received within four years**. Each venture capital fund must commit at least half of the capital it receives under the program to investments in businesses within 24 months after receiving it and must commit all of the capital it receives under the program to investments in businesses within 48 months of receiving it.

- **Diversify investments.** Each venture capital fund must invest all of the capital it receives under the program in businesses that are diverse with respect to industry classification and geographic location within Wisconsin.

- **Match capital received through the program**. Each venture capital fund must at least match the amount of capital the investment manager contributes to an investment in a business with an investment of capital in that business that the venture capital fund has raised from other sources.

- **Recoup funds from businesses that leave the state**. If a business relocates its headquarters outside of Wisconsin or fails to employ at least 50% of its full-time employees in the state within three years after receiving an investment of venture capital through the program, a venture capital fund must require the business to promptly pay an amount equal to the funds that had been invested. The venture capital fund must then reinvest the recouped funds in eligible businesses.

- **Provide reporting information to the investment manager.** Each venture capital fund must provide the information necessary for the investment manager to prepare reports required under the substitute amendment.

- **Disclose interests in investments to WHEDA and the investment manager.** Each venture capital fund must disclose to the investment manager and to WHEDA any interests 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 capital under the program.

The State's Share of Proceeds From Investments

The investment manager must hold in an escrow account its gross proceeds from all investments of capital contributed to the program by WHEDA. In addition, the investment manager must pay, at least annually, the amount in that account to the state for deposit into the general fund. These requirements are only in effect until the investment manager has paid a total of $25 million to the state, the amount of WHEDA's contribution. After that point, the investment manager must pay 90% of its gross proceeds from such investments to the Secretary of Administration for deposit into the general fund.

Reporting Requirements

The substitute amendment requires the investment manager to submit an annual report and quarterly reports, described below, to WHEDA.

Annual Report of the Investment Manager

The investment manager must submit a report to WHEDA each year within 120 days after the end of the investment manager's fiscal year. The report must include all of the following:

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

- The investment manager's internal rate of return from investments under the program.

- The following information for each venture capital fund that contracts with the investment manager under the program:

  - The name and address of the venture capital fund.
  - The amounts invested in the venture capital fund.
  - An accounting of any fees the venture capital fund paid to itself or any principal or manager of the venture capital fund.
  - The average internal rate of return realized by the venture capital fund on its investments through the program.

- The following information for each business in which a venture capital fund held an investment of capital contributed by the investment manager under the program:
  - The name and address of the business.
  - A description of the nature of the business.
  - An identification of the venture capital fund that made the investment in the business.
  - 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.
  - The internal rate of return realized by the venture capital fund upon the venture capital fund's exit from its investment in the business.
  - A statement of the number of employees the business employed when the venture capital fund first invested in the business under the program, 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.

WHEDA must submit the investment manager's report to the Legislature within 10 days of receiving it.

Quarterly Reports of the Investment Manager

The substitute amendment requires the investment manager to submit quarterly reports to WHEDA. WHEDA must make the quarterly reports readily accessible to the public on the authority's website. The quarterly reports must include the following information:

- An identification of each venture capital fund under contract with the investment manager.
- An identification of each business in which a venture capital fund held an investment of moneys the venture capital fund received through the program, and a statement of the amount of the investment in each business that separately specifies

the amount of capital designated through the program that were contributed to the investment.

- A statement of the number of employees the business employed when the venture capital fund first invested capital in the business that the venture capital fund received through the program and the number of employees the business employed at the end of the quarter.

If you have any questions, please feel free to contact me directly at the Legislative Council staff offices.

MQ:ksm

Wisconsin Technology Council

June 3, 2013

State Rep. Mike Kuglitsch
129 West
State Capitol

State Rep. Fred Clark
122 North
State Capitol

Dear Reps. Kuglitsch and Clark:

I am pleased to see the Assembly has scheduled Assembly Bill 181, the early stage capital bill, for a floor vote on Thursday. I support this bill as a tremendous first step toward building a robust "fund-of-funds" in Wisconsin, with state investment dollars helping attract private dollars at a 2-to-1 match.

