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THE CASE FOR VENTURE CAPITAL IN WISCONSIN (AND BEYOND)

WISCONSIN PORTFOLIO 2011-12





CONTENTS

Defining the need	3
Membership	16
Identifying a structure	17
Strengthening angel investing	26
Early stage success stories	27
References	30
Acknowledgments	30
FAQs on venture capital	31
Definitions	32
State-by-state appendix	33

EXECUTIVE SUMMARY



Wisconsin has a strong tradition of entrepreneurship. Think of the marquee companies, headquartered in Wisconsin, that are our economic calling cards – Oshkosh Corp., S.C. Johnson, Johnson Controls, Manitowoc Company, Harley-Davidson, Briggs & Stratton, Johnsonville, Kohler, Kohl's and Quad Graphics. These companies all have one thing in common: They were named after the Wisconsin municipality of their founding or the last name of their founders.

There is no truer evidence of entrepreneurial spark. However, that spark requires fuel to ignite.

Thirty-five years ago, the first state-leveraged venture capital program was launched in Connecticut. Today, state-leveraged venture capital programs have been deployed in more than 30 states, including many of Wisconsin's neighbors and economic peers. These programs have provided fuel to be ignited by the myriad entrepreneurial sparks in those states.

In 2005, a bipartisan effort led to the signing of Wisconsin Act 255. This legislation created a national model for developing, promoting and leveraging early stage investment capital in Wisconsin. Numerous states have replicated these tax credits including the Big Ten Conference states of Minnesota, Illinois and Nebraska.

This program, now called Accelerate Wisconsin, along with the creation of the Wisconsin Angel Network, has helped enhance early stage investing in Wisconsin – but largely at the “angel” capital level. The product of our success is a need for continued investing by venture capital firms in emerging companies as they enter the later stages of growth and job creation.

Wisconsin has all the right ingredients for success. It has an entrepreneurial heritage. Academic research funding in Wisconsin over-performs for its population. So do patent filings and other technology transfer metrics. While Wisconsin has built a strong foundation on research, intellectual property and angel capital, it has lagged in the venture economy.

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John Drury



Phyllis Wilhelm



Jim Mohrbacher

Wisconsin Health and Educational Facilities Authority (WHEFA)

WHEFA has been providing active capital financing assistance to Wisconsin health care institutions since 1979. In 1987, WHEFA's charter was expanded to include the issuance of bonds for the benefit of independent colleges and universities and certain continuing care facilities. In 2004, WHEFA's charter was further expanded to include the issuance of bonds for the benefit of private, non-profit elementary or secondary educational institutions. In 2009, WHEFA's charter was further expanded to include the issuance of bonds for the benefit of non-profit research facilities. During fiscal year ending June 30, 2010, 30 financings totaling approximately \$1.45 billion were successfully completed. Thirty-one percent of the bonds issued were used to refinance outstanding debt, thus substantially reducing debt service costs. One new borrower used WHEFA for the first time. As of June 30, 2010, WHEFA has cumulatively completed 633 bond issues totaling over \$15.97 billion.

WHEFA Members

Richard Canter, Chairperson
Tim Size, Vice Chairperson
Bruce Colburn, Kevin Flaherty
Beth Gillis, Richard Keintz
Ken Thompson

WHEFA Staff

Lawrence Nines, Executive Director
Dennis Reilly, Associate Executive Director
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SWIB State of Wisconsin Investment Board

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WISCONSIN'S ASSETS

THE NATION'S NEW HOTSPOT FOR TECH-BASED INNOVATION

There are a number of reasons why companies, investors and other institutions should invest or otherwise do business in Wisconsin, from its efficient agricultural sector to its modernized manufacturing community to its growing high-technology economy.

THE RIGHT PEOPLE:

Wisconsin offers a well-trained, educated workforce with an outstanding work ethic and proven adaptability. High-school graduation rates and higher education rates in Wisconsin are above the U.S. average, and college entrance exam scores rank No. 1 or 2, year after year. In the technology sector, Wisconsin is building a cadre of experienced managers, many of whom have taken companies from the start-up level to acquisition, merger or initial public offering.

A WARM INVESTMENT CLIMATE:

The enactment of investor tax credits and the creation of an angel investing infrastructure through the Wisconsin Angel Network have combined to spur increases in the number of angel networks (from six to 22), the number of reported angel network deals (up five-fold) and the amount invested in early stage deals (\$20 million in 2009). Wisconsin has recently expanded its investor tax credit program, which will lead to a tripling of available credit dollars by 2011.

AN INVITING PLACE FOR ENTREPRENEURS:

Wisconsin has created an integrated portfolio of services, both public and private, for entrepreneurs and early stage companies. The effort is paying off. The 2008 New Economy Index by the Information Technology & Innovation Foundation showed that Wisconsin had moved up four places since 2002 in its 50-state report on multiple benchmarks.

COMPETITIVE BUSINESS COSTS:

Doing business in Wisconsin can translate directly into savings. Construction and operating costs are as much as 45 percent lower than other areas of the country. Utility costs are typically 25 percent less than the national average. Land costs are

extremely competitive and quality labor is available at fair prices. Corporate income taxes in Wisconsin rank in the bottom third among the states, sales taxes rank in the middle, excise taxes and fees are among the lowest in the nation, and recent tax reforms have helped put Wisconsin on a competitive platform with other states. Worker's Compensation rates and Unemployment Compensation taxes remain among the lowest in the United States.



GE Healthcare - Waukesha

WORLD-CLASS ACADEMIC R&D:

Wisconsin institutions conduct more than \$1.2 billion per year in academic research and development, according to National Science Foundation figures. It's led by the UW-Madison with more than \$900 million in research spending per year, good for second in the nation. Other leaders are the Medical College of Wisconsin, UW-Milwaukee and the Marshfield Clinic. The UW-Madison Institutes for Discovery, a \$150-million facility now under construction, is the only interdisciplinary research center of its kind in the United States outside the East and West coasts. The Great Lakes Bioenergy Research Center is the state's newest federal laboratory, backed by a \$135-million federal grant.

