



Sowing seeds for state's growth

Venture Center could draw dollars, attention

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Posted: Feb. 10, 2007

Buried in the budget proposal Gov. Jim Doyle will present to the Legislature Tuesday night is a relatively small \$2 million funding item for a new Wisconsin Venture Center.

But if implemented well, say Doyle and his supporters, such an organization has potential to help boost the amount of venture capital coming into the state and the number of well-prepared, high-growth companies competing for it.

"This will be a public-private partnership that will be significantly staffed, and its goal will be to put the great new companies in Wisconsin together with venture capital from all around the country," Doyle said in an interview.

Under Doyle's plan, the state would provide \$700,000 of funding for the center in fiscal 2007-'08, and an additional \$300,000 if it could be matched with private funding. The next year, the state would provide \$500,000 and ante up another \$500,000 if it were matched.

Doyle is proposing that the venture center be a separate, non-profit corporation with a 14-member board that would hire an executive director. Initially, the center's focus would be on building relationships with financiers, with the aim of linking them up with business opportunities in economic areas that the governor is trying to build, such as bio-industry, biotechnology, nanotechnology, information technology and business services.

Wisconsin companies raised about \$60 million of venture capital in 2006, less than 1% of the nearly \$26 billion pulled in by all U.S. companies. Venture capital is an important indicator of economic potential because it often funds the fastest-growing companies with the most potential to create jobs and increase tax receipts.

A venture center could help develop a bigger group of better-prepared companies, said Dan Broderick, a managing director at Mason Wells, a Milwaukee private-equity firm.

"If it's adequately staffed and adequately funded, it could do a lot of good," Broderick said.

Doyle says he hopes the new venture center will build on the success of the Act 255 tax credits the state began offering in 2005, which have helped spur investing in early-stage Wisconsin companies.

Wisconsin had 18 angel networks that were actively investing in 2006, compared with eight in 2005, said Lorrie Keating Heinemann, secretary of the state Department of Financial Institutions.

A venture center is probably a step in the right direction, said Walter H. Plosila, vice president of the technology partnership practice at Battelle, a Columbus, Ohio, consulting and laboratory management company.

"But the question I still have is, do you have enough intermediate capital between angels and formal venture capital to scale up the start-up companies to where the national venture companies would be interested?" Plosila asked.

Most states have a financing gap for companies looking to raise from \$500,000 to \$2 million - an amount big venture firms don't like to go below, he said.

Some of that gap may be filled by angel investors here, who are syndicating among themselves to do bigger deals and pushing for the state to increase the maximum amount of Act 255 tax credits any one company can use to \$2 million from \$1 million, Heinemann said.

A Madison biotech company, ConjuGon Inc., said in December it raised \$3.3 million of angel funding, one of the largest angel financing rounds ever in the state, according to Wisconsin Technology Council President Tom Still.

The venture center was proposed by the Department of Financial Institutions and is modeled on Cleveland's BioEnterprise, which says it accelerated the growth of more than 50 companies by helping to arrange more than \$300 million of investments since 2002.

Like BioEnterprise, Wisconsin's venture center would be measured on one factor: the amount of capital raised by companies it assists.

There are skeptics. Wisconsin doesn't need another economic development entity, and the \$2 million would go further in the form of more Act 255 tax credits, said state Sen. Ted Kanavas (R-Brookfield). An audit in August said the state's 152 economic development programs are not adequately tracked, often overlap and have included situations in which businesses that were awarded grants later laid off employees.

"Why not consolidate the existing economic development programs and focus in key areas?" Kanavas said. "We'd probably get more bang, truthfully, from expanding the angel tax credit program rather than creating this quasi-governmental marketing arm."

From the Feb. 11, 2007 editions of the Milwaukee Journal Sentinel