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State angel network investments rose 28 percent in '08; Doyle cites efforts to build on early stage foundation

ATLANTA— Bucking national trends, Wisconsin angel networks and funds posted a 28 percent increase in early stage investments in 2008, reaching more than \$15 million invested in 53 deals. Recently released data showed that angel investing was down 26 percent nationally for the same year compared to 2007.

A steady rise in Wisconsin angel network investing accelerated in 2005 with the passage of the state's investor tax credits law and the creation of the Wisconsin Angel Network. In 2002, the first year private angel investing was tracked in Wisconsin, there were 11 deals totaling \$1.6 million. In 2007, Wisconsin charted \$11.7 million in 42 angel network deals.

While Wisconsin's overall early stage investment market has followed the national trend, down 33 percent to \$98 million in 2008, the increase in angel network and fund investing demonstrates the success of Wisconsin's focus on building and retaining angel networks and funds.

Venture capital investments in Wisconsin – those later-stage investments made after early stage companies begin to grow – declined by 32 percent to \$76 million in 2008, again following the national trend of decreased venture investments.

“Wisconsin's angel networks and funds are finding good deals in Wisconsin, despite the economic downturn,” Gov. Jim Doyle said in announcing the survey results by WAN, which is managed by the Wisconsin Technology Council. “Wisconsin has a nationally admired strategy for building angel capital, and the state must now move to the next stage so good angel-backed companies can attract follow-on rounds of funding. This is why I've included in my budget funding for the Wisconsin Venture Fund, which will increase venture financing in Wisconsin.”

Doyle announced the survey results during the 2009 BIO international convention in Atlanta, Ga., which is being attended by a Wisconsin delegation that includes representatives of many early stage companies.

Doyle and the Wisconsin Legislature have worked together on initiatives to spur creation of so-called “risk capital” in Wisconsin, including investor tax credits, the formation of the WAN and the proposed Wisconsin Venture Fund to help facilitate deal flow, investor exchanges and network creation. Doyle and the Legislature expanded the investor tax credit law in February as part of an economic stimulus bill.

Angel investors are high net-worth individuals who invest in start-up ventures, sometimes alone and sometimes as members of a group. More than 250 angels in 28 groups are affiliated with WAN, which is a public-private program of the Wisconsin Technology Council.

“Wisconsin’s angel networks and funds are the backbone for our early stage market, dramatically increasing funding levels at a time when the entrepreneurial economy needs it the most,” said Joe Kremer, director of the Wisconsin Angel Network.

Surveyed for the report were Wisconsin angel groups and funds, as well as major law firms that handle deals for individual angels and others.

“Wisconsin’s angel network and funds have become an important foundation for of our early stage market, providing more investment capital when other sectors of the early stage investment market are decreasing funding levels,” said Mark Bugher, chairman of the Tech Council and director of University Research Park in Madison.

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