

2016

# WISCONSIN PORTFOLIO

A PUBLICATION OF THE WISCONSIN TECHNOLOGY COUNCIL



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# 2016 WISCONSIN PORTFOLIO

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University Research Park

Welcome to the 2016 Wisconsin Portfolio, an annual publication of the Wisconsin Technology Council through its Wisconsin Angel Network and its partner, the Wisconsin Economic Development Corporation.





# Introduction



Wisconsin  
Technology  
Council



Before serving as the director, Daelemans was an entrepreneur and part of the management team for one of Wisconsin's leading angel networks. As an early member of the AquaMost team, a Madison-based water treatment startup, he gained hands-on knowledge as an entrepreneur. Daelemans most recently spent four years as associate director at the Golden Angels Investors, a group of 100-plus active investors in tech-based companies.



Dear Readers,

The Wisconsin Tech Council and its Wisconsin Angel Network are proud to present the 2016 Wisconsin Portfolio, Wisconsin's premier investing report containing the most complete compilation of deals. The 2016 Portfolio provides a more in-depth analysis of entrepreneurial and investment activity in Wisconsin. Our report shows continued growth of the early stage capital industry in Wisconsin.

This year, 18 of the state's leading early stage investment groups participated in the study and counted a total of at least 684 active investors (both accredited and institutional). In total, 128 companies headquartered in Wisconsin secured funding from investors, with about half of them closing a round for the first time.

For the first time, the Tech Council tracked the gender of the leader/founder of the startup and found that about 14 percent of Wisconsin early stage companies that received funding in 2015 are women-led, or women-owned businesses. That's on par with 2015 figures nationally (14.4 percent), which were compiled by the Center for Venture Research at the University of New Hampshire.

This publication also features:

- A profile on Jeff Rusinow, the 2015 inductee into the Wisconsin Investor Hall of Fame, and one of Wisconsin's leading investors
- A resource guide and policy highlights
- A primer on early stage investing in Wisconsin
- Detailed information on the WAN Management Liability Insurance Program
- Introduction to the newly launched Badger Fund of Funds recipient funds in La Crosse and Neenah

Entrepreneurs and their companies will ultimately be driving Wisconsin's future success, and the capital our investors provide continue to be a driving factor. With the momentum on our side, we look forward to fulfilling our organization's important mission: fuel the growth of investment capital in Wisconsin. We thank you for your support and hope you enjoy the read!

Regards,

*Bram Daelemans*

Bram Daelemans  
Director, Wisconsin Angel Network  
A program of the Wisconsin Technology Council



*“At the end of the day, they know where we’re coming from.”*

---

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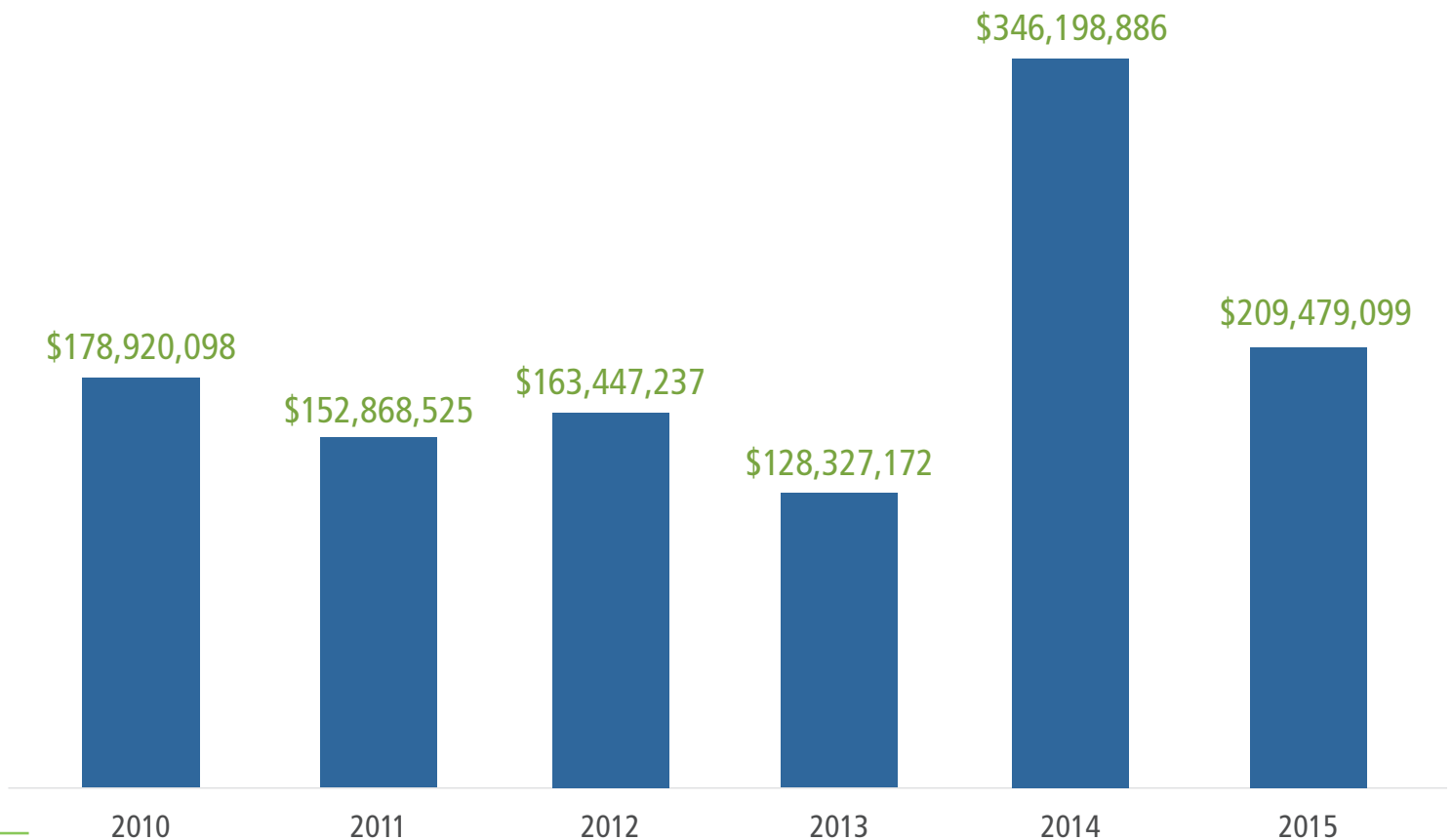




# Executive Summary

At least 128 Wisconsin early stage companies raised investment capital in 2015, a 13 percent jump from the prior year. More than \$209 million was raised by those 128 companies, which is considerably less than the \$346 million in 2014. If 2014's largest deal in terms of dollars (SHINE Medical Technologies at \$127.4 million in debt financing) is taken out of the mix, however, the 2015 total approaches the dollars raised last year.