“ *Wisconsin communities have recently showed up in “best places” magazine rankings, such as Fast Company, National Geographic and Money.* ”

A THRIVING LIFE SCIENCES SECTOR:

The biosciences are an \$8-billion industry in Wisconsin, including more than 400 companies and 28,000 workers in medical, industrial and environmental biotechnology, bioinformatics, medical devices, healthcare and value-added agriculture. Wisconsin is ranked in the top 10 for biotechnology employment growth. “Fierce Biotech,” a leading industry bulletin, recently named Wisconsin one of the five places in the world best-positioned to be a hotbed of biotech innovation. GE Healthcare has more than 6,000 employees in Wisconsin alone. Recent company success stories have included the acquisitions of NimbleGen, MirusBio and Third Wave Technologies.

HIGH-TECH MARKETS ARE HOT, TOO:

Information technology and other high-tech goods and services are an emerging sector in the Wisconsin economy. Drawn by the quality of academic research in Madison, Microsoft and Google have opened research offices there. Cyberstates 2009, an industry review by TechAmerica, showed Wisconsin third among the 50 states in electromedical equipment manufacturing employment, ninth in electronic components manufacturing employment, and 13th in software publisher employment. The state's high-tech payroll of \$5.4 billion ranked 22nd overall, according to TechAmerica. The state consistently ranks among the nation's leaders in the number of patents issued. Wisconsin lies in the heart of the I-Q Corridor, a 400-mile stretch that includes Chicago to the south and the Twin Cities of Minnesota to the northwest. The corridor offers a world-class combination of talent, capital and research. Not only do Wisconsin and the I-Q Corridor provide a safe zone from many natural disasters, it's also well-insulated from the biggest security concerns of our time. The region is statistically one of the safest areas in the United States. Madison, La Crosse, Appleton, Green Bay and other Wisconsin communities have recently showed up in “best places” magazine rankings, such as Fast Company, National Geographic and Money.



WHY WISCONSIN

BETH DONLEY and **GABRIELA CEZAR** are putting a fresh face on investing in tech-based start-up companies. Donley, formerly chief legal counsel at the Wisconsin Alumni Research Foundation, and Dr. Cezar, a leading human embryonic stem cell scientist at the UW-Madison, are co-founders of Stemina Biomarker Discovery. This company has attracted state loans and grants, as well as angel and other early stage investment dollars. Stemina's cell-based assays arise from the strategic convergence of two ground-breaking technologies – metabolomics and human ES cells. Stemina will use its technology to discover and validate small molecules as biomarkers for high-throughput drug screening and drug development. “Madison has had some wonderful success stories recently,” said investor Terrence Wall of DaneVest Tech Fund. “We feel confident the I-Q Corridor between Chicago and Minneapolis will provide even more promising stories in the future.”

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. Start-ups need additional funding to accomplish one of two goals—to achieve positive cash flows or to raise more money to further expand the business.

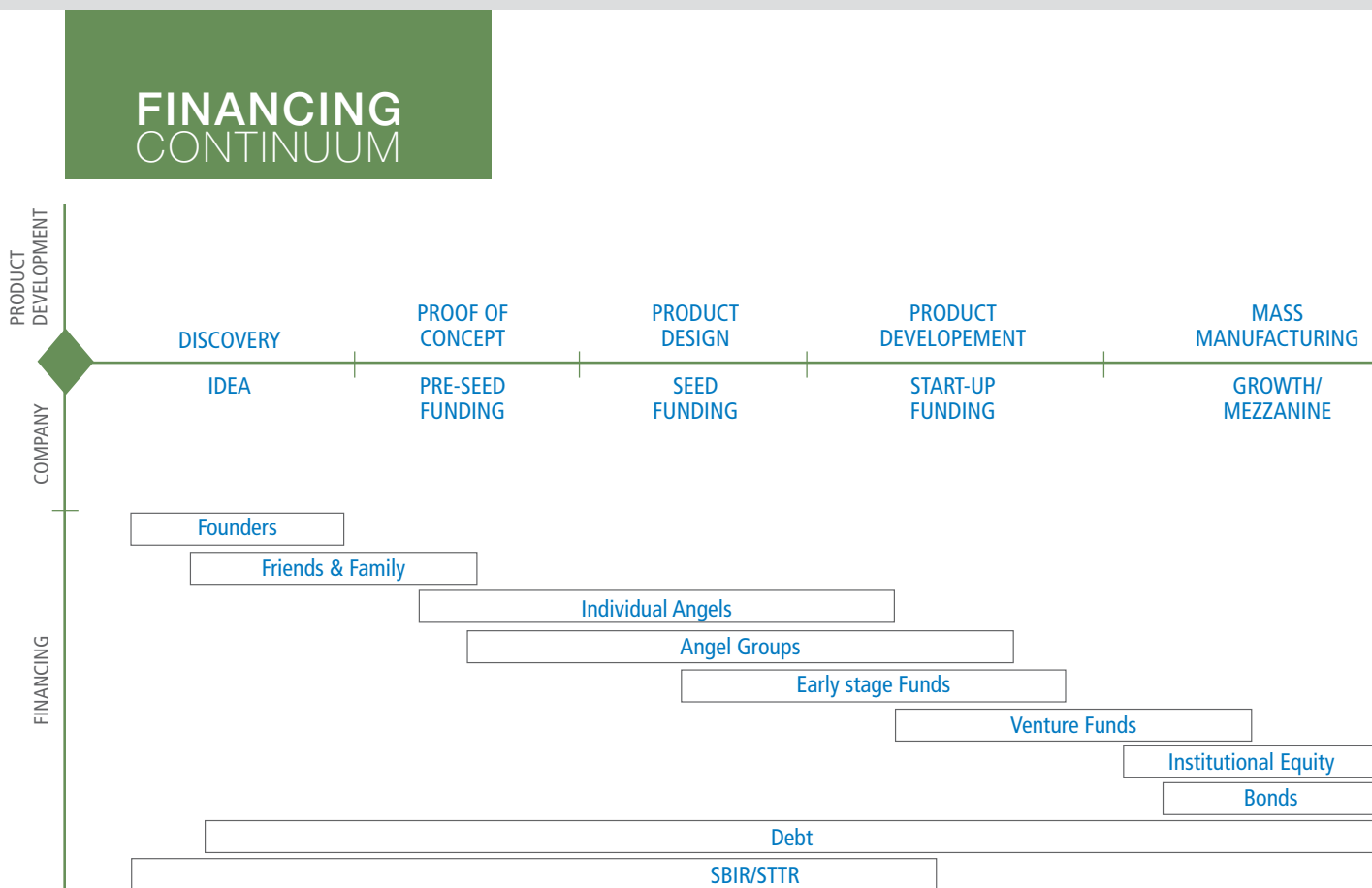
The source of the money needed to reach one of these goals comes from the early stage capital market, making it a critical link in the development of entrepreneurial ventures. Early stage capital is comprised of individual angels, angel groups, early stage funds, and some early stage venture funds.

