



C A R A S T O N E

Louisiana Venture and Angel Capital Report

Fall 2017

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Executive Summary

Cara Stone, LLP ("**Cara Stone**") is pleased to release the *Louisiana Venture and Angel Capital Report* (the "**Report**"), covering venture and angel capital activity in the State of Louisiana from 2011-2016. This Report is the fourth installment.

In September 2016, Cara Stone was formed by Graffagnini, A Law Corporation and several other partners to expand upon the tradition of excellence in corporate financing transactions that began in 2010. For the past seven years, the firm has been widely considered by many to be the top provider of corporate financing services in the realm of angel and venture capital and private equity in Louisiana. The firm has expanded to St. Louis and Chicago, with the addition of partners in those markets. The firm will continue to expand to underserved capital markets to help those ecosystems develop stronger capital market systems and to continue to serve as a bridge to Silicon Valley and East Coast investors looking for the best companies in the smaller markets of America and beyond.

The Report has become the definitive analytical document gauging the health and activity of venture and angel deal activity in the state. Government departments, economic development groups and legislative bodies responsible for incentivizing venture and angel deals use the Report to inform policy. Companies and investors use the Report to benchmark deal terms and investment strategies in deals. Several of the Report's recommendations have become policy at the state level, and current efforts to improve policy use the Report as the basis for positive changes. Prior to the Report, Louisiana companies, investors and policy makers had no source of information on the state of deal activity in this crucial sector.

Angel Capital Market

Since 2011, the Angel Investor Tax Credit ("**AITC**") program has incentivized more than **\$201.4 million** in total angel capital deal

volume for Louisiana businesses, with over **\$67 million** in direct investment into Louisiana businesses reported under the program. The AITC program has supported the financing of **over 120 companies** in Louisiana. Companies located in parishes across the state benefit from the program, and the AITC program has helped to correct a historic lack of access to seed and angel capital for Louisiana businesses.

On July 1, 2015, the AITC program was subject to across-the-board cuts to tax credit incentive programs following historic budget deficits at the state level. From the first review of the data, it appears that this cut is correlated with a reduction in angel capital activity under the program. In fact, in the year immediately following the cuts, total deal volume under the AITC program declined significantly.

The AITC program faced a sunset on July 1, 2015, which means that the program would have gone away forever if it were not renewed by the legislature and governor. The Louisiana governor's office and legislature recently renewed the AITC program with some improved features for investors, such as a shorter payout period for the credits (although the cut from 35% to 25% still remains). The AITC program enjoys broad support on a bipartisan basis and benefits companies and investors across Louisiana. However, Louisiana faces a tough budgetary climate. For the sake of Louisiana's businesses and entrepreneurs, we hope that the administration and legislature renew the program and strengthen it.

Venture Capital Market

Louisiana companies are raising increasingly larger amounts of venture capital, and the signs are that maturing, high growth companies are on track for substantial growth and exits. 2016 marked a **record year**, with companies raising over **\$145 million** in **34** deals.

This is a substantial amount of capital, and if properly accounted for would put Louisiana among the top locations in the USA for venture capital financings.

Conclusions

Even though there have been fluctuations in the amount of money raised under the AITC Program, it remains a key incentive program for early stage investors and companies raising funds. In addition, the program directly facilitates a large amount of investment in early stage companies. At least some fluctuations seem to be correlated with policy changes or the prospect of the program's not being renewed by the legislator. Therefore, we suggest that it be made clear that the program will not be cut for a longer period of time. Also, the statistics under the AITC Program necessarily underestimate the actual amount of angel investment activity because the AITC Program does not permit certain types of transaction structures, such as convertible promissory note financings.

Companies raised more venture capital in 2016 than in any other year prior. When all deals are included, Louisiana appears to be home to a number of companies raising substantial amounts of money.

We hope that you find our Report useful and that it continues to serve as a basis by which Louisiana stakeholders can continue to measure their progress forward. Aided by knowledge, we can all stay **“one step ahead of the growth curve.”**

Very truly yours,
Mark Graffagnini
Managing Partner

Data Sources and Terminology

The *Louisiana Venture and Angel Capital Report* analyzes several data sources:

1. Data obtained from the Securities Exchange Commission ("**SEC**") on Form D;
2. Data from Louisiana's Department of Economic Development ("**LED**") regarding the Angel Investor Tax Credit ("**AITC**") program. Tax credits awarded under the AITC program are referred to in this report sometimes as "**AITCs**";
3. Proprietary deal research available to Cara Stone, including internal deal databases, and third-party deal databases;
4. Reporting from angel capital groups, venture capital funds and other "hybrid" funds investing in Louisiana companies; and
5. Documents used in deals, along with external information such as National Association of Industry Classification Codes ("**NAICS Codes**") and other industry classification schemes.

Angel Investor Tax Credit Program

To obtain angel investor tax credits, a "Louisiana Entrepreneurial Business" must apply for designation by LED. Once designated as a Louisiana Entrepreneurial Business, a company may "reserve" tax credits by filing a "tax credit reservation application" with LED. Companies generally make these "**reservations**" prior to their upcoming expected financings. The angel investor tax credits go to the *investor* putting money into the company, not to the company itself. To actually receive an **award** of angel investor tax credits, the investor (or company) must submit proof of investment within 120 days of the reservation application. Then, LED issues a tax credit certification letter confirming the award of the credits for the investor. An "angel investor" is defined in the regulations as someone who is an "accredited investor" (e.g., high net worth or high income) under the SEC rules and who is not a "venture capital investor."

Venture Capital Deal Data

Cara Stone obtains information on venture capital deals from a variety of sources, including Form D, which is a filing that many companies make to help preserve a "safe harbor" that the company is relying on a private placement exemption from registration under the securities laws. Cara Stone also obtains data from its internal deal databases, self-reporting by various venture capital and private equity firms who maintain relationships with the firm, third party deal databases (subscription based and freely available). In this regard, we believe that this is the richest data set available on deals in Louisiana.

