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THE 2014 WISCONSIN PORTFOLIO

FUELING WISCONSIN THROUGH INVESTMENT



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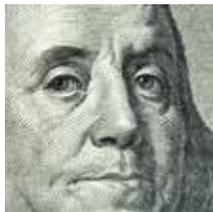
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THANKS

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Welcome to the 2014 Wisconsin Portfolio, an annual publication of the Wisconsin Technology Council through its Wisconsin Angel Network and its partner, the Wisconsin Economic Development Corporation.

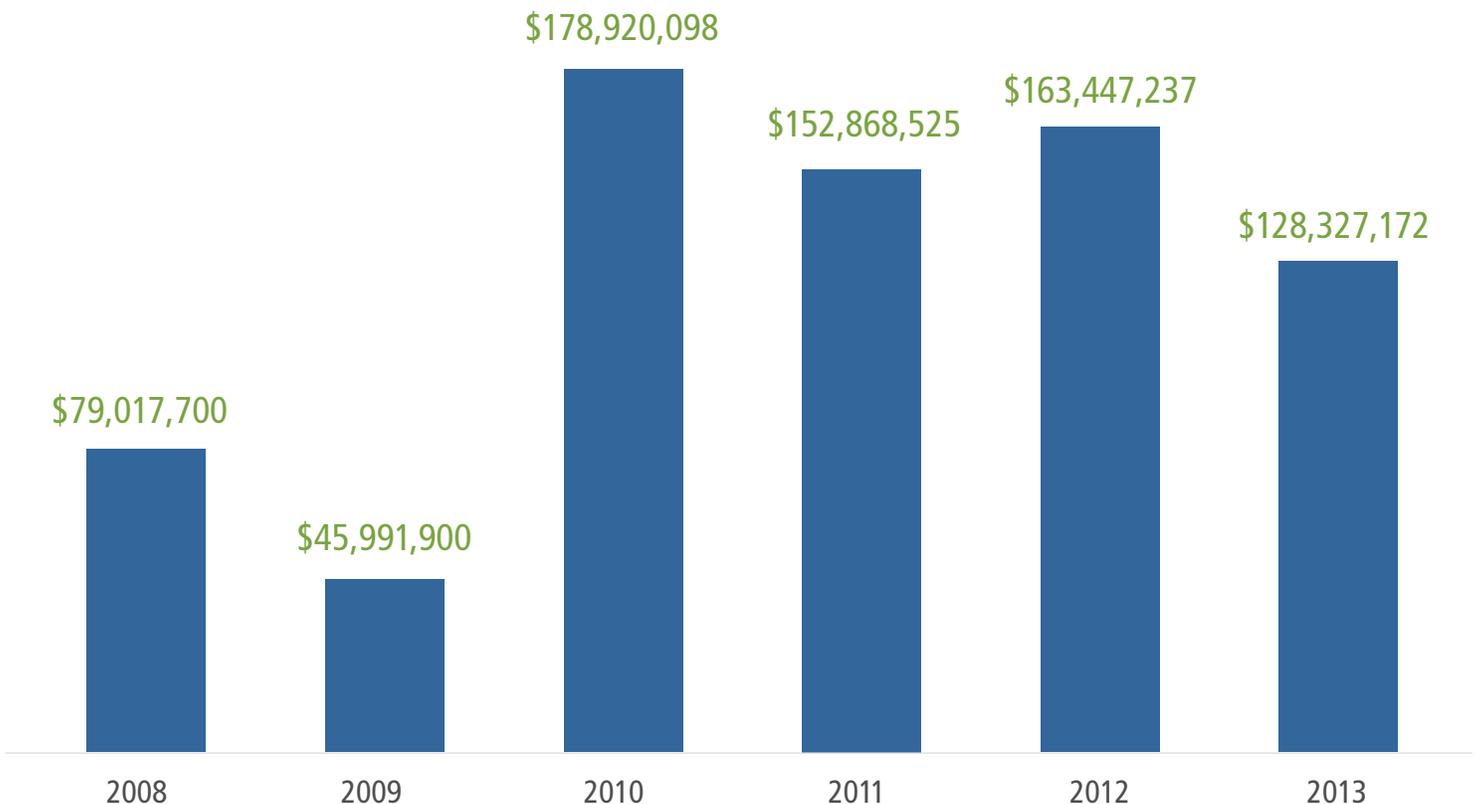




Executive summary

▶ At least 86 Wisconsin early stage companies raised investment capital in 2013, a more than 10 percent jump from the year before. More than \$128 million was secured, but that represented a 21 percent drop in total dollars deployed from 2012. However, several new venture funds launched late in the year or were primed to begin investing in 2014, a hopeful sign for many companies that will likely require later follow-on funding as they grow.

TOTAL INVESTMENTS IN WISCONSIN COMPANIES 2008-2013



Using public reports, filings and surveys, the Wisconsin Technology Council and its Wisconsin Angel Network tracked a total of \$128 million that was infused into the 86 companies (see pages 14-15 for detailed reporting). The largest deals reported were across a variety of sectors, including healthcare IT (**Propeller Health** and **Nordic Consulting**), education technology (**Study Blue**), a brewery startup (**Wisconsin Brewing Co.**) and also drug-discovery tools (**Invenra**). Twenty-seven state companies each raised at least \$1 million from investors.

Total state deal dollars were down from 2012, but Wisconsin historically has attracted small relative amounts of venture capital, and often one or two large deals can skew the totals. The jump in companies that were able to secure investment dollars mirrored national trends. According

to the Center for Venture Research at the University of New Hampshire, more than 70,000 new ventures received funding across the United States in 2013, a 5.5 percent increase from the year before.

Meanwhile, investors from outside Wisconsin's borders again played a significant role in funding state companies in 2013.

Investors from Chicago, Boston and California showed up in some deals, along with those from farther away, such as one deal that was funded by investors in Brazil. Many of the companies were not raising their first round of capital, but the smaller deal sizes also likely reflects a shift to more software and digital tech deals which can require less capital to get started.



Several angel groups in the state reported being more active in 2013 than in past years. Wisconsin Investment Partners invested in more deals than the year before when it was identified as one of the most active groups in the United States. Other state investment groups are actively looking for exits for their portfolio companies, and a few were also waiting for the rollout of new state initiatives.

The Midwest continued to show well in national reporting on angel activity. The Great Lakes region, which includes Wisconsin, represented about 12 percent of deals done across the country, according to the Halo Report, put together by the Angel Resource Institute.

Because of the new capital formation, this year's Portfolio will outline

several of those programs in the following pages and how state entrepreneurs can make contact with the new groups. Founders and investors will be able to read more about the state's new "Badger Fund of Funds" program; a new \$30 million IT-focused fund; and a unique non-profit venture capital fund. George Mosher, a prolific Milwaukee angel investor who made more than 20 investments last year, also outlines the lessons he has learned in angel investing over the years.

