



# STATE OF WISCONSIN DEPARTMENT OF ADMINISTRATION

Tony Evers, Governor  
Joel Brennan, Secretary  
Brian Pahnke, Administrator

November 7, 2019

Mr. Patrick E. Fuller  
Senate Chief Clerk  
Room B20 Southeast  
State Capitol

Mr. Jeff Renk  
Assembly Chief Clerk  
17 W. Main Street, Room 401  
Madison, WI 53707

Dear Chief Clerks:

Pursuant to Section 16.295(7)(b), Wisconsin Statutes, please find attached the annual report for the Badger Fund of Funds ("Fund"). This annual report has been prepared by Sun Mountain Kegonsa, LLC, as Investment Manager for the Fund, and provides a summary of activities as of June 30, 2019.

The attached report highlights seven commitments made by the Fund to date, including but not limited to the following:

- Three funds held final closings as of the date of this report and are actively investing in Wisconsin start-up companies. Another three funds have received commitments and are in the process of raising private investment capital. An additional fund received a contingent commitment and is in the process of completing legal agreements.
- The three funds that held final closings have received aggregate commitments of \$16.6 million from the Fund. When combined with the required capital fundraising from other sources, approximately \$47.5 million is expected to be available for investment in Wisconsin-based start-up companies.
- The three funds that are actively investing have invested \$3.2 million into 15 different Wisconsin start-up companies as of June 30, 2019. The same 15 start-ups raised \$9.0 million from other sources, resulting in an investment multiplier of 2.8x.
- All Wisconsin start-up companies receiving investments are certified as Qualified New Business Ventures under §238.15, Wisconsin Statutes.

Please contact me at (608) 267-0374 or [david.erdman@wisconsin.gov](mailto:david.erdman@wisconsin.gov) with any questions regarding the attached annual report.

Sincerely,

David R. Erdman  
Capital Finance Director

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**To:** Limited Partners of Badger Fund of Funds I, L.P.

**Date:** October 28, 2019

**Re:** Badger Fund of Funds I Report for the Fiscal Year Ended June 30, 2019

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Dear Limited Partners,

We are pleased to provide you with this report on the progress achieved by the Badger Fund of Funds (the “Badger Fund”) during the fiscal year ended June 30, 2019 in accordance with Section 7(c)(iv) of the Limited Partnership Agreement of the Badger Fund. The annual financial statement audit for the fiscal year ended June 30, 2019 was completed by BDO USA, L.L.P., an independent accounting firm of certified public accountants. A copy of that report has been provided to the State of Wisconsin Department of Administration and is available upon request. Below please find an update on the Badger Fund’s operations, investment activity and investment due diligence work, along with other items required annually by 2013 Wisconsin Act 41 (“Act 41”).

### **Investment Activity**

The Badger Fund has made commitments to seven funds to date, including both seed stage funds as well as growth stage funds. Three funds have held final closings as of the date of this report and are actively investing. Another three funds are currently in the process of raising private investment capital. In addition to these six funds, one additional fund has received a contingent commitment and is in the process of completing legal agreements. No new fund commitments will be made. Additional detail on the seed and growth funds is provided below.

#### ***Seed Stage Funds***

Two seed stage funds have held final closings and are actively investing into companies: The Idea Fund of La Crosse and the Winnebago Seed Fund. Between March 31, 2019 and June 30, 2019, two new startup companies received funding from seed stage funds. Arbre Technologies received an investment from the Winnebago Seed Fund and Smart Care received an investment from the Idea Fund of La Crosse. Arbre Technologies focuses on asset management for tree nurseries and other green asset companies by combining state of the art software with innovative hardware solutions. Smart Care provides a business automation software for home healthcare providers.

The Bold Coast Capital Fund, Winnow Fund and Forward Capital Fund continue to actively raise private investment capital. The Badger Fund is actively working with fundraising funds to facilitate closings in the near future.

#### ***Growth Stage Funds***

One growth stage fund has held a final closing and is actively investing into companies: Rock River Capital Partners. Rock River Capital Partners has invested in two Wisconsin companies to date, Gravy Live and Pure Oxygen Labs.