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 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, IPO) or selling it to strategic acquirers. It is through these “exits” all the previous investors, including the founders, angels and others, receive a payback on their investments. Exits, or the potential of an eventual exit, provide the incentive necessary to attract investors to a start-up 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 diamond 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 start-up evolving into a successful business providing good-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.



HOW IT'S WORKING IN WISCONSIN

The funding gap, represented by the diamond-shaped area of the financing continuum, is a challenge most successful entrepreneurs need to overcome. Often with the help of existing angel investors, entrepreneurs secure needed financing from multiple angel networks and funds. By co-investing with one another, angel investors are able to fill the largest part of the funding gap. This provides entrepreneurs the growth capital needed to move to the next step in the financing continuum.

With the goal of enhancing co-investing elsewhere in the "I-Q Corridor" and throughout the Midwest, the Wisconsin Angel Network and partners in Illinois formed the Midwest co-Investment Network. The network links investors who share deals, often those that fall into the funding gap. Membership has grown to 17 angel networks and funds in Wisconsin, Illinois, Minnesota, Missouri, Ohio and Connecticut.

MIN members are Cornerstone Angels, Central Illinois Angels DaneVest Tech Fund, Endeavor Capital Management, Golden Angels Network, Hyde Park Angels, Illinois Business and Investors Forum/Falcon Capital, LaSalle Investments, Lake Superior Angel Network, Ohio Tech Angels, Origin Investment Group, St. Louis Arch Angels, Silicon Pastures, Stateline Angels, Successful Entrepreneur Investors, Twin City Angels and Wisconsin Investment Partners.

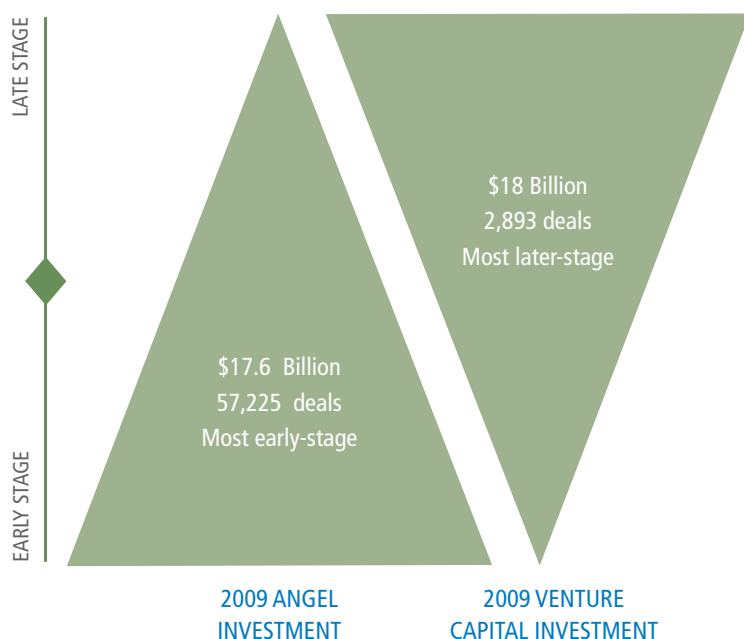
Interested in joining the MIN? Contact Joe Kremer at jkremer@wisconsinangelnetwork.com

WHY WISCONSIN



ESO-TECHNOLOGIES made its debut to investors during the 2008 Wisconsin Early Stage Symposium's Elevator Pitch Olympics. Not only did co-founder **BONNIE REINKE** walk away from the contest with the first place trophy, she also pocketed several business cards from angel investors. The next year, she won the statewide Governor's Business Plan Contest. Those company building steps led to an investment of \$1 million from DaneVest Tech Fund, Phenomenelle Angels and Wisconsin Investment Partners. Investors were impressed by the management team and the company's life-saving, esophageal cardiac monitoring technology. Since the equity infusion the company has been cleared for initial trials, which are under-way.

ANGEL & VENTURE CAPITAL MARKETS ARE LARGE & COMPLIMENTARY



WHY WISCONSIN



Serial entrepreneur **ERIC APFELBACH** has raised more than \$170 million, from grants to loans to venture capital, for the four start-ups he has led. His latest venture is helping to tackle the largest problem for the alternative energy market – reliability. **ZBB ENERGY CORP.**'s (NYSE AMEX: ZBB) energy storage technology and power control platforms enable integration of renewable energy sources, providing constant and level power from variable alternative energy sources. When President Obama wanted to visit a company that is making a difference in energy technology, he toured ZBB in mid-2010.

