

WISCONSIN AND THE NEW ECONOMY



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Founder & President

February 10, 2006





NORTHSTAR ECONOMICS, INC.

BACKGROUND INFORMATION

- Founded in May of 2000
- Private, for profit, economic consulting group
- New Economy focus
- Midwestern / Heartland focus
- Located in University Research Park in Madison
- Publish *NorthStar Guide to Growth and Venture Capital* for Wisconsin companies
- Service areas include:
 - Economic impact and feasibility studies
 - Strategic / regional / rural economic development
 - Forensic analysis and testimony
 - Angel Investing
 - Education Services

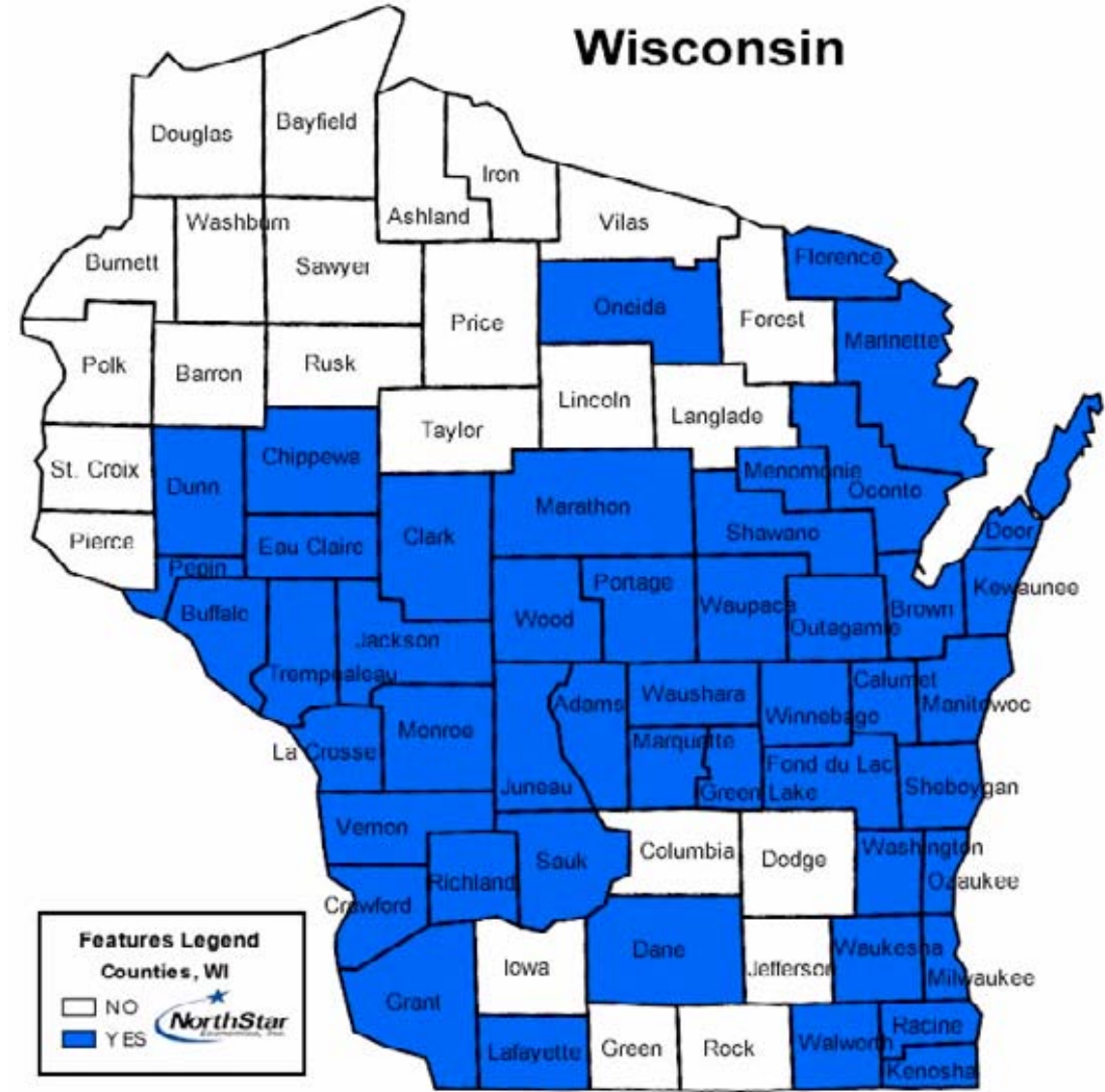


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NORTHSTAR ECONOMICS, INC.

CONTRACTS OR PROJECTS BY COUNTY



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● THE NEW ECONOMY

KEY TRENDS, DRIVERS, AND INDICATORS

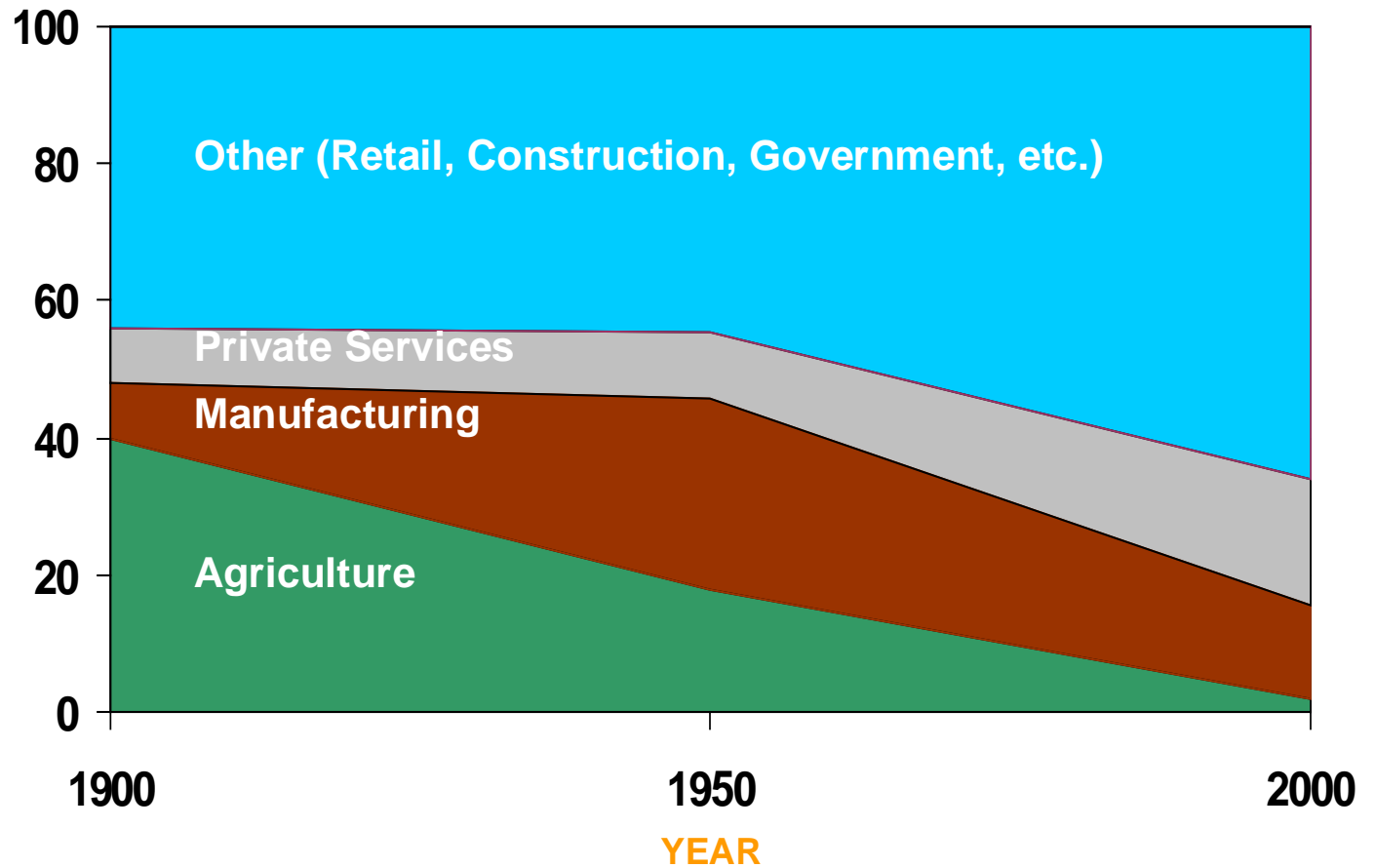
**The economic structure
of the U.S. is changing.**