One additional growth fund has received a contingent commitment and is currently in the process of finalizing its structure prior to beginning legal document preparation. Once the legal process has been completed, the commitment will be publicly disclosed.

For additional detail regarding funds that have closed on commitments to date, see Appendix A.

## Portfolio Reporting

Please find below reporting information related to investments in Badger Fund portfolio funds as well as investments made by portfolio funds into Wisconsin-based startup companies.

### Portfolio Funds

The table below summarizes the commitments made to portfolio funds which have held closings as of June 30, 2019, the amount of the Badger Fund commitment that has been funded as of June 30, 2019, and the amount that each fund has invested into Wisconsin-based startup companies.

| Badger Fund of Funds               |                      |                      |                     |                   |                                  |
|------------------------------------|----------------------|----------------------|---------------------|-------------------|----------------------------------|
| Portfolio Summary<br>as of 6/30/19 | Total<br>Fund Size   | BFF<br>Commitment    | Funded<br>To Date   | Percent<br>Funded | Invested<br>to Date <sup>1</sup> |
| <b>Seed Stage Funds</b>            |                      |                      |                     |                   |                                  |
| Idea Fund of La Crosse             | \$ 13,000,000        | \$ 5,200,000         | \$ 1,290,563        | 25%               | \$ 3,147,010                     |
| Winnebago Seed Fund                | \$ 11,000,000        | \$ 4,400,000         | \$ 1,549,478        | 35%               | \$ 3,445,000                     |
| <b>Total Seed Stage</b>            | <b>\$ 24,000,000</b> | <b>\$ 9,600,000</b>  | <b>\$ 2,840,041</b> | <b>30%</b>        | <b>\$ 6,592,010</b>              |
| <b>Growth Stage Funds</b>          |                      |                      |                     |                   |                                  |
| Rock River Capital Partners        | \$ 23,475,000        | \$ 7,000,000         | \$ 771,931          | 11%               | \$ 1,877,576                     |
| <b>Total Growth Stage</b>          | <b>\$ 23,475,000</b> | <b>\$ 7,000,000</b>  | <b>\$ 771,931</b>   | <b>11%</b>        | <b>\$ 1,877,576</b>              |
| <b>Badger Fund Total</b>           | <b>\$ 47,475,000</b> | <b>\$ 16,600,000</b> | <b>\$ 3,611,972</b> | <b>22%</b>        | <b>\$ 8,469,586</b>              |

<sup>1</sup> Invested to Date reflects the total amount invested by a portfolio fund in Wisconsin-based businesses including the Badger Fund commitment as well as private investors in the portfolio fund.

For additional information regarding the amount of capital invested, management fees drawn as of fiscal year-end and performance information related to each portfolio fund, please see Appendix B. Portfolio funds have a limited period of investment activity as of June 30, 2019. Given this limited activity, the internal rate of return for portfolio funds is disproportionately negative and does not reflect the fundamental performance of the portfolio funds. As the funds deploy more of their committed capital to making investments in startups with no further organizational and fundraising expenses, the internal rate of return for portfolio funds will better reflect their investment performance. As such, it is deemed as not meaningful and not reported. This is standard industry practice for fund of funds programs at a similar stage of capital deployment to the Badger Fund's current position.

### Portfolio Companies

The following table summarizes the company-level investment activity as of June 30, 2019, the amount attributable to the Badger Fund and the total capital raised by the companies to date:

| Badger Fund Investment Multiple Summary               |  | As Of 6/30/19        |
|---|--|----------------------|
| <b>Number of Active Portfolio Companies</b>           |  | 15                   |
| <b>Total Investment in Active Portfolio Companies</b> |  |                      |
| (A) Badger Fund Investment <sup>1</sup>               |  | \$ 3,196,678         |
| (B) Other Dollars Invested <sup>2</sup>               |  | \$ 8,954,567         |
| <b>Total Investment in Active Portfolio Companies</b> |  | <b>\$ 12,151,245</b> |
| <b>Investment Multiplier (B/A)</b>                    |  | <b>2.8x</b>          |

<sup>1</sup> Total amount of Badger Fund commitment invested by Portfolio Funds excluding private investment at the fund level

<sup>2</sup> Total amount of capital raised by companies excluding Portfolio Fund investment

In aggregate, for every \$1 invested by the Badger Fund, an additional \$2.8 from other investors has been invested in these Wisconsin-based companies. Investment activity consistently increased throughout the fiscal year ended June 30, 2019, and the Badger Fund anticipates this trend to continue as more funds hold closings and begin actively investing.