EARLY STAGE CAPITAL

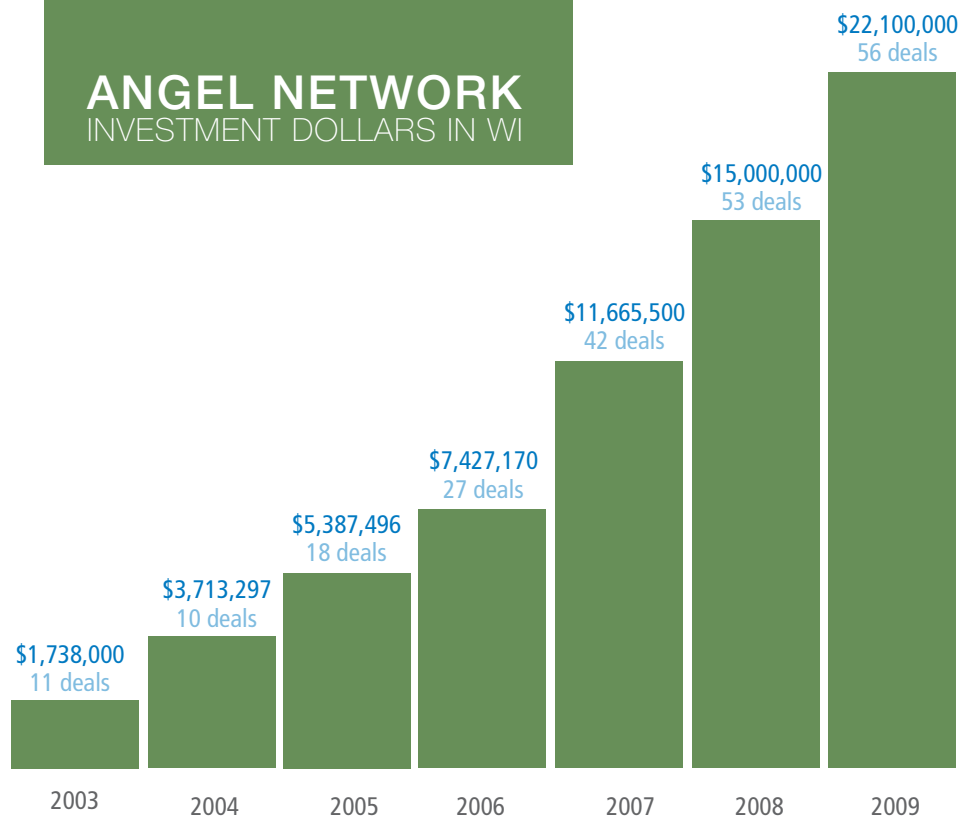
Wisconsin's angel networks and funds are the foundation to Wisconsin's entrepreneurial, start-up market. They serve as a vital component to economic development that fuels the growth of businesses from their early stages to significant job creation.

During 2009, Wisconsin's overall early stage market followed the national trend of fewer investments, with a total of \$73.2 million, a decrease of 26 percent from 2008. However, Wisconsin's angel networks and funds invested more, \$22.1 million in 56 deals, a 50 percent increase from 2008. See the below graph of angel network and fund investments since 2003.

Initiatives such as the 25 percent investment tax credit and the Wisconsin Angel Network, both launched in January 2005, have helped to attract investors, better prepare entrepreneurs for raising capital and facilitated connections between investors and entrepreneurs.

In 2009, 24 start-ups received the designation of "Qualified New Business Venture," enabling investors in those businesses to claim a 25 percent tax credit. Since 2005, more than 155 companies have received the Wisconsin Department of Commerce's QNBV designation, resulting in \$27.4 million in tax credits for investors and \$109.5 million raised by early stage companies.

The Wisconsin Angel Network maintains an online database, the Deal-flow Pipeline, of entrepreneurs seeking equity investors. WAN's investor-member organizations have exclusive, password-protected access to the site. This includes a first look at companies participating in the yearly Wisconsin Governor's Business Plan Contest and the companies making investment presentations during the Wisconsin Early Stage Symposium.



SELECTED '09-'10 DEALS

COMPANY	INVESTORS	AMOUNT RAISED
Alice.com	Undisclosed investors	6,000,000
Collectar	Venture Investors and others	2,700,000
Cellular Dynamics International	Undisclosed investors	40,600,000
Centrose	Individual investors	2,100,000
ConjuGon	Undisclosed investors	1,900,000
Credit Coach Services	Individual investors	1,000,000
Cytometix Inc.	Individual investors	1,900,000
Echometrix LLC	Individual investors	250,000
eContractorBids.com	Origin Investment Group	250,000
Endece	Individual investors	6,000,000
Eso-Technologies	DaneVest Fund, Phenomenelle Angels Fund and Wisconsin Investment Partners	1,000,000
Flex Biomedical, Inc.	Wisconsin Investment Partners, NEW Capital Fund and Marquette Golden Angels	985,000
HarQen, Inc.	Wisconsin Investment Partners, Silicon Pastures and Phenomenelle Angels, Golden Seeds and Capital Midwest	2,500,000
Idle Free Systems	Undisclosed investors	1,300,000
InControl Medical LLC	Undisclosed investors	700,000
Innovative Sports Strategies, LLC	Individual investors	400,000
Mithridion	Venture Investors, SWIB, Wisconsin Investment Partners and Rocket Ventures	2,900,000
My Health Direct, Inc.	Chrysalis Ventures and others	4,000,000
ORBITEC	Individual investors	1,250,000
Parcus Medical	Undisclosed investors	1,300,000
PDM Solar	Undisclosed investors	235,000
PerBlue Inc.	Marquette Golden Angels Network	800,000
Perscitus Biosciences LLC	Undisclosed investors	140,000
ProCertus BioPharm, Inc.	Venture Investors, Novartis Venture Fund and others	2,100,000
Promentis Pharmaceuticals	Undisclosed investors	1,940,000
Quincy Bioscience	DaneVest Tech Fund	250,000
Rapid Diagnostek Inc.	Peak Ridge Capital and others	4,000,000
SEMBA Biosciences, Inc.	MDC Venture Debt Fund	400,000
Soft Switching Technologies	Undisclosed investors	2,500,000
Sologear, LLC	MDC Venture Debt Fund	1,100,000
Stemina Biomarkers	DaneVest Fund and Phenomenelle Angels Fund	1,000,000
Stratatech	Debt and equity mix, undisclosed investors	3,000,000
Sway Inc.	Origin Ventures and Leo Capital Holdings	2,000,000
TrafficCast International	DaneVest Tech Fund, DVTF Side Fund, and Phenomenelle Angels Fund	1,350,000
Virent Energy Systems	Shell, Cargill and Honda	46,400,000
VitalMedix, Inc.	Wisconsin Investment Partners, Successful Entrepreneur Investors, St. Croix Valley Angel Network and Capital Midwest Fund	1,000,000

