



2008 Risk Capital Report

Joe Kremer, director

Wisconsin Angel Network (WAN) - Mission

*Fuel the growth of
entrepreneurial,
early-stage financing
throughout Wisconsin*



www.wisconsinangelnetwork.com



Wisconsin Angel Network

WAN is a public-private initiative rooted in Gov. Jim Doyle's Grow Wisconsin plan and the Legislature's Act 255 initiative.



www.wisconsinangelnetwork.com



Wisconsin Angel Network

Umbrella organization providing services and resources to the early-stage investing and entrepreneurial communities.

WAN does not manage a fund or direct investments.



www.wisconsinangelnetwork.com





*Division of the
Wisconsin
Technology
Council*

Funding and support:



and private sponsors



www.wisconsinangelnetwork.com



Wisconsin Angel Network

Providing resources to the early-stage investing community, including:

Deal-flow Pipeline – connecting investors and entrepreneurs

Network Formation – helping to organize and create networks

Education – expanding investors' and entrepreneurs' knowledge

Communications – increasing awareness of early-stage investing

Other Resources – *ePlan*, on-demand videos, templates, samples, reports, *eServices*



www.wisconsinangelnetwork.com



Wisconsin's Early-Stage Investment Scene

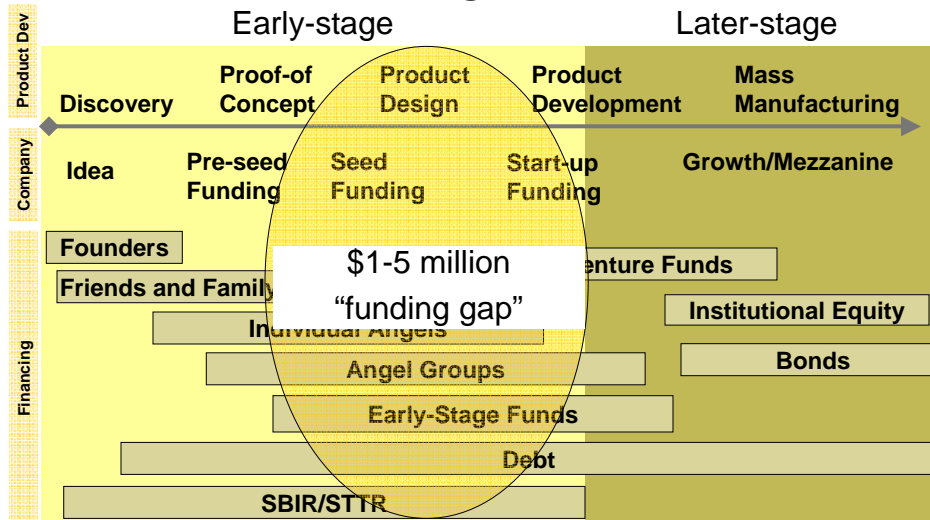
- Expanding
 - More investors becoming active
 - 6 networks in 2004 → 20 networks/funds in 2008
- More interest, national exposure
 - 2007 Early Stage Symposium attendance
 - 47 angel/venture capitalists from 5 states
 - 2008 Midwest Venture Summit
 - 30 investors, 10 groups met to discuss sharing deals
 - Midwest Co-investment Network
 - Launching Summer 2008
- Developing a better understanding of the market



www.wisconsinangelnetwork.com



Financing Sources



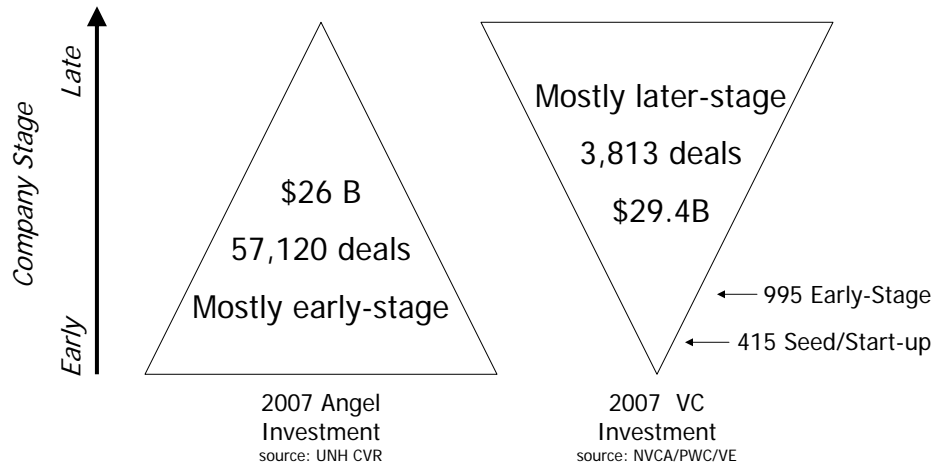
*Adapted from: Sue Preston and the Angel Capital Association