These company investments create high-skill, high-wage jobs for Wisconsin residents across the state. The table below summarizes the impact of Badger Fund portfolio companies in terms of employment and payroll:

| <b>Badger Fund Economic Development Summary</b>           |    | <i>As Of 6/30/19</i> |
|---|----|----------------------|
| <b>Total WI Employees as of June 30, 2019<sup>1</sup></b> |    | 102                  |
| <b>Total WI Employees as of June 30, 2018<sup>1</sup></b> |    | 17                   |
| <b>Increase in Headcount</b>                              |    | 85                   |
| <b>Total Quarterly WI Payroll</b>                         | \$ | 1,786,506            |
| <b>Average Employee Salary</b>                            | \$ | 70,059               |
| <b>Median WI Household Income<sup>2</sup></b>             | \$ | 56,759               |

<sup>1</sup>Data collected from Badger Fund portfolio funds

<sup>2</sup>United States Census Bureau, 2017

All of the companies receiving investments are considered Qualified New Business Ventures (QNBV) per Wisconsin Statutes and therefore are eligible for ACT 255 tax credits. The Badger Fund is encouraged by the investments that have been made to date by the seed and growth stage funds, and the level of private capital that has been attracted to these companies. The performance of portfolio fund companies has been promising at this early stage. The Badger Fund, however, is aware of potential future risks to the portfolio including the possibility of economic downturn.

For additional information regarding the companies which have received investment from Badger Fund portfolio funds to date, please see Appendix C.

For additional detail regarding company investments, please see Appendix D.

### **Capital Calls**

As of June 30, 2019, the Badger Fund had issued seven capital calls to Limited Partners. Subsequent to fiscal year end, an eighth capital call was issued to Limited Partners. The Badger Fund does not anticipate making an additional capital call prior to December 31, 2019.

### **Ecosystem Events**

The Badger Fund team hosted the fourth annual Badger Fund Manager Meet and Greet event as part of Forward Fest (a weeklong series of events profiling entrepreneurship in Wisconsin) on August 25. Attendance at this event has continued to increase since its inception, with attendees including portfolio fund managers, executives from portfolio fund portfolio companies, entrepreneurs, limited partners and other stakeholders in the ecosystem. The Badger Fund anticipates hosting this event again next year.

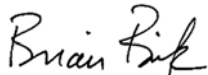
### Limited Partner Annual Meeting

The Badger Fund hosted its Annual Limited Partner Meeting on October 24, 2019 at StartingBlock in Madison, Wisconsin. Annual Limited Partner Meetings are expected to be hosted in different geographies each year based on the headquarter location of portfolio funds.

### Summary

In summary, the Badger Fund is encouraged by the activity that has occurred during the fiscal year. Portfolio fund managers continue to make investments in Wisconsin-based startup companies, and many companies have successfully raised external and follow on financing. We continue to support the fundraising abilities of the managers and remain optimistic about the prospects for these fund managers. If you have any questions or wish to discuss any aspect of this report, please do not hesitate to contact me or Ken Johnson.