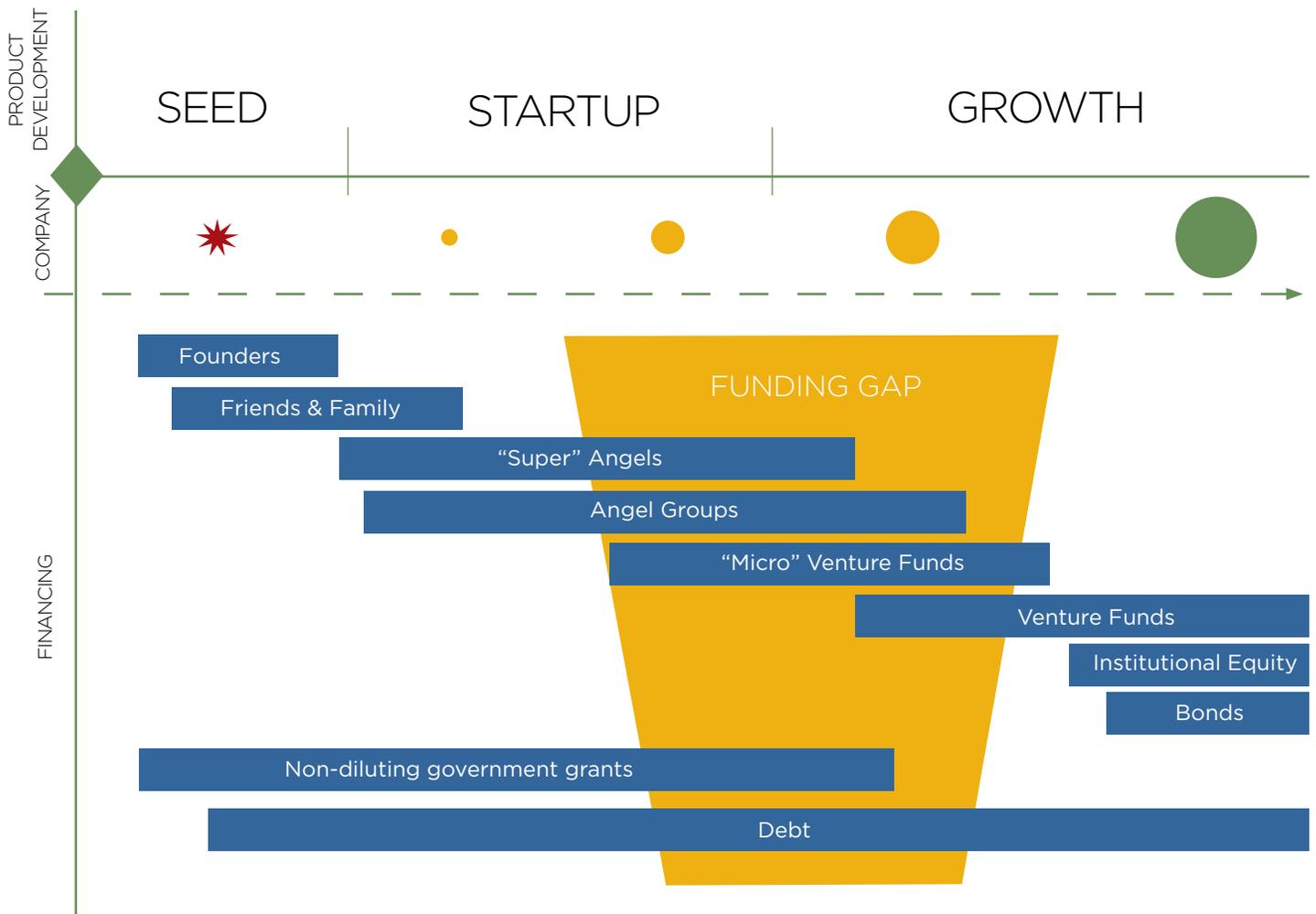
Entrepreneurs and their companies will ultimately be driving Wisconsin's future success, but this year's Portfolio profiles some of the people and organizations helping propel them forward.





The venture economy: A primer

➤ At the very early stages of most businesses, funding comes from founders, friends and family, debt and grants. This initial funding can take a new venture only so far. Startups often need additional funding to accomplish additional goals in further expanding the business. A few examples include securing patent protection, building early prototypes of technology, and also hiring business development and management personnel.



The source of the money needed to reach one of these goals often comes from the early stage capital market, making it a critical link in the development of entrepreneurial ventures. Early stage capital is comprised of individual angels, angel groups, early stage funds, and some early stage venture funds.

If a venture survives long enough to enter into a rapid growth stage or, in the case of life sciences, far enough in the regulatory process, the venture capital market sometimes takes the reins. Fueling rapid growth, VC involvement often results in significant increases in company valuation.

Through this increase in valuation, the VCs exit the business by one of two means, taking the venture public (Initial Public Offering, or IPO) or selling it to strategic acquirers. It is through these “exits” the previous investors, including the founders, angels and others, can receive a payback on their investments. Exits, or the potential of an eventual exit, provide the incentive necessary to attract investors to a startup business and to keep them active in the early stage market. Below is a graphic, called the financing continuum, representing the stages of business development and the typical investors through those stages.

The triangle highlights the portion of the early stage market that is considered the most challenging. Often referred to as the funding gap, this area represents entrepreneurs in search of investments between \$1 million and \$5 million. This size of investment is typically too large for a single angel network but not large enough for a venture fund.

Angel investors and venture capitalists form a vital partnership that results in a startup evolving into a successful business providing well-paying jobs and commercializing new technologies. A number of businesses, originally funded by

angel investors, have received follow-on rounds of investment from venture capitalists.

In Wisconsin, it can be a challenge for companies as they attempt to raise early stage capital, including larger, follow-on funding rounds. A new “Badger fund of funds” program, described in the following pages, will bring new capital to the market and advocates see it as a model for a larger dollar program in coming years.



“They had the revenue model figured out before we were out of beta.”

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4490 plants its coordinates in Wisconsin



Greg Robinson

Robinson sat down in April with the Wisconsin Angel Network at the Wisconsin Institutes of Discovery on the UW-Madison campus to talk about the new effort, including how he sees it growing over time. Here is an edited transcript of the interview.

Q: So how is your transition going? We had snow here in April, so I'm sure that's a little bit of an adjustment.

A: Yeah, I thought spring was here for a second (laughs). The transition has gone well. In the past six weeks I've spent a lot of time getting to know the various players and who is doing what and where. Everybody's been warm, welcoming and receptive to the idea of 4490, and they've been very helpful in helping me understand the ecosystem and introducing me to various participants.

Q: You're currently based here at WID, and arrived while the Badger basketball team was making their Final Four run, so are you already a Badger fan?

A: Oh, absolutely. It was good timing. I'm a fan of good basketball, so obviously I've

4490
VENTURES

▶ Among the new sources of early-stage capital sprouting in Wisconsin is 4490 Ventures, a \$30 million fund focused on information technology companies

backed by the State of Wisconsin Investment Board and the Wisconsin Alumni Research Foundation. The new fund recently named Greg Robinson, previously a partner at Silicon Valley venture capital firm Peninsula Ventures, as its managing director.

become a fan very quickly here, and it's been easy to do.

Q: You plan to have 4490's permanent office open by summer, likely on Madison's Capitol Square. Are you planning to also have a presence in Milwaukee and other parts of the state?

A: We definitely want to have reach and coverage into other parts of the state, certainly up North, and as well in Milwaukee. Our home base will be in Madison, but we'd love to be able to have outposts in other locations. We want to make sure we're plugged in and on the inside track for when things are happening.

Q: Let's talk a little bit about the genesis of 4490. How did the process start and how did you find out about the opportunity?

A: I initially got involved after I was contacted by the folks WARF and SWIB. I had been in Silicon Valley for about 12 years, and toward the end of that time I had begun looking at opportunities where I could apply what I term "classic venture capital." Basically, smaller funds investing in more capital-efficient deals in locations outside of Silicon Valley, which are often better suited for that kind of model. I was already looking into places like Portland, Salt Lake and Boulder. Places where there's an abundance of

entrepreneurial people who are doing interesting things and solving hard problems, but in most of those locations there is also a dearth of capital. So I was already looking for my next move being somewhere like that. And then when I got contacted by the 4490 folks it was a natural fit for what my next step was going to be.