Metrics Covered

The report covers seven major metrics of interest to those following private equity investments and entrepreneurial business in Louisiana. These metrics are as follows:

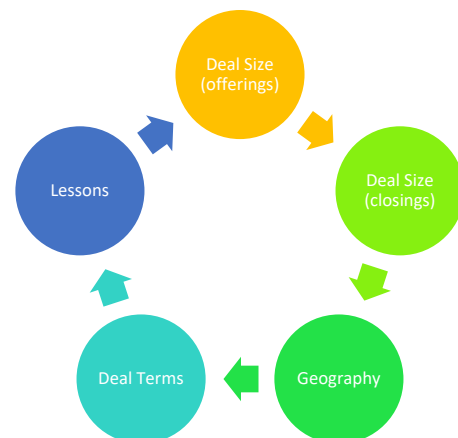
1. **Number of “Deals” or “Deal Flow”**—the number of transactions or “deals” is derived from several sources and provides a measure of deal flow in the state.
2. **Deal Volume (also a measure of deal flow)**—total dollar value of financings that occur in any given year for all companies on which we have data.
3. **Deal size**— a. **“Offerings”** refers to how much money companies were trying to raise. In other words, “offerings” refers to the total size of the deal that a company was targeting by offering its stock or other equity for sale to investors.
4. **“Closings”** refers to how much money companies reported actually taking from investors.
5. **Geographic Distribution**—the address of company locations was analyzed to determine whether there were geographical differences in the amounts and number of financing transactions within Louisiana. This was done on a parish basis.
6. **Deal Terms**—
 - a. **State of organization**—the jurisdiction of a company’s formation was determined to analyze any data on whether investors prefer companies to be formed in any particular state when making investments. State of organization does NOT indicate where a company principally operates its business. Delaware is the state of organization most commonly used in the United States for organizing a business, but many companies formed under the

laws of Delaware often operate in their home states.

- b. **Entity Type**—the Report analyzes data about the companies’ organizational entity types, for example, whether a company raising money was a limited liability company (“LLC”) or corporation to determine any trends regarding types of entities raising money.
7. **Industry Segments**—classification of the various types of companies raising venture capital in a given year.

This data provides a valuable set of metrics, which can in turn support the entire cycle and process of deal making and investment.

In the sections below, we present the data in graphical form, along with some analysis and explanation. The result is a picture of the key components of a capital market’s health:



Angel Capital Transaction Data

Deal Flow

The number of angel investment deals under the AITC Program declined for the last two consecutive years. In 2016, the total number of companies applying to receive tax credits for their deals under the program was even less than in 2011, the partial year in which the AITC Program was renewed. In 2015, it is notable that, while the number of companies that applied for the angel investor tax credits declined, the number of companies receiving an award of tax credits remained at the highest level recorded, with no change from 2014. Each “reservation” represents a deal in which companies are seeking funding. Each “award” represents a determination by LED that the company has adequately submitted proof of investment for the deal.

Angel Investor Tax Credit: Reservations and Awards

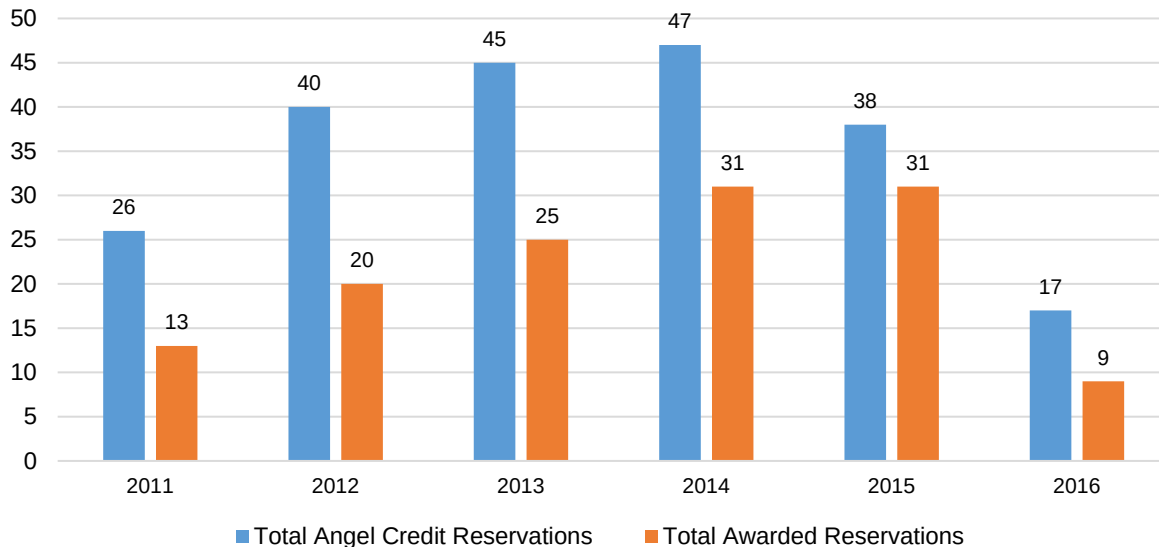


Table 1—Number of Angel Investor Tax Credit Program Filings

From 2014 to 2016, the proportion of companies applying for the tax credits and successfully receiving an award of tax credits for their investors rose significantly. We believe that the Report has played a key role in educating companies and their advisors about successful closing strategies to maximize the likelihood of an award. In the past, we postulated that the lower proportion of successful tax credit awards relative to applications was caused by companies rushing to file an application to reserve credits even though they did not have their investment round dollars committed. This happened sometimes because companies believed that the total tax credit pool would be depleted by other applicants and sometimes because advisors did not fully understand the program. We believe that the market and LED has responded to the data in this report and adjusted accordingly. In 2014, after we had analyzed several years and trends in applications, LED changed the length of time under which companies may submit their proof of investment to secure the credit. We believe that both of these efforts have contributed to better matching between applications and awards. Table 2 below shows a general smoothing trend in the pace of applications submitted, which indicates that companies are generally attempting to

match their application to having received commitments from investors. However, there still appears to be a general spike in filings at the beginning and close of each year.

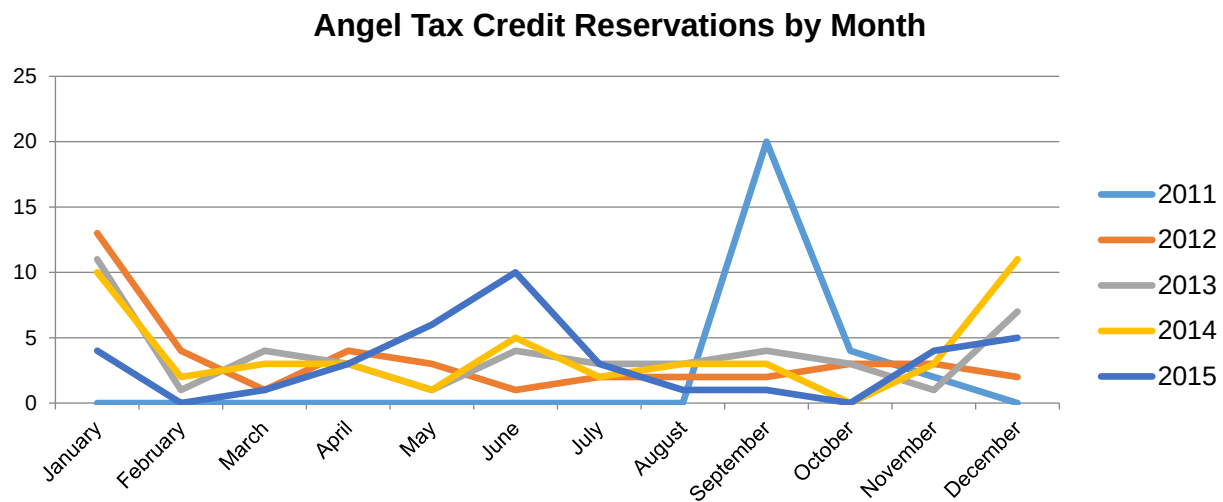


Table 2. Deal Flow—Angel Investor Tax Credit Program Reservations by Month

The data shows that policy changes affect the filing habits of companies under the AITC Program. For example, the number of applications clearly spikes between June and July 2015. This spike likely related to the initially planned sunset of the AITC Program on June 30, 2015 and the cut-off period from when the angel investor tax credit was reduced from 35% to approximately 25% after state budget cuts led to an across-the-board reduction in tax credit programs.