Best Regards,



Brian Birk  
President  
Sun Mountain Kegonsa, LLC  
Investment Manager for the Badger Fund of Funds  
Brian@Sunmountaincapital.com



Kenneth U. Johnson  
Partner  
Sun Mountain Kegonsa, LLC  
Investment Manager for the Badger Fund of Funds  
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**Appendix A – Portfolio Fund Summaries**

***Seed Stage Funds***

| <u>Fund Name</u>  | <u>Summary</u>   |
|---|--|
| <p><b>Idea Fund of La Crosse</b><br/>102 Jay Street, Suite 400<br/>La Crosse, Wisconsin<br/><a href="http://ideafundvc.com">ideafundvc.com</a></p>                | <p><b>Idea Fund of La Crosse</b> focuses on seed stage startup companies in Western Wisconsin. The fund is based in La Crosse, Wisconsin. The fund is managed by Jonathon Horne, a La Crosse native with professional experience in the financial services industry.</p> |
| <p><b>Winnebago Seed Fund</b><br/>124 W. Wisconsin Ave, Suite 240F<br/>Neenah, Wisconsin<br/><a href="http://winnebagoseedfund.com">winnebagoseedfund.com</a></p> | <p><b>Winnebago Seed Fund</b> focuses on seed stage startup companies in the Fox Valley region. The fund is based in Neenah, Wisconsin. The fund is managed by David Trotter, a native of the Fox Valley with investment management experience.</p>                      |

***Growth Stage Funds***

| <u>Fund Name</u>  | <u>Summary</u>   |
|---|--|
| <p><b>Rock River Capital Partners</b><br/>821 East Washington Ave<br/>Madison, Wisconsin<br/><a href="http://rockrivercapital.com">rockrivercapital.com</a></p> | <p><b>Rock River Capital Partners</b> focuses on growth stage startup companies across Wisconsin. The fund is based in Madison, Wisconsin. The fund is managed by Andrew Walker and Christopher Eckstrom, Wisconsin natives. Andrew Walker has experience successfully managing startup companies. Christopher Eckstrom has experience in institutional investment management.</p> |

**Appendix B – Fund Investment Information**

| Badger Fund of Funds               |                      |                      |                     |                   |                                  |                                   |                            |
|------------------------------------|----------------------|----------------------|---------------------|-------------------|----------------------------------|-----------------------------------|----------------------------|
| Portfolio Summary<br>as of 6/30/19 | Total<br>Fund Size   | BFF<br>Commitment    | Funded<br>To Date   | Percent<br>Funded | Invested<br>to Date <sup>1</sup> | Mgmt Fees<br>to Date <sup>2</sup> | Internal Rate<br>of Return |
| <b>Seed Stage Funds</b>            |                      |                      |                     |                   |                                  |                                   |                            |
| Idea Fund of La Crosse             | \$ 13,000,000        | \$ 5,200,000         | \$ 1,290,563        | 25%               | \$ 3,147,010                     | \$ 243,189                        | Not Meaningful             |
| Winnebago Seed Fund                | \$ 11,000,000        | \$ 4,400,000         | \$ 1,549,478        | 35%               | \$ 3,445,000                     | \$ 183,333                        | Not Meaningful             |
| <b>Total Seed Stage</b>            | <b>\$ 24,000,000</b> | <b>\$ 9,600,000</b>  | <b>\$ 2,840,041</b> | <b>30%</b>        | <b>\$ 6,592,010</b>              | <b>\$ 426,522</b>                 |                            |
| <b>Growth Stage Funds</b>          |                      |                      |                     |                   |                                  |                                   |                            |
| Rock River Capital Partners        | \$ 23,475,000        | \$ 7,000,000         | \$ 771,931          | 11%               | \$ 1,877,576                     | \$ 88,666                         | Not Meaningful             |
| <b>Total Growth Stage</b>          | <b>\$ 23,475,000</b> | <b>\$ 7,000,000</b>  | <b>\$ 771,931</b>   | <b>11%</b>        | <b>\$ 1,877,576</b>              | <b>\$ 88,666</b>                  |                            |
| <b>Badger Fund Total</b>           | <b>\$ 47,475,000</b> | <b>\$ 16,600,000</b> | <b>\$ 3,611,972</b> | <b>22%</b>        | <b>\$ 8,469,586</b>              | <b>\$ 515,188</b>                 |                            |

<sup>1</sup>Invested to Date reflects the total amount invested by a portfolio fund in Wisconsin-based businesses including the Badger Fund commitment as well as private investors in the portfolio fund.