U.S. SECTOR EMPLOYMENT TRENDS

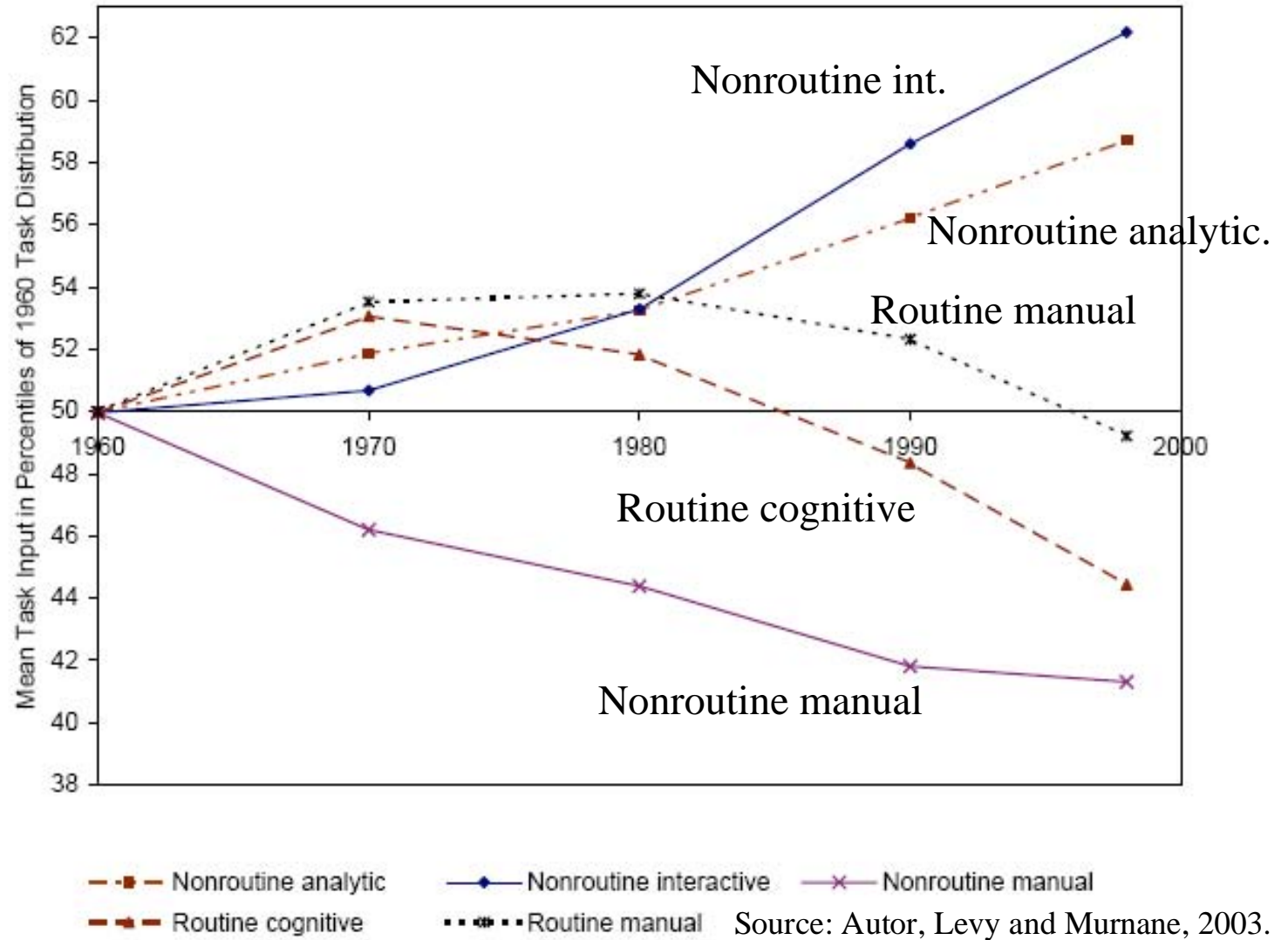
(% SHARE)



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CHANGES IN SKILLS USED AT WORK BASED ON DOT



Source: K-12 Education and Economic Summit presentation by Alan B. Krueger, Princeton University



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EVOLUTION OF ECONOMIC PROSPERITY

- **19th Century –**
 - **Bigger and Better Farms**
- **20th Century –**
 - **Bigger and Better Factories**
- **21st Century –**
 - **Bigger and Better Ideas**



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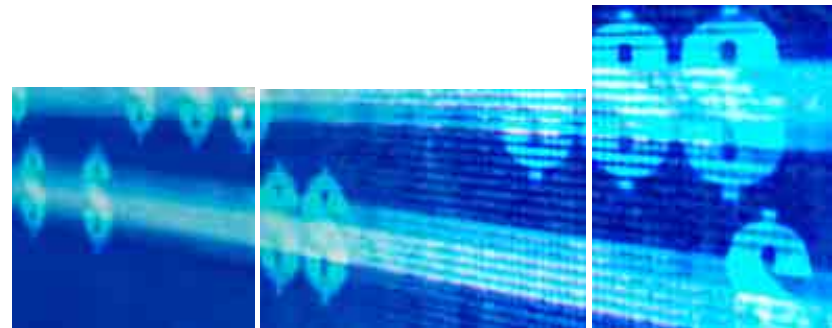