Q: Once you were approached, did you come out to Madison and get a sense of how things work in the state?

A: Yeah, I spent a lot of time doing due diligence, both remotely and here in Madison, just trying to better understand what the opportunity set looked

like. I came away optimistic - although relatively small in size, there are some strong pieces of what is a very interesting foundation. There are smart graduates rolling out of the university every year, lots of R&D dollars that are here in the state, and what was missing was enough capital to support new initiatives and companies, and really allow that ecosystem to grow and build.

Q: Have your early expectations matched up now that you're here and your boots are on the ground?

continued ►

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www.swib.state.wi.us/InvestWisc.aspx



4490 plants its coordinates in Wisconsin, continued



Wisconsin Institutes for Discovery, University of Wisconsin-Madison
photo credit: Jeff Miller/UW-Madison

▶ **A:** I guess I haven't been surprised, which I think is good and bad. I had expectations that there would be a lot of smart people involved in interesting projects. And that's proven to be true. I also had expectations that the ecosystem wasn't that big and I think that's also proven to be true. But there's a lot of interest, energy and it feels like momentum going in the right direction. All of those things are what I expected. I'm now getting to the point where I understand and have a sense of

the land and so I'm spending more time looking at investment opportunities.

Q: So, as 4490 gets up and operating, what do you see as being the major sources of deal flow or "wrapping your arms" around the ecosystem?

A: We plan to use all of the resources at our disposal to make sure we're aware of interesting projects. That'll mean working the network, always being plugged into entrepreneurs and anybody who's associated

with that community. We'll be very proactive in areas we find particularly interesting or areas of expertise.

We're certainly trying to make ourselves known, so when a new project pops up we want to be the first venture group that somebody will call. And often that means lots of legwork before that project gets up and going. We're building relationships with lots of different people over time, not knowing what the outcome is going to be. The hope being

that you've developed the relationship, so that when something pops up people know that if you need this type of funding the person you should go to is 4490.

Q: In regards to what pops up, what would generally be described as the "perfect fit" for 4490 in regards to revenue milestones, sector and stage?

A: Well, it kind of depends. Where 4490 will play in the ecosystem is that we'll be an IT-specific investor, so that

means that there's a whole host of interesting companies that won't fit our profile just because we'll be IT focused.

With IT, we'll be more or less focused on capital-efficient companies, which means a lot of software, specifically B-to-B or enterprise-oriented software, infrastructure-related things. That's where we'll play from a sector perspective.

From a stage perspective, we'll participate at seed rounds, where we can write a reasonably-sized seed check along with a host of other folks to bring a deal together. Our sweet spot will likely be at the Series A where a company has a product, has revenue and some confidence in how they're going to scale the business, and is looking to raise that round of financing that is going to allow them to scale. This is historically what has been the most difficult round to raise in Wisconsin. It's post-friends and family and post angel round, but before being able to entice people from outside the region to invest. That funding is really, really hard and it has to be done locally, but requires more money than typically what the angel community is comfortable investing.

So that's where I think 4490 will deploy the bulk of its capital, but we'll certainly go down into the seed round when it makes sense. We'll always look to co-invest and build the best syndicate that we can for that round. We'll want to share the opportunity, the workload, as well as the risk.

Q: 4490 is based and focused in Wisconsin, but do you see 4490 looking outside the state to make investments?

A: I think we'll do 80-plus percent investing in Wisconsin. Because Wisconsin is where we're spending the bulk of our time, and it's where we have a competitive advantage. We do want to look at and are interested in companies around the region. We'll likely do the other 20 percent regionally. There's some interesting things happening in Minnesota, Illinois, Michigan and Ohio; those are all states that I think are going to be interesting areas that we'll try to stay on top of.

Q: You were involved in Peninsula Ventures for 12 years, including many as a partner, but you also had operating experience of successful tech companies. What do those experiences bring as you help Wisconsin entrepreneurs scale up their companies and find

exits for their investors?

A: Hopefully, 4490 will provide the capital companies need to execute against their larger vision. Me personally, I'm going to challenge the people that we invest in to think a little bit longer term and a bit bigger in terms of the problems they're trying to solve and the companies that they're trying to build.

Because, ultimately, for 4490 to be successful and for this ecosystem to mature we need to

solve hard problems which result in bigger companies, bigger outcomes and momentum within the ecosystem.

I really want to see Wisconsin have some big, successful companies in IT that we can be a part of. That's the goal of the fund, both in terms of economic goals, but also the goal of the community to create a sustainable and ever-expanding entrepreneurial ecosystem.

continued ►

◀ WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

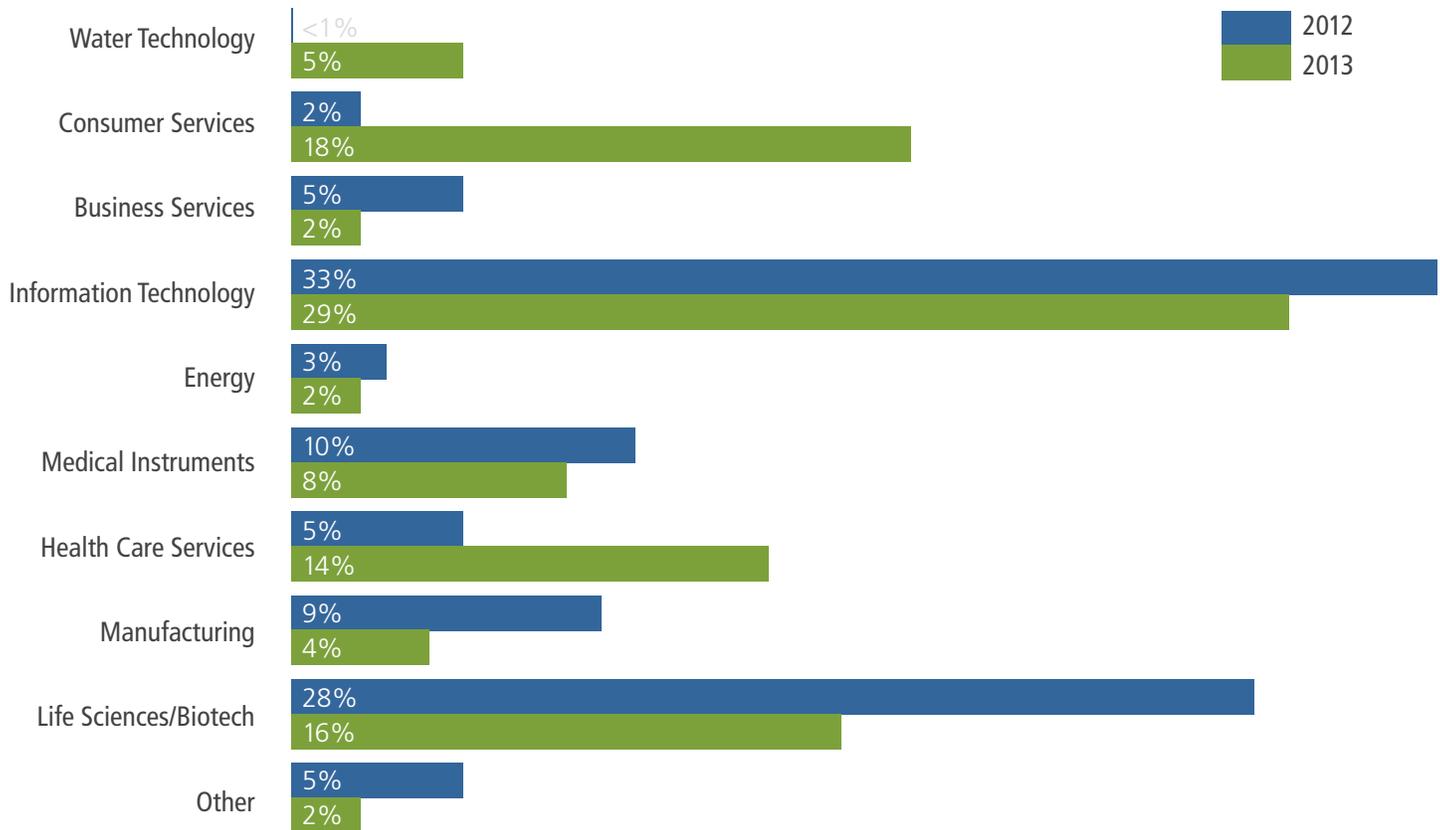
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4490 plants its coordinates in Wisconsin, continued

WIS. ANGEL INVESTMENT SECTORS

- Based on data from +120 deals reported by super angels, angel groups/funds



Q: How many companies do you see 4490 investing in, within a range?