For several of our clients, the July 1, 2015 effective date for the cuts in the AITC Program resulted in a rush to close deals in the months before the cuts took effect (notice the increase starting in March 2015 and hitting an apex in June 2015). Likewise, the massive spike in 2011 is directly related to the renewal of the AITC Program after the legislature had let the past program lapse. We believe that this data highlights the effects that policy has on the angel capital market in Louisiana. There is clearly demand for the AITC Program, and that demand seems to spike when people in the market believe that the AITC Program is in jeopardy.

We further believe that the 2015 tax credit reductions created a perception in the market of an instability in the AITC Program and resulted in fewer filings under the AITC Program in 2016. While this is largely based on anecdotal evidence available to Cara Stone, many investors and companies in the market began displaying some skepticism about the AITC Program's stability following the reduction down to 25%.

As noted above, the AITC Program has recently been strengthened in some ways by amendments proposed by a wide variety of stakeholders. We will continue to monitor whether there is any positive correlation with more filings after July 2017 and beyond.

Controlling for companies that made multiple filings yields the results below. As the data shows, some companies conduct multiple rounds of investment under the AITC Program and/or adopt a “rolling” closing strategy in which they identify a certain number of investors, apply for the tax credit and then obtain an award.

**Angel Investor Tax Credit:
Companies (removing multiple filings) that made Reservations
and Awards**

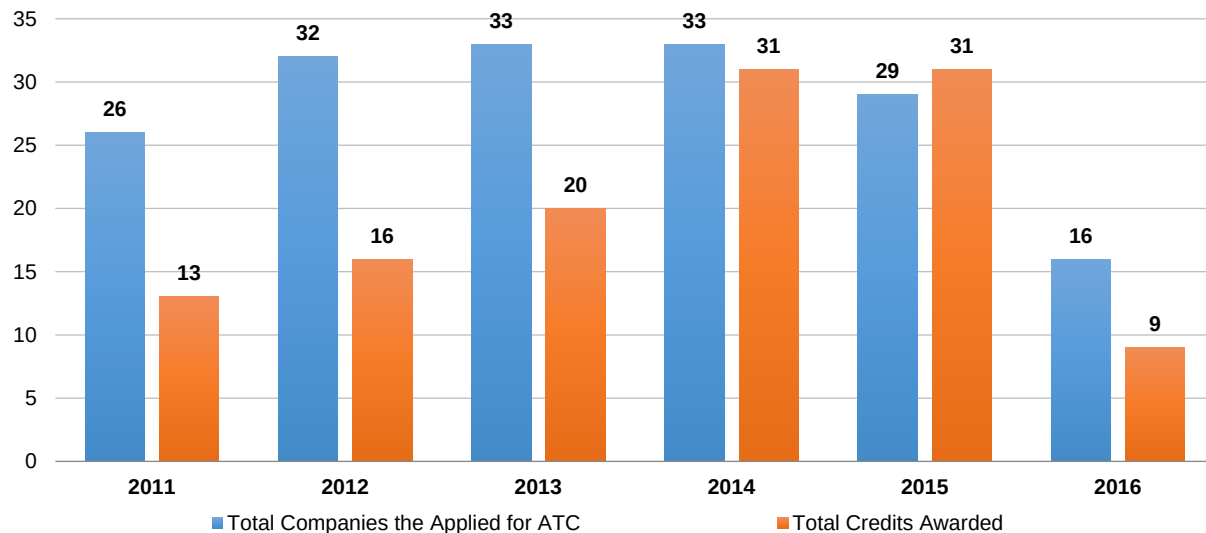


Table 3. Deal Flow—Total Companies Raising Funds

The total number of individual companies seeking tax credits for investors under the AITC Program declined in 2016. Some potential explanations exist for what looks like a decline.

First, the June 30, 2015 tax credit program sunset likely spurred a number of companies to try to close deals prior to the July 1 tax credit cut. For companies successfully raising funds by that date, they may not have had a need to raise funds in 2016, so some of the deals that may have otherwise closed in 2016 possibly closed in 2015. Second, we believe that companies and investors are structuring a number of deals as convertible promissory note deals, which means that no filing under the AITC Program will be made until the notes convert into equity. Third, one might explain some of the anomaly by pointing to policy fluctuations in general. Spikes in reservations and awards under the AITC Program are correlated with changes in AITC Program rules and availability. Given the administrative requirements in applying, some companies may simply forego applications under the AITC Program in the face of such changes. Then again, there could have simply been fewer deals happening in the market. Finally, it is possible that fewer deals are being done under the AITC Program at the moment—either because the deals are moving into larger, venture capital stage (see sections below), or because there are simply fewer companies starting and seeking capital.

Deal Volume

After rising from 2014 to 2015 to a total of \$42,905,450 worth of deals, the total deal volume dropped sharply in 2016 to \$17,090,059. Notably, companies reported actually receiving significantly more funds in 2015 than they did in 2014, which is a positive indicator that companies had investors committed within a relatively short period of time of filing a tax credit application with LED. However, the total deal volume and total amounts reported as closed dropped significantly in 2016 when compared to 2015.