As chairman of the working group that studied Wisconsin's needs for a state-leveraged capital bill, and as a former state Administration and Revenue secretary, I understand there are limits to how much the state can afford to invest in such a program – especially at the outset.

I also know it is important to establish appropriate firewalls, to hire an independent fund-of-fund manager, and to listen to the marketplace when defining investment sectors that are most likely to produce jobs and financial returns quickly.

Assembly Bill 181, in the amended form that will come to the Assembly floor, meets those criteria. As chairman of the Wisconsin Technology Council and director of University Research Park, I support your continued efforts to help create companies and jobs for Wisconsin.

I am joined by Tom Still, president of the Tech Council, in affirming our support for the bill.

Sincerely,

Mark Bugher, chairman

Tom Still, president

455 Science Dr # 240 | Madison, WI 53711 | ph: 608.442.7557 | fx: 608.231.6877 | www.wisconsintechnologycouncil.com

WGCC
WISCONSIN GROWTH CAPITAL COALITION

Committee Chairperson Gudex and committee members,

Thank you for allowing me to speak today on this very important piece of legislation.

My name is Steve Lyons and I am the President of the Wisconsin Growth Capital Coalition. With me today is Trevor D'Souza, one of our board members. We will be testifying together. I will give a brief history of who we are, and then discuss why we strongly support this legislation and then Trevor will speak of examples based on his 30 years of expertise in this area.

The Wisconsin Growth Capital Coalition was formally created at the beginning of this year to promote, support, and facilitate economic growth by enhancing the availability of early stage capital in Wisconsin.

The WGCC is a group of early stage investors, emerging companies and service professionals who work with the state's high-growth economy. The coalition's goal is to see the adoption of an early stage capital bill. And I know that we have met with many of you individually on this issue as well.

The WGCC supports Assembly Bill 181 and we are hopeful that we can support Senate Bill 169. We ask that final language passed includes the language that is included in the bipartisan substitute amendment 1 by Representatives Kuglitsch and Clark in the Assembly version.

WGCC also supports language that identifies sectors with the quickest to the market ability and what we call "shortest runway" that is, a runway in which the largest number of jobs can be created in the shortest timeframe.

The language in Senate Bill 169's companion bill contains language that has been vetted by various entities including SWIB, WI Tech Council, WEDC, and BioForward and numerous others and has broad bipartisan support. Assembly Bill 181 had a hearing in which numerous people and entities testified in favor of the proposed language. As you know the State Assembly is debating AB 181 as we speak and it is anticipated that it will pass with strong support from both sides of the isle.

We must bring venture capital to Wisconsin now to created jobs and build businesses. I ask that this committee consider looking at proposed language that has the most likely ability to bring venture capital to Wisconsin. Our coalition, small businesses in need of capital, and Wisconsin citizens are counting on you.

Thank you.

SB 169 Comments: Paul V Radspinner, President & CEO of FluGen Inc.

Thank you Mr. Chairman and members of the Committee for allowing me to speak today. My name is Paul Radspinner and I am the co-founder of FluGen Inc., a company committed to saving lives by making better influenza vaccines. If you are at all concerned about the most recent avian virus, H7N9, becoming deadly and traveling to Wisconsin, or if you are getting older like we all are, then you will be happy to hear that I and Dr. Yoshi Kawaoka are working on finding a way to stop flu in its tracks.

First I would like to thank Senator Darling for bringing some sanity back to this process by introducing this bill and amendment. The Assembly version has many flaws about which I testified last month. Most notable of those flaws is the small size of the fund and the picking of winners and losers by the legislature. Wisconsin biotech companies searching for cures to diseases such as breast cancer, autism and pandemic influenza are excluded from the Assembly version of this bill. This makes absolutely no sense for a state that has developed so many life changing therapies from vitamin D for rickets to the blood thinner Warfarin to prevent stroke and heart attack. Senator Darling also appropriately made changes such that only qualified entities make the selection of the person or group that will manage these funds.