A: So people should know that this isn't just a fund that will be raised and will be invested and we're done. This is just the first fund of what we hope will be many subsequent funds. This fund is \$30 million and we expect to be able to do a couple handful of seed investments, where a seed investment could

be \$250,000-\$500,000. And we expect to do Series A deals where 4490 would play a significant role or lead investor role in 6-8 Series A companies, where a company is trying to raise \$2-5 million.

Q: Lastly, how do you expect to work generally with existing Wisconsin angel and other early-stage investors?

A: 4490 wants to be a part of the established ecosystem that's here. We want to work with the existing angels, angel groups and other existing investors, and to co-invest with all these groups. We want to be another piece of the puzzle so to speak. We're happy to be part of the ecosystem and we want to be additive both in terms of funding as well as helping companies be successful.

'We're willing to roll up our sleeves and work with whomever we need to (in order) to make these companies successful.'





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New funders starting up for Badger founders

▶ Here are a few other firms that have launched or are in the process of deploying new capital, along with some of the Wisconsin entrepreneurs they're backing:



The state of Wisconsin has committed \$25 million to be invested in matching private funds that will then invest in the state's most promising startups.

The state recently named the manager for the effort, which comes in the form of a partnership of Sun Mountain Capital, a New Mexico firm and a Wisconsin-based venture capital firm, Kegonsa Capital.

Dubbed the "Badger Fund of Funds," the managers plan to deploy a "money for minnows" strategy, investing small amounts across a broad portfolio of

companies across the state. In addition to the state's dollars, another \$5 million has to be raised from the private sector. Sun Mountain Capital has experience with similar programs: In 2007, the firm became the manager of the New Mexico private equity investment program, and it was also selected in 2011 to manage an \$85 million fund of funds program in Mexico. Members of

Sun Mountain Capital have also helped with similar programs in Ohio and Utah.

Expected to be launched by late 2014, the new managers are hoping to create six to 10 new funds in Wisconsin and to grow a robust venture capital ecosystem in Wisconsin.

CONTACT:
www.badgerfundoffunds.com



CSA Partners is a new venture fund based in Milwaukee.

The fund invests in Midwest companies, but with a particular focus in Wisconsin. The \$10 million fund was started by Milwaukee County Executive Chris Abele, and typically invests between \$50,000 and \$500,000 into tech-enabled startups with unique business models.

CONTACT:
www.csapartners.com
info@csapartners.com

RECENT DEALS:



Scanalytics, a Milwaukee company that uses sensor-laden mat devices and accompanying software to help businesses better understand consumer behavior and traffic.
www.scanalyticsinc.com

EATSTREET **EatStreet**, a Madison-based online and mobile food-ordering platform that recently raised a \$6

million Series B financing round in 2014.
eatstreet.com



OpenHomes, an online real estate platform based in Madison that helps people our sell their homes on their own. www.openhomes.co



Madison's Venture Investors, a leading venture capital firm in the Midwest

with over \$200 million under management, began investing out of its fifth fund in 2013. The firm, a leader since 1982 in identifying and investing in university technology, plans to invest in 12-15 companies from the \$80 million fund. The firm invests in healthcare, technology and clean tech deals with an investment range from \$50,000 at the seed stage, to \$8 million over time.

CONTACT:

www.ventureinvestors.com
(submit funding proposal online)
(608) 441-2700

RECENT DEALS:



Madison Vaccines Incorporated, a Madison

biopharmaceutical company developing DNA therapy vaccines focused on prostate cancer. The company closed an \$8 million Series A financing in 2014.

www.madisonvaccinesinc.com



Nextt, a Madison-based private social

network for friends that can help offline plans happen.

www.getnextt.com

Silatronix

Silatronix, a Madison

company developing energy storage devices based on non-toxic, low flammable battery technology that can last longer and operate at high temperatures and voltage. silatronix.com



BrightStar
WISCONSIN

Brightstar is a unique donation-based venture fund that launched in 2013.

The non-profit is taking equity positions in early-stage companies in Wisconsin, creating new jobs and helping Wisconsin compete in the high-tech economy.

The effort is led by super-angel and entrepreneur Tom Shannon, along with a lineup of some of the state's most active angel investors. The firm seeded the foundation with \$6 million in donations.

CONTACT:

www.brightstarwi.org
(submit funding proposal online)
InvestmentInfo@brightstarwi.org

RECENT DEALS:



425 Inc., a Mount Pleasant company making personal safety

lighting devices worn by users.
www.425inc.us



EPS, a New Richmond company building a high-

powered new diesel engine.
www.eps.aero



Stemina Biomarker

Discovery, a Madison stem cell company that can help with screening drugs and chemicals.
www.stemina.com



2013 DEAL REPORTING

Wisconsin Company	Total Investment	Primary Investor(s)
Abodo (formerly MoveIn)	325,000	Individual investor(s)
Accelerated Technologies	120,000	Chippewa Valley Angel Investor Network
Always in Touch	1,200,000	Capital Midwest Fund
a-Peer Holding Group	150,000	Unidentified investor(s)
Art Commission (CODAworx)	958,264	Individual investors
Associated Pet/CT Imaging	100,000	Unidentified investor(s)
Aver Informatics	1,000,000	Shannon/Harris Shamrock, Angels on the Water, Wisconsin Investment Partners
BlueTree Network	610,000	Individual investors
Bomboard	50,000	Individual investors
Brenner Brewing	750,000	Unidentified investor(s)
Calstar Products	2,100,000	Foundation Capital, undisclosed investor(s)
Catalyze	2,025,000	Gener8tor, Angels on the Water, Baird Capital, Chicago Ventures, Arthur Ventures, SWIB, individual investor(s)
Central Standard Craft Distillery	750,000	Unidentified investor(s)
Centrose	2,000,000	Individual investors
Cloud Learning Network	25,000	Unidentified investor(s)
Conjugon	595,000	Individual investors
Cover5	700,000	Wisconsin Super Angel Fund, undisclosed investor(s)
CraftFund	75,000	Unidentified investor(s)
Death's Door Spirits	647,531	Individual investors
Docalytics	319,350	CSA partners, Gener8tor, Confluence Capital, Angels on the Water, individual investors
DP electronic Recycling	100,000	Unidentified investor(s)
Dynamis	1,540,000	Unidentified investor(s)
Enhancement Medical	530,000	Individual investors
EPS	3,001,400	Chippewa Valley Angel Investor Network, New Richmond Angel Investor Network, other private investors
Eso-Technologies	600,000	DaneVest Tech Fund, Phenomenelle Angels, Silicon Pastures, Angels on the Water, undisclosed investor(s)
Fiberstar Bio-Ingredient Technologies	500,000	Individual investors, including some from Brazil
Fishidy	500,000	Gannett Fleming, Inc.
Flex Biomedical	150,000	WIP
Four Points Products	50,000	Unidentified investor(s)
Gearbox Express	200,000	Unidentified investor(s)
Healthfinch	1,000,000	OCA Venture Partners, undisclosed investor(s)
Hello Agent	142,500	Unidentified investor(s)
Hopster	2,000,000	WIP, NEW Capital Fund
HuTerra	1,375,000	ZyQuest Ventures, undisclosed investor(s)
IGenFuels	1,500,000	ZyQuest Ventures, undisclosed investor(s)
Intuitive Biosciences	572,726	Individual investors
Invenra	3,000,000	Wisconsin Investment Partners (WIP), NEW Capital Fund, individual and undisclosed investor(s)
Iristocracy	500,000	Individual investors
Isomark	110,000	Individual investors
Kiio	467,450	WIP, DaneVest Tech Fund, Phenomenelle Angels, Stateline Angels, other individuals
MCT	800,000	Wisconsin Super Angel Fund, undisclosed investor(s)
Mdot Labs	1,250,000	Chicago Ventures, Great Oaks, individual investors
Modeling Solutions	200,000	Unidentified investor(s)
Montage Talent	4,000,000	Baird Capital, GCI, State of Wisconsin Investment Board (SWIB), Calumet Venture Fund, Foley Ventures

