EARLY-STAGE BUSINESS INVESTMENT PROGRAM

SUPPORTING INVESTMENT IN WISCONSIN'S YOUNG COMPANIES

Wisconsin's **Early-Stage Business Investment Program** and **Qualified New Business Venture (QNBV) Program** work together to spur investment in early-stage Wisconsin businesses with the potential for significant economic impact and job growth. The programs are as simple as they are effective, creating mutually beneficial outcomes for investors, businesses and Wisconsin's economy.

HOW IT WORKS

Early-stage businesses developing innovative products, processes or services may be designated as QNBVs. Investments in QNBVs made by angel investors, angel investment networks and qualified venture capital funds are eligible through the Early-Stage Business Investment Program to receive a tax credit equal to 25 percent of the amount of the equity investment.

QNBV CERTIFICATION

To achieve QNBV certification, companies must meet the following criteria, among others:

- Headquartered in Wisconsin
- At least 51 percent of employees based in the state
- Have fewer than 100 employees
- In operation for 10 consecutive years or less
- Offer significant potential for increasing jobs or increasing capital investment in Wisconsin
- Have not received aggregate private equity investment in cash of more than $10 million

With a focus on technological advancements, QNBV certification does not apply to companies primarily engaged in real estate development, insurance, banking, lending, lobbying, political consulting, professional services, wholesale or retail trade, leisure, hospitality, transportation or construction (except the

TAKING ADVANTAGE OF WISCONSIN'S EARLY-STAGE BUSINESS INVESTMENT AND QNBV PROGRAMS

For more information about investment opportunities available through the Early-Stage Business Investment Program or achieving QNBV certification, contact a Wisconsin Economic Development Corporation (WEDC) Technology Investment Manager:

Chris Schiffner
Tel. 608.210.6826
email: chris.schiffner@wedc.org

Joey Frayne
Tel. 608.210.6871
email: joey.frayne@wedc.org

Juan Gomez
Tel. 608.210.6853
email: juan.gomez@wedc.org

For QNBV certification, you should be prepared to submit an up-to-date business plan or executive summary.

construction of power production plants that derive energy from a renewable resource).

CLAIMING EARLY-STAGE BUSINESS INVESTMENT CREDITS*

Businesses can receive up to a total of $8 million in tax-eligible cash equity investment (for up to $2 million in tax credits for the investors). There is no limit on the amount of credits investors can claim.

- A business must be certified as a QNBV by WEDC prior to the initial investment in order to be eligible for investment tax credits.
- A venture fund must be certified as a Qualified Venture Fund (QVF) by WEDC prior to the initial investment in order to be eligible for investment tax credits.**
- Angel investors are required to be accredited/sophisticated investors and must submit documentation to WEDC following the investment.
- The investment is considered complete upon deposit of the investment into the QNBV bank account and execution of the appropriate investment documents.

Investments must be:

- Clearly identifiable as being cash investments
- In the form of common stock, preferred stock, partnership or membership interest, or equivalent ownership interest
- Cash exchanged for debt or simple agreement for future equity (SAFE) is not eligible unless the debt is later converted into equivalent ownership interest.
- Investments made by a QVF with principal offices based outside of this state must be made side by side with equity investors based in Wisconsin with a minimum participation by state investors as determined by WEDC.

The following will not qualify for tax credits:

- 401(k), IRA, Roth IRA or similar tax-deferred or tax-advantaged accounts are not eligible investment vehicles for the angel tax credit programs.
- Investor cannot control or cannot be closely related (spouse, grandparent, parent, sibling, child, stepchild, grandchild) to someone who controls more than 20 percent of the ownership interest in the company at the time of the investment.
- Corporations, operating business entities, non-profit companies or foundations will not qualify under the angel tax credit but may be eligible if investments are made in a QVF.

*The Wisconsin Economic Development Corporation (WEDC) does not endorse the quality of management or the potential for earnings for the certified Qualified New Business Venture. Furthermore, the Qualified New Business Venture's use of the phrase "certified" and/or "qualified new business venture" is not a recommendation or endorsement of the investment or the company by WEDC.

**Certification of a fund by the WEDC is not an endorsement of the quality of management of that fund. The WEDC is not liable for damages or losses to an investor.