Last month I had the privilege of attending the Biotechnology International Organization Conference, or BIO as it is commonly known, at Chicago's McCormick Place. I was proud to attend this event as the founder, President and CEO of a Wisconsin biotechnology company as I stood in the Wisconsin pavilion and welcomed guests from around the world. The booth featured the "In Wisconsin" theme that has been branded for the state's business development efforts and was clearly the most notable presence Wisconsin has ever demonstrated at this international meeting. Governor Walker was also present and proved to be a great advocate for our industry.

I hope you can imagine my surprise when I learned at the BIO meeting about the introduction of AB-181, the Assembly version of this venture capital bill. Frankly it was a great disappointment. In addition to excluding companies searching for cures it was grossly underfunded. Again, many people in the state and even in this room may not realize that companies like mine that are striving to develop therapies for some of today's worst illnesses will not be allowed to compete for these funds. What this means is that if your sister is waiting for an experimental drug for her inoperable cancer, no funds from this bill can be used to help her with Quintessence's new cancer drug that is currently in Phase I clinical trials. If your father is suffering from a deadly hospital acquired infection called MRSA, the treatment that Conjugon, another Wisconsin company, is working on will not be supported by any of these dollars. And if you fear as many do that the latest bird-flu threat, H7N9, will become as deadly as the Spanish Influenza that killed millions, none of these funds can be used to help FluGen develop its universal flu vaccine. Yes, that's right, not one of these companies or any like them that are searching for cures can even APPLY for these funds under the Assembly version.

Thankfully, the Senate's version along with Senator Darling's proposed amendment, addresses many of these concerns. It does not increase the size of the bill but at least it puts funds in place to test its viability before making it too big in these tough economic times. I would like to see a much larger bill but we all have to make compromises. The amendment does however allow for ALL industries to compete for the funds including biotechnology companies searching for cures. At no time during the discussion about creating jobs through increased investment capital over the past two years was the elimination of biotechnology, one of the most productive and important sectors of our economy, mentioned. As a business owner and taxpayer this simply doesn't make sense to me. Competition is a good thing in my industry and in any industry. Competition defines America. I think we all agree on this.

I am a businessman so I can only speculate on why those searching for cures were excluded in the Assembly bill. I've heard from some that it was the influence of lobbyists from other sectors. Others say that it has something to do with ideology. I can't imagine an ideology that wants to prevent companies like FluGen from solving serious health problems. I have even heard that companies searching for cures have already received enough money so it's time to "spread the wealth". That last reason, if true, would be especially tragic. The fact is that there is so little capital in this state to grow new companies that NO industry is well funded. So again, I applaud the Senate's efforts to make this a pro-competition bill by making it industry agnostic.

This bill and amendment also make certain that qualified individuals at SWIB and WHEDA will appoint a committee to select the fund manager. I cannot overstate the importance of having non-biased and qualified individuals responsible for selecting those who will manage taxpayer money given the challenges of the past. SWIB makes this kind of choice regularly and has done a great job of guarding the state's pension fund. The Assembly version allows entities such as the Wisconsin Technology Council to participate in the selection of the fund manager. With all due respect to Mr. Still, the Tech Council simply is not qualified to do this and has no business being involved. The Tech Council does a good job of cheerleading for technology companies in the Sunday paper and putting meetings together but it should remain in that role rather than taking on something with which it has no substantive experience.

In conclusion I would like to comment on the importance of venture capital to this state. I have raised $10 million thus far in private capital. I have raised this money entirely from individuals. FluGen is now at a stage where we need to raise larger amounts of money so that our universal flu candidate can start clinical trials. While I may secure part of the $15 million I am now raising from Madison, I am forced to travel to Boston, San Francisco and New York regularly to raise the funds required to grow the company and create high paying jobs. VC firms in these locations have numerous companies in the backyards from which to choose so gambling on companies in far away Wisconsin seems riskier to them and makes my job that much more difficult. Some may ask why companies like mine don't just move to one of these states that is making bigger investments in technology without restrictions. I personally am an adopted Badger and feel great pride in living and conducting business in Wisconsin. I want to go on being able to do so. I look forward to a day where companies such as mine can stay in Wisconsin to raise capital and grow companies for our future. I simply ask that you vote "yes" and allow this bill amendment to reach the full Senate so that companies searching for cures like FluGen WILL stay in Wisconsin and so that we have an equal chance to compete for these well managed funds.