Wisconsin Company	Total Investment	Primary Investor(s)
Murfie	500,000	Unidentified investor(s)
MyHealth Direct	1,200,095	Unidentified investor(s)
NCP (Nordic Consulting)	38,259,175	HLM Venture Partners, SV Life Sciences, Health Enterprise Partners, Summit Partners, Kaiser Permanente Ventures
NeoClone	300,000	WIP, undisclosed investor(s)
Nextt	925,000	Venture Investors, Great Oaks, individual investor(s)
NexVex	800,000	Wisconsin Super Angel Fund, undisclosed investor(s)
Patina Solutions	310,316	Individual investor(s)
Pegasus Sustainability Solutions	250,000	Unidentified investor(s)
Phoenix Nuclear Labs	927,000	WIP, Venture Management, CVAIN, Knox Ventures, NEW Capital and undisclosed investor(s)
Piiku	475,142	Individual investor(s)
Pinpoint	250,000	WIP, Warhawk Entrepreneurial Fund, undisclosed investor(s)
Promentis Pharmaceuticals	750,000	Unidentified investor(s)
Proven Direct	245,000	Unidentified investor(s)
Quantified Oncology	100,000	Unidentified investor(s)
QuietTyme	320,000	American Family Ventures, Gener8tor, Angels on the Water, KSFI Partners, unidentified investor(s)
Reciprocal Labs Corp. (Propeller Health)	6,958,200	Social+Capital Partnership, California Healthcare Foundation, undisclosed investor(s)
Rowheels	100,000	Individuals investor(s)
Scanalytics	550,000	CSA partners, Ken Johnson, Dan Neely
Shamrock Energy	100,000	Shannon/Harris Shamrock
SHINE	3,000,000	Unidentified investor(s)
Silatronix	700,000	Venture Investors, WARF, Pyle Group, Venture Management
Simply Incredible Foods	1,000,000	Wisconsin Super Angel Fund, NEW Capital
Slipstream	677,000	Warhawk Entrepreneurial Fund, undisclosed investor(s)
Snowshoe Food	500,000	Wisconsin Investment Partners (WIP), undisclosed investor(s)
SoLoMo Technology	1,700,000	WIP, Venture Management, Don Layden, undisclosed investor(s)
Somna Therapeutics	1,200,000	Shannon/Harris Shamrock, unidentified investor(s)
SpeechTails	250,000	ZyQuest Ventures, Angels on the Water, undisclosed investor(s)
Study Blue	9,273,118	Great Oaks, undisclosed investor(s)
Swallow Solutions	1,446,000	Wisconsin Investment Partners (WIP), Venture Management, NEW Capital Fund, individual investor(s)
The Good Jobs	50,000	Undisclosed investor(s)
Uconnect (Eatstreet.com)	2,381,197	Cornerstone Angels, Independence Equity, Great Oaks, Gener8tor
Valiant Health	750,000	Unidentified investor(s)
Valuation Research Corp	164,250	Unidentified investor(s)
Wantable	800,000	Unidentified investor(s)
Wellbe	1,400,000	Undisclosed investor(s)
Wellintel	1,235,000	Individual investor(s)
WeMontage	310,000	Gener8tor, Angels on the Water, individual investor(s)
WholeTrees	250,000	Individual investor(s)
Wisconsin Brewing Company	8,000,000	Individual investor(s)
Xolve	435,000	NEW Capital Fund, unidentified investor(s)
Zurex Pharma	846,458	Peak Ridge, individual investor(s)
ZyMo Entertainment	50,000	ZyQuest Ventures



**TOTAL 2011
INVESTMENT:**

**152,868,525
76 COMPANIES**



**TOTAL 2012
INVESTMENT:**

**163,447,237
74 COMPANIES**



**TOTAL 2013
INVESTMENT:**

**128,327,172
86 COMPANIES**



**DEAL \$ CHANGE:
-21%**

**COMPANY %
CHANGE: 16%**



Policy efforts to spur investing



Wisconsin State Capitol, Madison

▶ New avenues to raise money are opening up for Wisconsin companies, as governments continue to unveil rules that allow for equity crowdfunding and have removed other barriers to finding investors.

Here are a few efforts that could have an effect on Wisconsin's early stage ecosystem:

- **Investors and entrepreneurs** are waiting on federal implementation of rules for equity crowdfunding, which was passed in 2011 as part of the JOBS Act. The Securities and Exchange Commission released proposed rules in 2013, which elicited strong reactions as the

rules attempt to balance concerns around fraud and investment losses with the democratization of startup investing and capital creation. Many watchers are expecting the final rules regarding federal crowdfunding to be issued in late 2014 or early in 2015.

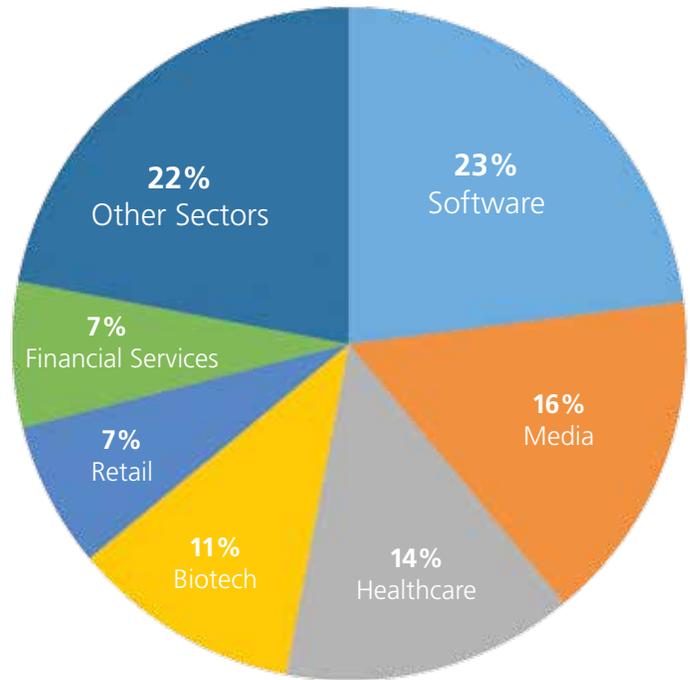
- **While waiting for the federal** rules, Wisconsin was among a handful of states that altered

its securities laws to allow for equity crowdfunding. Supporters hope it will open up access to more capital for small businesses by selling equity online to ordinary investors.