WHY WISCONSIN



SOLOGEAR was co-founded by serial entrepreneur **CHAD SORENSON**, whose previous start-up, Fluent Systems, was acquired 18 months after it was founded. SoloGear has developed a patent-pending fuel mixture that it has deployed first as a charcoal alternative called FlameDisk. The company has thus far raised more than \$6 million from angel investors. The company continues to expand its Middleton, Wis.-based manufacturing and distribution facility to keep up with demand. FlameDisk is available at retailers nationwide including Target, Wal-Mart, The Home Depot and Aldi.

VENTURE CAPITAL CAPACITY

Venture capital investment in Wisconsin fell by 63 percent in 2009 to \$28 million (down from \$75 million in 2008). Nationally, venture capitalists invested \$17.7 billion in 2,795 deals in 2009, according to the annual MoneyTree Report by PricewaterhouseCoopers and the National Venture Capital Association. That was a decline of 37 percent in dollars invested and 30 percent in the number of deals.

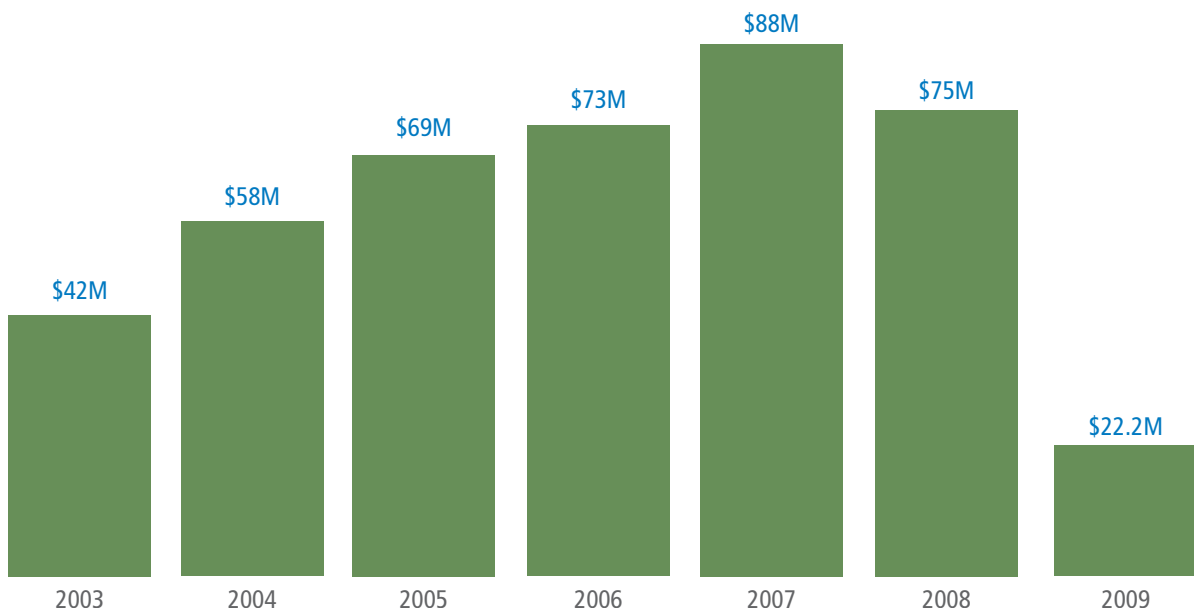
However, during the first half of 2010 Wisconsin high-tech companies raised more than \$100 million, giving signs of a potential recovery. Virent Energy Systems, a Madison-based company producing gasoline from plant material, raised \$46.4 million from the venture arms of Shell, Cargill and Honda, the most money of any state company in this year's listing. The next largest capital raise was by Cellular Dynamics International, the stem cell company founded by University of Wisconsin-Madison researcher James Thomson, which raised \$40.6 million. See page 7 for a select list of deals from 2009-2010.

With a rising number of angel-backed companies, there are ample opportunities for venture capital firms to invest independently or to co-invest with firms already familiar with the landscape. In August 2008, the State of Wisconsin Investment Board

listed 12 reasons for "opportunistic investments" in Wisconsin and Midwest venture-stage companies, including "the imbalance between the high quantity and quality of research and development supported in the region and the low levels of venture capital dollars offered for investment."

The SWIB report continued: "The Wisconsin venture capital landscape has been changing over the past 10 years, stimulated by both public and private efforts to capitalize on the research and development wealth of the state. Years ago, the most elusive of the key characteristics of venture capital and technology centers in the state was having a 'critical mass,' or the point at which entrepreneurs and resources coalesce into a technological, cultural and economic network that is not just self-sustaining but growing rapidly. Once this critical mass is formed in a certain region, a new ecosystem develops. Wisconsin is closer than ever to forming the critical mass necessary to develop this venture capital sub-culture."