www.wisconsinangelnetwork.com



Angel and VC Markets are Complementary



www.wisconsinangelnetwork.com

*Adapted from John May, New Vantage Group www.newvantagegroup.com



Risk Capital Report: *areas covered*

- Early-stage capital market
 - Individual angels, angel networks, early-stage funds, and some early-stage venture funds
- Angel network and fund investing
 - Subset of the early-stage market
- Later-stage capital market
 - Venture Capital
- IPOs
- SBIR grants



www.wisconsinangelnetwork.com



Risk Capital Report: *highlights*

- \$147 million in early-stage investments
 - 43% increase over last year
- Angel network investing up 57%
 - Subset of the \$147 million
- Wisconsin's angel investing growth far exceeded national average
 - 1.8% estimated by UNH Center for Venture Research



www.wisconsinangelnetwork.com



Risk Capital Report: *highlights (cont.)*

- \$90 million in venture capital investment
 - An increase of \$17 million from 2006
- \$968 million raised through IPOs
 - Most activity in 10 years
- SBIR awards increased by 10%



www.wisconsinangelnetwork.com



Wisconsin Early-Stage Market 2007

- Data provided voluntarily by Wisconsin's top early-stage investment law firms
 - Receive aggregated data with total invested and total deals in industry sectors
 - Difficult to get complete data
 - Not all firms participated
 - Numbers are understated
- Most far reaching information available



www.wisconsinangelnetwork.com



Wisconsin Early-Stage Market 2007

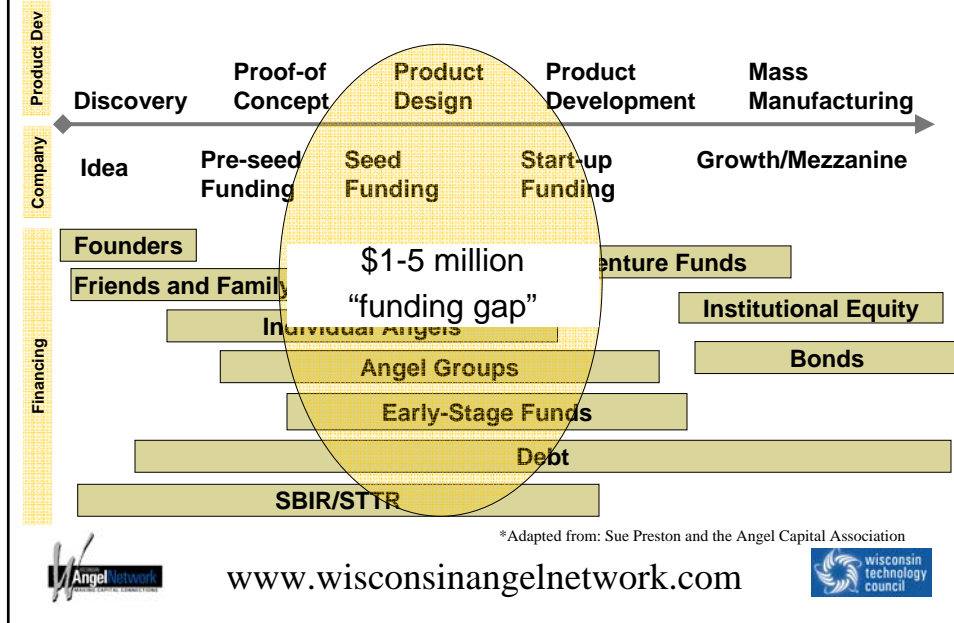
- Total investment tracked: \$147 million
 - Top industries
 - Life sciences, \$69 million, 13 deals, \$5 million average
 - Energy, \$50 million, 3 deals, \$17 million average
 - Average deal size \$4 million, however
 - Remove energy, average deal size \$3 million
 - Remove life sciences, average deal size is \$1.4 million
 - May signify Wisconsin's entrepreneurs are crossing the funding gap



www.wisconsinangelnetwork.com



Financing Sources



Wisconsin Early-Stage Market 2007

Industry	Amount Raised	Number of Deals
Life Sciences/Biotech	69,272,647	13
Energy	50,200,000	3
Information Technology	7,250,000	3
Medical Instruments	6,090,500	5
Manufacturing	5,310,000	4
Business Services	4,700,000	3
Consumer Services	3,641,000	3
Other	375,000	1
Telecommunications	145,000	1
Total	146,984,147	36