To get a crowdfunding exemption under the Wisconsin law, a company would need to:

1. Be a Wisconsin business selling stock only to state investors
2. Not raise more than \$1 million, or \$2 million if the company issuing stock is willing to be audited and make the audit available to investors
3. Not sell more than \$5,000 in stock to anyone who is not a Wisconsin-certified investor. Certified investors have to earn more than \$100,000 per year, or \$150,000 for married couples, or have a net worth of \$750,000 or more. That's a different standard than the accredited standard set by the SEC.
4. Issue the stock through a web site registered with the Wisconsin Department of Financial Institutions; file

2013 TOTAL U.S. ANGEL INVESTMENTS BY SECTOR



Source: Center for Venture Research, University of New Hampshire

disclosure statements; and share those with investors.

5. Have stock payments held in escrow by a Wisconsin bank.

6. Not have offered or sold other stock through the exemption in the past year.

Several state-based portals are in the process of launching, with one specifically focused on the craft beer and food industries.

• **Another element of the federal JOBS Act** was the removal of the ban on general solicitation, which allows startups to raise funds through openly advertising on web sites and through other open communications. A catch is that the companies have to take “reasonable steps to verify” that the offering is only being sold to investors who meet the current federal accredited investor standard (\$1 million net worth, excluding the value of your home, and/or \$200,000 annual income or \$300,000 joint). One of the ways that requirement can be met is through investors providing income and other wealth-related documents to entrepreneurs or third parties, a process some investors find problematic.

• **The SEC is currently** conducting a review of the accredited investor standard, a process required under the 2010 passage of the Dodd-Frank Act. The goal is to identify those who can bear the economic risk of making such an investment. The SEC will also consider other criteria as part of the review, including if a person has professional and certification degrees, or experience with ownership of other investment securities. But there is concern about how raising the income standard could reduce the number of accredited investors.

• **Building on success seen in** a number of states, including Wisconsin, federal legislators are considering a bill that would create a national tax credit. Wisconsin’s Act 255 Qualified New Business Venture program has seen nearly \$60 million in credits distributed to companies in the program, which have then gone on to raise more than \$916 million in capital. The companies provide jobs with wages nearly three times the average per capital wage in the state, according to the Wisconsin Economic Development Corp.



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Milwaukee angel ‘heavenly’ for startups in need of funding



George Mosher

has made 150 investments over time and remains remarkably active – investing in more than 20 deals in 2013, many of which are listed in the preceding pages. Mosher is also a wellspring of knowledge about what works and what doesn’t when it comes to early stage investments.

Mosher has said one of the biggest lessons he learned over the years should have been self-evident to him from the start: Angel investing is harder than he thought it would be.

“We all know it’s fun to talk about the successes,” Mosher told a crowd of investors during a Wisconsin Angel Network meeting in Madison. He quickly added, however, that failures often teach investors and entrepreneurs alike a lot more.

A long-time Milwaukee resident who got his start in the furniture business,



Angel and venture capital investing in Wisconsin has many faces.

They range from sophisticated fund managers, inside the state and out, who handle multi-million-dollar deals to the casual investor who may join a hometown angel network and take part in one five-digit deal a year.

One of the most familiar and humble faces belongs to George Mosher.

Mosher, who was inducted into the Wisconsin Investor Hall of Fame in 2013, was an angel investor when very few people even knew the term. He

Mosher said his early investment in BuySeasons, a Milwaukee-based online retailer of costumes and other supplies provided a 10 times return on his investment. The company was sold to Colorado-based Liberty Media Corp. in 2006.

Mosher was one of the about 35 investors in Prodesse, a biotech company that was one of the state's biggest exits. It was sold for \$60 million in 2009 to Gen-Probe, bringing a return of about eight times Mosher's initial investment.

Among the 15 other winners Mosher said he's had over the years was BioSystem Development, a Madison-

based biopharmaceutical tools company. The company, which first gained notice in the 2004 Governor's Business Plan Contest, was acquired by Agilent in 2011. Mosher said he tripled his investment.

"But there were also losers – in total, I've had 45," he noted.

Mosher said he has exactly 100 open investments. Of those he outlined several he saw as having potential for strong returns, including Gearbox Express, a Wisconsin company that repairs wind turbine gearboxes.

A member of Golden Angels Investors and Silicon Pastures, both angel groups in Milwaukee,

Mosher also outlined some challenges confronting all early stage investors. Among them:

- **A strong "headwind" in the economy** from regulations.
 - **A reluctance to try new ideas**, including among potential buyers.
 - **Innovative software products** are hard for non-technical people and investors to understand.
 - **Intense competition** in the market and the ability for people to quickly swarm to a new idea that is gaining traction, based on the ease of new technology tools.
- Mosher also noted that some entrepreneurs who seek funding from investors focus on the wrong selling points.

"There is too much focus on the technology. Entrepreneurs have to build their own market and build customer relationships," Mosher said. He added it has become too easy for entrepreneurs to become distracted and "respond to every opportunity that shows up in an email."

Mosher said he has decided that he will only invest in companies that have demonstrated they can generate revenue and develop a market. That's where he said he plans to focus his future investments.

www.wisconsininvests.com

Helping to build Wisconsin's early stage economy

The **Wisconsin Growth Capital Coalition** is a group of early stage investors, emerging companies, and service professionals who work with Wisconsin's high-growth economy. Its mission is to serve as the lobbying voice for Wisconsin's emerging high-growth economy and the companies and jobs it creates.

Join us as we continue to develop our "Build Wisconsin's Economy" legislative package.