Angel Investor Tax Credit: Deal Volume--Total Offering Size and Reported Closing Amounts

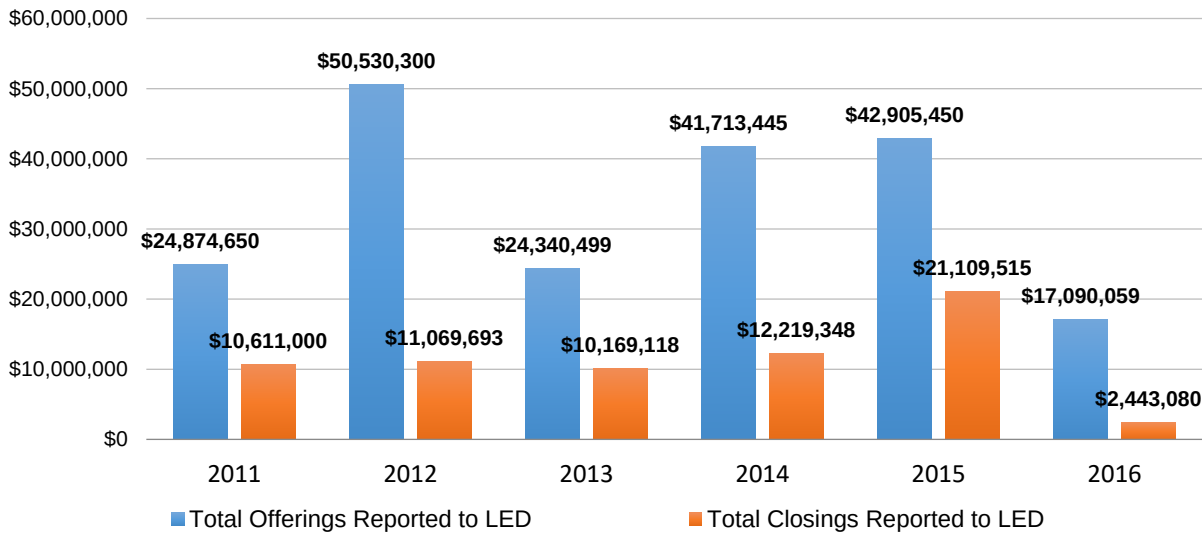


Table 4. Deal Volume—Total Offering and Closing Amounts

Deal Size

Table 5 below examines the average and median offering size. As opposed to the total deal volume in the market and number of deals occurring, this information provides insight about the sizes of individual deals on an average and median basis.

Companies and investors may find this information useful when considering how large a financing to seek under a program like the AITC program. For example, if a company is seeking such a large angel investment round that it would be an anomaly in the marketplace, it may want to reconsider its financing strategy. Likewise, if new or interested angel investors are considering investing in a deal or set of deals, then they may find information about the average and median deal size useful before they invest.

Angel Investor Tax Credit Program: Deal Size--Average and Median

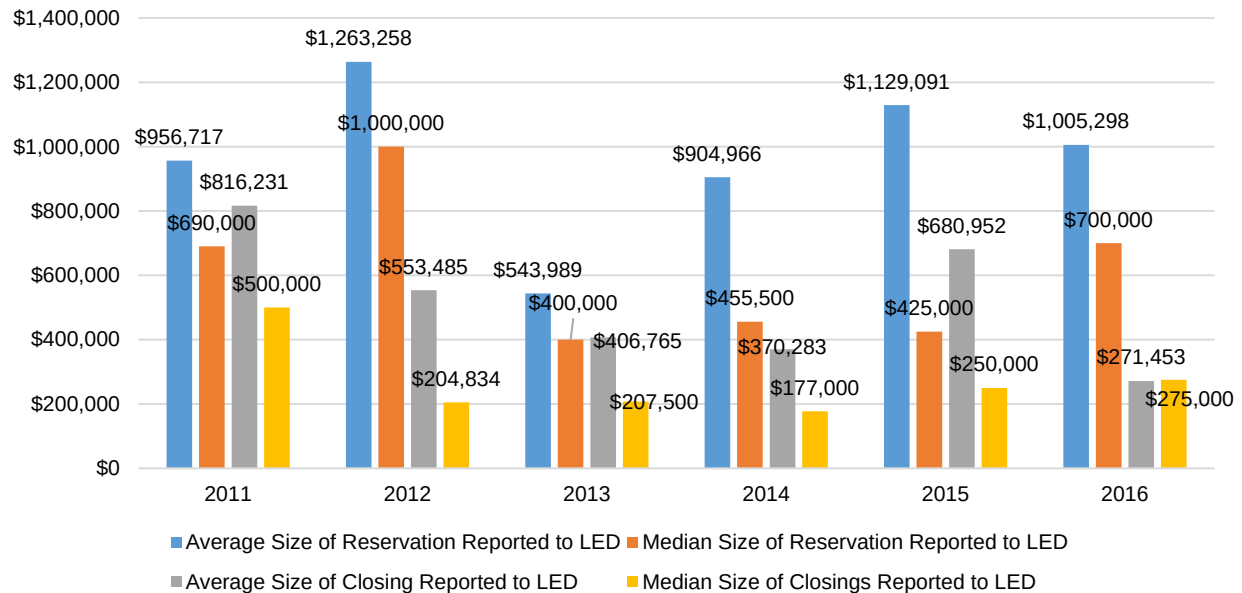


Table 5. Deal Size—Average and Median Deal Sizes

Companies continue to consistently seek approximately \$1,000,000 in angel capital under the AITC program on average for each deal, although the median amount that they seek to raise has fluctuated slightly and seems to be up in 2016 compared to the prior 3 years. Most companies will seek slightly less than \$1M as they raise their angel round in Louisiana, although some are apparently doing larger angel rounds.

Companies report how much money they have actually closed on at the time they file their proof of investment with LED. The above table reports funds actually reported closed to LED at the time that the LEBs reserve their angel investor tax credits for investors. Although this number does not represent the total amount of funding closed in any given investment round, it does provide a snapshot of closing amounts within 120 days of the tax credit reservation filing.

On average, the amount of funds reported as closed to LED within the 120-day period following the reservation declined between 2015 and 2016, but there are some multi-year trends apparent now in the data.

Average deal sizes have consistently hovered around the \$1 million mark, indicating that the market for “angel” deals under the AITC Program are usually structured to be about \$1 million. Secondly, the “average” amount of money reported as closed by the time a company submits its proof of investment to LED (see gray bars above) has fluctuated between 2011 and 2016. Excluding 2011 and 2015, years in which legislative changes perhaps impacted demand, the ranges are more closely associated with one another on average closing amounts reported, but there is some fluctuation in the data overall. The median amount of money reported closed, however, has generally risen over time (excluding the partial year of 2011) has remained fairly constant over time, indicating that most companies generally have raised around \$200,000 (with

less or more in any given year) within the 120-day period in which they reserve the credit and submit proof of investment.

This data suggests some lessons for investors and companies structuring deals. Most companies will seek to raise about \$1,000,000 in total angel funding for a given round and can expect to actually receive around \$200,000 within 120 days of getting the first money in the bank. Many companies take up to 6 months or longer to raise an entire round, so any company seeking up to \$1,000,000 in financing should budget enough time to complete the financing process. Companies raising their first round should thus budget enough time to raise funds to commence operations or growth scaling, and companies raising subsequent rounds are also well-advised to keep these time issues in mind when deciding when to begin fundraising again.