Thank You

Paul V. Radspinner
President & CEO
FluGen Inc.
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Mike Kuglitsch

STATE REPRESENTATIVE • 84TH ASSEMBLY DISTRICT

DATE: June 6, 2013

RE: **Testimony on 2013 Assembly Bill 169, Investment Capital Legislation**

TO: The Senate Committee on Economic Development and Local Government

FROM: Representative Mike Kuglitsch

Thank you Senator Gudex, and members of the Senate Committee on Economic Development and Local Government, for allowing me to deliver written testimony today.

The national and state jobs numbers have been sluggish for over 5 years as we are experiencing a jobless recovery. AB 181/ SB 169 will send a strong message to the whole state of Wisconsin that we are serious about job creation. The Kauffman Foundation has emphasized the importance of small businesses, as it relates to job growth, and it concluded that most new job creation is generated by companies that are less than five years old.

We know that the biggest obstacle many entrepreneurs face while trying to grow their ideas into businesses, is capital. That is why our state must have an economic development strategy to improve our investment capital communities in Wisconsin. Wisconsinites can turn these bold new ideas into job creating, small businesses when capital is available.

AB 181/SB 169 will set the stage for a $25 million state investment fund that would require a 2-to-1 private investment match over time. Modeled after similar funds in other states, the program will spur company creation and job growth, while erecting safeguards to protect the interests of taxpayers.

At this point, we must choose to either sit on the sidelines or get in the game. Over the next few years, this legislation will assist a number of companies to get off the ground and generate real dollars for the state and employment for Wisconsinites. If we are truly serious about creating a business climate that supports job growth, we must create an Investment Capital program that not only generates job growth, but also protects the taxpayers of Wisconsin.

Earlier today, the Assembly version overwhelmingly passed through our house, with an amendment that moves the program from WEDC to the Department of Administration. While, I do agree with the overall merits of SB 169, I respectfully disagree with the substitute amendment introduced by Senator Darling.

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Mike Kuglitsch

STATE REPRESENTATIVE • 84TH ASSEMBLY DISTRICT

I believe that DOA can oversee this program in a more efficient and cost-effective manor than WHEDA. The inclusion of WHEDA will be burdensome on their small staff and will prove too costly in the long run. Also, we have to remember that the department that takes on this project is responsible for all reporting and contracting. Again this is something that DOA does very well.

I understand the importance of including SWIB in the implementation of a venture capital program. Our investment board has a certain set of skills that other agencies do not have on hand. It is imperative to keep open communications with SWIB throughout the programs lifetime. With DOA secretary, Mike Huebsch, sitting on the investment board, this is a certainty under the Assembly substitute. WHEDA does not have a say in how SWIB conducts their business, and the lines of communication are much more distant than they are with DOA.

If done correctly through the proper channels, we will see promising returns in the upcoming years. Myself and Senator Darling both agreed months ago that we must focus on Wisconsin's most promising sectors. The sectors defined in the original legislation, along with the Substitute Amendment passed earlier today in the Assembly, focuses on areas that have seen the most rapid job growth, with the shortest runway to growth, throughout our state.

Each one of us has pledged to protect taxpayer dollars and create an environment that will bring employment and new companies to our districts. I look forward to seeing this bill move forward in the upcoming weeks, and I hope my colleagues support this bipartisan jobs bill.

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Wisconsin Economic Development Association

WEDA

STATEMENT OF THE WISCONSIN ECONOMIC DEVELOPMENT ASSOCIATION
TO THE SENATE COMMITTEE ON ECONOMIC DEVELOPMENT AND LOCAL GOVERNMENT
REGARDING
SENATE BILL 169

JUNE 6, 2013

The Wisconsin Economic Development Association is a statewide association consisting of over 450 economic development practitioners. WEDA supports state policies that strengthen our economy and create jobs, which is why WEDA supports Senate Bill 169.