NEW ECONOMIC DRIVERS

- Brain Power
- Technology
- Venture Capital and High-Tech Startups
- Research and Development
- Quality of Life



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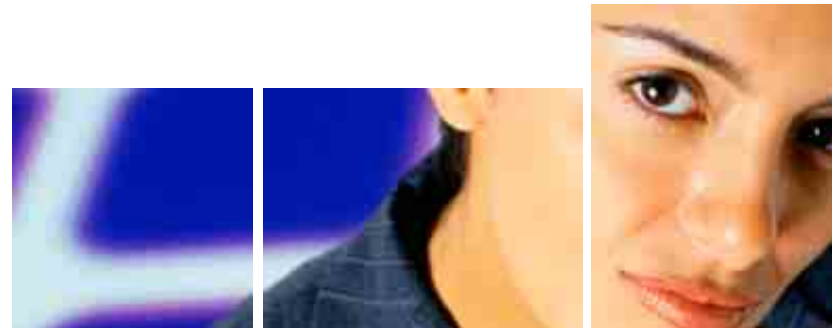


THE NEW ECONOMIC EQUATION IN A KNOWLEDGE-BASED ECONOMY

**BRAIN
POWER = EARNING
POWER**



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THE EARNINGS GAP HAS WIDENED REAL \$ TERMS

Education	Income (Dollars)		Difference (High School vs. Other Degree)	
	1978	2003	1978	2003
High School	\$22,856	\$27,915	n/a	n/a
Bachelors	\$35,539	\$51,206	\$12,683	\$23,291
Masters	\$46,885	\$74,602	\$24,029	\$46,687

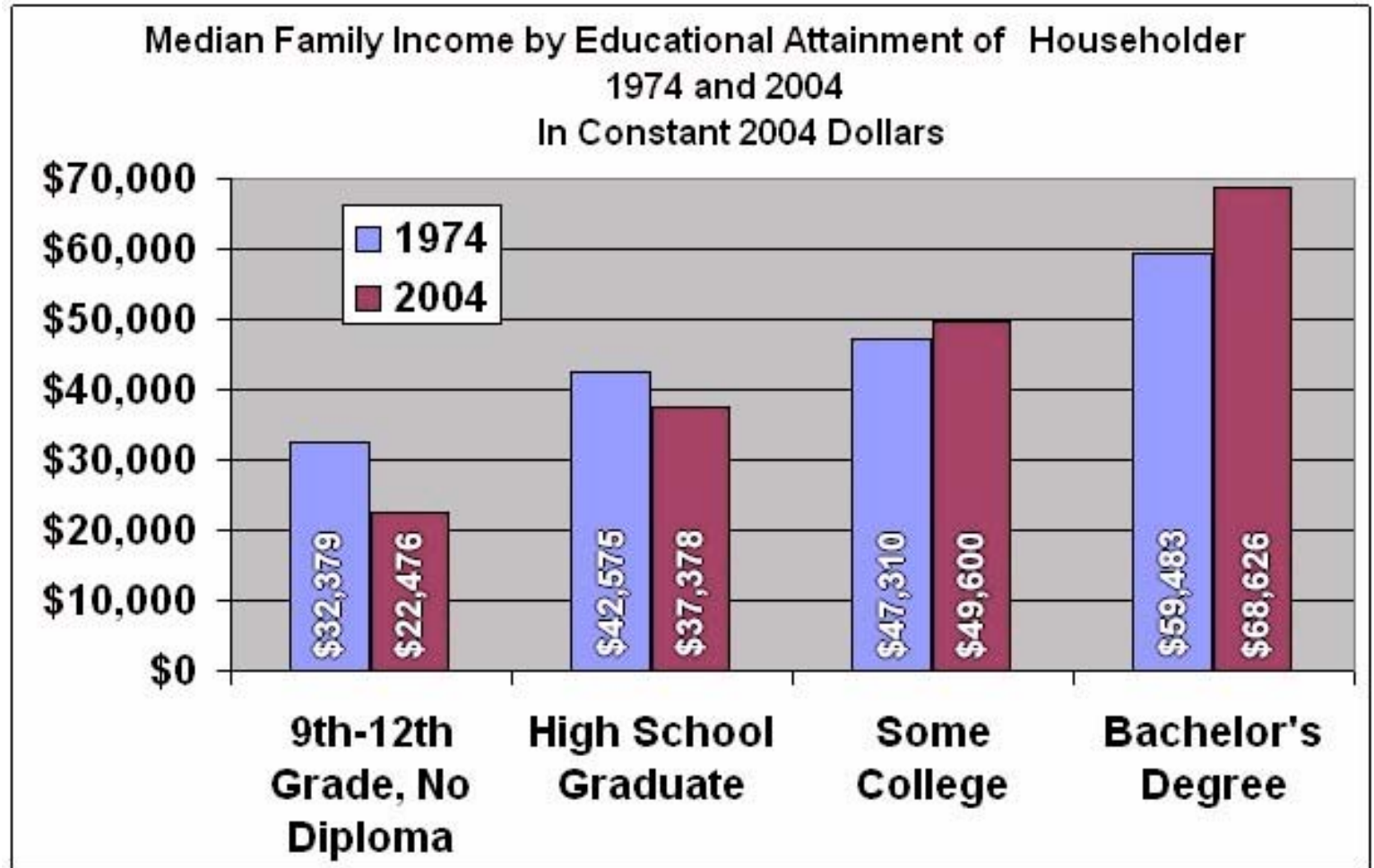


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— = 2003 Dollars
Source: US Census Bureau



MEDIAN FAMILY INCOME BY EDUCATIONAL ATTAINMENT



Source: U.S. Census Bureau



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POPULATION WITH 4-YEAR DEGREE AGE 25 OR OLDER

2004	State Rank	Population %
Minnesota	10	32.5
U.S. Average	n/a	27.7
Illinois	19	27.4
Wisconsin	25	25.6
Michigan	37	24.4
Iowa	38	24.3

— Source: U.S. Bureau of the Census, 2005



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PER CAPITA INCOME

2004	Income	Rank
Minnesota	\$ 35,861	10
Illinois	\$ 34,351	15
United States	\$ 32,937	n/a
Wisconsin	\$ 32,157	22
Michigan	\$ 31,954	23
Iowa	\$ 30,560	32

— Source: U.S. Department of Commerce, Bureau of Economic Analysis



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VENTURE CAPITAL DISBURSEMENTS

	2002	2003	2004	2005
United States	\$21.7 Billion (3,057 Deals)	\$19.6 Billion (2,865 Deals)	\$21.6 Billion (2,966 Deals)	\$21.7 Billion (2,939 Deals)
Minnesota	\$378 Million (57 Deals)	\$222 Million (60 Deals)	\$353 Million (50 Deals)	\$228 Million (44 Deals)
Wisconsin	\$49 Million (12 Deals)	\$42 Million (11 Deals)	\$58 Million (11 Deals)	\$69 Million (12 Deals)



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— Source: Pricewaterhouse Coopers / Venture Economics / National Venture Capital Association Money Tree Survey



IS WISCONSIN (MIDWEST) BECOMING MORE COMPETITIVE?