Geographic Distribution

The AITC Program benefits companies across many parishes of Louisiana. New Orleans and East Baton Rouge have consistently seen the most activity under the AITC Program.

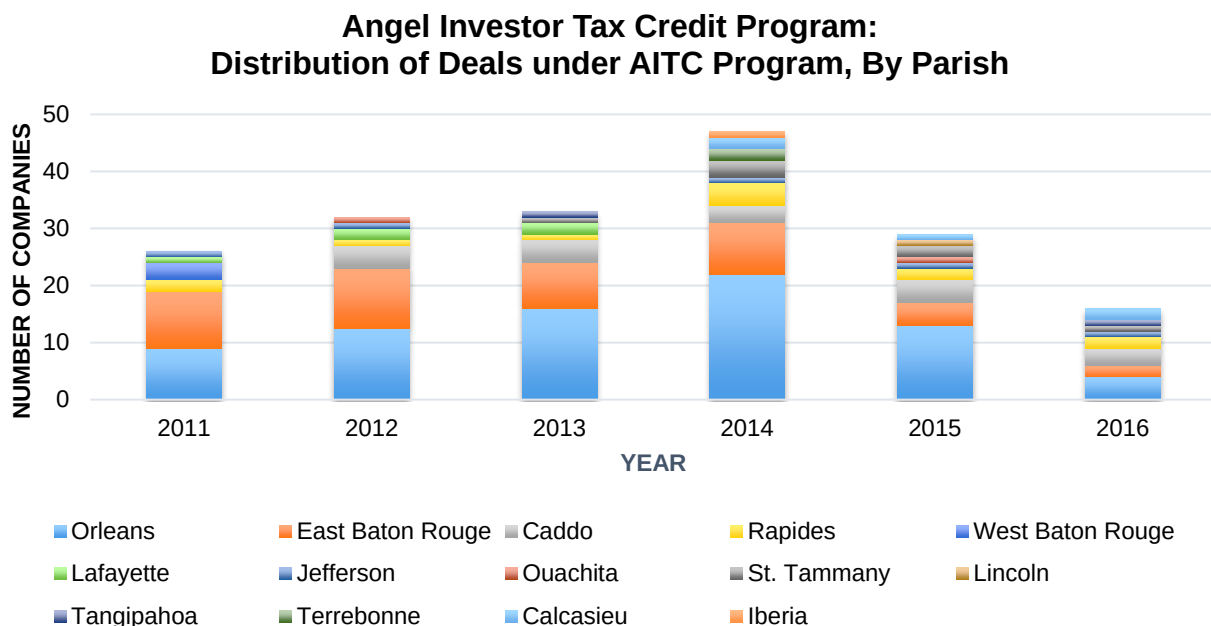


Table 6. Geographic Distribution—Number of Deals, by Parish

The number of companies applying in Orleans and East Baton Rouge have generally increased and decreased somewhat in parallel, suggesting that factors influencing the number of applications under the AITC Program may affect both parishes similarly.

In terms of the most activity under the AITC Program from 2011 to 2016, the top five parishes are Orleans (87), East Baton Rouge (57), Caddo (21), Rapides (12) and St. Tammany (8). Lafayette and Jefferson Parishes had a total of 6 deals under the AITC Program over the period from 2011 until 2016.

Angel Investor Tax Credit Program Deal Volume, by Parish

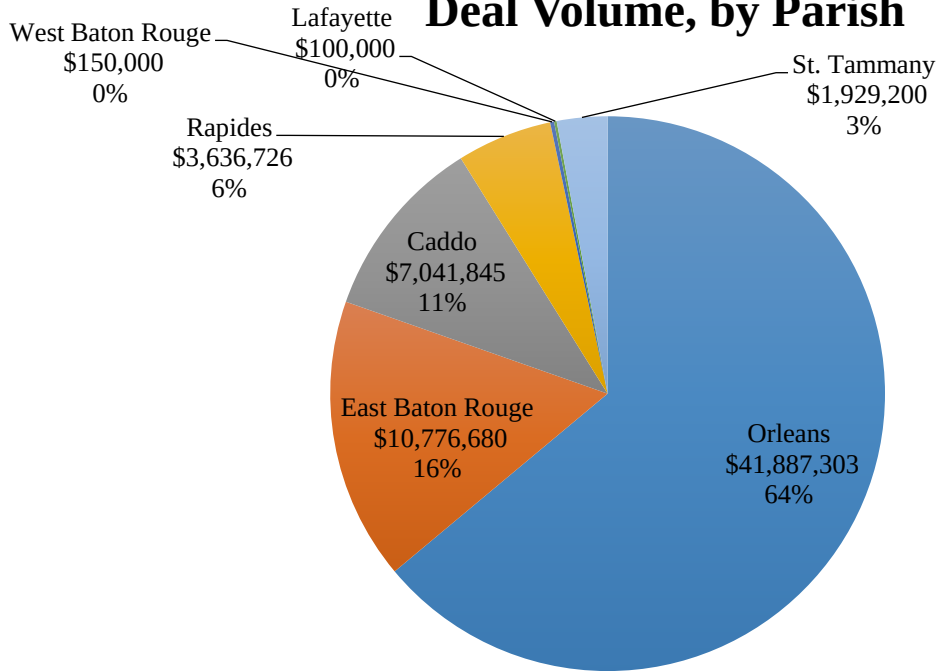


Table 7. Geographic Distribution—Deal Volume, by Parish

Orleans Parish companies' share of the total deal volume under the AITC Program from 2011 to 2015 grew. Trends for other parishes do not appear to be as consistent on this measure of deal activity. Notably, all parishes saw a dramatic decline in 2016, relative to 2015. Whatever factor affected overall declines seems to have affected various parishes similarly.

The top five parishes in terms of total deal volume were as follows, from 2011 to 2016: Orleans (\$41,887,303), East Baton Rouge (\$10,776,680), Caddo (\$7,041,845), Rapides (\$3,636,726) and St. Tammany (\$1,929,200).

The AITC Program remains available for businesses and investors located in any part of the State of Louisiana. Anecdotal evidence from Cara Stone's work around the state does not suggest that there is zero sum competition among parishes for benefits under this program. In fact, we note that investors in several corners of the state are actively sharing deals with one another. Companies also seem to be seeking investment from multiple sources throughout the state.

Other Key Angel Investment Data & Policy Discussion

Convertible Note and Equity Deals

The data under the AITC Program provides only a small sample of the angel investment activity happening in the State of Louisiana. As mentioned above, the AITC Program currently permits

only equity investments to qualify under the AITC Program. Common angel investment vehicles such as convertible promissory notes and Simple Agreements for Future Equity (“**SAFEs**”) do not currently qualify for angel investor tax credits until the point in time in which the money invested actually converts into equity. Because the AITC Program excludes these types of investments at the time of investment, the data under the AITC Program significantly underreports the amount of money being invested under convertible promissory notes and **SAFEs**.