## TOTAL INVESTMENTS IN WISCONSIN COMPANIES 2010-2015





Using public reports, filings and surveys, the Wisconsin Technology Council and its Wisconsin Angel Network tracked a total of \$209,479,099 that was infused into the 128 companies (see pages 10-12 for detailed reporting and analysis). The largest deals reported were NeuWave Medical (\$25 million), EatStreet (\$15 million), Flugon (\$12 million), and Networked Insights, Fetch Rewards and TAI Diagnostics (\$8 million each).

Forty-six Wisconsin companies each raised at least \$1 million from investors, up from 38 companies in 2014. The average deal size was more than \$1.6 million for all 128 companies. About two thirds of the investments are equity based with the remainder either seed or debt funding, 18 percent and 16 percent respectively. About 14 percent of Wisconsin early stage companies that received funding in 2015 are women-led, or women-owned businesses. For about half of the early stage companies (48 percent) that secured funding, 2015 was the first year doing so.

Wisconsin's tech-sector diversity also shows in the report, which includes deals ranging from advanced manufacturing to digital health, from biotechnology to consumer products, and from software to medical devices.

Much like 2014, investors from outside Wisconsin's borders again played a significant role in funding state companies in 2015. Investors from Chicago, Boston, New York and California showed up in

about 20 percent of deals in which the investors are known. Wisconsin early stage investors that participated in the survey also reported investing in at least 46 out-of-state companies, for a total of \$60 million.

Wisconsin Investment Partners was once again identified as one of the 12 most active groups in the United States. Other state 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 10.3 percent of deals done across the country, down from 13 percent last year. The Great Lakes Region also accounts for 12.2 percent of dollars invested, according to the Halo Report, put together by the Angel Resource Institute.

In addition to the 128 companies listed in this report, several angel networks invested unspecified amounts in other Wisconsin companies. Those dollars are not reflected in the year-end totals because the networks declined to participate in the survey.

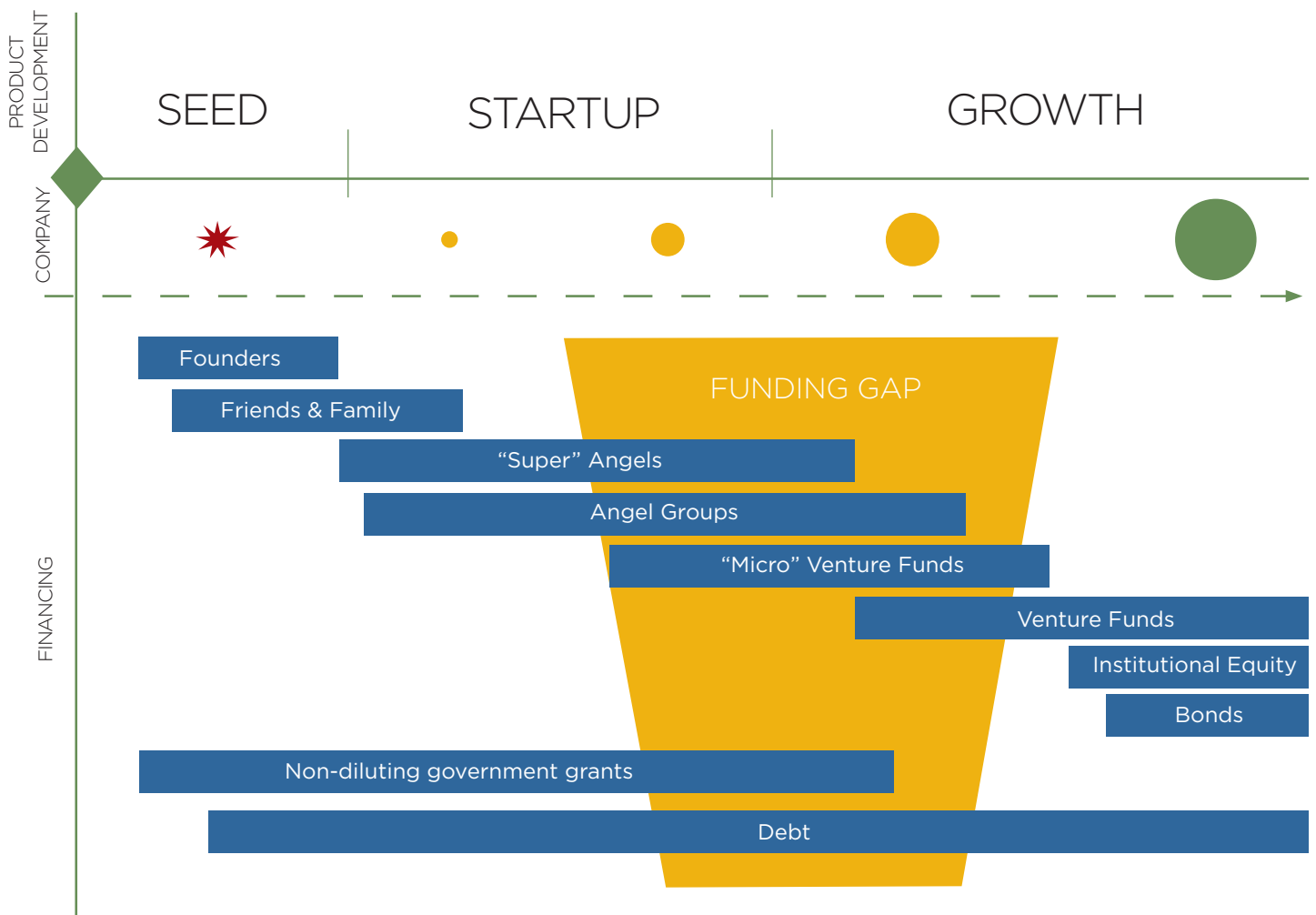


“Forty-six Wisconsin companies each raised at least \$1 million from investors, up from 38 companies in 2014. The average deal size was more than \$1.6 million for all 128 companies.”



# 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.

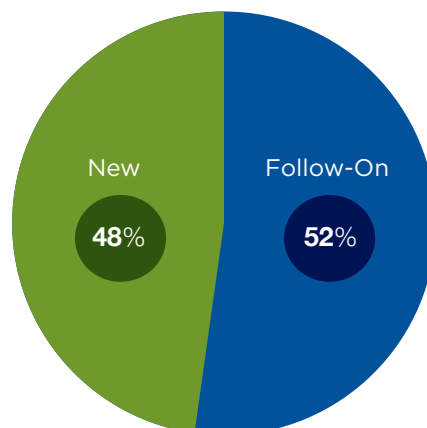
Fueling rapid growth, VC involvement often results in significant increases in company valuation. Through this increase in valuation, the VCs exit the business by one of two means, taking the venture public (Initial Public Offering, or IPO) or selling it to strategic acquirers. It is through these “exits” 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.

Opposite 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. Recently, the “Badger fund of funds” program announced the launch of new funds in La Crosse and Neenah. As described further in the following pages, these funds will bring new capital to the market and advocates see it as a model for a larger dollar program in coming years.

### TYPE OF INVESTMENT (2015 INVESTMENT RECIPIENT COMPANIES)



“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.”



# How can Wisconsin Improve Access to Investment Capital?

Here are some recommendations from the Wisconsin Technology Council's 2015 report, "Investing in Next Generation Jobs."