- Regional Economic Planning and Action
- Angel Investing
- Research and Technology Transfer
- Logistics
- Old Economy Transformations



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Hence Michigan income growth lags....

Per Capita
 Income (2001)
 and Per Capita
 Income Growth
 (1969-2001)

Below Avg. Per Capita
 Income Growth (1969-2001)

Pennsylvania
Oklahoma
 Utah
Wisconsin
 Missouri
 Rhode Island
 Oregon
 Idaho
 Arizona
Indiana
Iowa
Montana

Above Avg. Per Capita Income (2001)

Washington
New York
Illinois
 California
 Delaware
 Alaska

District of Columbia
 Massachusetts
 Colorado
 Connecticut
 Virginia
 New Hampshire

New Jersey
Minnesota
Maryland

Above Avg. Per Capita
 Income Growth (1969-2001)

Below Avg. Per Capita Income (2001)

Ohio
Michigan
 Nevada
 Hawaii

Georgia
Tennessee
 North Carolina
 Alabama
 Mississippi
 South Dakota
 South Carolina
 Arkansas
 Maine
 Texas
 Vermont
Wyoming

Louisiana
 Kentucky
 North Dakota
 West Virginia
 New Mexico
 Nebraska
 Kansas
 Florida



WISCONSIN MAKES THE HONOR ROLL

2006 development report card for the states honor roll

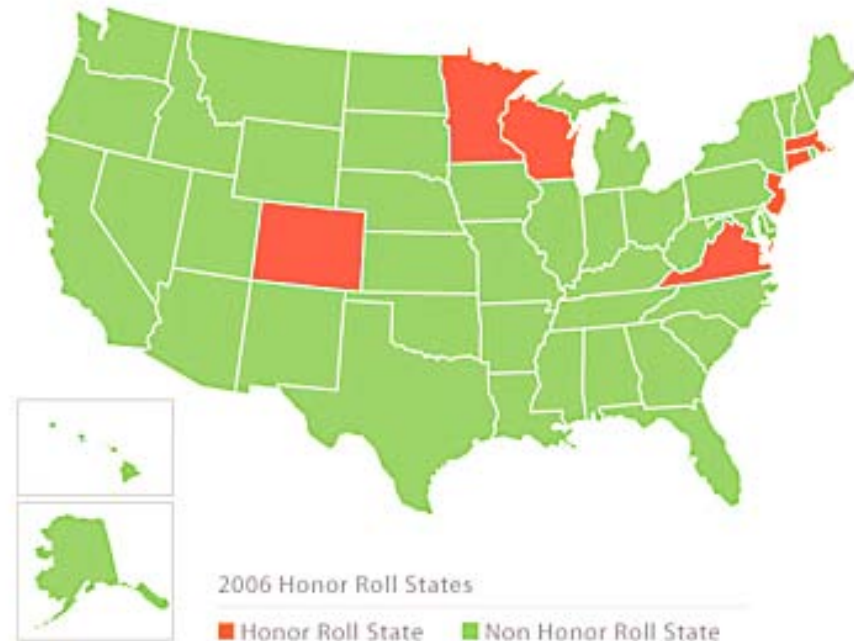
The Development Report Card (DRC) compares how states perform relative to each other, rather than to an absolute standard. The honor roll recognizes those states that earn all As and Bs in the report card's three graded indexes: performance, business vitality, and development capacity.

Earning all As is:

- Massachusetts
- Minnesota

Earning As and Bs are:

- Colorado
- Connecticut
- New Jersey
- Virginia
- Wisconsin



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REGIONAL ECONOMIC DEVELOPMENT IN WISCONSIN



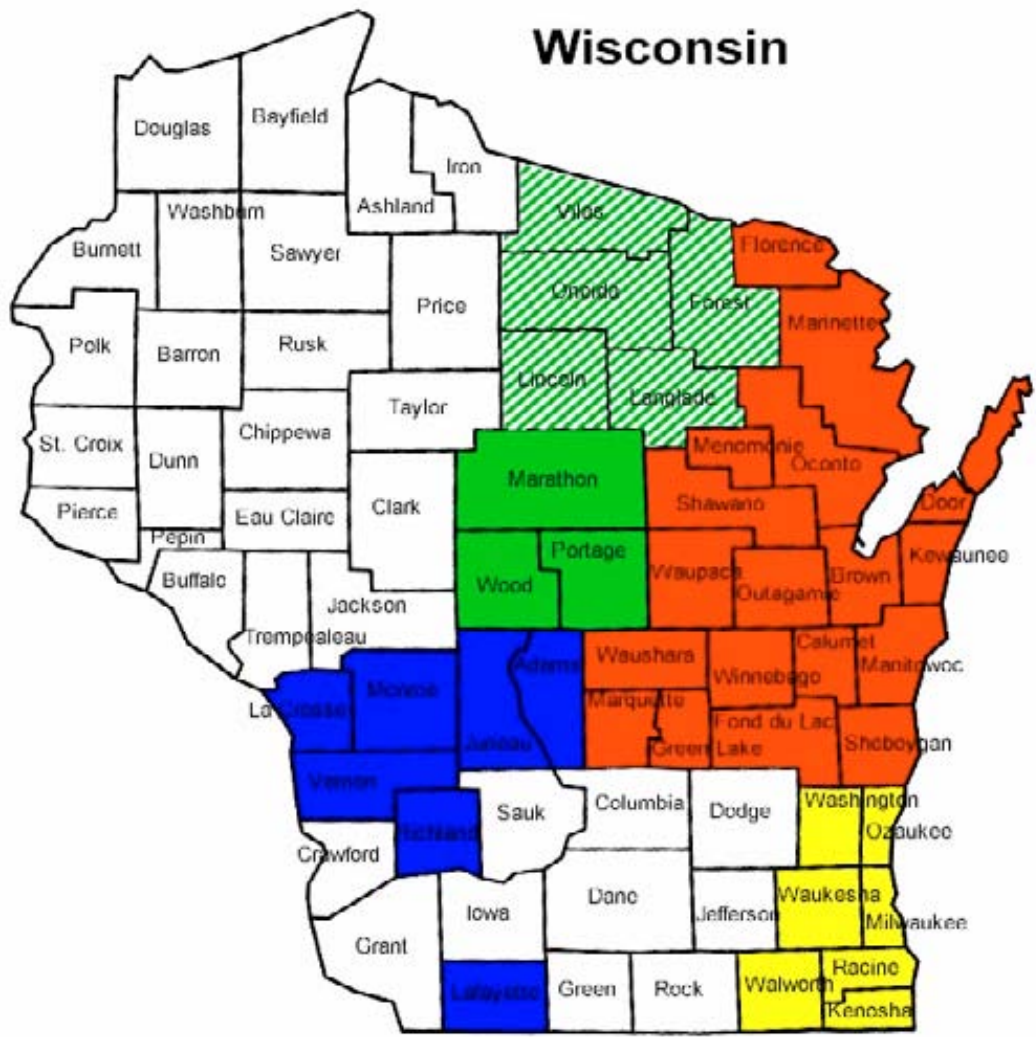
- NEW Region
- Milwaukee / SE Region
- Central / North Central Region
- SW ITBEC