VENTURE CAPITAL INVESTMENTS IN WISCONSIN



BOLD ACTIONS TO EXPAND THE LATER STAGE CAPITAL MARKET

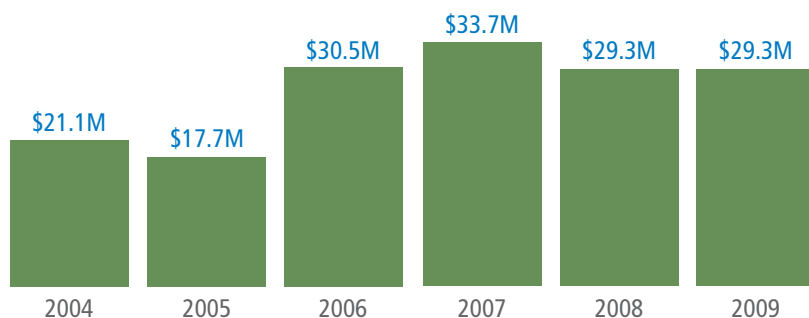
Two Wisconsin-based early stage funds recently began to deploy investments. Capital Midwest Fund raised \$25 million for a fund targeting investments in the life science and information technology sectors. Calumet Ventures recently opened its office in Madison and is focusing on Midwest-based information technology start-ups.

However, Wisconsin's success at building its early stage capital market has created an enhanced need for later stage capital. Without enough venture capital funds actively investing in Wisconsin businesses, successful start-ups have few, if any, options for later rounds of funding. See page 4 for a graphical depiction of the flow of investors through the various stages of business development, called the financing continuum.

Every two years the Wisconsin Technology Council releases policy recommendations to state law makers focused on building Wisconsin's high tech economy. The 2010-2011 white papers begin with recommendations on improving access to capital for Wisconsin's entrepreneurs, with a focus on later stage capital. Recommendations include the state's championing a fund-of-funds model, making direct investments in high-growth businesses and encouraging pension funds to become more active investors.

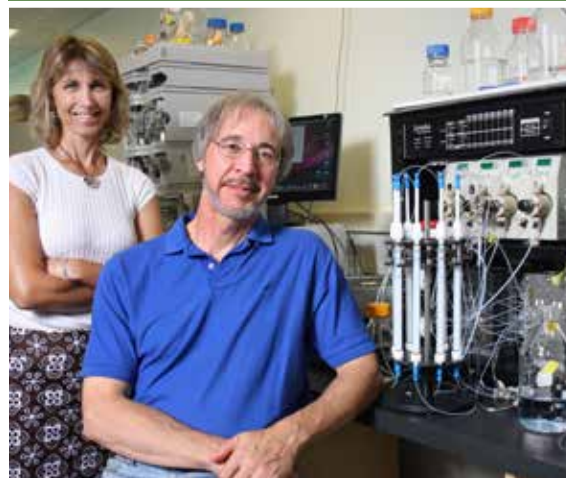
Bold policy action is required if Wisconsin is to emerge from the economic downturn strong and in control of its own destiny. To download a complete copy of the 2010-2011 Tech Council white papers visit www.wisconsin technologycouncil.com/white_papers.

SBIR AWARDS IN WI



Small Business Innovation and Research/Small Business Technology Transfer awards, also known as SBIR/STTR, are grants from federal agencies to fund innovation and commercialization of new technologies. These grants are targeted at businesses in the very early stages of development, including some that are not incorporated. The awards provide important funding of R&D efforts that help develop some of the newest, most innovative start-up businesses. In 2009, 39 Wisconsin companies won 64 grant awards totaling \$29.3 million, the exact same amount awarded in 2008.

WHY WISCONSIN



SEMBA BIOSCIENCES was launched in 2005 by members of the management team from EMD Chemicals, formerly Novagen, after EMD's parent company consolidated the work of the Madison plant in San Diego. Then a funny thing happened: Virtually all of 70 EMD employees chose to stay in Wisconsin. A dozen of them are now working for Semba, a Fitchburg, Wis.-based firm that develops scientific equipment used to purify substances used in drug development and research, as well as the food industry. The company anticipates \$1 million in sales for 2010.

THE I-Q CORRIDOR

Western Wisconsin and the Twin Cities area make up the western core of the I-Q Corridor, a region rich in ideas, innovative workers, investment capital and some of the world's most exciting intellectual property—especially in biotechnology, the life sciences, information technology and advanced manufacturing.

A distance of only 400 miles separates two dynamos of the Midwest economy—Chicago and the “twin cities” of Minneapolis and St. Paul. That's a shorter drive or flight than what separates San Diego from the “Silicon Valley” in California.

Strategically located between Chicago and the Twin Cities and traversed by Interstates 90 and 94 lies Wisconsin, one of the nation's fastest growing technology states in its own right.



WISCONSIN

Biotechnology is a \$4.9 billion industry in Wisconsin, making up a cluster of more than 600 companies employing 19,818. Wisconsin is ranked in the top 10 for both biotechnology employment growth and the number of biotech companies, many of which can be found in the Madison area.

The state has leading research facilities such as UW-Madison (currently second among U.S. universities in total research expenditures), the Medical College of Wisconsin and the Marshfield Clinic. It has growing capital markets, especially within angel networks; strong partnership organizations; a thriving cluster of science companies and a healthy climate for business, academic and government cooperation. Wisconsin has emerging centers of research excellence in tissue regeneration, personalized medicine, error-free hospitals, genetically-modified organisms, zoonotics disease control and small molecule pharmaceuticals. Its bioinformatics and medical devices clusters are strong and growing, led by companies such as GE Healthcare and TomoTherapy. Epic Systems is a leader in electronic medical records. Information technology and other high-tech goods and services are an emerging sector of the Wisconsin economy. In March of 2009, the annual Cyberstates survey showed that Wisconsin added 3,600 high-tech jobs in 2007, even while total private-sector employment declined in the U.S. Cyberstates data also ranked Wisconsin 12th nationally in high-tech exports in 2007, which totaled \$3.9 billion. This amount represents an 86 percent increase since 2001.