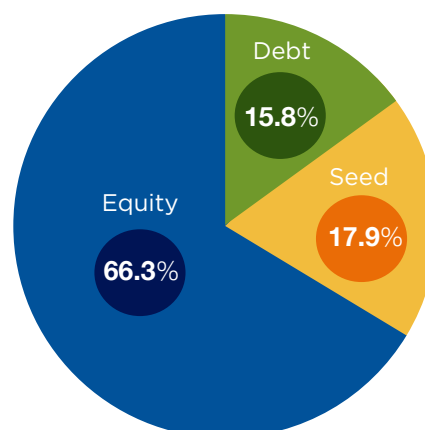
## Items of state interest:

- Raise the \$8 million cap on credit-eligible investments in an ACT 255 firm, unchanged since 2005, to \$12 million.
- Raise the credit from 25 percent to 40 percent for the first \$1 million in eligible investments.
- Increase Wisconsin's investment in venture capital over time to help fuel the state's entrepreneurial growth.
- Eliminate state capital-gains taxes on investments held, three years or longer, in a Wisconsin business.
- End tax on capital raised by C corps deemed "foreign corporations" making sure changes are targeted to firms of a certain size, age and other factors.
- Grow the next generation of Wisconsin early stage capital professionals akin to the state of Michigan model.
- Create a merger and acquisition "strike force" or "welcome wagon" to work with companies that acquire Wisconsin-based companies and help them and the families that are relocating acclimate to the state.
- Develop "ExpertLink" platform for investors.
- Continue to raise the profile of Wisconsin companies with out-of-state investors.

## Items for federal interest:

- Keep the existing "accredited investor" threshold currently being reviewed by the Securities and Exchange Commission.
- Support for the HALOs Act, or "Helping Angels Lead Our Startups Act."
- Create a federal tax credit, similar to Wisconsin's Act 255 tax credit program.
- Make permanent the 100 percent exclusion on capital gains from investments in small startup companies.

## INVESTMENT SECURITY TYPE (2015 INVESTMENT RECIPIENT COMPANIES)





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# 2015 Deal Reporting

Wisconsin Company	Total Investment	Primary Investor(s)
Abodo	922,953	Bridge Investments, Dundee Venture , 4490 Ventures, American Family Ventures, Dundee Venture Capital, Gener8tor, Lakewest Venture Partners, State of Wisconsin Investment Board Capital, Individual Investors
Adhesive R&D	N/A	Chippewa Valley Angel Investors Network
AkitaBox	50,000	Brightstar WI Foundation
Align (Health)	2,000,000	Undisclosed Investor(s)
AltusMedical Group	829,230	Brightstar WI Foundation, Gener8tor, Angels on the Water
AquaMost	380,000	Golden Angels Investors, Wisconsin Investment Partners
BeeKeeper Lab	560,000	Wisconsin Investment Partners, Brightstar WI Foundation, Angels on the Water, Serra Ventures
Bombboard	635,000	Individual Investor(s)
Branch2	396,820	Undisclosed Investor(s)
Brandbumps Marketing Group	555,566	Undisclosed Investor(s)
Bright Cellars	2,020,000	CSA Partners, Brightstar WI Foundation, Angels on the Water, Gener8tor
Catalyze.io	4,000,000	Baird Capital - Baird Venture Partners, Undisclosed Investor(s)
Cellara	475,000	Undisclosed Investor(s)
Centrose	1,450,000	Undisclosed Investor(s)
Cherry Tree Dental	400,000	Undisclosed Investor(s)
Cmxtwenty*	247,500	Undisclosed Investor(s)
CODAworx*	208,376	Undisclosed Investor(s)
Coinigy	100,000	Undisclosed Investor(s)
Community Needs	40,000	Individual Investor(s)
ConsortiEx	1,000,000	Open Prairie Health Partners
Countabout*	53,000	Undisclosed Investor(s)
Cover5	285,000	Wisconsin Super Angel Fund
Crowds.io	300,000	Undisclosed Investor(s)
Cytophil*	90,000	Undisclosed Investor(s)
Dairyvative Technologies	2,500,000	Undisclosed Investor(s)
Deep Freeze	75,000	Northwoods Angels
Digital Intern (iVMD)	500,000	Wisconsin Investment Partners
Digsite	775,000	500 Startups, Belle Capital
Dock Technologies	150,000	Brightstar WI Foundation
Drifty	3,710,820	Lightbank, Founder Collective, Arthur Ventures
EatStreet	15,000,000	4490 Ventures, Lumia Capital, GCI Capital CO, Math Venture Partners, SWIB
Ebullient	969,000	Undisclosed Investor(s)
EmOpti	1,000,000	Golden Angels Investors, Brightstar WI Foundation
Energy Bank	1,062,130	Undisclosed Investor(s)
Engineered Propulsion Systems	6,400,000	Chippewa Valley Angel Investors Network, Undisclosed Investor(s)
Eso-Technologies*	590,000	Undisclosed Investor(s)
E-Z Eat Enterprises	40,000	Northwoods Angels
Fasetto	5,000,000	Undisclosed Investor(s)
Fetch Rewards	8,498,399	Greenpoint Tactical Income Fund, Great Oaks Venture Fund
Fiberstar BioIngredients	N/A	Chippewa Valley Angel Investors Network
First Patient	525,000	Undisclosed Investor(s)
FloraSeq	50,000	Brightstar WI Foundation
FluGen	12,000,000	Venture Investors, Wisconsin Investment Partners, Venture Management, Knox, WARF, SWIB
Forte Research Systems	N/A	Primus Capital
Global Pharmacy Solutions*	1,000,000	Undisclosed Investor(s)
GoHitList, Corp.	50,000	Brightstar WI Foundation
Grandcare Systems	355,000	Wisconsin Super Angel Fund
GrocerKey	710,000	Brightstar WI Foundation, Gener8tor, Angels on the Water, SymphonyAlpha Ventures
HDL Diagnostics*	192,500	Undisclosed Investor(s)
Health eFilings	934,500	Wisconsin Investment Partners, Undisclosed Investors
HealthFinch	2,400,000	Jumpstart Ventures, Chicago Ventures, OCA Ventures, Individual Investor(s)
HealthMyne	4,485,000	Venture Investors, 4490 Ventures
HuTerra*	700,000	Undisclosed Investor(s)
ImageMoverMD fka WITS(MD)	1,600,000	Individual and Undisclosed Investor(s)
Intelligent Digital Avatars	1,000,000	Undisclosed Investor(s)
Intellivisit	1,538,801	Wisconsin Super Angel Fund, Undisclosed Investor(s)
Intuitive Biosciences	1,333,888	Undisclosed Investor(s)
Invenra	4,017,640	NEW Capital Fund II, Wisconsin Investment Partners, Venture Management
Invisible Connect*	1,100,000	Undisclosed Investor(s)
ioGenetics*	800,000	Undisclosed Investor(s)
IsoMark	116,400	Individual Investor(s)
Keystone Insights	100,000	Undisclosed Investor(s)
Kiio	772,050	Wisconsin Investment Partners, Undisclosed Investors



