



STATE OF WISCONSIN DEPARTMENT OF ADMINISTRATION

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

November 9, 2020

Mr. Jeff Renk
Senate Chief Clerk
Room B20 Southeast
State Capitol

Mr. Patrick Fuller
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, 2020.

The attached report highlights 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 two funds have received commitments and are in the process of raising private investment capital. After the period covered by this annual report, one of these two held a close on sufficient capital commitments and is expected to begin investing by the end of calendar year 2020.
- The three funds that held final closings have received aggregate commitments of \$16.6 million from the Fund as of June 30, 2020. When combined with the required capital fundraising from other sources, approximately \$47.5 million is expected to be available through these three funds for investment in Wisconsin-based start-up companies.
- The three funds that are actively investing have invested \$5.4 million into 22 different Wisconsin start-up companies as of June 30, 2020. The same 22 start-ups raised an additional \$19.7 million from other sources, resulting in an investment multiplier of 3.7x.

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

Sincerely,

David R. Erdman
Capital Finance Director

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

Date: October 28, 2020

Re: Badger Fund of Funds I Report for the Fiscal Year Ended June 30, 2020

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, 2020 in accordance with Section 7(c)(iv) of the Limited Partnership Agreement of the Badger Fund. This report includes the attached audited financial statements with an opinion from an independent accounting firm of certified public accountants, BDO USA LLP. 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. Following the end of the fiscal year, one fund held its initial close and a second fund is still in the midst of fundraising. For a third fund which had received a contingent commitment, the fund’s sponsors could not agree to terms with the Badger Fund, ceased legal negotiation and will not be part of the Badger Fund portfolio. During the fiscal year, the Bold Coast Capital fund ceased fundraising and wound down due to fundraising challenges in the target geography. As a result, the Badger Fund’s commitment to Bold Coast was redeployed across existing portfolio funds. All existing funds were offered an increased commitment up to the amount permitted under Act 41. Three portfolio funds accepted an increased commitment from the Badger Fund and no new fund commitments were 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, 2020 and June 30, 2020, two new startup companies received funding from seed stage funds. AirDeck received funding from the Winnebago Seed Fund and Quiver Quantitative received funding from the Idea Fund of La Crosse. AirDeck provides an innovative solution for presenters to be able to create voice-based presentations. Quiver Quantitative provides an alternative data platform for retail investors. In total, five new companies received funding from seed stage funds during the fiscal year.

Subsequent to the period covered by this annual report, the Winnow Fund held a close on sufficient capital commitments to begin investing by year end. This development was especially encouraging given the challenges and uncertainty to fundraising posed by COVID-19 restrictions. Also, more recently in October, the Forward Capital Fund rebranded as the Gateway Fund with the addition of Managing Partner Dana Guthrie. The Gateway Fund will retain the Forward Capital Fund focus on Milwaukee as the target geography, but will shift the investment focus from spinouts and manufacturing opportunities to the Money for Minnows strategy of being the first investor in pre-revenue startup companies.

Growth Stage Funds

Rock River Capital Partners closed on an additional commitment of \$3 million from the Badger Fund during the quarter to provide more capital for new investments and supporting promising portfolio companies. This commitment is effective as of July 1, 2020 and will be reflected on future reports. Between March 31, 2020 and June 30, 2020, Rock River Capital Partners made investments in one company, SMARTCare, an existing portfolio company of the Idea Fund of La Crosse. Subsequent to fiscal yearend, Rock River Capital Partners made an investment in Sift Medical Data, an existing portfolio company of the Winnebago Seed Fund. This is encouraging for the Badger Fund as it illustrates the benefits of having capital available at the seed and growth stage for Wisconsin-based startups. In total, seven new companies received funding from seed stage funds during the fiscal year. In total, two new companies received funding from Rock River Capital Partners funds during the fiscal year.

One additional growth fund had received a contingent commitment from the Badger Fund and was in the process of finalizing its structure prior to beginning legal document preparation. After additional discussions with the prospective fund manager, it was mutually determined that this fund would not be a fit for the Badger Fund requirements related to compliance with Act 41.

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, 2020, the amount of the Badger Fund commitment that has been funded as of June 30, 2020, and the amount that each fund has invested into Wisconsin-based startup companies.

