

May 27, 2016

Dear Limited Partners:

**Badger Fund of Funds I Quarterly Report for the period ended on March 31, 2016**

In accordance with Section 7(c)(i) – Report to Partners, of the Limited Partnership Agreement of the Badger Fund of Funds I, L.P. (the “Badger Fund” or the “Fund”), and pursuant to provisions in Section 16.285 (7), Wisconsin Statutes, Sun Mountain Kegonsa, LLC (“SMK” or the “General Partner”) will provide a report within 60 days after the end of each of the first three fiscal quarters. Such report will include financial statements as well as summary descriptions of Portfolio Investments, Portfolio Companies, and Eligible Businesses.

The Badger Fund of Funds I completed its initial closing on June 3, 2015. As of the fiscal quarter ended on March 31, 2016 there has been no capital drawn from Limited Partners. Below please find an update on the Fund’s fundraising and investment due diligence work to date.

**Investment Activity**

Beginning in 2015, The Badger Fund has been actively working with a number of potential fund managers and are in various stages of discussion and due diligence. Of the three groups in the first cohort of fund manager candidates to undergo the training and due diligence process, two received a commitment from the Badger Fund contingent on their ability to raise private capital. These funds include the Idea Fund of La Crosse and the Winnebago Seed Fund. The Idea Fund will be based in La Crosse, with an investment focus on Western Wisconsin. The Idea Fund will be managed by Jonathon Horne, a La Crosse native with professional experience in the financial services industry, most recently at JP Morgan Investment Banking in New York. The Winnebago Seed Fund will be based in Neenah, with an investment focus on the Fox Valley region. The Winnebago Seed Fund will be managed by David Trotter, a Fox Valley native with investment management experience in Wisconsin. These funds are currently in the final stages of negotiation with the Badger Fund related to investment terms and preparation of their fund legal and other offering documents. Once this process has been completed, the fund managers will focus their efforts on raising private capital for their funds. The third group is still in discussions with the Badger Fund team however the initial fund manager candidate is no longer being considered for the role.

The second cohort of fund manager candidates is comprised of three individuals who are currently participating in the fund manager training sessions. This group will also spend three full days training as a group with the Sun Mountain Kegonsa team in June. We expect the training and due diligence process to be completed and an Investment Committee vote on this group at the end of June or in early July. This cohort represents diverse geographies across the State.

**Private Capital Fund Raising Activity**

The Fund has been actively raising additional private capital after its initial closing on June 3, 2015. Following the close of the quarter, the Fund secured additional capital commitments from new Limited Partners. These commitments bring the total amount of private investment capital to \$7.3 million. The focus of fundraising activity continues to be securing several institutional investors. The Badger Fund team intends to cease targeting new investors after June 3, 2016 per the Limited Partnership Agreement.

### **Line of Credit**

As no capital has been called from Limited Partners to date, the Fund continues to draw funds from a line of credit. The line of credit will be used throughout the life of the Fund to more efficiently manage the Fund's cash flow and decrease the number of cash calls from investors. To date, the Fund has drawn capital from the line of credit to pay management fees, organization costs and other partnership expenses. Note that SMK has only used the line of credit to pay out of pocket expenses.

### **First Capital Call**

We expect to send out an initial capital call to our investors in July 2016 as the Badger Fund has committed to invest in two of the funds described in the Investment Activity section above.

In accordance with the Fund Limited Partnership Agreement, SMK has the right to include in capital calls expected expenses and SMK management fees three months in advance. To enhance Limited Partner return, at this time, SMK will not include any future Fund expenses and management fees in this capital call but will use the Fund line of credit.

### **Portfolio Reporting Requirements**

Given that the Badger Fund of Funds has only made commitments and not made any portfolio investments as of March 31, 2016, there are no items to report for the categories articulated in the Fund's Limited Partnership Agreement and the Wisconsin Statutes:

- Portfolio fund information, including name and location of fund, amount invested, fees paid, financial performance such as IRR, and other required information;
- Underlying business information, including name and location of business, description of the business, Portfolio funds invested in the business, employment information, and other required information.

In summary, the quarter ended March 31, 2016 has been very active in fundraising, investment diligence and capital investment activity. We remain enthusiastic about the prospects for the Fund as capital begins to be deployed to launch funds in multiple geographies across the State. The first commitments from the Badger Fund have been made and the second cohort of Badger Fund portfolio fund managers has been making promising progress.



If you have any questions or wish to discuss any aspect of this report, please do not hesitate to contact either myself or Ken Johnson.

Best Regards,

A handwritten signature in black ink that reads "Brian Birk".

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

A handwritten signature in black ink that reads "Ken U. Johnson".

Kenneth U. Johnson  
Partner  
Sun Mountain Kegonsa, LLC  
Investment Manager for the Badger Fund of Funds