Wisconsin Company	Total Investment	Primary Investor(s)
Lightweight Structures*	500,000	Undisclosed Investor(s)
Lucigen	2,225,930	Undisclosed Investor(s)
Madison Vaccines	3,000,000	Venture Investors, WARF, SWIB, Venture Management
Magma Flooring	155,372	NEW Capital Fund II
MCT of Wisconsin	685,000	WSAF, Brightstar WI Foundation
Medical Engineering Innovations*	380,012	Undisclosed Investor(s)
Microscopy Innovations	750,000	Silicon Pastures, Undisclosed Investor(s)
Midwestern BioAg	5,993,110	Undisclosed Investor(s)
Modern Movement	65,000	Gener8tor, Angels on the Water
mPirik*	300,000	Undisclosed Investor(s)
Murfie	1,256,500	WISC Partners, Wisconsin Investment Partners
NeoClone Biotechnology International*	224,000	Undisclosed Investor(s)
Networked Insights	8,800,000	4490 Ventures, Goldman Sachs, American Family Ventures
NeuWave	25,309,333	Venture Investors, Venture Management, SWIB, Versant Ventures, HIG BioVentures
NexVex/RoofMarket Place	100,000	WSAF
NovaScan*	250,000	Undisclosed Investor(s)
Okanjo Partners	1,700,000	Brightstar WI Foundation, Undisclosed Investor(s)
Omega Foods*	460,000	Undisclosed Investor(s)
OneEvent Technologies	1,880,000	Undisclosed Investor(s)
OnKöl	700,000	Capital Midwest
OrgPix	146,766	Angels on the Water, Undisclosed Investors
PDM Solar*	21,000	Undisclosed Investor(s)
Pegasus Sustainability Solutions	1,297,000	Undisclosed Investor(s)
Phoenix Nuclear Labs	3,248,067	Chippewa Valley Angel Investors Network, Wisconsin Investment Partners, Venture Management
Pinpoint Software	584,500	Wisconsin Investment Partners, Brightstar WI Foundation
Polco	550,000	SeedSumo
Quietyme	600,000	American Family Ventures, Brightstar WI Foundation, Undisclosed Investor
Quintessence Biosciences*	50,000	Undisclosed Investor(s)
RAI Stone Group*	60,000	Undisclosed Investor(s)
Redox	3,500,000	HealthX Ventures, .406 Ventures, Flybridge Capital Partners
Regenerative Medical Solutions*	30,000	Undisclosed Investor(s)
Rent College Pads	450,000	WSAF, Undisclosed Investor(s)
Rowheels	575,000	WISC Partners
Scanalytics*	25,000	Undisclosed Investor(s)
Semba Biosciences	511,175	Undisclosed Investor(s)
Seven Marine*	619,819	Undisclosed Investor(s)
Shoutlet	5,000,000	American Family Ventures, Undisclosed Investor(s)
Silatronix	2,106,495	Venture Investors, NEW Capital Fund II, Wisconsin Investment Partners, Venture Management, WSAF
Smart Choice MRI	6,500,000	F Street Capital, ThedaCare, Undisclosed Investor(s)
SnowShoeFood	650,000	Undisclosed Investor(s)
SOLOMO	170,000	Wisconsin Investment Partners
Somna Therapeutics*	2,000,000	Undisclosed Investor(s)
Stealth Therapeutics*	57,500	Undisclosed Investor(s)
SteelGlaze	750,000	N29 Capital Partners, Brightstar Wisconsin Foundation
Stem Pharm*	150,000	Undisclosed Investor(s)
Stemina Biomarker Discovery	2,602,187	Wisconsin Investment Partners
Swallow Solutions	2,060,130	NEW Capital Fund II, Wisconsin Investment Partners, Brightstar WI Foundation, Venture Management, WSAF
Swift Manufacturing and Engineering	196,000	Undisclosed Investor(s)
TAI Diagnostics	8,275,000	Venture Investors, Undisclosed Investor(s)
Tascet*	395,000	Undisclosed Investor(s)
Thalchemy Corp.	250,000	Venture Investors, Undisclosed Investor(s)
The Good Jobs	165,000	Brightstar WI Foundation, Angels on the Water
Thermodata	311,727	Undisclosed Investor(s)
Tricast	3,282,000	Brook Venture Partners, Blue Heron Capital
United Community*	225,000	Undisclosed Investor(s)
Vibetech*	150,000	Undisclosed Investor(s)
Waypoint Health Innovations	185,000	Undisclosed Investor(s)
Weightup Solutions	50,000	Undisclosed Investor(s)
Wellbe	2,428,351	WISC Partners, Undisclosed Investors
WellIntel*	2,500	Undisclosed Investor(s)
WeMontage	100,000	Undisclosed Investor(s)
Whole Trees	29,750	Brightstar WI Foundation
Wisconsin Brewing Company	2,000,000	Undisclosed Investor(s)
Woundzoom*	1,235,000	Undisclosed Investor(s)
Xolve	1,820,302	NEW Capital Fund II, Wisconsin Investment Partners, Undisclosed Investor(s)