Badger Fund of Funds					
Portfolio Summary	Total	BFF	Funded	Percent	Invested
as of 6/30/20	Fund Size	Commitment	To Date	Funded	to Date ¹
Seed Stage Funds					
Idea Fund of La Crosse	\$ 13,000,000	\$ 5,200,000	\$ 2,110,254	41%	\$ 5,066,132
Winnebago Seed Fund	\$ 11,000,000	\$ 4,400,000	\$ 2,297,478	52%	\$ 5,454,991
Total Seed Stage	\$ 24,000,000	\$ 9,600,000	\$ 4,407,732	46%	\$ 10,521,123
Growth Stage Funds					
Rock River Capital Partners ²	\$ 23,475,000	\$ 7,000,000	\$ 1,518,039	22%	\$ 3,883,576
Total Growth Stage	\$ 23,475,000	\$ 7,000,000	\$ 1,518,039	22%	\$ 3,883,576
Badger Fund Total	\$ 47,475,000	\$ 16,600,000	\$ 5,925,771	36%	\$ 14,404,699

¹ 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.

² Prior to 6/30/20, the Badger Fund committed an additional \$3 million to Rock River Capital Partners. This commitment is effective as of 7/1/20 and will be reflected on future reports.

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 Companies

The following table summarizes the company-level investment activity as of June 30, 2020, the amount attributable to the Badger Fund and the total capital raised by the companies to date:

Badger Fund Investment Multiple Summary		As Of 6/30/20
Number of Active Portfolio Companies		22
Total Investment in Active Portfolio Companies		
(A)	Badger Fund Investment ¹	\$ 5,366,491
(B)	Other Dollars Invested ²	\$ 19,688,841
Total Investment in Active Portfolio Companies		\$ 25,055,332
Investment Multiplier (B/A)		3.7x

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

²Total amount of capital raised by companies excluding Portfolio Fund investment

In aggregate, for every \$1 invested by the Badger Fund, an additional \$3.7 from other investors has been invested in these Wisconsin-based companies. Investment activity consistently increased throughout the fiscal year ended June 30, 2020. With the additional commitment to Rock River Capital Partners and the closing of the Winnow Fund, the Badger Fund anticipates this trend to continue.

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:

Badger Fund Economic Development Summary		As Of 6/30/20
Total WI Employees as of June 30, 2020¹		159
Total WI Employees as of June 30, 2019¹		102
Increase in Headcount		57
Total Quarterly WI Payroll		\$ 2,576,142
Average Employee Salary		\$ 64,809
Median WI Household Income²		\$ 56,759

¹Data collected from Badger Fund portfolio funds

²United States Census Bureau, 2017

All but two of the companies receiving investment are considered Qualified New Business Ventures (QNBV) per Wisconsin Statutes and therefore are eligible for 2003 Act 255 tax credits.

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, 2020, the Badger Fund had issued eight capital calls to Limited Partners. Subsequent to fiscal year end, the ninth capital call was issued to Limited Partners. The Badger Fund does not anticipate making an additional capital call prior to December 31, 2020.

COVID-19 Impact

COVID-19 had a broad impact across the portfolio resulting in some reductions in headcount and spending by portfolio companies. No portfolio companies have gone out of business, and operations are slowly beginning to increase as companies navigate the business landscape under COVID-19. Despite this, numerous companies were able to raise follow in financing in 2020. The Badger Fund remains optimistic about the prospects of the portfolio and the ability of companies and fundraising portfolio funds to raise capital.

Ecosystem Events

Due to COVID-19, unfortunately the Badger Fund was unable to host its annual Badger Fund Manager Meet and Greet as part of Forward Fest (a weeklong series of events profiling entrepreneurship in Wisconsin). Ken Johnson participated in Forward Fest, hosting a webinar on venture capital investment featuring Badger Fund portfolio fund managers and company executives. The Badger Fund looks forward to being able to host the Badger Fund Manager Meet and Greet in 2021.

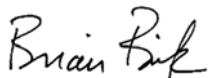
Limited Partner Annual Meeting

The Badger Fund hosted its Annual Limited Partner Meeting on October 13, 2020. The meeting was hosted digitally as an in-person meeting was infeasible. The Badger Fund anticipates the 2021 Annual Limited Partner Meeting to be held in person.

Summary

The second half of the fiscal year was tumultuous for the world and the venture capital asset class. The Badger Fund is encouraged by the proactive response to this challenge of the portfolio fund managers. Portfolio fund managers continue to make investments in Wisconsin-based startup companies, and companies have continued to raise funding for growth and expansion. The close of the Winnow Fund also signifies a milestone for the Badger Fund, especially in light of the challenging market for fundraising. We are optimistic about the ability of the Gateway Fund to raise capital in Milwaukee as the final Badger Fund portfolio fund. 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,

