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### *Wisconsin Growth Capital Coalition and Thrive support investor tax credit expansion in state stimulus*

MADISON – A coalition assembled to improve Wisconsin’s existing investor tax credits law applauded Gov. Jim Doyle’s February 11 announcement of plans to expand and refine the four-year-old program.

Members of the Wisconsin Growth Capital Coalition have suggested specific improvements in Wisconsin’s investor tax credits law to encourage angel and venture capitalists to invest in qualified early stage deals. Gov. Doyle and legislative leaders announced Wednesday that improvements in the program are included in a proposed stimulus bill.

“These changes will take a proven program to the next level of impact. They will increase investment in high-tech industries and emerging growth companies that will create 21<sup>st</sup>-century jobs. It will help our most promising companies stay competitive in the capital quest,” said Cheryl Gain, Director of Biotech Initiatives at Thrive, the economic development enterprise serving the eight-county Madison Region and a founding member of the coalition.

Wisconsin’s investor tax credits law, sometimes known as the Act 255 tax credit law, has been cited as a national model – but improvements were suggested by the coalition and other business groups. With 25 percent credits spread over two years, the Act 255 investor tax credit program has helped to nearly *triple* early stage investments by angel investors and venture capitalists in Wisconsin companies.

In 2007, early stage investments in Wisconsin reached \$147 million, according to a report by the Wisconsin Angel Network, which found the dollars spread over scores of deals in high-growth businesses ranging from advanced manufacturing to biotechnology to information technology.

The changes proposed in the stimulus package would expand credits available to angel investors to \$18.25 million for angel investors and \$18.75 million for venture investors, essentially tripling the current aggregate total of \$11.5 million per year. The credits will be transferable by investors



within certain parameters set by the state and could be applied against premium and franchise taxes paid by insurance companies.

Eligibility requirements will be refined to better define what constitutes a “qualified new business venture” under state Department of Commerce rules, and aggregate caps on investors and entrepreneurs will be modified to allow greater flexibility.

“Thrive actively supported these reforms which improve access to investment capital for high potential firms in the eight-county Madison Region and Wisconsin,” noted John Biondi, Thrive Board chair and President and CEO of C5-6 Technologies, a green technology company that has used the tax credit program to successfully attract investors. “The expansion of the eligibility language broadens the number and types of businesses that can benefit from these incentives. Both the expansion of the incentives and the expansion of the companies eligible will help us grow companies that create family-sustaining jobs.”

Members of the coalition believe improvements in Wisconsin’s investor tax credits law will continue the recent growth of the state’s high-growth, early stage sector and better position companies in that sector to attract investment from investors within and outside Wisconsin.

“Raising the investment caps and increasing the pools of tax credits to incent investment will benefit Wisconsin’s biotechnology industry,” affirmed Trevor Twose, CEO of biotechnology company Mithridion and Thrive board member. “Young biotech companies have a need for risk capital from angel and venture capital firms during an extended R&D stage. A shortage of capital puts Wisconsin companies at a competitive disadvantage in the marketplace.” The eight-county Madison Region has been cited as one of the top five emerging hot spots for bioscience internationally, with 10% of the nation’s biotechnology company housed in the region.

The Wisconsin Growth Capital Coalition includes about 30 organizations. Statewide business and technology groups are Competitive Wisconsin Inc., the Wisconsin Alumni Research Foundation, the Wisconsin Angel Network, BioForward (formerly the Wisconsin Biotechnology and Medical Device Association), the Wisconsin Innovation Network (six chapters); WiSys Technology Foundation and the Wisconsin Technology Council.

Regional economic development enterprises and alliances are: Centergy (three-county region in central Wisconsin); Milwaukee 7 (seven-county region in southeast Wisconsin); Momentum West (10-county region in western Wisconsin) New North (18-county region in northeast Wisconsin); Thrive (eight-county region surrounding Madison) and United St. Croix Valley (two-county region in western Wisconsin).

Entrepreneurial assistance organizations and research parks include BizStarts Milwaukee, The Council for Innovation in the Fox Valley; and University Research Park in Madison. Individual angel networks and funds include Capitol Midwest Fund, Central Wisconsin Business Angels, DaneVest Tech Fund 1, Marquette Golden Angels, NEW Capital Fund, Origin Investment Group, Peak Ridge Capital, Phenomenelle Angels Fund, Silicon Pastures, Successful Entrepreneur Investors, Venture Investors LLC and Wisconsin Investment Partners.

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