MINNESOTA

Minnesota's tech-based economy is among the nation's most vibrant. A 2006 report by the BioBusiness Alliance of Minnesota noted that Minnesota is home to more than 500 biobusiness technology enterprises spread over a number of sectors. Those enterprises employ 35,000 workers, about 22,000 of whom work in the medical devices sector, where Medtronic and Guidant are household names. Minnesota is a dominant player in medical devices, renewable fuels, materials science and delivery systems for drugs and therapeutics. Despite a decline in tech exports for the first time since 2002, Minnesota held its place at ninth in the nation, with \$5.6 billion in tech exports in 2007, according to the 2008 Cyberstates survey. Minnesota exports \$1.5 billion in both electromedical equipment and computer and peripheral equipment, ranking the state third and sixth in the nation, respectively. Leading research institutions include the University of Minnesota and the Mayo Clinic.



ILLINOIS

Illinois is the world's 18th largest economy—and a huge market for technology products and services. It is a perennial U.S. leader in gross state product, high-tech employment, patent production and headquarters of Fortune 500 companies. Illinois has a long history of technological breakthroughs in biotechnology, chemistry, physics, computing and communications. Illinois is home to more than 440 corporate R&D facilities and more than 200 academic, government, and nonprofit research institutions. Its life sciences sector delivers a broad range of products and services, including medicines, medical devices, nutritional products, food and agricultural applications, alternative fuels, industrials, and environmental solutions. The 2009 Cyberstates survey ranked Illinois seventh nationally in 2007 in the number of high-tech jobs. The state's 211,800 tech workers are employed by 16,700 firms that contribute \$16.6 billion in payroll.

DEMOGRAPHICS

The I-Q Corridor is home to more than 16.5 million people who live within a short commute of I-90, I-94 or I-43 between Chicago and the Twin Cities.

That figure includes nearly 9 million in the Chicagoland region; 456,000 in the Rockford, Ill., area; 160,000 in Wisconsin's Rock County; 1.55 million in the Milwaukee-Racine-Waukesha area; 620,000 in Wisconsin's Madison-Baraboo area; 201,000 in Wisconsin's Eau Claire-Chippewa-Dunn; 872,000 in the Fox Valley region; 160,000 in the Marshfield area (Marathon and Lincoln counties); and 3.5 million in the Twin Cities region.

These figures are the 2008 population estimates from the U.S. Census Bureau and are rounded for simplicity. The regional groupings are based on the Office of Management and Budget's 2007 definitions for combined statistical areas and metropolitan statistical areas.

WHY WISCONSIN



WAYS THIS IS WORKING

Several events and groups help bind the I-Q Corridor together. Examples include:

- Midwest co-Investment Network, comprised of 16 angel networks and funds, many from the I-Q Corridor, that regularly share investment deals across state borders.
- Midwest Research University Network, which includes the Universities of Wisconsin, Illinois and Minnesota connects leading research universities to share best practices and techniques for commercialization of university technologies.
- MidAmerica Health Investors Network, which encourages the syndication of financing for healthcare-related companies.
- I-Q Corridor Investors' Forum, a video conference link-up of investors reviewing investment deals from many geographic locations.

AURIZON ULTRASONICS is a technology spinout from the Fox Valley's Kimberly-Clark Corp. The ultrasonic technology uses sound waves rather than glue to do high-speed bonding of materials such as the plastic in diapers. NEW Capital fund invested in the company's seed round and is a partner alongside Kimberly-Clark. Wisconsin is home to many large companies performing research and development. Aurizon is an example of an emerging model in Wisconsin where technology is transferred from bigger companies to start-ups, providing for a more entrepreneurial commercialization of the technology than available in a larger corporation.

WISCONSIN 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

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www.wisconsintechcouncil.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 collaboration between investors; on-demand videos, templates and other resources designed to help entrepreneurs seeking capital; and more.

CONTACT: Joe Kremer, Director | (608) 442-7557

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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 August 2008, SWIB managed nearly \$87 billion in investments.

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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 \$900 million in sponsored research each year. WARF receives about 400 disclosures per year and has taken an equity share in about 40 companies.

CONTACT: Carrie J. Thome, Director of Investments
(608) 263-2833 | cthome@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: Maliyakal John, Director | (608) 265-2135
maliyakal@wisys.org

www.wisys.org

UWM RESEARCH FOUNDATION

UW-Milwaukee researchers in engineering, business, the natural sciences, the social sciences, and the arts and humanities are looking for partners to bring their discoveries to the world. The campus manages about \$30 million in sponsored research each year.

CONTACT: Brian Thompson, President | (414) 229-3397

briant@uwmfdn.org

www.uwmfdn.org

WISCONSIN DEPARTMENT OF COMMERCE

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.

CONTACT: Mickey Judkins, Executive Director, Global Ventures Division, Department of Commerce | (608) 266-6675

mickey.judkins@wisconsin.gov

FOR SPECIFIC QNVB INFORMATION CONTACT:

Shelly Harkins | (608) 267-0346

www.commerce.wi.gov

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. Heinemann serves as chair of the Wisconsin Angel Network advisory board.

CONTACT: Lorrie Heinemann, Cabinet Secretary
(608) 264-7800 | lorrie.heinemann@wisconsin.gov

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 \$125 million in sponsored research each year.

CONTACT: Joseph Hill, Vice President and Director
(414) 456-4381 | jhill@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: Dr. Robert Carlson, Director of Applied Sciences
(715) 389-5122 | Carlson.robert@marshfieldclinic.org

www.marshfieldclinic.org/business

MIDWEST CO-INVESTMENT NETWORK (MIN)

MIN introduces and coordinates funding rounds between its membership, which is made up of 16 angel networks and funds from across the Midwest. Membership is open to any angel network, fund or early stage fund interested in syndicating Midwest deals.