<sup>2</sup>Portion of fees paid to General Partner attributable to the Badger Fund for activities involved in the management of the fund.

**Note on Internal Rate of Return**

Per 2013 Wisconsin Act 41, the Badger Fund is required to disclose the average internal rate of return (IRR) for holdings in portfolio funds. Given this limited activity, the internal rate of return for portfolio funds is disproportionately negative and does not reflect the fundamental performance of the portfolio funds. As such, it is deemed as not meaningful and not reported. This is standard industry practice for fund of funds programs at a similar stage of capital deployment to the Badger Fund’s current position. Act 41 further requires that the IRR for company investments be reported for companies which have realized an exit. Given that no companies have realized an exit, there is no data to report for this item.

**Appendix C – Company Summaries**

| <u>Company Name</u>  | <u>Summary</u>   |
|--|--|
| <p><b>The 3<sup>rd</sup> Element</b><br/>124 W. Wisconsin Ave, Suite 240F<br/>Neenah, Wisconsin</p>        | <p><b>The 3<sup>rd</sup> Element</b> provides a training system to young athletes combining personality assessment and video-based training content to teach soft skills and develop leadership abilities.</p>                         |
| <p><b>Agrograph</b><br/>3830 Council Crest<br/>Madison, Wisconsin</p>                                      | <p><b>Agrograph</b> provides a platform that delivers accurate and timely information on crop yields, land sustainability, risk assessment and other agricultural information and field scale.</p>                                     |
| <p><b>American Provenance</b><br/>9873 Blue Valley Rd<br/>Mt. Horeb, Wisconsin</p>                         | <p><b>American Provenance</b> is a consumer products company which provides hand-crafted natural personal care and wellness products.</p>  |
| <p><b>Arbre Technologies</b><br/>PO Box 622<br/>Stevens Point, Wisconsin</p>                               | <p><b>Arbre Technologies</b> is focused on revolutionizing asset management for tree nurseries and other green asset companies via a state of the art software combined with innovative hardware applications.</p>                     |
| <p><b>Curate Solutions</b><br/>326 W. Gorham Street<br/>Madison, Wisconsin</p>                             | <p><b>Curate Solutions</b> provides a SaaS platform which combines web-scraping and artificial intelligence to scan public municipality meeting minutes and agendas to find upcoming projects for general contractors and vendors.</p> |
| <p><b>Gentueri</b><br/>7126 New Washburn Way<br/>Madison, Wisconsin</p>                                    | <p><b>Gentueri</b> provides innovate solutions for the collection, packaging, preservation and processing of biological samples.</p>   |
| <p><b>Gravy Live</b><br/>202 State St<br/>Madison, Wisconsin</p>   | <p><b>Gravy Live</b> is an e-commerce company focused on creating a unique online retail experience for consumers and marketers.</p>   |
| <p><b>Idea Fund Investment Company</b><br/>232 3<sup>rd</sup> St S. Suite 202<br/>La Crosse, Wisconsin</p> | <p><b>Idea Fund Investment Company</b> is focused on commercializing the SwallowSTRONG medical device, which treats the swallowing disorder dysphagia.</p>   |
| <p><b>Part Analytics</b><br/>N19 W24400 Riverwood Dr<br/>Waukesha, Wisconsin</p>                           | <p><b>Part Analytics</b> is focused on saving electronic OEMs money by providing actionable insights related to cost reduction and supply chain risk.</p>  |
| <p><b>Pure Oxygen Labs (URL Genius)</b><br/>8383 Greenway Blvd<br/>Madison, WI</p>                         | <p><b>Pure Oxygen Labs (URL Genius)</b> is a software company focused on marketing and advertising automation technology.</p>  |
| <p><b>Rebate Bus</b><br/>821 E. Washington Ave<br/>Madison, Wisconsin</p>                                  | <p><b>Rebate Bus</b> provides a platform for expediting the delivery of utility rebates and incentives.</p>  |