\*Investors not disclosed by WEDC



**TOTAL 2012  
INVESTMENT:**

**163,447,237  
74 COMPANIES**



**TOTAL 2013  
INVESTMENT:**

**128,327,172  
86 COMPANIES**



**TOTAL 2014  
INVESTMENT:**

**346,198,886  
113 COMPANIES**



**TOTAL 2015  
INVESTMENT:**

**209,479,099  
128 COMPANIES**

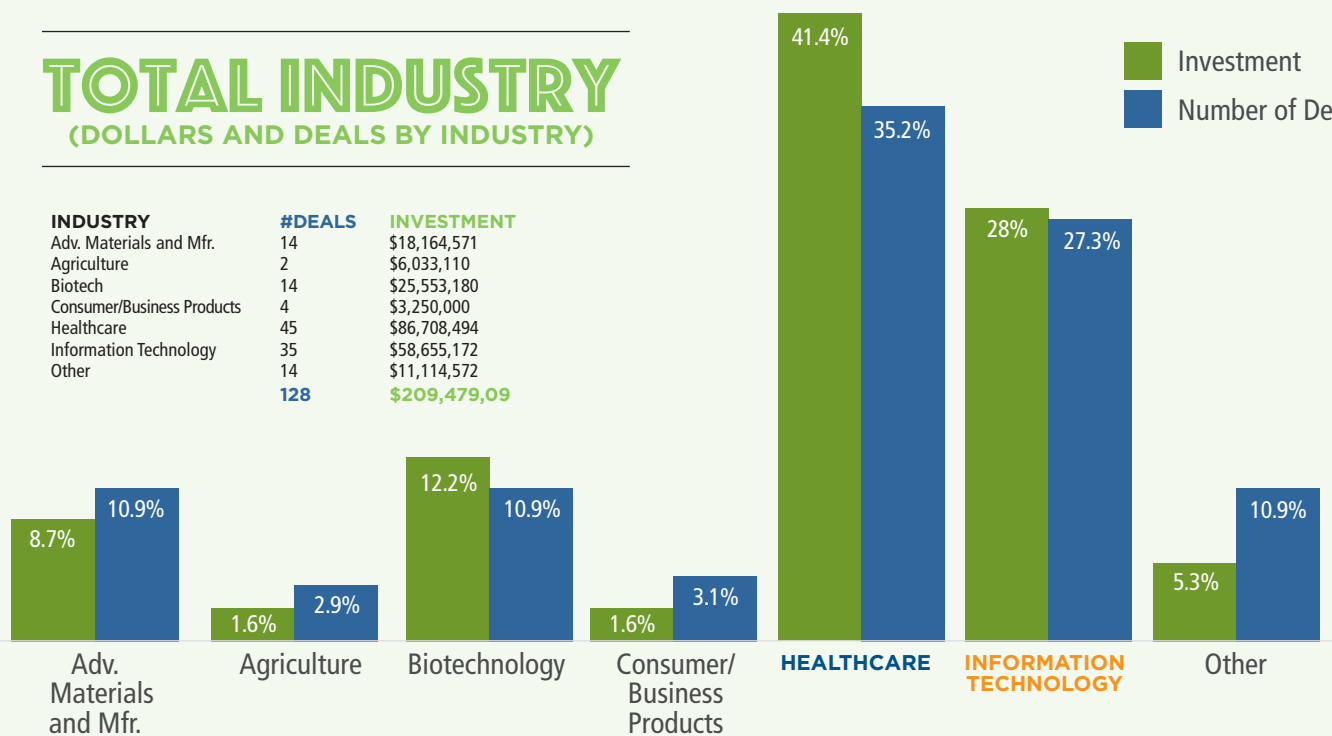


# Industry Analysis

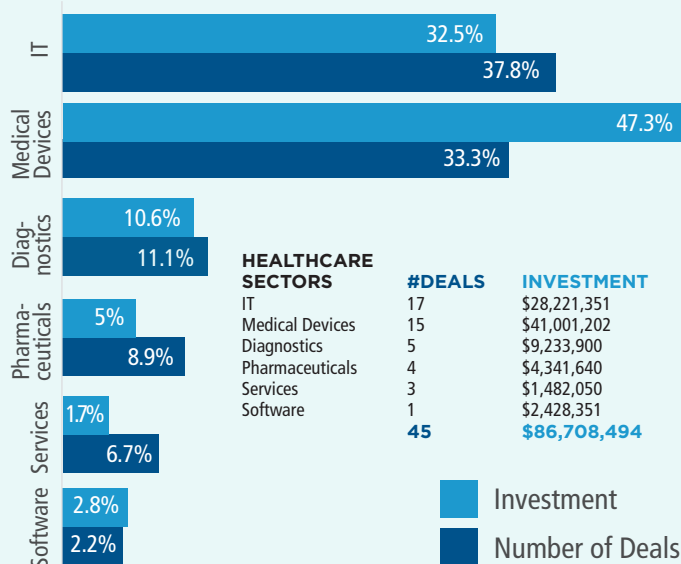
## TOTAL INDUSTRY (DOLLARS AND DEALS BY INDUSTRY)

INDUSTRY	#DEALS	INVESTMENT
Adv. Materials and Mfr.	14	\$18,164,571
Agriculture	2	\$6,033,110
Biotech	14	\$25,553,180
Consumer/Business Products	4	\$3,250,000
Healthcare	45	\$86,708,494
Information Technology	35	\$58,655,172
Other	14	\$11,114,572
	<b>128</b>	<b>\$209,479,09</b>

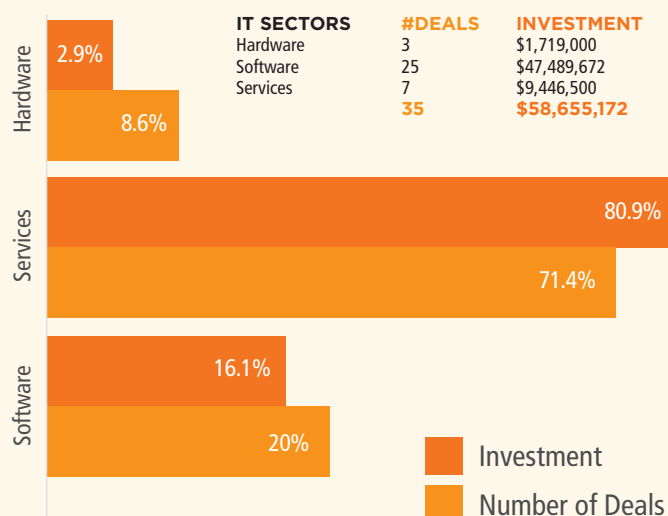
Investment  
Number of Deals



## HEALTHCARE (DOLLARS AND DEALS BY INDUSTRY)



## INFORMATION TECHNOLOGY (DOLLARS AND DEALS BY INDUSTRY)



## 2015 LARGEST DEALS

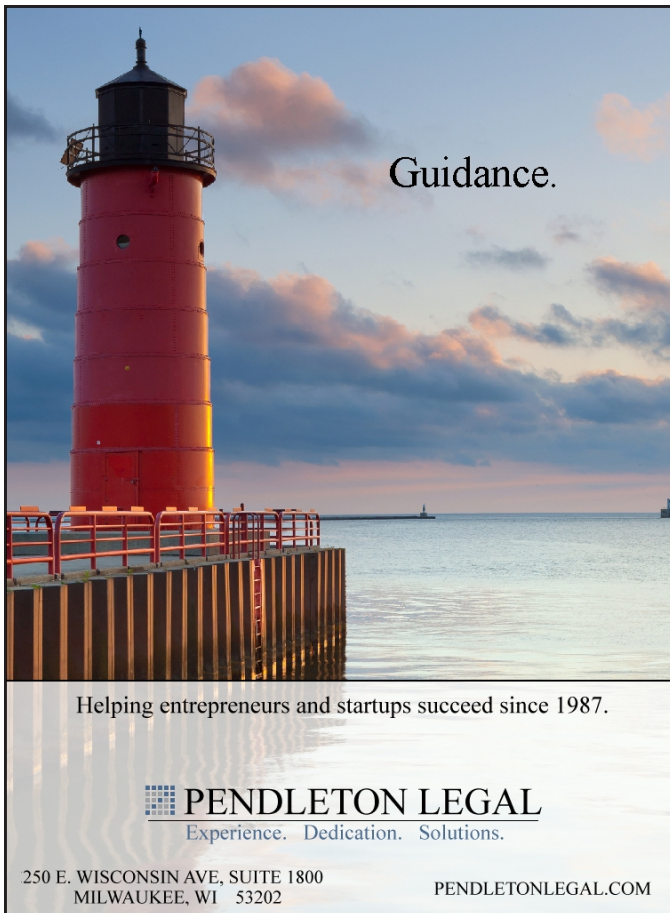
WISCONSIN COMPANY	TOTAL INVESTMENT
NeuWave	\$25,309,333.00
EatStreet	\$15,000,000.00
FluGen	\$12,000,000.00
Networked Insights	\$8,800,000.00
Fetch Rewards	\$8,498,399.00
TAI Diagnostics	\$8,275,000.00
Smart Choice MRI	\$6,500,000.00

WISCONSIN COMPANY	TOTAL INVESTMENT
Engineered Propulsion Systems	\$6,400,000.00
Midwestern BioAg	\$5,993,110.00
Fasetto	\$5,000,000.00
Shoutlet	\$5,000,000.00
HealthMyne	\$4,485,000.00
Invenra	\$4,017,640.00
Catalyze.io	\$4,000,000.00



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# 2016 Deal Reporting

So far in 2016, 39 Wisconsin deals worth about \$135 million have been tracked, continuing the momentum in Wisconsin angel and venture capital investing that has been building for the better part of a decade.