www.wisconsinangelnetwork.com



Angel Network and Fund Investing

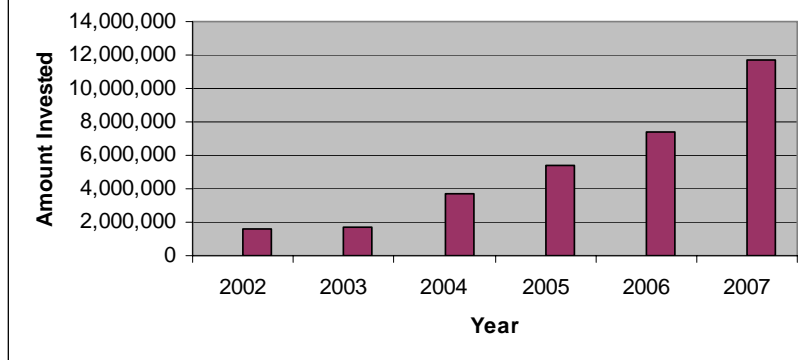
- Approximately 5-8% of total early-stage market
 - Angel groups are known
 - Reliable, complete data
 - Provides a check on total early-stage numbers
- \$11.6 million, up 57%
 - National average, 1.8%
- Average deal size: \$275,000
- Co-investing is increasing
 - Multiple angel networks invest in single deal
 - 42 deals reported, but represent fewer financing events



www.wisconsinangelnetwork.com



**Angel Network Investment Dollars in Wisconsin
(2002-2007)**



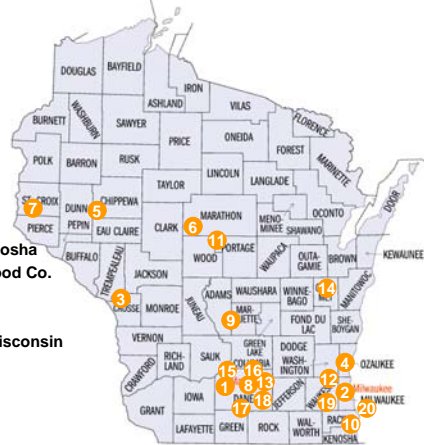
www.wisconsinangelnetwork.com



Wisconsin Angel Networks and Funds

- | | |
|------------------------------------------|---------------------|
| 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. Badger AgVest* | 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 Wisconsin |
| 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 |

* = WAN investor-member



*Adapted from Dave Ward, NorthStar Economics www.northstareconomics.com



www.wisconsinangelnetwork.com



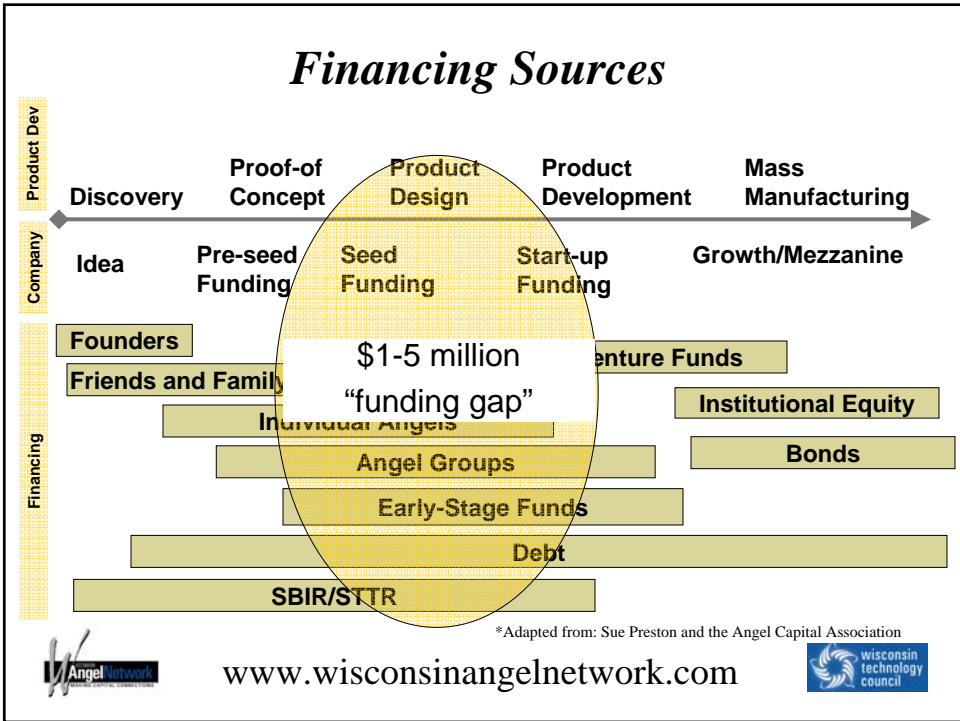
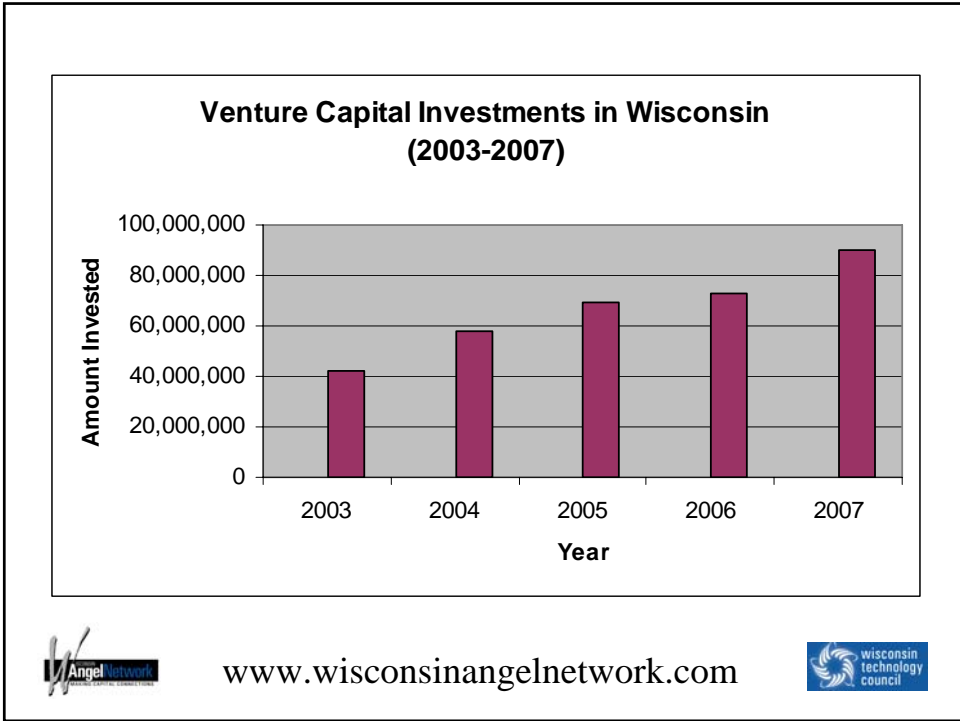
Venture Capital Investing