|  |   |
|--|---|
| <b>SciArt Software</b><br><i>505 S, Rosa Rd. Suite 225<br/>Madison, Wisconsin</i>    | <b>SciArt Software</b> provides optimization tools for Design Engineers which create designs based on engineering constraints.  |
| <b>Sift Medical Data</b><br><i>3268 N. Hacket Ave<br/>Milwaukee, Wisconsin</i>       | <b>Sift Medical Data</b> is a healthcare analytics platform that leverages data sources to reduce claims denials, increase patient collection rates and capture clinical insights for clients.                      |
| <b>Smart Care</b><br><i>312 S. Barstow St. Suite 2<br/>Eau Claire, Wisconsin</i>     | <b>Smart Care</b> provides a business automation software for home healthcare providers.  |
| <b>Socialeads</b><br><i>925 E. Wells Street, Suite 1123<br/>Milwaukee, Wisconsin</i> | <b>Socialeads</b> is an artificial intelligence (AI) platform that helps financial services companies and their advisors to automatically know the size, depth and value of their professional and social networks. |

**Appendix D – Company Investment Detail**

| <b>Badger Fund of Funds - Portfolio Funds</b> |  |   |                                 |                                       |                                 |  |
|---|--|---|---------------------------------|---------------------------------------|---------------------------------|--|
| <b>Company Investments<br/>as of 6/30/19</b>  | <b>Portfolio Fund<br/>Investment<sup>1</sup></b> | <b>Badger Fund<br/>Amount<sup>1</sup></b> | <b>Total Capital<br/>Raised</b> | <b>WI Employees<br/>At Investment</b> | <b>WI Employees<br/>Current</b> |  |
| Company A                                     | \$ 570,000                                       | \$ 228,000                                | \$ 1,313,750                    | 1                                     | 4                               |  |
| Company B                                     | \$ 400,000                                       | \$ 160,000                                | \$ 400,000                      | 2                                     | 4                               |  |
| Company C                                     | \$ 375,000                                       | \$ 150,000                                | \$ 500,000                      | 4                                     | 14                              |  |
| Company D                                     | \$ 667,010                                       | \$ 266,804                                | \$ 2,050,000                    | 3                                     | 10                              |  |
| Company E                                     | \$ 600,000                                       | \$ 240,000                                | \$ 750,000                      | 2                                     | 5                               |  |
| Company F                                     | \$ 500,000                                       | \$ 200,000                                | \$ 500,000                      | 3                                     | 5                               |  |
| Company G                                     | \$ 530,000                                       | \$ 212,000                                | \$ 662,579                      | 4                                     | 5                               |  |
| Company H                                     | \$ 500,000                                       | \$ 200,000                                | \$ 500,000                      | 1                                     | 3                               |  |
| Company I                                     | \$ 877,576                                       | \$ 261,684                                | \$ 1,800,000                    | 13                                    | 20                              |  |
| Company J                                     | \$ 500,000                                       | \$ 200,000                                | \$ 500,000                      | 9                                     | 15                              |  |
| Company K                                     | \$ 500,000                                       | \$ 200,000                                | \$ 624,916                      | 2                                     | 2                               |  |
| Company L                                     | \$ 450,000                                       | \$ 180,000                                | \$ 450,000                      | 0                                     | 0                               |  |
| Company M                                     | \$ 1,000,000                                     | \$ 298,190                                | \$ 1,000,000                    | 2                                     | 5                               |  |
| Company N                                     | \$ 500,000                                       | \$ 200,000                                | \$ 500,000                      | 2                                     | 5                               |  |
| Company O                                     | \$ 500,000                                       | \$ 200,000                                | \$ 600,000                      | 3                                     | 5                               |  |
| <b>Total</b>                                  | <b>\$ 8,469,586</b>                              | <b>\$ 3,196,678</b>                       | <b>\$ 12,151,245</b>            | <b>51</b>                             | <b>102</b>                      |  |

Note: Companies anonymized quarterly in reporting of investment and employment data to protect confidential company information.

<sup>1</sup>The Portfolio Fund Investment Amount is inclusive of the Badger Fund Amount. The Badger Fund Amount represents the portion of a portfolio fund's investment that is attributable to the Badger Fund's commitment to that fund.