

February 29, 2016

Dear Limited Partners:

### **Badger Fund of Funds I Quarterly Report for the period ended on December 31, 2015**

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 “Fund”), and pursuant to provisions in Section 16.285 (7), Wisconsin Statutes, Sun Mountain Kegonsa, L.L.C. (the “General Partner”) shall provide a report within 60 days after the end of each of the first three Fiscal Quarters of each Fiscal Year. Such report shall 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. At the quarter ended on December 31, 2015 there have been no investments made nor capital drawn from Limited Partners. Below please find an update on the Fund’s fundraising and investment due diligence work thus far.

#### **Summary**

We are pleased to report that the Badger Fund is making solid progress in rolling out the Badger Fund of Funds. The Fund held its first closing on June 3, 2015, and has successfully raised additional private investment capital subsequent to the first closing. The Badger Fund of Funds team continues to work with a number of candidate fund managers across the State and currently has three candidates going through our training program and who are in the final stage of our due diligence process. In addition, we have identified two new candidate fund managers who are in the early stages of our diligence process. In the fourth quarter, the Fund established a line of credit and we had our first draw on the line. Below is a summary on what the Badger Fund of Funds I has accomplished in the quarter.

#### **Private Capital Fund Raising Activity**

The Fund has been actively raising additional private capital after its initial closing on June 3. In the quarter, the Fund was successful in obtaining several additional commitments from individual investors. The Fund subsequently held a second closing in February of 2016 bringing the total amount of private investment capital to \$6.8 million. In the fourth quarter, our focus has been shifting from individual investors to institutional investors. Initial feedback from institutional investors has been that the ACT 41 restrictions placed on the Badger Fund are perceived as increasing the risk of a Badger Fund investment vs. investing in other venture capital funds or other kinds of investments.

The Fund expects additional commitments will be received from private as well as institutional investors between now and the Fund’s final close in 2016.

#### **Investment Activity**

To date, we have begun actively engaging a number of potential fund managers and are in various stages of discussion and due diligence. Three groups have been progressing through our due diligence process. These fund managers have gone through six individual training sessions and in addition, spent three full days training as a group with the Sun Mountain Kegonsa team. The group has also successfully completed the initial stages of our due diligence process and are working through the final stages as this letter is written. We expect the process to be completed and an Investment Committee vote on this group at the end of March or in early April. This cohort represents funds in La Crosse, Fox Valley and Madison.

In addition to this group, two other potential fund manager candidates, located in Vilas County and Milwaukee County, have been identified and successfully completed our initial screening process. The training and next stage of due diligence for these two potential fund managers commenced in the first quarter of 2016. Finally, we are in various stages of discussion with several other potential fund manager candidates in different locations across the State. These candidates have met with and been reviewed by both Badger Fund of Fund investor groups as well as by the Badger Fund of Funds team independently. While it is still early, it appears that there are a number of well qualified candidates in the pipeline.

### **Line of Credit**

During the fourth quarter, the Fund established a line of credit with Silicon Valley Bank. 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. An initial draw was made in November of 2015. The initial draw amount was used to pay management fees, organization costs and other partnership expenses.

### **First Capital Call**

We expect to send out an initial capital call to our investors in April of 2016 if the Badger Fund commits to invest in one or more of the funds described in the Investment Activity section above.

### **Portfolio Reporting Requirements**

Given that the Badger Fund of Funds has not made any portfolio investments as of December 31, 2015, 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.

### **Conclusion**

In closing, the quarter ended December 31, 2015 has been very active in both fundraising and investment diligence efforts. We remain enthusiastic about the prospects for fiscal year 2016 as the Fund begins to deploy capital and helps to launch funds in multiple geographies across the State. The first cohort of Badger Fund portfolio fund managers has been making promising progress and we expect to have our first investment commitments completed in April of 2016.

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,



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



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