CONTACTS: Joe Kremer, Co-founder | (608) 442-7557

jkremer@wisconsinangelnetwork.com

Dennis Serio, Co-founder | (630) 207-3076

dserio@sbcglobal.net

MIDWEST RESEARCH UNIVERSITY NETWORK (MRUN)

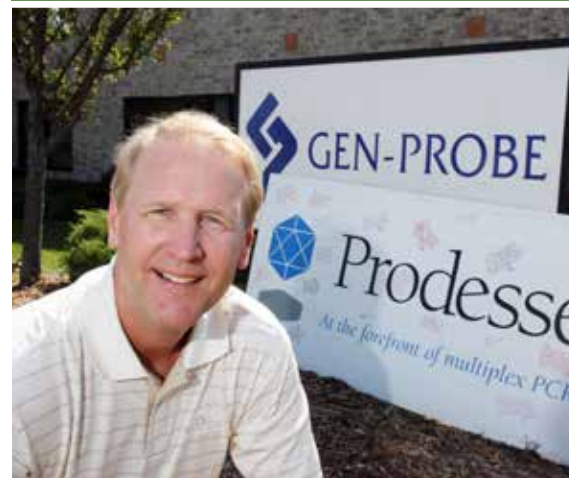
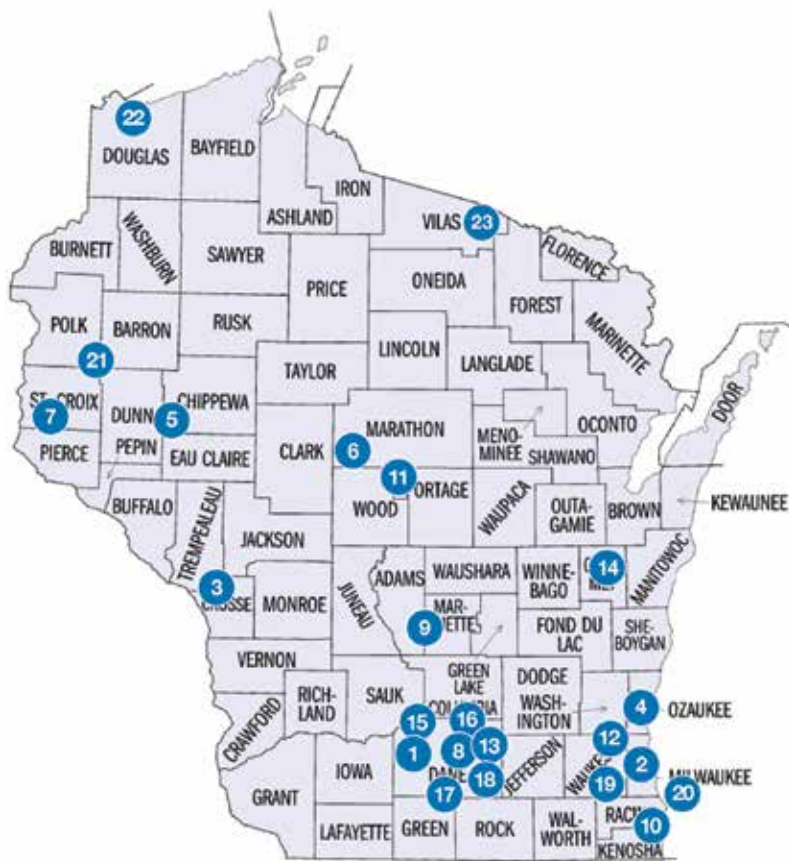
MRUN is an alliance of professionals dedicated to facilitating growth of university technology spinout companies through start-up formation. MRUN is built around the idea that regional cooperation in new business formation can foster commercialization of university research.

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

www.mrun.us

WISCONSIN ANGEL NETWORKS & FUNDS

WHY WISCONSIN



The rise and sale of Prodesse Inc. to **GEN-PROBE** of San Diego is a shining “how-to” example for Wisconsin entrepreneurs and investors working toward an exit. After 13 years and \$4.5 million of investments, the company was acquired for \$60 million and an additional \$27 million of incentives, \$10 million of which were quickly met. The company’s technology came from researchers at the Medical College of Wisconsin and in 2002 it received an initial investment of \$1.5 million by a group of angel investors. Further rounds of funding came from others, including the Marquette Golden Angels Network. Even after acquisition, the company’s high-paying jobs remain in Wisconsin and Prodesse’s investors are investing in more Wisconsin start-ups.

- | | |
|---|---------------------|
| 1. Wisconsin Investment Partners, LLC | Madison |
| 2. Silicon Pastures | Milwaukee |
| 3. Origin Investment Group, LLC | La Crosse |
| 4. Golden Angels Network | Milwaukee |
| 5. Chippewa Valley Angel Network | Eau Claire |
| 6. Marshfield Investment Partners, LLC | Marshfield |
| 7. St. Croix Valley Angel Network, Inc. | River Falls |
| 8. Phenomenelle Angels | Madison |
| 9. Undisclosed group | Madison |
| 10. Pennies from Heaven | Racine/Kenosha |
| 11. Central Wisconsin Business Angels | Portage/Wood Co. |
| 12. Women Angels | Milwaukee |
| 13. Kegonsa Capital Fund | Fitchburg |
| 14. NEW Capital Fund, LP | Northeast WI |
| 15. Badger Alumni Capital Network | Madison |
| 16. DaneVest Tech Fund I | Madison |
| 17. Continuum Investment Partners | Madison |
| 18. Capvest Venture Fund | Madison |
| 19. Capital Midwest Fund | Milwaukee |
| 20. Successful Entrepreneur Investors | Milwaukee |
| 21. New Richmond Angel Investment Network | New Richmond |
| 22. Lake Superior Angel Network | Lake Superior Vilas |
| 23. County Angels | Vilas county |

DFI - ensuring access to capital for Wisconsin's high-growth businesses

The decision to start a business is a major one—probably one of the most important you will ever make.

WE MAKE IT EASIER FOR YOU.

Partnering with Governor Doyle to Accelerate Wisconsin Businesses

Wisconsin Department of Financial Institutions stands ready to help you with fast, online access to . . .

- Creating your corporation or LLC quickly and easily
- Linking you to helpful sites, state resources and national resources through our Business Creation Resource Center

Innovate. Connect. Capitalize!

Proudly Supporting Wisconsin's Entrepreneurs and Angel Networks



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