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

Brian Birk
President
Sun Mountain Kegonsa, LLC

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

Kenneth U. Johnson
Partner
Sun Mountain Kegonsa, LLC

Appendix A – Portfolio Fund Summaries

Seed Stage Funds

<u>Fund Name</u>	<u>Summary</u>
<p>Idea Fund of La Crosse 102 Jay Street, Suite 400 La Crosse, Wisconsin ideafundvc.com</p>	<p>Idea Fund of La Crosse 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>Winnebago Seed Fund 124 W. Wisconsin Ave, Suite 240F Neenah, Wisconsin winnebagoseedfund.com</p>	<p>Winnebago Seed Fund 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>Rock River Capital Partners 821 East Washington Ave Madison, Wisconsin rockrivercapital.com</p>	<p>Rock River Capital Partners 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 as of 6/30/20	Total Fund Size	BFF Commitment	Funded To Date	Percent Funded	Invested to Date ¹	Mgmt Fees to Date ²	Internal Rate of Return ³
Seed Stage Funds							
Idea Fund of La Crosse	\$ 13,000,000	\$ 5,200,000	\$ 2,110,254	41%	\$ 5,066,132	\$ 347,189	-
Winnebago Seed Fund	\$ 11,000,000	\$ 4,400,000	\$ 2,297,478	52%	\$ 5,454,991	\$ 271,333	-
Total Seed Stage	\$ 24,000,000	\$ 9,600,000	\$ 4,407,732	46%	\$ 10,521,123	\$ 618,522	
Growth Stage Funds							
Rock River Capital Partners ⁴	\$ 23,475,000	\$ 7,000,000	\$ 1,518,039	22%	\$ 3,883,576	\$ 238,417	-
Total Growth Stage	\$ 23,475,000	\$ 7,000,000	\$ 1,518,039	22%	\$ 3,883,576	\$ 238,417	
Badger Fund Total	\$ 47,475,000	\$ 16,600,000	\$ 5,925,771	36%	\$ 14,404,699	\$ 856,939	

¹ 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.

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

³ Per Act 41, the Badger Fund is required to disclose the average internal rate of return (IRR) for holdings in portfolio funds. Based on the limited operating activity and low percentage of capital called to date, the IRR for the Badger Fund portfolio funds is considered not meaningful. It is industry practice not to treat IRR as meaningful until there have been at least four full years of operations.

⁴ Prior to 6/30/20, the Badger Fund committed an additional \$3 million to Rock River Capital Partners. This commitment is effective as of 7/1/20 and will be reflected on future reports.

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. Portfolio funds have a limited period of investment activity as of June 30, 2020. 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 more capital is deployed into investments by these funds, and investments begin to mature, the IRR becomes more representative of the performance of the fund.

This issue, known as the “J-curve” effect, is widely recognized in the industry and by institutional investors¹. Institutional investors have adopted policies regarding disclosure of IRR for funds when they are considered not meaningful. The California Public Employees Retirement System (CalPERS) begins disclosing a fund’s IRR four years after the fund’s final close. Based on this, the Badger Fund has implemented the same policy. As such, IRR for funds less than four years old is deemed as not meaningful and not reported.

No portfolio funds have four years of investment history as of fiscal yearend. Badger Fund portfolio funds Idea Fund of La Crosse and Winnebago Seed Fund will meet this threshold as of the next annual report.

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.

¹ <https://news.crunchbase.com/news/inside-the-ups-and-downs-of-the-vc-j-curve/#:~:text=In%20practice%2C%20it%20means%20that,first%20several%20years%20of%20existence.&text=This%20is%20a%20well%2Dknown,life%20of%20a%20VC%20fund>

Appendix C – Company Summaries

<u>Company Name</u>	<u>Summary</u>
<p>The 3rd Element 124 W. Wisconsin Ave, Suite 240F Neenah, Wisconsin</p>	<p>The 3rd Element 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>Agrograph 3830 Council Crest Madison, Wisconsin</p>	<p>Agrograph 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>AiQ Solutions 8025 Excelsior Dr Madison, WI</p>	<p>AiQ Solutions is a software company focused on tracking cancerous tumors. The company's software is based on technology from the Wisconsin Alumni Research Foundation (WARF).</p>
<p>AirDeck 7 Paget Rd, Madison, Wisconsin</p>	<p>AirDeck is a document/presentation platform that provides innovative voice-based solutions for presenters.</p>
<p>American Provenance 9873 Blue Valley Rd Mt. Horeb, Wisconsin</p>	<p>American Provenance is a consumer products company which provides hand-crafted natural personal care and wellness products.</p>
<p>Arbre Technologies PO Box 622 Stevens Point, Wisconsin</p>	<p>Arbre Technologies 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>Backtrack Video 1935 Stonebridge Rd West Bend, WI</p>	<p>Backtrack Video provides a platform to connect buyers and sellers of videos related to accidents, incidents and crime.</p>
<p>Curate Solutions 326 W. Gorham Street Madison, Wisconsin</p>	<p>Curate Solutions 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>Gentueri 7126 New Washburn Way Madison, Wisconsin</p>	<p>Gentueri provides innovate solutions for the collection, packaging, preservation and processing of biological samples.</p>
<p>Part Analytics N19 W24400 Riverwood Dr Waukesha, Wisconsin</p>	<p>Part Analytics is focused on saving electronic OEMs money by providing actionable insights related to cost reduction and supply chain risk.</p>
<p>Pure Oxygen Labs (URL Genius) 8383 Greenway Blvd Madison, WI</p>	<p>Pure Oxygen Labs (URL Genius) is a software company focused on marketing and advertising automation technology.</p>