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REGIONAL ECONOMIC DEVELOPMENT IN WISCONSIN - BRANDING



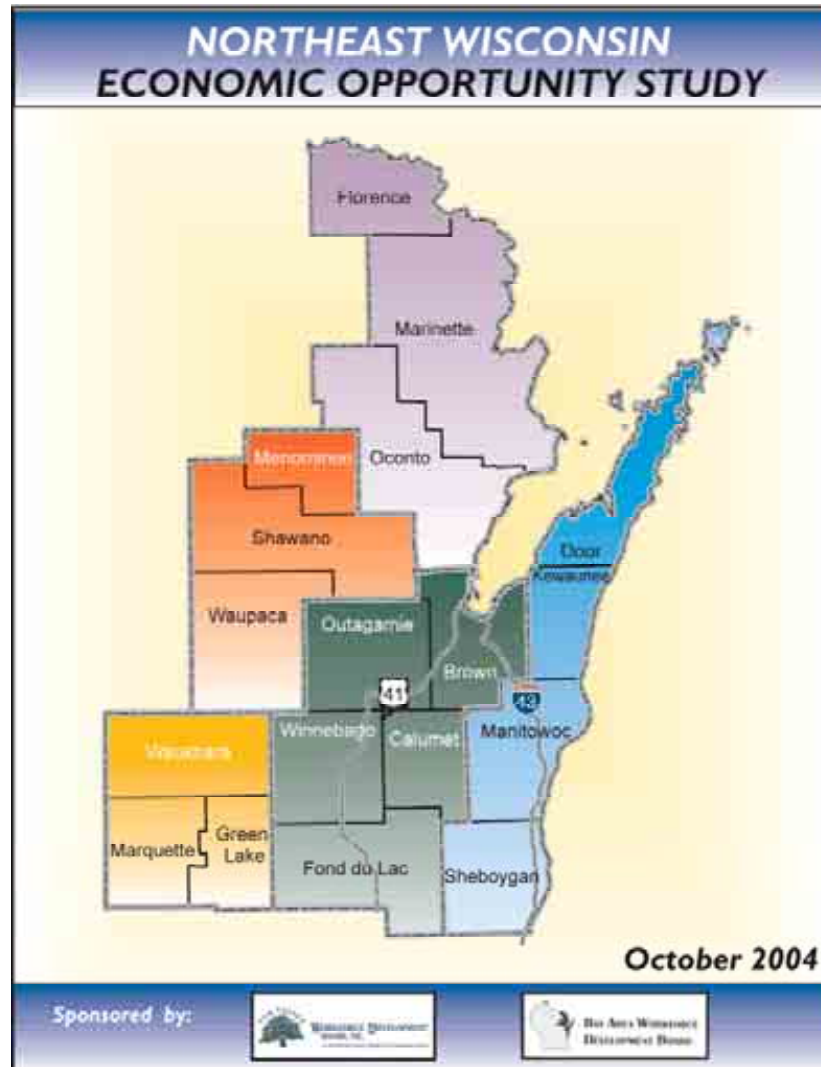
- north of what you expect new north
- MILWAUKEE 7
- CENTERGY
Central WI Alliance for Economic Development
- ITBEC
International Trade, Business and Economic Development Council OF SOUTHWEST WISCONSIN



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NEW ECONOMIC OPPORTUNITY STUDY



- How did it come about?
- What counties were involved?
- How was the study done?
- How much did it cost?



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NEW ECONOMIC OPPORTUNITY STUDY

Implementing the Plan:

- NEW Capital Fund
- Branding
- Regional Council
- Private Sector Leadership
- K-12 Involvement



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ACTIVE WISCONSIN ANGEL GROUPS

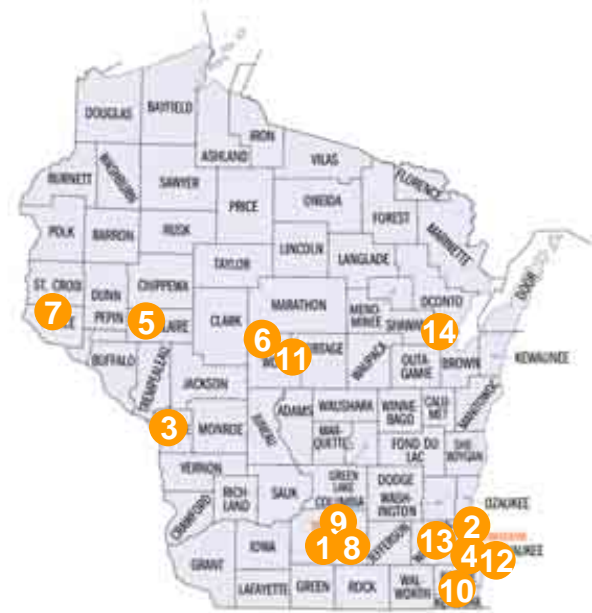
- Wisconsin Investment Partners (2000)
- Silicon Pastures (2001)
- Origin Investment Group (2001)
- Golden Angels Network (2002)
- Chippewa Valley Angel Investors (2003)
- Marshfield Investment Partners (2003)
- St. Croix Valley Angel Network, Inc. (2003)
- Phenomenelle Angels (2004)
- Badger AgVest (2004)
- Pennies From Heaven (2005)
- Central Wisconsin Business Angels (2005)
- Women Angels (2005)
- IQ Corridor Angel Network (2005)
- NEW Capital Fund (2006)



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ANGEL INVESTING GROUPS IN WISCONSIN



- Wisconsin Investment Partners, LLC
- Silicon Pastures
- Origin Investment Group, LLC
- Golden Angels Network
- Chippewa Valley Angel Network
- Marshfield Investment Partners, LLC
- St. Croix Valley Angel Network, Inc.
- Phenomenelle Angels
- Badger AgVest
- Pennies From Heaven
- Central Wisconsin Business Angels
- Women Angels
- IQ Corridor Angel Network
- NEW Capital Fund