Cara Stone has represented Louisiana angel investors or companies in more than \$45 million worth of convertible investment deals between 2011 and 2016. This suggests that the AITC Program numbers understate the total amount of angel investor deal activity in the State of Louisiana. In fact, that number is more than half of \$71,531,457, which is the total amount of capital reported closed by companies under the AITC Program from 2011 until 2016 (total offerings are reported at \$201,454,403 under the AITC Program from 2011 to 2016).

Good reasons support amendments to permit convertible note investments and **SAFEs** to qualify under the AITC Program at the time of investment. LED already adopts a policy of allowing investors to claim the AITC at the point when the money invested under a convertible note or **SAFE** converts into equity (assuming the procedural application and submission requirements are met). Excluding the investment at the time that the investment is made (as opposed to when it converts) just delays the point of time in which the investment can be recognized for that purpose. It does not change the substance of the program in any way. In addition, most convertible note deals and all **SAFE** deals are unsecured investments. They are also treated as equity investments for tax purposes.

We believe that one policy rationale for originally excluding convertible notes from the AITC Program was to prevent secured lenders from getting a tax credit because their investment is not “at risk.” This policy rationale simply does not apply to true convertible promissory note or **SAFE** investments in real angel deals. Those deals are almost never secured by any assets, go into the same types of risky startups by the same types of investors and are all intended to convert into equity. In addition, the AITC program can be written to exclude certain types of financial institutions, such as banks or equipment lenders, if that is the concern.

Convertible promissory note investment deals are one of the most common structures for angel capital deals in the U.S. today. In fact, approximately 31% of deals studied by the Angel Capital Association (“**ACA**”) and the Angel Resource Institute are structured as convertible promissory note deals.¹

Cara Stone continues to advocate for changes to the AITC Program to permit a tax credit on convertible promissory note investment structures at the time of investment, particularly because LED already allows the credit to be awarded at the time such instruments convert into equity.

Venture Capital Deals

Deal Flow

Louisiana companies continue to raise a substantial amount of venture capital. Other reports, such as the [MoneyTree Report](#) (a collaboration of the National Venture Capital Association (“**NVCA**”), CB Insights and PriceWaterhouse Coopers) continues to underreport the number of

¹ Angel Resource Institute, *Halo Report* (2017), <https://www.angelresourceinstitute.org/media/upload/full-report-2016haloreport.pdf>.

deals occurring in the State of Louisiana. We believe that this relates to the fact that there is a small number of venture capital groups indigenous to Louisiana and that most venture capital firms investing in Louisiana businesses are located in other states. The chart below shows the different results obtained by Cara Stone and NVCA.

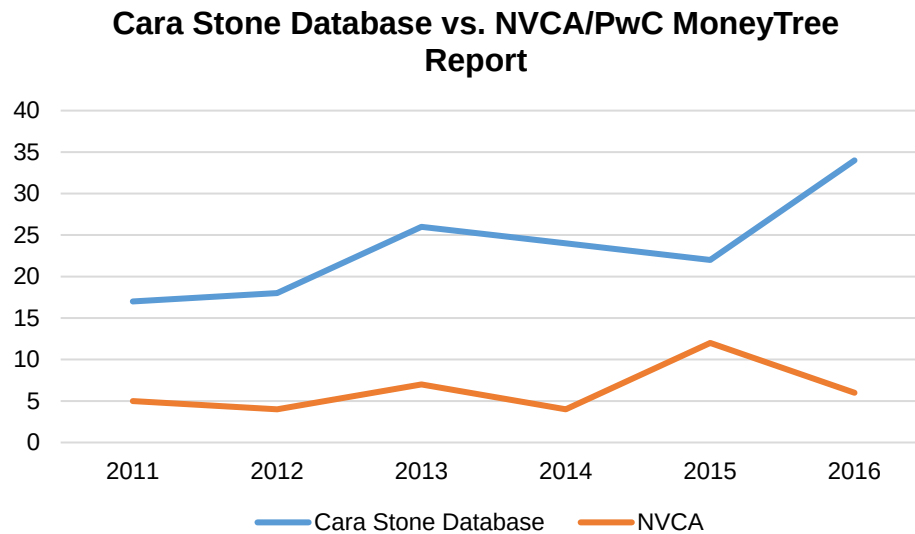


Table 8. Deal Flow—Number of Deals in Cara Stone database vs. NVCA MoneyTree Report

As discussed in prior reports, we believe that NVCA primarily publishes self-reporting data from member organization investments and may attribute investments by venture capital funds located outside of Louisiana differently. Therefore, if Louisiana contains a small number of funds reporting to NVCA (as we believe is the case), then the total number will continue to be underreported. We continue to believe that the number is substantially higher than other outlets report.

Deal Volume

Companies in Louisiana raised a total of \$145,998,397 in 34 deals in 2016, which is the largest amount to date since we began tracking this information in the report. In general, the data shows that the number of venture deals and the total amount of money being raised has been growing (although there was a dip in 2015 compared to 2014).

This data is consistent with our experience as a law firm engaged in representing parties in these transactions. Venture capital funds across the country continue to invest in clients located in Louisiana in increasingly larger deals, and we believe that our clients will raise even larger rounds than they have to date, boosting overall deal volume. Venture capitalists and private equity firms who are looking for deals continue to actively encourage our firm and others to introduce them to companies raising substantial amounts of capital as venture capitalists in more crowded markets search for good companies, which Louisiana continues to produce.

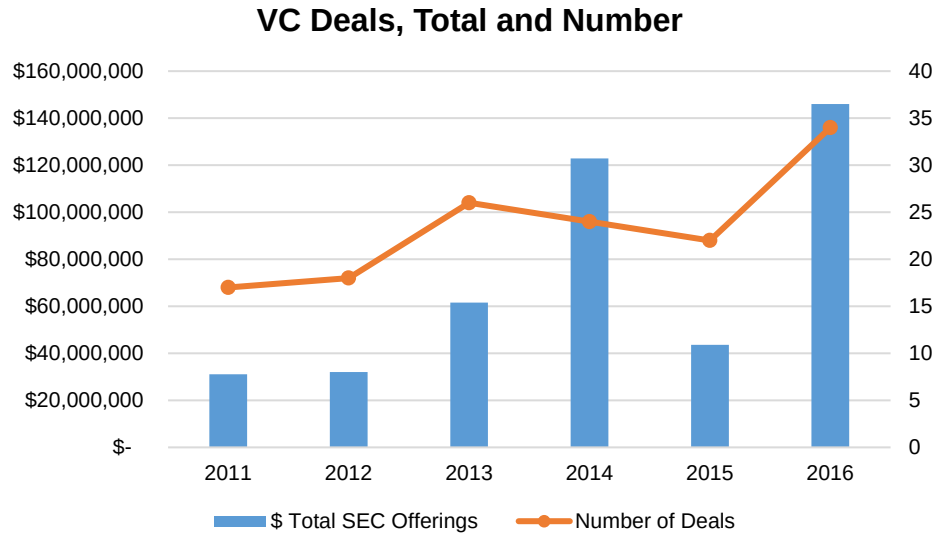


Table 9. Deal Flow—Number of Deals and Total Amount of Raise

Deal Size

Louisiana companies raised more money on average and on a median basis in each deal that happened in 2016 compared to 2015.