As you know, venture capital plays a significant role in development and growth of small businesses, new technologies and even entire industries. According to PricewaterhouseCoopers' most recent MoneyTree Report, Wisconsin businesses were the beneficiaries of $72.8 million in venture capital in 2011 and $95.2 million in 2012. While this is good news, Wisconsin must do better.

Many other states have established their own state-sponsored funds. As professionals in the field, we are confident that without similar action here in Wisconsin, we will lose out on real job opportunities.

This bill is a good start. It provides for the investment of $25 million across a minimum of four venture capital funds. There are significant accountability measures put in place to protect taxpayer investment and requirements for the investment manager to contribute their own moneys. The timelines for investment are realistic and the state will benefit from the proceeds of the investment.

Our members appreciate that the Senate Substitute Amendment offered by Sens. Darling and Cullen removes the previous restriction on the industries that can receive venture capital funds. By limiting investment to businesses that fall into the agriculture, information technology, engineered products, advanced manufacturing, and medical devices and imaging industries sectors, you run the risk of not funding the next big thing simply because it does not fit neatly into one of these sectors. We urge you to adopt the substitute amendment.

Job creation in Wisconsin is the ultimate goal of this committee and the full legislature. The concept of the state playing a role in venture capital has brought together policy makers of both political parties, people from all industry sectors, and average citizens. We all desire a strong and growing economy that will benefit the citizens of this state.

We have also provided, for your review, a paper our association distributed to members of the legislature on our Legislative Lobby Day in February. It shares additional thoughts on the importance of innovation capital.

Thank you for your consideration and we look forward to your favorable action on Senate Bill 169.

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Wisconsin Economic Development Association

WEDA

Wisconsin Seed and Growth Capital Program

MAIN MESSAGE: WEDA encourages the Legislature to develop a robust innovative "Seed and Growth Capital" program that complements Wisconsin's forward thinking culture and supports entrepreneurial activities.

BACKGROUND: The state of Wisconsin ranks near the bottom nationally for new business creation and entrepreneurial activity. This occurs not because we lack new inventions, commercial innovations or entrepreneurs, but because Wisconsin's early stage start-up companies are hamstrung by a lack of critical equity capital. To address this capital shortage, more than 30 states have developed early stage and/or growth capital programs. Now these states are seeing early stage capital and equity-backed companies growing faster, experiencing higher payrolls and capitalizing on research emerging from state supported universities. From a public policy and job creation perspective, the best leverage and return on state investment programs comes from focusing on those businesses that possess high growth potential.

ISSUE: Wisconsin would benefit from the creation of a Seed and Growth Capital program to help fund young, high potential businesses created from the renowned research being conducted within the UW System, nearby Midwestern research institutions and recognized national laboratories. Without creating this type of program, Wisconsin risks losing its most talented entrepreneurs, engineers, technicians and managers for opportunities elsewhere. By creating a program that leverages the investments of existing angel, early stage and venture funds, Wisconsin will fuel groundbreaking innovations from emerging firms that will serve as tomorrow's job creators.

KEY POINTS:

- Early stage small businesses need critical cash injections to help cover expenses, such as research and development, prototyping or the regulatory fees associated with bringing a new product to the market. Without these critical investments, most emerging companies will not survive the business development pathway.
- Traditional sources of capital, such as financial institutions, are naturally risk-adverse and the appetite for participating in these types of business ventures is essentially non-existent, especially following the recent recession.
- Wisconsin should explore different funding models, such as creating a state fund to invest in established venture capital funds (i.e. Fund of Funds) and investing state resources directly into high-growth businesses.
- An investment by the Legislature to create a Fund of Funds would help attract new investments from out-of-state investors, expand the capacity of existing funds already in the state and transform the funding climate for Wisconsin's entrepreneurs.
- Wisconsin needs to build on the success of the investment tax credit programs created by Act 255 and aggressively develop a seed and growth capital program at the scale and scope of peer states.