For additional information contact Steve Lyons at 608-258-7386

WGCC
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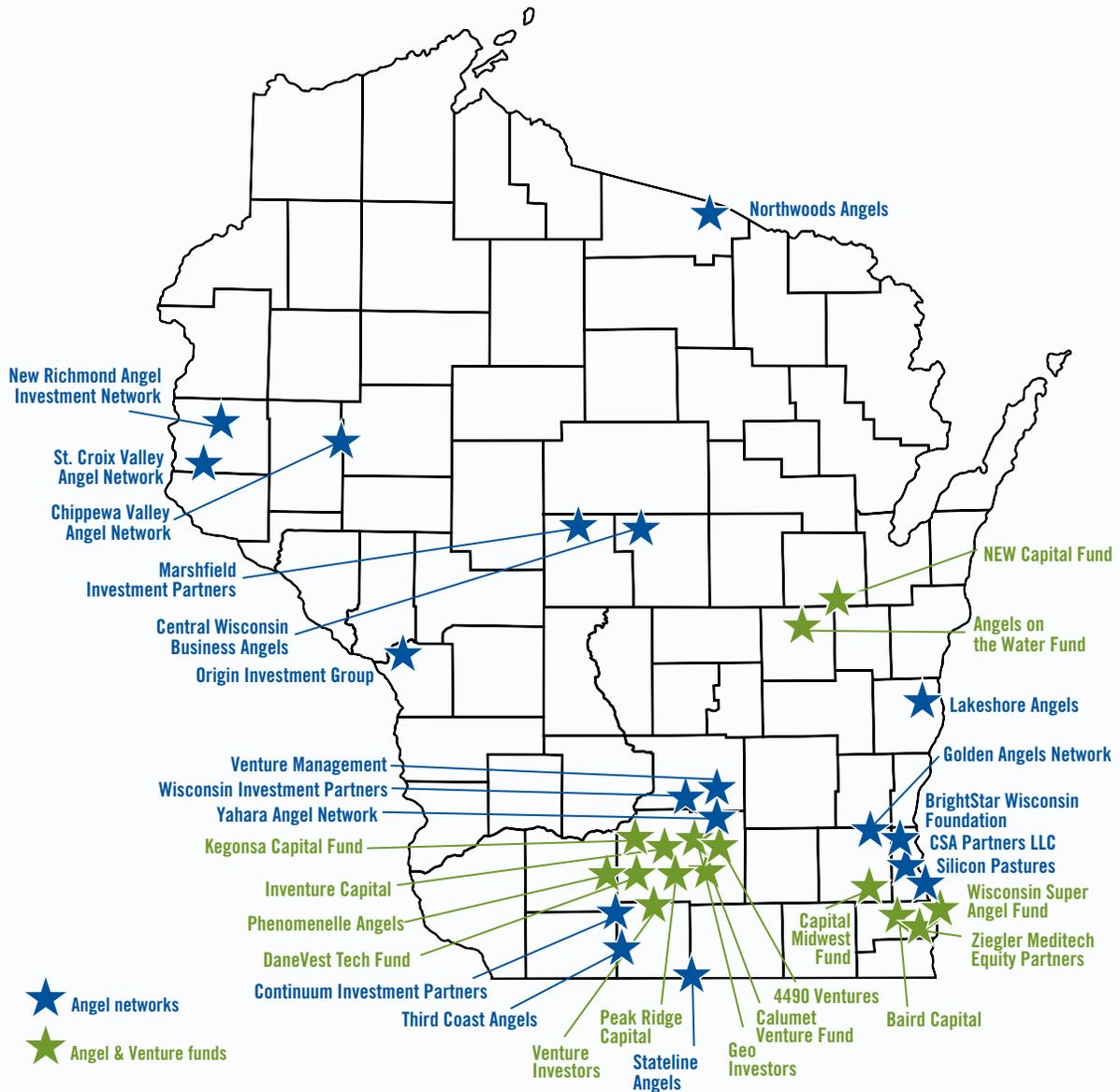
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Wisconsin Angel Network



ACT 255 UPDATE

Verified tax credits for QNBV companies



*Preliminary data, likely to be revised

Michael Best & Friedrich LLP’s emerging technology practice, Venture Best™, provides legal services to emerging and high-growth companies and the angel investors and venture capitalists who fund them. Venture Best represents both investors and companies with their investment capital needs and a substantial number of start-up and emerging companies in biotechnology, information technology and software, medical device, electronics, and other high-technology sectors. This emerging company practice allows Michael Best to introduce venture capital and private equity investors to early- and mid-stage investment opportunities. This benefits both our company clients and those investors who work with us.

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Investor resource guide

WISCONSIN TECHNOLOGY COUNCIL

The Tech Council is the science and technology advisor to Wisconsin's governor and Legislature. It is an independent, non-profit and non-partisan board with members from tech companies, venture capital firms, public and private education, research institutions, government and law. The Wisconsin Angel Network (see below) is among its programs.

CONTACT: Tom Still, president
(608) 442-7557 | Tstill@wisconsintechnologycouncil.com
www.wisconsintechnologycouncil.com

WISCONSIN ANGEL NETWORK (WAN)

WAN's mission is to fuel the growth of entrepreneurial, early stage financing throughout Wisconsin. WAN produces and provides resources to the early stage investing community. Those resources include the "Deal-flow Pipeline," an online connection point for investors and entrepreneurs; assisting with angel network and early stage fund formation; facilitating investor collaboration, investor education events, communications, and other resources designed to help entrepreneurs seeking capital.

CONTACT: Dan Blake, director
(608) 442-7557 | Dblake@wisconsinangels.com
www.wisconsinangelnetwork.com

STATE OF WISCONSIN INVESTMENT BOARD (SWIB)

SWIB is the state agency that invests the assets of the Wisconsin Retirement System, the State Investment Fund and other state trust funds. As of April 2014, SWIB managed about \$104 billion in assets.

CONTACT: Chris Prestigiaco, portfolio manager, Private Markets Group
(608) 266-6723 | Chris.Prestigiaco@swib.state.wi.us
www.swib.state.wi.us

WISCONSIN ALUMNI RESEARCH FOUNDATION (WARF)

WARF is a non-profit organization that supports research, transfers technology and ensures that the inventions and discoveries of UW-Madison benefit humankind. The UW-Madison is a premier research institution with world-class faculty and staff who attract more than \$1 billion in sponsored research each year. WARF receives about 350 disclosures per year and has taken an equity share in 38 active companies.

CONTACT: Carl Gulbrandsen, managing director
(608) 263-2824 | carl@warf.org
www.warf.org

WISCONSIN SYSTEM TECHNOLOGY FOUNDATION (WISYS)

WiSys is a non-profit WARF subsidiary established to identify innovative technologies developed beyond the UW-Madison campus, primarily within 11 other UW System campuses and Marshfield Clinic Applied Sciences. It helps to bring those technologies to the marketplace for the benefit of the inventors, their universities, Wisconsin's economy and society.

CONTACT: Arjun Sanga, executive director
(608) 316-4015 | ASanga@wisys.org
www.wisys.org

UWM RESEARCH FOUNDATION

UW-Milwaukee has annual research expenditures of about \$60 million. UWM Research Foundation's mission is to foster research, innovation and entrepreneurship at the UW-Milwaukee. The Foundation manages a growing portfolio of patents, with nearly 100 issued or applied-for patents. The UWMRF Catalyst grant program has provided more than \$3.4 million to seed projects with strong commercial potential.

CONTACT: Brian Thompson, president
(414) 906-4653 | briant@uwmfdn.org
www.uwmfdn.org

WISCONSIN ECONOMIC DEVELOPMENT CORP.

This agency offers technology loans and grants to qualified companies, assists in site and location matters, and manages the Qualified New Business Venture (QNVB) program for investor tax credits, among other programs.

CONTACT: Reed Hall, chief executive officer and secretary
(608) 210-6701 | Brooklyn Mashaw | brooklyn.mashaw@wedc.org
FOR SPECIFIC QNVB INFORMATION CONTACT:
Chris Schiffner
(608) 210-6826 | chris.schiffner@wedc.org
www.inwisconsin.com

WISCONSIN DEPARTMENT OF FINANCIAL INSTITUTIONS (DFI)

DFI's mission is to ensure the safety and soundness of Wisconsin's financial institutions, to protect the consumers of financial services and to facilitate economic growth. The agency regulates and licenses financial service providers who do business in Wisconsin.

CONTACT: Peter Bildsten, cabinet secretary
(608) 264-7800 | askthesecretary@dfi.state.wi.us
www.wdfi.org

MEDICAL COLLEGE OF WISCONSIN OFFICE OF TECHNOLOGY DEVELOPMENT

The MCW Office of Technology Development is responsible for managing the discoveries, inventions and other intellectual property assets of the Medical College of Wisconsin and advancing these discoveries. The MCW conducts about \$140 million in sponsored research each year.

CONTACT: James Antczak, office of technology development
414-955-4894 | jantczak@mcw.edu
www.mcw.edu/OTD.htm

MARSHFIELD CLINIC APPLIED SCIENCES

Marshfield Clinic Applied Sciences promotes the exchange of knowledge between patient care services and research programs by helping to determine the commercial potential of advances. The division aligns research projects with health care needs and assists in the patent process. The clinic conducts about \$25 million in sponsored research each year.