- Madison
- Milwaukee
- La Crosse
- Milwaukee
- Eau Claire
- Marshfield
- River Falls
- Madison
- Madison
- Racine / Kenosha
- Portage / Wood Counties
- Milwaukee
- Waukesha
- Northeastern Wisconsin



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ANGEL INVESTMENTS TO DATE

Cumulative 2000-2005:

\$34 - 37 million

90 Deals

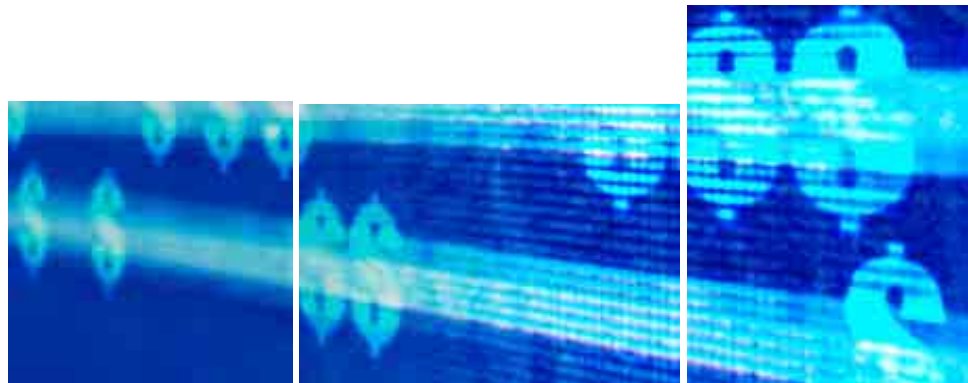
2005 Alone:

\$19 million

40 Deals



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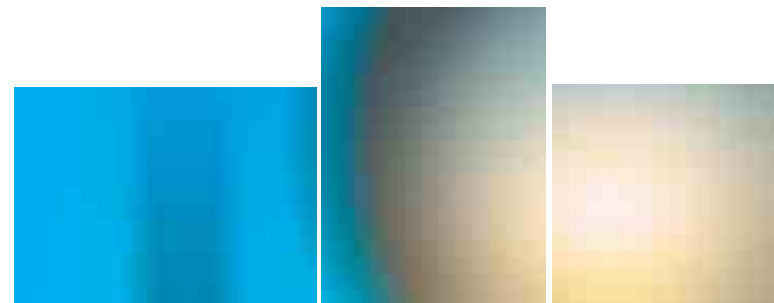


WISCONSIN ECONOMIC BENCHMARKS PATENTS AND FUNDED RESEARCH

Research and Technology Transfer:

National Rank:

- Patents per 10,000 Residents (2001) **13th**
- R&D Private Sector (2002) **20th**
- R&D Academic (2002) **13th**



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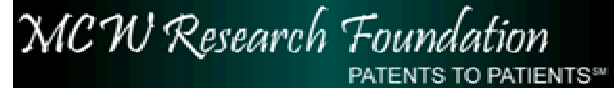


RESEARCH AND TECHNOLOGY TRANSFER

Technology Transfer:



Forest Products Laboratory



New:

- Products
- Services
- Startups



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LOGISTICS

Key Rail Link:

The Prince Rupert to Chicago route puts Wisconsin on the main line for imports/exports by container from/to Asia.



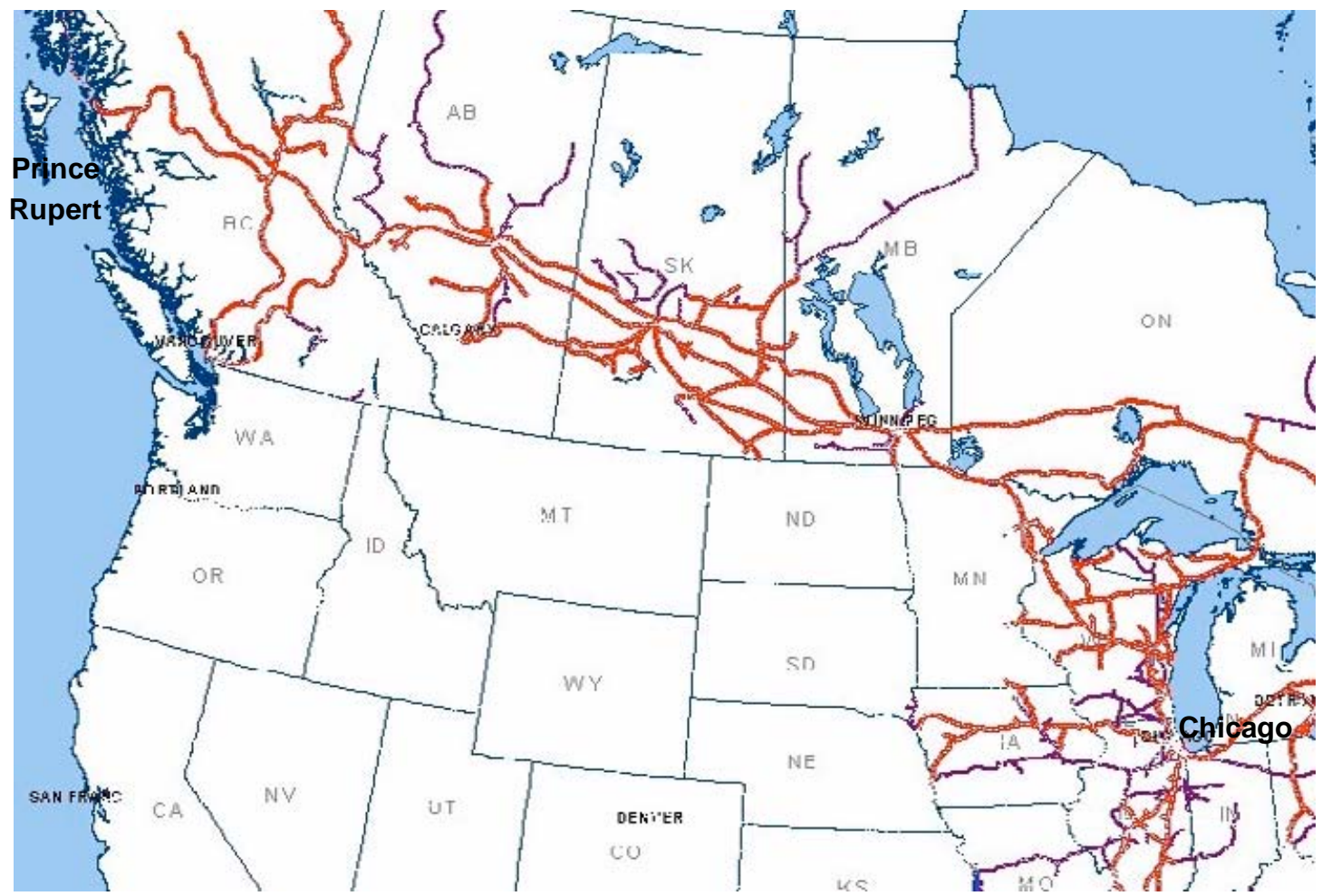
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LOGISTICS