Those 39 deals include seven at \$100,000 or less each, 12 at \$1 million or less each, and 20 in excess of \$1 million, with an overall average exceeding \$3 million per deal.

Industry sectors are diverse, as well, with health information technologies, software, social media, manufactured products, consumer products, medical imaging, recreational products and engineered solutions all a part of the mix.

Here is the tentative list of the 20 largest investments through the first five months of 2016:

Wisconsin Company	Total Investment
Connecture	52,000,000
Shine Medical	11,534,972
Smart Choice MRI	10,000,000
Ionic	8,500,000
Healthfinch	7,500,000
Understory	7,500,000
Forward Health Group	4,000,000
Pegasus Sustainability Solutions	4,000,000
Engineered Propulsion Systems	3,610,000
Patina Solutions	3,450,000
CenterX	3,300,000
WiCab	2,400,000
Ebullient	2,300,000
Wantabale	2,028,380
Gener8tor	1,500,000
Wellbe	1,343,583
Keystone Insights (Project Foundry)	1,250,000
BluDiagnostics	1,150,000
AkitaBox, Inc.	1,100,000
Digsite	1,100,000

## CONTACTING — THE — LEGISLATURE

The Wisconsin Legislature is out of session for the remainder of 2016, returning in January 2017 for a floor session that will include a debate on the 2017-2019 state budget.

Visit [legis.wisconsin.gov](http://legis.wisconsin.gov) for information on 2015-16 session acts, a citizens' guide to the Legislature, how a bill becomes a law and a detailed explanation of the budget-making process.

Also, here is where you can find biographies on all 132 state legislators (33 member of the Senate and 99 members of the Assembly) as well as an interactive map to help you find your state Senate and Assembly members where you live.





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# Investor Spotlight:

## 2015 Investor Hall of Fame Inductee Jeff Rusinow

By: Issac Zarecki

In the world of Wisconsin angel investing, Jeff Rusinow is a founding father. He'd probably be on Wisconsin's Mt. Rushmore of investing if there was one.

Growing up around entrepreneurial and self-employed family members, Rusinow has always had respect for risk takers and self-starters. He followed the family tradition in 2000 when he cut away from the corporate mainstream and founded Milwaukee's first angel network, Silicon Pastures.

Getting Silicon Pastures off the ground wasn't easy. Back then, Milwaukee's investment scene was reluctant to dig into tech startups. As he says in his book, "What I Really Think," the comfort level was more "traditional 'bread and butter' companies that bended metal, rolled out paper and shaped plastic."

Rusinow gathered some of Milwaukee's best and brightest investing minds and dove in. Getting over the initial skepticism of startup investing wasn't too bad after he laid the foundation and organized the investment strategy of Silicon Pastures. The new group blossomed into a network of more than 30 individuals in just 18 months.

One of Rusinow's earliest and most successful investments was in BuySeasons.com. The website eventually became the world's largest online costume retailer. After its acquisition in 2006, early stage investors enjoyed a 10 fold return. Rusinow has said, with regards to his experience with BuySeasons, "It's the reason I continue to angel invest."



Jeff Rusinow

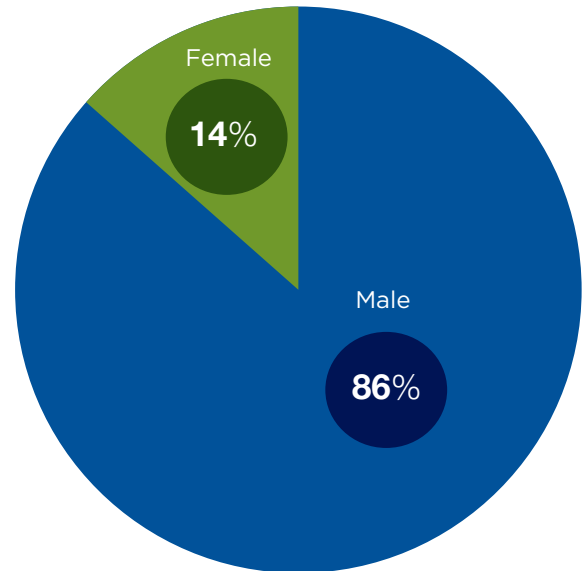
While Rusinow is no stranger to investing success, he has also experienced his fair share of flops. Here are a few of his tips to avoid investment failures:

- **Invest Locally.** It makes it easier to stay connected to your investment.
- **Choose Focused Companies.** There needs to be a clear direction; otherwise the company will burn through money deciding which way to go.
- **Choose People With Fire in Their Bellies.** Young people with skin in the game are great at getting things done.
- **Let Business People Run the Business.** Researchers aren't always the most business savvy, even if they founded the company.
- **Know When to Get Out.** It's painful and frustrating, but putting more of your money on a sinking ship won't make it float

Currently, Rusinow has more than a dozen open investments. Most of them are in Wisconsin. He has a few reasons for investing in Wisconsin companies. Rusinow appreciates the high quality of life that recruits top-notch talent. The entrepreneur-friendly atmosphere goes a long way, too. He says Wisconsin's business environment is generally supportive of early stage ventures regardless of who's in office. As mentioned before, it's easier to keep in contact with your investment when you are close to it.

His current investments cover a wide range of industries, including healthcare, fashion and web development. A few companies include gener8tor, Propeller Health, Wantable, Stemina Biomarker Discovery and Semna Therapeutics. Rusinow admits he's slowly winding down his investing days. He has spent the past 16 years helping blaze the angel investing trail for Milwaukee, Wisconsin and the Midwest. Even as his investment pace slows, keep an eye out. The self-proclaimed "darth angel" is sure to make a few more smooth, calculated investments before he hangs up his hat for good.

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# Badger Fund of Funds



*Jonathon Horne, The Idea Fund of La Crosse*



*David Trotter, Winnebago Seed Fund*

Ken Johnson, the veteran Wisconsin investor who is a partner in the Badger Fund of Funds, has held true to his vision from the start.

Even before the Badger Fund of Funds was officially seeded in 2014 with a \$25-million investment from the state of Wisconsin, Johnson described the early stage fund as “money for minnows” to be led by young, regionally focused managers.

In time, Johnson predicted, those 30-something managers would be seasoned enough to raise second and third funds – boosting return on investment for everyone, including the communities in which the funds were rooted.

Two years later, the vision shared by Johnson, of Fitchburg-based Kegonsa Capital Partners, and his business partner, Brian Birk of New Mexico-based Sun Mountain Capital, is taking shape.