- \$90 million in 21 deals
- \$4 million average deal size
- Increased for the fifth consecutive year
- Venture Investors LLC of Madison
 - \$117 million fund dedicated to early-stage investments



www.wisconsinangelnetwork.com





SBIR funding

- \$33.7 million
- 84 awards
- 51 companies
- Increase of 10%

SBIR funding occurs at the very early-stages of technology development



www.wisconsinangelnetwork.com



Initial Public Offerings: IPO

- Occur when a business first offers stock to public investors
- Established private businesses going public for the first time
- New businesses that are creating an exit event for founders and shareholders



www.wisconsinangelnetwork.com



Initial Public Offerings: IPO

- \$968 million raised through IPO's
 - Most activity in 10 years
 - \$343 million by four companies
 - \$625 million raised by Metavante's IPO/spinout, market cap of \$2.5 billion



www.wisconsinangelnetwork.com



Risk Capital Report: conclusions

- Risk capital continues trend
 - Year-on-year increases
 - Angel network investing (past 6 years)
 - Venture capital (past 5 years)
 - IPO market best in 10 years
 - SBIR funding increased by 10%



www.wisconsinangelnetwork.com



Risk Capital Report: *conclusions (cont.)*

- Public and private partnerships working
- Statewide effort, many volunteers
- Professional service providers involved
 - Sponsorships
 - Free/reduced-fee consultation to start-ups
 - Attorneys' participation in tracking investments
- Parallel paths of developing entrepreneurs and the investment market



www.wisconsinangelnetwork.com



Risk Capital Report: *conclusions (cont.)*

Innovative organizations and programs

- Wisconsin Technology Council, 2001
 - Wisconsin Entrepreneurs' Conference, 2003
 - Wisconsin Early Stage Symposium, 2005
 - Wisconsin Angel Network, 2005
- Early-stage tax credits, 2005
- Wisconsin Entrepreneurs' Network, 2005
- Wisconsin Security Research Consortium, 2007



www.wisconsinangelnetwork.com



Risk Capital Report: *conclusions (cont.)*

- Wisconsin has made significant progress
 - Result of concerted efforts
- Must continue to innovate
 - Maintain funding for effective organizations and programs
- Expand and create tax incentives
 - Expand early-stage tax credits
 - Eliminate early-stage investment capital gains tax
 - No effect on state revenue until qualified investment is made
 - High-paying jobs created, offset decline in revenue
 - Revenue from new wage taxes collected before credits are claimed on annual income tax forms



www.wisconsinangelnetwork.com



Joe Kremer, director

jkremer@wisconsinangelnetwork.com

(608) 442-7557



www.wisconsinangelnetwork.com