CANADIAN NATIONAL RAILWAY MAP



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— Source: Canadian National Railway



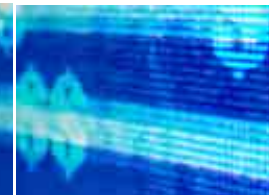
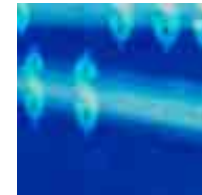
OLD ECONOMY TRANSFORMATION

Capital Investment:

- \$200+ million at PG
- \$60+ million at Waupaca Foundry
- Koch Industries Buyout of GP



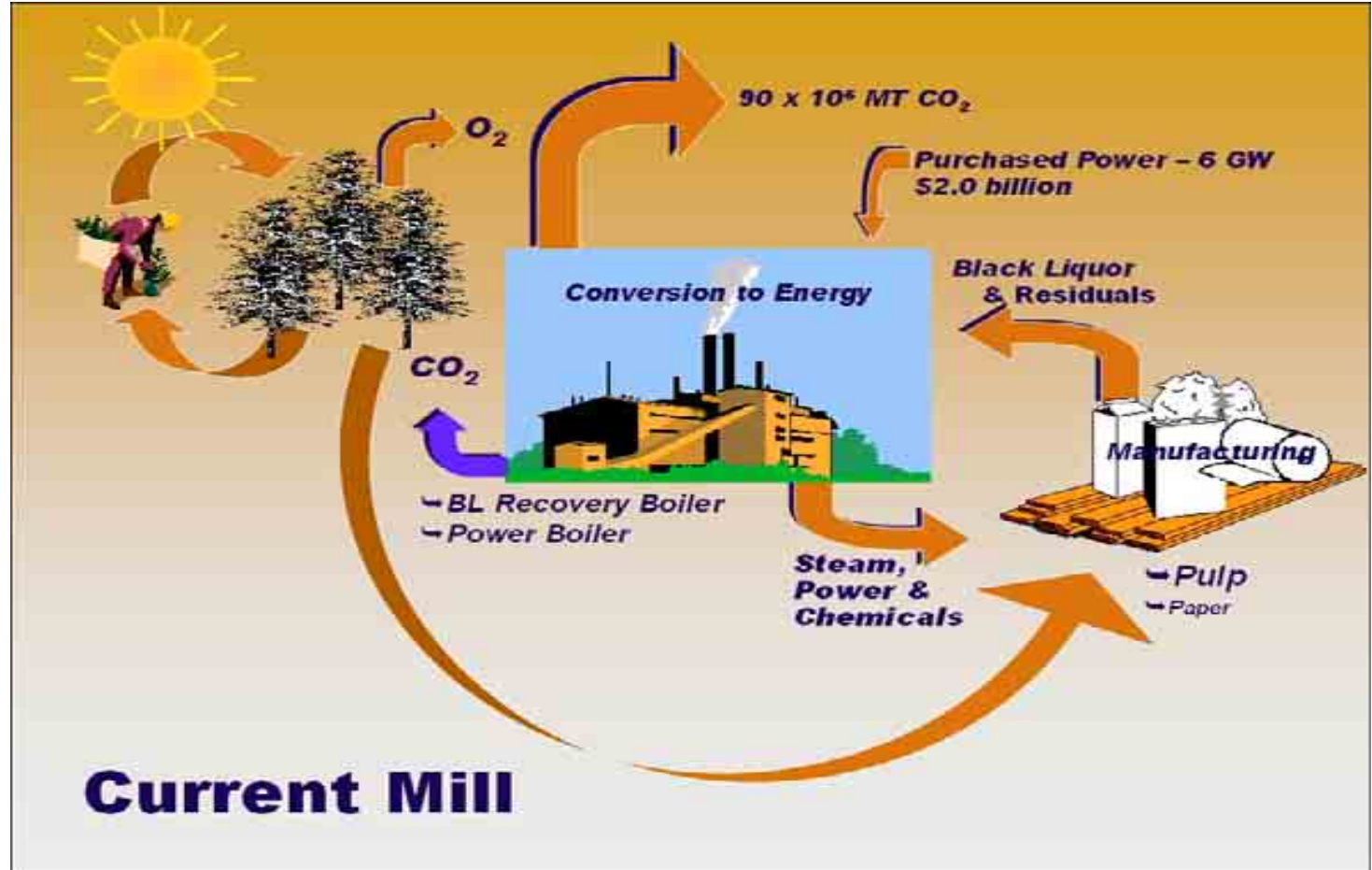
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CLUSTER DEVELOPMENT CURRENT PAPER MILL