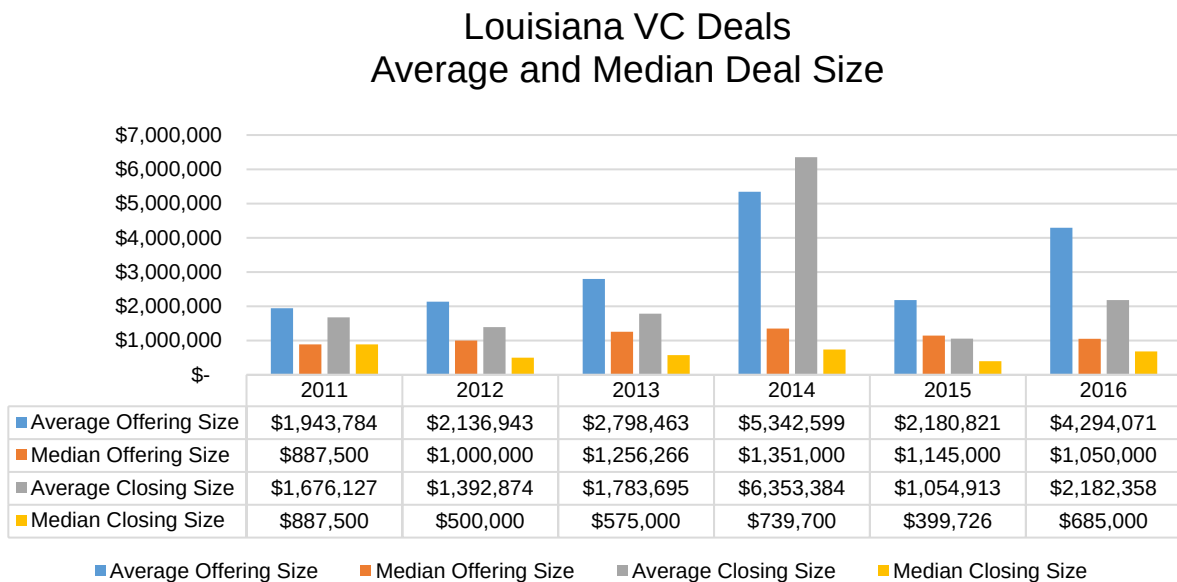


Table 10. Deal Size—Average and Median Deal Sizes

In general, deal size has been on an upward trend since 2011, with some fluctuation due to a few large deals in 2014 that skewed the average upwards in that year. On a median basis, both closing and offering deal size has remained relatively constant (hovering near \$1 million for offering size and \$500,000-900,000 for initial closing size).

Deal Terms

Corporations reported closing more funds than limited liability companies in 2016, and slightly more corporations raised venture capital than limited liability companies in 2016. In general, corporations seem to raise more funds at the time of securities filings than their LLC counterparts in most years (all but two).

Institutional venture capital groups strongly prefer corporations to LLCs, so it is not surprising that many deals are reported as having been invested in corporations rather than LLCs. Later stage private equity focusing on sectors not in technology may prefer the opposite. The data suggests that corporations are able to more often raise a round in a single closing without conducting a rolling closing.

VC Deals, by Entity Type

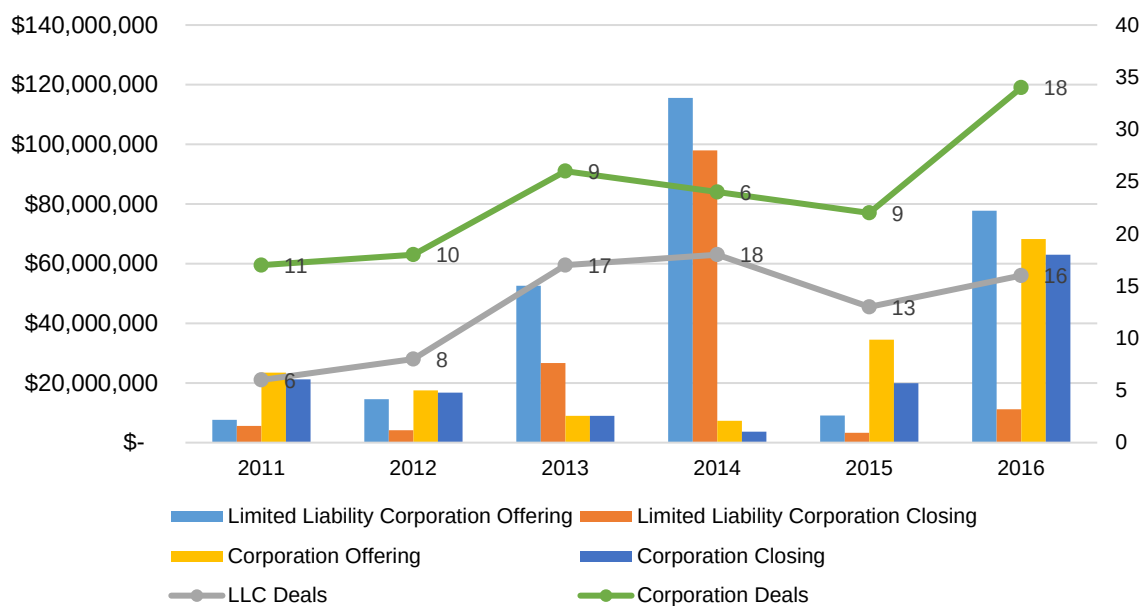


Table 11. Venture Capital Deals, by Entity Type.

Choice of entity continues to be a complex decision, and [many factors](#) should be evaluated. Although some growth private equity funds prefer LLCs, many technology company venture capital groups will only invest in corporations. In addition, while LLCs have some tax advantages, the availability of qualified small business stock tax exclusions for up to 50% of all capital gain on the sale of such stock that is held for at least 5 years continues to be a compelling advantage of the corporate form of entity.