<p>Quiver Quantitative 408 W Lesson St Spring Green, WI</p>	<p>Quiver Quantitative provides a free, alternative data platform designed for retail investors.</p>
<p>Reach Works 1201 N. Main St Viroqua, WI</p>	<p>Reach Works is a specialty beverage concept company.</p>
<p>Ready Set Technologies 860 O Keefe Rd De Pere, WI</p>	<p>Ready Set Technologies provides a retail platform to provide strategic technological and aesthetic expertise to retailers.</p>
<p>Rebate Bus 821 E. Washington Ave Madison, Wisconsin</p>	<p>Rebate Bus provides a platform for expediting the delivery of utility rebates and incentives.</p>
<p>SciArt Software 505 S, Rosa Rd. Suite 225 Madison, Wisconsin</p>	<p>SciArt Software provides optimization tools for Design Engineers which create designs based on engineering constraints.</p>
<p>Sift Medical Data 3268 N. Hacket Ave Milwaukee, Wisconsin</p>	<p>Sift Medical Data is a healthcare analytics platform that leverages data sources to reduce claims denials, increase patient collection rates and capture clinical insights for clients.</p>
<p>Smart Care 312 S. Barstow St. Suite 2 Eau Claire, Wisconsin</p>	<p>Smart Care provides a business automation software for home healthcare providers.</p>
<p>Socialeads 925 E. Wells Street, Suite 1123 Milwaukee, Wisconsin</p>	<p>Socialeads 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.</p>
<p>Spin Live (fka Gravy Live) 202 State St, Suite 200 Madison, WI</p>	<p>Spin Live is an e-commerce company focused on creating a unique online retail experience for consumers and marketers.</p>
<p>Swallow Therapeutics 232 3rd St S. Suite 202 La Crosse, WI</p>	<p>Swallow Therapeutics is focused on commercializing the SwallowSTRONG medical device, which treats the swallowing disorder dysphagia.</p>
<p>Tixora 1001 University Ave, Suite 805 Madison, WI</p>	<p>Tixora provides a mobile application for the collection of municipal public transit fares and transit tracking.</p>

Appendix D – Company Investment Detail

Badger Fund of Funds - Portfolio Funds						
Company Investments as of 6/30/20	Portfolio Fund Investment¹	Badger Fund Amount¹	Total Capital Raised	WI Employees At Investment	WI Employees Current	
Company A	\$ 100,000	\$ 40,000	\$ 100,000	0	2	
Company B	\$ 667,009	\$ 266,804	\$ 2,050,000	3	17	
Company C	\$ 500,000	\$ 200,000	\$ 1,500,000	6	13	
Company D	\$ 575,000	\$ 230,000	\$ 625,000	2	2	
Company E	\$ 400,000	\$ 160,000	\$ 400,000	2	1	
Company F	\$ 249,993	\$ 99,997	\$ 500,000	1	3	
Company G	\$ 390,001	\$ 156,000	\$ 600,000	4	8	
Company H	\$ 500,000	\$ 200,000	\$ 500,000	3	8	
Company I	\$ 804,123	\$ 321,649	\$ 956,500	4	3	
Company J	\$ 500,000	\$ 200,000	\$ 502,276	0	1	
Company K	\$ 799,998	\$ 319,999	\$ 1,750,000	2	4	
Company L	\$ 624,999	\$ 250,000	\$ 750,000	1	39	
Company M	\$ 600,000	\$ 240,000	\$ 600,000	9	9	
Company N	\$ 1,000,000	\$ 298,190	\$ 3,000,000	8	10	
Company O	\$ 1,000,000	\$ 298,190	\$ 1,000,000	2	8	
Company P	\$ 500,000	\$ 200,000	\$ 600,000	3	3	
Company Q	\$ 400,000	\$ 119,276	\$ 500,000	1	1	
Company R	\$ 1,170,000	\$ 432,366	\$ 1,250,000	2	7	
Company S	\$ 600,000	\$ 240,000	\$ 609,000	1	1	
Company T	\$ 790,000	\$ 316,000	\$ 2,313,800	1	6	
Company U	\$ 500,000	\$ 200,000	\$ 500,000	1	2	
Company V	\$ 1,733,576	\$ 578,021	\$ 4,448,756	13	11	
Total	\$ 14,404,699	\$ 5,366,491	\$ 25,055,332	69	159	

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

¹The 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.