Two announcements in May 2016 reflect the regional fund approach that persuaded the Wisconsin Legislature and Gov. Scott Walker to invest in the Badger Fund of Funds three years ago, well before Johnson and Birk were selected in a competitive process to run it.

The Idea Fund of La Crosse was the first “recipient” fund to be announced. It will be managed by Jonathon Horne, a La Crosse native who previously worked in investment banking at J.P. Morgan in New York.



He was recommended by community leaders in La Crosse, Johnson said. Horne, 32, once worked part-time for the Wisconsin Technology Council's Wisconsin Angel Network.

The Winnebago Seed Fund was the second recipient fund to be announced. It will be managed by David Trotter, 32, a northeastern Wisconsin native who most recently was a portfolio manager at Legacy Private Trust Co. in Neenah. He is a Chartered Financial Analyst and a graduate of Marquette University's Applied Investment Management Program.

Just as the Idea Fund of La Crosse will focus on seed-stage investments in western Wisconsin, the Winnebago Seed Fund will drill down into Wisconsin's Fox Valley, mainly Appleton, Neenah and Oshkosh.

Both funds must raise a minimum of \$8 million in private dollars. The Badger Fund has committed to make a matching investment of 40 percent of any money the new funds raise, Johnson said. Also, both funds will invest in the newest of start-ups, regardless of industry sector.

It's not yet known how many recipient funds will eventually be tied into the Badger Fund of Funds, but at least a half-dozen and potentially more will be created if Johnson and Birk meet their milestones. That's why it's called a "fund of funds;" it's a network of smaller funds tied into the main fund.

A lot of heavy lifting must take place before investment dollars flow to Johnson's "minnows," those young startups that promise to grow into much bigger fish. While the law that created the Badger Fund of Funds came with red tape, the fund is slowly taking shape at a time when Wisconsin is producing more investment-worthy startups in regions where such activity was previously weak. Let's see if Johnson's minnows grow into fish big enough to swim upstream in a competitive world.

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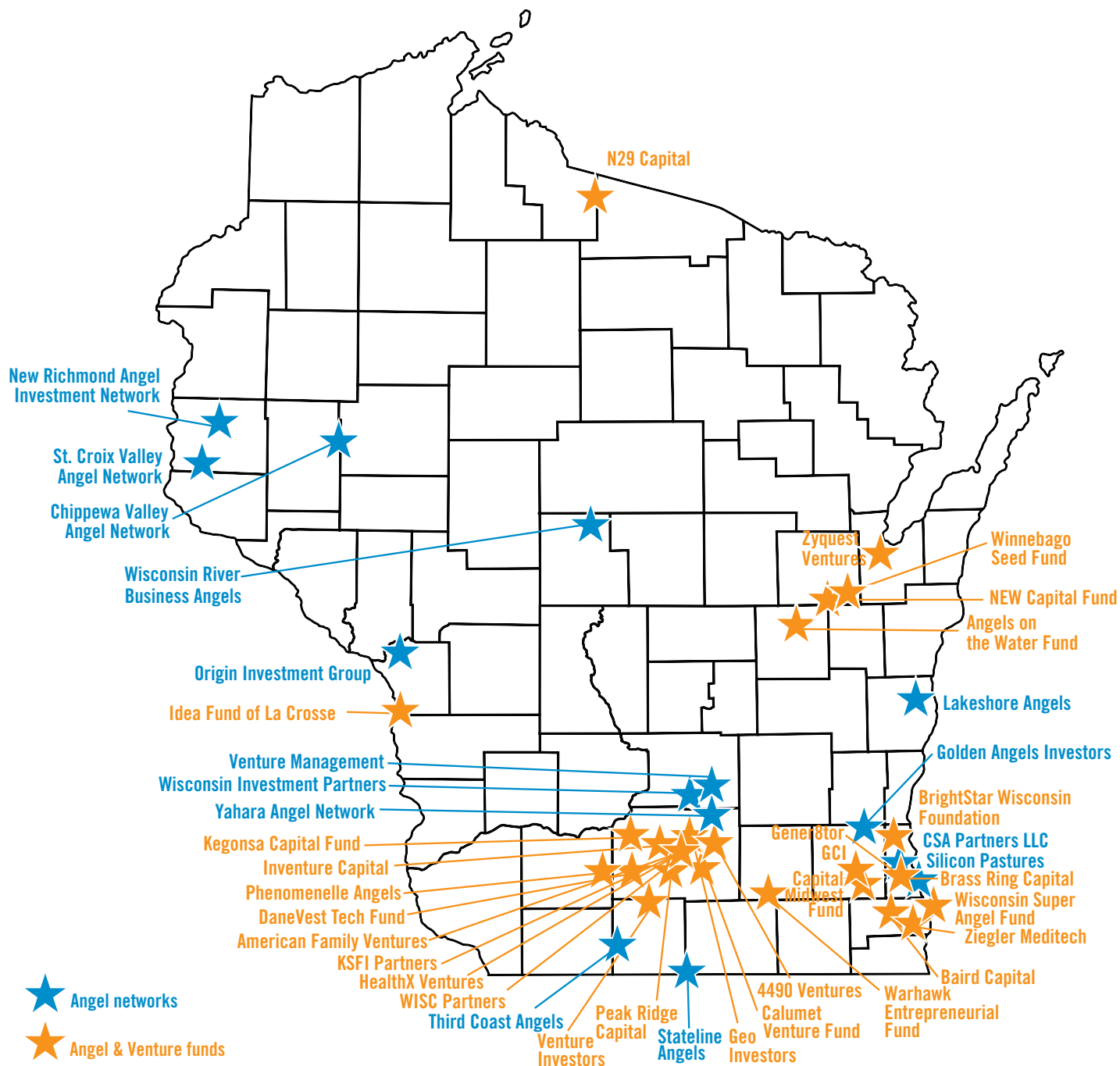
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# Wisconsin Angel Network