CONTACT: Marsha Barwick, director of Applied Sciences
(715) 389-3430 | Barwick.
Marsha@marshfieldclinic.org
www.marshfieldclinic.org/business

GENER8TOR

gener8tor is a Wisconsin-based accelerator that invests its community, capital, expertise, mentorship and network in capable, early-stage entrepreneurs with innovative business models. gener8tor works with the startups in its portfolio to create successful, scalable companies. Sponsored by American Family Insurance, gener8tor seeks to invest in technology-enabled businesses. Accepted companies receive \$70,000 and 12-weeks of mentorship-driven programming.

CONTACT: Troy Vosseller, Co-Founder
(608) 354-6606 | troy@gener8tor.com
www.gener8tor.com

MIDWEST RESEARCH UNIVERSITY NETWORK (MRUN)

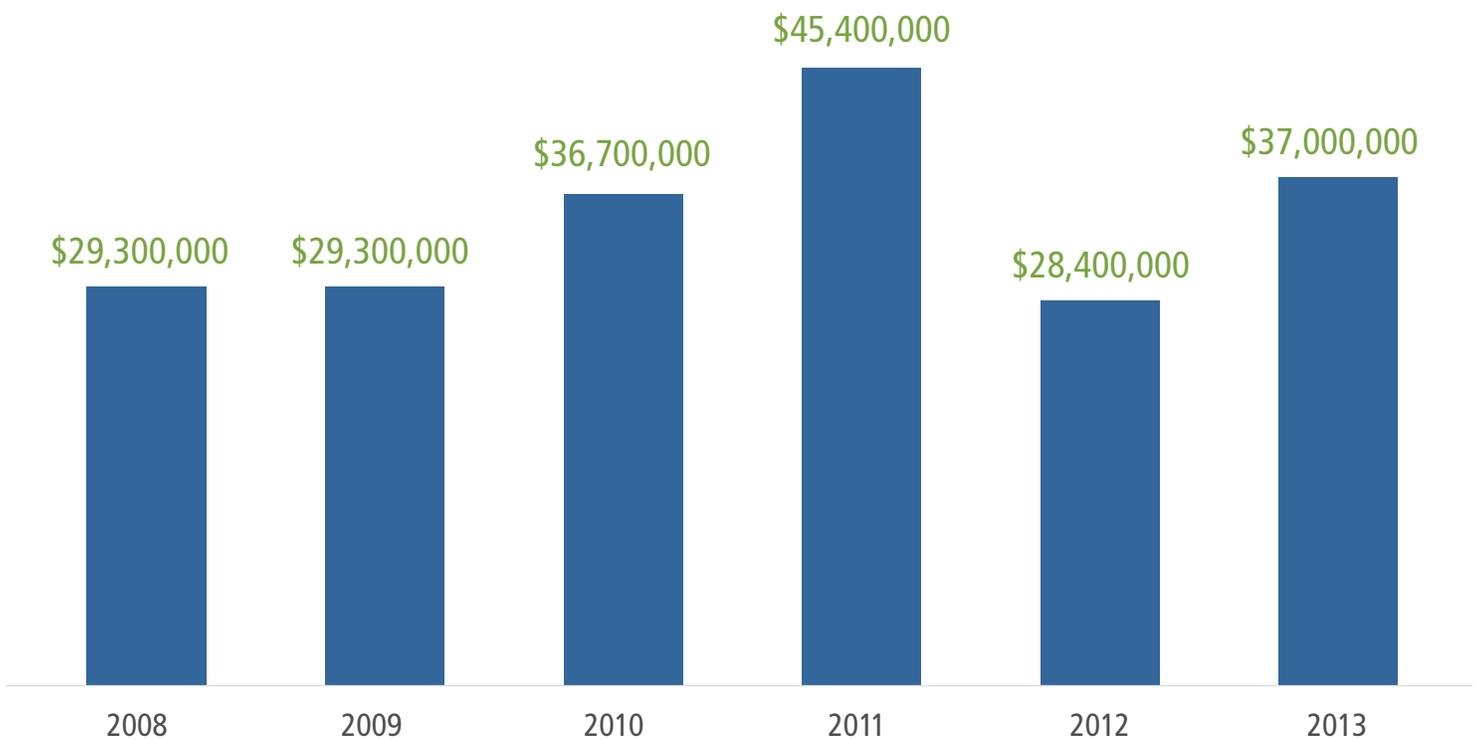
MRUN is an alliance of professionals dedicated to facilitating growth of university technology spinout companies through start-up formation. MRUN is built around the idea that regional cooperation in new business formation can foster commercialization of university research.

CONTACT: Allen J. Dines, founder and president
(608) 262-2797 | ajdines@wisc.edu
www.mrun.us



SBIR AWARDS UPDATE

- ▶ Wisconsin companies were able to win 75 SBIR awards in fiscal year 2013 of nearly \$37 million in non-dilutive financing. The total, although short of the 2011 total of more than \$45 million, was higher than most recent years even with challenges in federal budgetary policy.



Here are a few of the largest SBIR Award winners in Wisconsin in the 2013 fiscal year:

Stratatech Corp.

Total: \$1,765,338

Biologically active advanced antimicrobial human skin substitute for the treatment of combat wounds.

www.stratatechcorp.com

Primorigen Biosciences Inc.

Total: \$1,622,161

Company developing solutions for stem cell proliferation, differentiation, large scale

production, and assay development
www.primorigen.com

Orbital Technologies Corp.

Total: \$8,125,770

A leader in aerospace research and development

www.orbitec.com

Lucigen

Total: \$6,675,679

Company developing new ways to test for infectious diseases

www.lucigen.com

Center for Psychological Consultation

Total: \$1,435,631

Focused on automated, interactive text messaging to assess adolescent depression

Promentis Pharmaceuticals

Total: \$1,800,000

Company developing compounds for the treatment of schizophrenia and other central nervous system disorders

www.promentispharma.com



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AT&T is proud to support the Wisconsin Technology Council and the 2014 Wisconsin Portfolio.



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Wisconsin Health & Educational Facilities Authority

WHEFA, created by the Legislature in 1973 (Chapter 231, Wisconsin Statutes), has been providing active capital financing assistance to Wisconsin non-profit health care institutions since 1979. Over the years, the Wisconsin legislature has expanded the types of nonprofit entities eligible for WHEFA financing assistance from just hospitals and other health care entities, to also include independent colleges and universities, certain continuing care facilities, private elementary and secondary schools, research facilities, and community rehabilitation providers. In July 2013, WHEFA's charter was permanently expanded to permit all Wisconsin 501(c)(3) nonprofit organizations access to WHEFA's low-cost capital financing. During fiscal year 2013, 47 financings totaling approximately \$1.7 billion were successfully completed. Seventy percent of the bonds issued were used to refinance outstanding debt, thus substantially reducing debt service costs. One borrower used WHEFA for the first time. As of December 31, 2013 WHEFA has cumulatively completed 744 financings totaling over \$20 billion.

WHEFA Staff

Dennis Reilly, Executive Director
Tanya Coppersmith, Manager of Operations & Finance

Tatiana Bashell, Manager of Finance
Stephanie Schirripa, Senior Administrative Assistant

18000 West Sarah Lane, Suite 300, Brookfield, WI 53045 | 262.792.0466 | www.whefa.com | info@whefa.com



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30th Anniversary

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SOCIAL CAPITAL

A number of Park sponsored events provide abundant opportunities to socialize & network within a robust community of ideas & influence.



HUMAN CAPITAL

The Park facilitates Wisconsin job growth through the attraction of innovative organizations that employ & retain high wage positions.



TECHNOLOGY CAPITAL

State-of-the-art facilities & access to UW resources give Park companies the tools to develop groundbreaking products & services for Wisconsin & beyond.