\$5.5 Billion
U.S. Industry



Current Mill



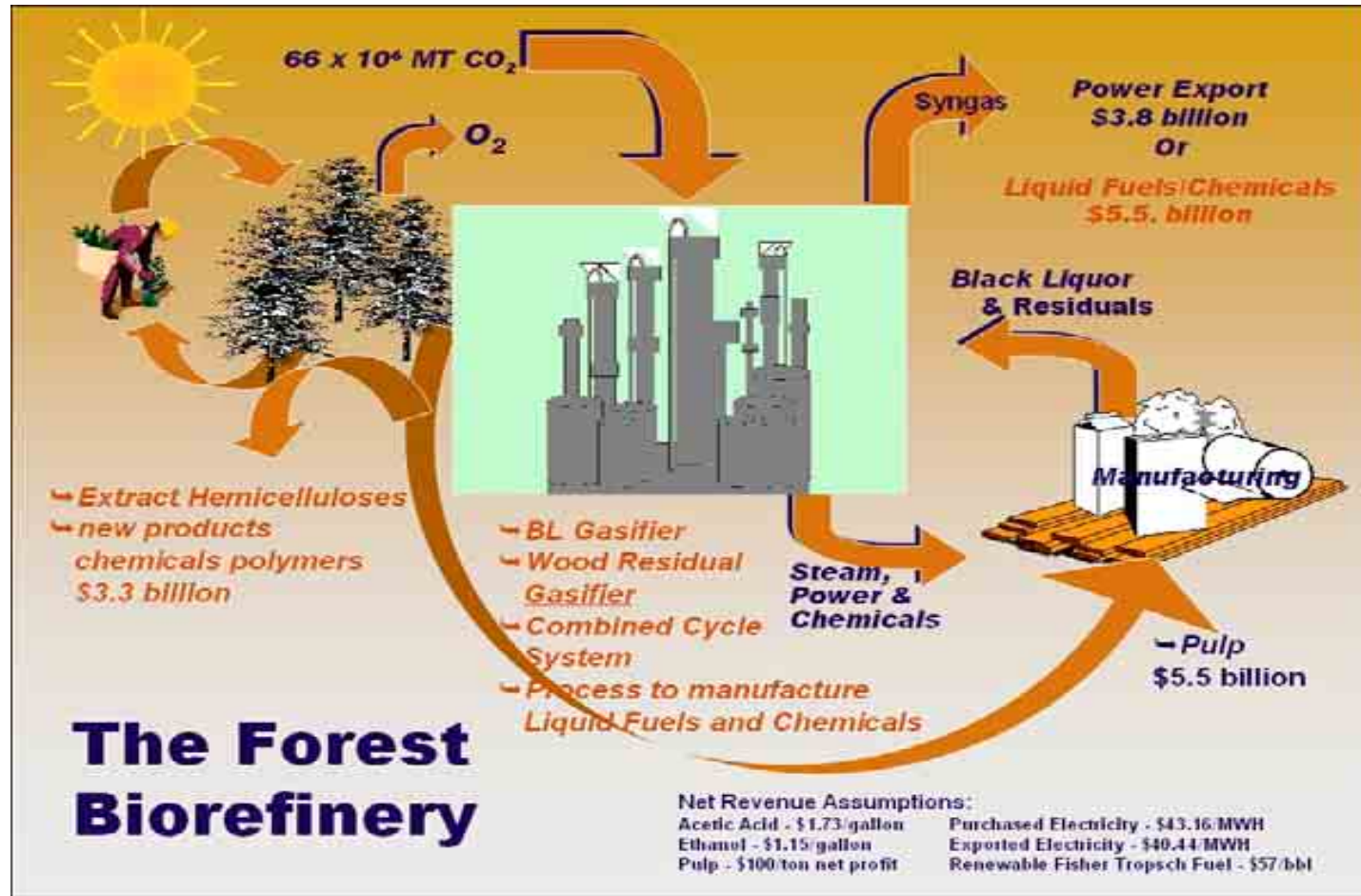
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Slide Courtesy of Ben Thorp (formerly with GP)



CLUSTER DEVELOPMENT GET OUT OF THE BOX

**\$14.3 Billion
U.S. Industry**



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Slide Courtesy of Ben Thorp (formerly with GP)



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ADDITIONAL THOUGHTS AND CONCERNS





Workforce development, economic development and K-12 education are interrelated and interdependent.

"The days are over when you could walk into a paper mill with a high school diploma and run one of the machines."



– Patrick Schillinger, Wisconsin Paper Council President,
Center will teach paper-industry technology,
Milwaukee Journal Sentinel, JS Online, October 21, 2004.



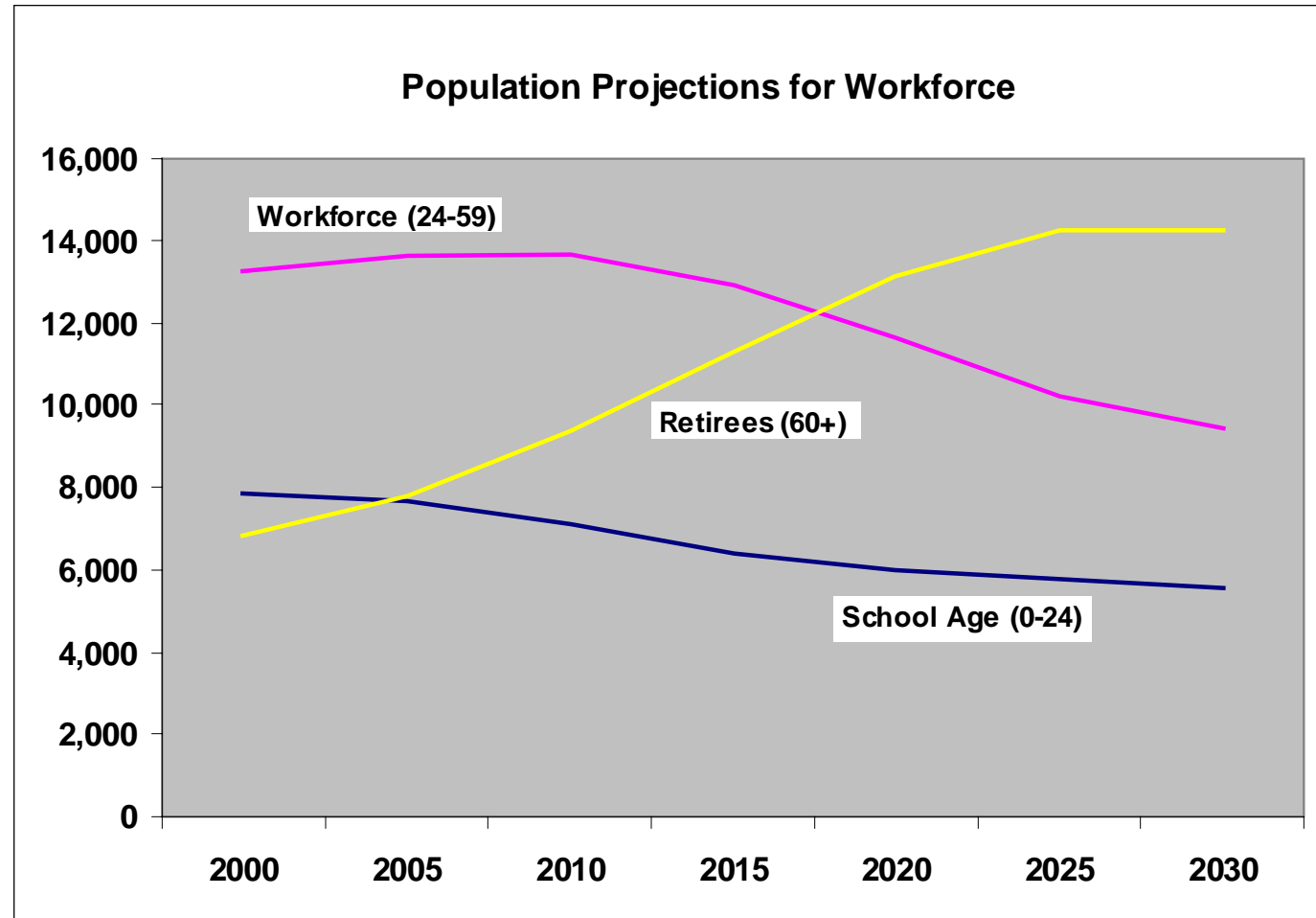
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DOOR COUNTY STUDY

DEMOGRAPHIC OVERVIEW

Workforce, Retiree and School Age Cohort Projections to the Year 2030



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