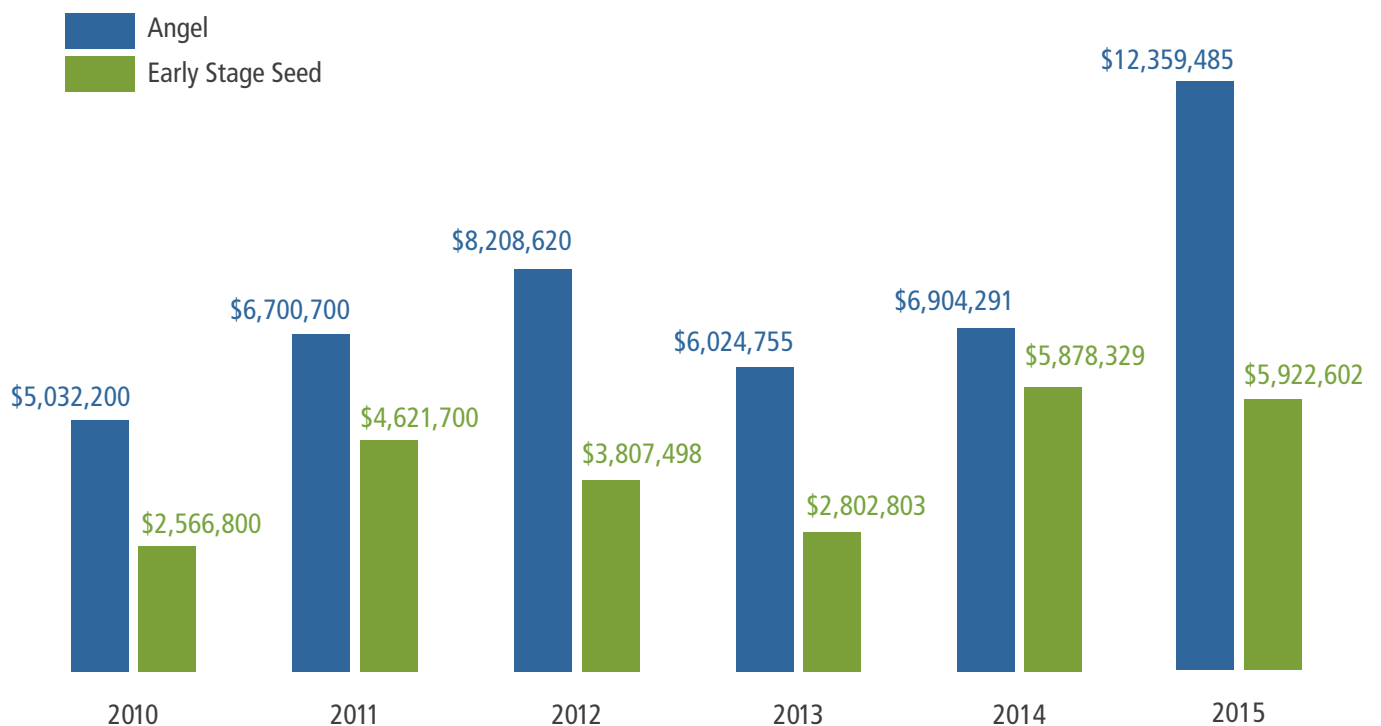
Not all funds or networks listed may be actively investing

## HOW WE DO IT!



## ACT 255 UPDATE

Verified tax credits for QNBV companies





# WAN Management Liability Insurance

Directors and officers are hired to make the tough decisions every day. That obligation exposes these members of management to more risks than ever before. In our litigious society, directors and officers are increasingly being held responsible for daily management decisions. Even the best-managed businesses can face liability lawsuits, which can be expensive to defend.

Lawsuits brought against individuals can threaten both the personal wealth of individual directors and officers as well as the financial viability of the company. Typical claims by employees, shareholders or stakeholders may relate to:

- Allegations of mismanagement
- Breach of fiduciary duty or loyalty
- Release of non-public information
- Conflicts of interest

The need for management liability insurance is not exclusive to

publically traded companies. Even small, privately traded companies with officers and perhaps directors have a clear need for management liability coverage. That includes private equity companies, angel groups and funds, but also start-ups. Often, investors will require entrepreneurs to purchase at least directors and officers insurance as a prerequisite for investment.

The Wisconsin Angel Network advises its member organizations to strongly consider a management liability policy. It has partnered with the Murphy Insurance Group, headquartered in Waunakee, to negotiate management liability insurance options with preferred insurance companies who understand the risks associated with early stage investing. The goal of this program is to deliver D&O and/or Errors and Omissions insurance to WAN members and possibly their portfolio companies at an affordable rate:

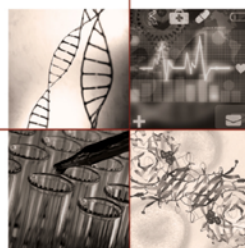
For policies underwritten in the standard marketplace, premium savings of 5 percent will be passed along to WAN members. Examples of insurers in the standard marketplace include, but are not limited to Chubb, Travelers, Philadelphia, ACE, Hartford and Zurich. For policies underwritten in the Excess and Surplus Lines (E&S) marketplace, the premium savings amount to 3 percent. Examples of these insurers in the standard marketplace include, but are not limited to Arch, Axis, Hiscox and Liberty International. In addition, this reduction in commission percentage would continue for renewals of policy for the member network.

The fundamental purpose of D&O Liability insurance is to provide protection to directors and officers for defense costs and legal liability incurred for claims and prosecutions against them in their role in the company.



This includes the representation costs in investigations of them by regulators and other authorities. Similar to D&O insurance, E&O insurance is coverage that protects people who give advice, make educated recommendations, design solutions or represent the needs of others. It is also referred to as professional liability or malpractice insurance.

Although privately held businesses don't risk exposure to securities class action suits, a business doesn't have to have shareholders in order for its directors and/or officers to be personally sued. Many experts also note that general liability or umbrella business insurance policies usually don't cover management liability lawsuits.



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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@wisconsintechcouncil.com](mailto:Tstill@wisconsintechcouncil.com)

[www.wisconsintechcouncil.com](http://www.wisconsintechcouncil.com)

## WISCONSIN ANGEL NETWORK (WAN)

A program of the Wisconsin Technology Council, 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: Bram Daelemans, director

(608) 442-7557 | [Bram@wisconsinangelnetwork.com](mailto:Bram@wisconsinangelnetwork.com)

[www.wisconsinangelnetwork.com](http://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 Prestigiacomo, portfolio manager, private markets group

(608) 266-6723 | [Chris.Prestigiacomo@swib.state.wi.us](mailto:Chris.Prestigiacomo@swib.state.wi.us)

[www.swib.state.wi.us](http://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: : Erik Iverson, managing director (July 2016);

Carrie Thome, director of investments

(608) 263-2833 | [cthome@warf.org](mailto:cthome@warf.org) | [www.warf.org](http://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](mailto:ASanga@wisys.org) | [www.wisys.org](http://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](mailto:briant@uwmfdn.org) | [www.uwmfdn.org](http://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: Mark Hogan, chief executive officer and secretary  
(608) 210-6701 | katie.colbert@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: Lon E. Roberts, 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 INFORMATION SERVICES**

Marshfield Clinic Information Services (MCIS) is an information technology company dedicated to delivering and managing cutting edge products and services for healthcare providers. MCIS is the product of Marshfield Clinic's 50 year commitment to the use of IT to benefit patients and physicians in the pursuit of excellent medical care.

CONTACT: Denise Webb, chief executive officer;  
(715) 221-5856 | denise.webb@mcis.com | www.mcis.com

### **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; Joe Kirgues, co-founder  
(414) 502-8880 | troy@gener8tor.co | joe@gener8tor.com  
www.gener8tor.com

### **ANGEL CAPITAL ASSOCIATION**

ACA is a collective of accredited investors that supports the success of angel and private investors in high-growth, early-stage ventures. The organization is the source for critical information and data that aligns the needs of angels, entrepreneurs, and the startup support community. Among its members are more than 240 angel groups and platforms and more than 13,000 individual accredited investors.

CONTACT: Sarah Dickey, ACA membership director  
(913) 894-4700 | sdickey@angelcapitalassociation.org  
www.angelcapitalassociation.org



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