VC Deal Terms--State of Organization (2016)

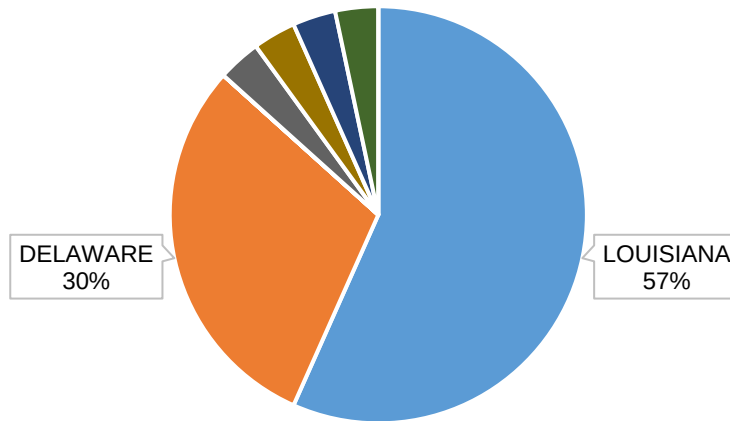


Table 12. Deal Terms—State of Organization

Industry Data

Mobile Technology (apps or mobile phone related goods) were the most commonly funded companies in 2016 (7 financings), followed by Food & Beverage and Biotechnology, with 6 and 5, respectively. SaaS and Energy companies followed.

VC Deals Industry Data (2016)

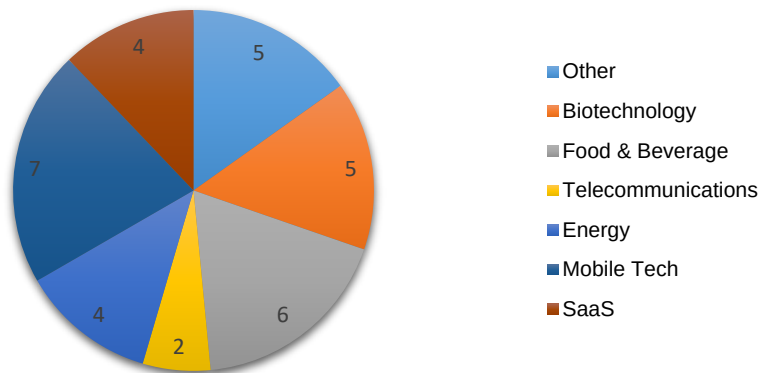


Table 13. VC Deals—Industry Data (2016)

By way of dollars, the top three industries for companies raising venture capital in 2016 were Food & Beverage, followed by Energy and Mobile Technology.

VC Deals--Industry Data (2016)

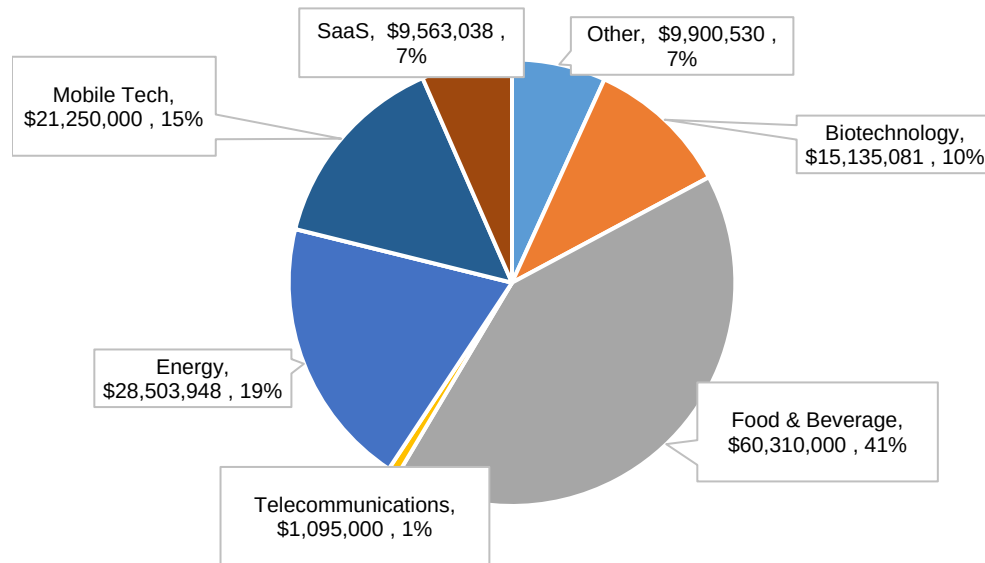


Table 14. VC Deals—Industry Data (2016)

Conclusion

Companies raised more venture capital funds in 2016 than in any other year before. Angel Investor Tax Credit program data has fluctuated over the years, and there is some indication that policy changes or signals of policy changes could be affecting the market. We also believe that the AITC Program leaves out a crucial early stage investment structure, at least at the time of investment—convertible promissory note structures. If many of those deals were included in the data we report on the AITC Program, the numbers for angel investments would be higher.

Investors at the angel level continue to syndicate across the state to evaluate prospective companies and share resources in due diligence. Grassroots efforts to increase awareness of investment opportunities, tax credit incentives and the nature of these investments will be important to continuing the progress to date. As Louisiana must inevitably orient toward the future of business, the new emerging business sectors will become more important to the state's economic future.

Louisiana still lacks a large number of institutional investors interested in the risk profile of many high growth companies. Louisiana also lacks venture capital funds that are capable of funding large rounds of investments for some of the companies that have started in recent years and which are now becoming large companies. In some cases, high net worth individuals, family offices and private equity groups have filled this void, funding even very large rounds of tens of millions of dollars and more.

A growing number of Louisiana companies have grown to the point where they need larger institutional investors to sustain their growth. The State of Louisiana should consider implementing legislation to support the funding and creation of venture capital funds to support Louisiana businesses. A number of states have such programs in place. For Louisiana to continue to sustain the progress that has been made, it will be important for people experienced in venture

capital deals to lead the creation of these programs (and funds) to ensure that they are not diverted and that they are properly stewarded.

Locally based private equity groups should begin broadening their investment focus if they want to remain competitive in later stage deals with Louisiana companies. A significant number of growth, buy-out and later stage private equity groups are becoming active in Louisiana and have kept close tabs on the best performing companies in the technology space, food & beverage and others. As the oil and gas industry faces difficulties, some of the future high performing companies in our region that create the next generation of wealth will likely come from sectors traditionally overlooked by private equity within the state and in neighboring states.

Data shows that companies are seeking and finding early stage capital for their businesses. This is positive for an entrepreneurial community where new business needs access to capital in order to develop and flourish.

All of the data in this report necessarily understates the actual amount of capital being raised by Louisiana companies, and we believe that companies are raising more funds than reported here.

Although there are areas of improvement that the government and market could target, venture capital financing remains robust for Louisiana, and angel capital activity appears strong.

One step ahead of the growth curve,
CARA STONE, LLP

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