

Client Focus

CLIENT PROFILE

Matt Moog is a force behind Chicago's thriving entrepreneurial hub 1871

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Army vets' start-up sows peace in Afghanistan

BUNKER LABS

Next-Generation Veteran Entrepreneurs

Bunker Labs, a social nonprofit that inspires and connects veterans starting businesses



Honoring Those Who Serve

We are proud to dedicate this *Client Focus* to the brave men and women who serve in our armed forces, risking their lives to protect our freedoms.

It has been nearly a century since President Woodrow Wilson set aside November 11 as a day to honor those who served in the military and recognize the end of World War I. At a time when Americans are serving in Afghanistan, Iraq, Syria, and around the world, it is fitting that we honor their leadership and courage.

Veterans are also key members of our next generation of civilian leaders.

One veterans organization founded two years ago has taken the lead in mentoring tomorrow's business leaders. Bunker Labs is now a nationwide nonprofit that educates and connects veterans wanting to start a business. Bunker Labs already has a network of 15,000 young veterans and entrepreneurs who have started 315 companies.

Bunker Labs is housed in Chicago's entrepreneurial hub known as 1871. One of the forces behind 1871 is

Matt Moog, a William Blair client profiled in this issue. Moog created an online networking community for tech entrepreneurs, Built In Chicago, in 2010. Two years later Moog started the FireStarter Fund, a group of entrepreneurs who have raised nearly \$6 million to help early start-ups get off the ground.

This issue honoring veteran entrepreneurs must also include the sad news of the death of revered William Blair partner Dick Kiphart, who passed away on September 10 after a 50-year fabled career with the firm.

A Navy veteran who served during the Vietnam era, Dick set a shining example in serving his community, clients, and colleagues. I was blessed to work with Dick for over 30 years and am forever grateful for his leadership and personal friendship.

Dick told *Client Focus* in a November 2015 interview that "every day was a good day" at William Blair. He will be missed.

We will soon celebrate Thanksgiving, a time to spend with family and friends and kick off the holiday season. On behalf of William Blair, thank you for your continued trust in the firm and best wishes to you and your loved ones for the coming year.

Sincerely,

John Ettelson
President and CEO

The Bunker: Helping Veterans Drive U.S. Growth

Bunker Labs, a nationwide not-for-profit start-up that inspires, educates, and connects military service members who are interested in starting a business, is a next-generation veterans group—and one of the fastest growing in the country.

The Bunker, as it is known among vets, began just two years ago in Chicago and has spread like wildfire across the country, attracting more than 15,000 young veterans as students, teachers, and mentors. Today, the entrepreneurial network is already in 12 cities and continues to expand with the support of private sponsors and community partners like William Blair. Five more U.S. cities will join the Bunker ranks in 2017.

The creator and driving force of the Bunker is Todd Connor, a veteran who served after 9/11 as a naval officer in the Iraq War aboard the USS BUNKER HILL, a guided missile cruiser.

Connor was inspired to start Bunker Labs after discussions with investors in Chicago's 1871, an incubator for start-ups. At the time, Connor was head of military academies for Chicago Public Schools, and 1871 was looking to diversify its programs to target more women, African-Americans, and other minorities. But it was not doing anything targeted for veterans.

"I had an epiphany that I wanted to really help veterans," Connor recalls. "I didn't know if veterans wanted to

start businesses. But if they did, we should help them."

Connor, who earned an MBA from the University of Chicago after returning home from the war, had already started two management consultancies. So he knew how tough it is to start a business. He liked the idea of being of service to veterans and being part of a project that had to move fast.

"Bunker Labs is the marriage of those things," he says.

Within six weeks of his first discussion with 1871 investors, Connor was on stage with Chicago Mayor Rahm Emanuel announcing the creation of Bunker Labs. The group is now housed within 1871's office space at the remodeled Merchandise Mart of Chicago, an evolving tech hub.

"This is not about what we need to do for veterans. It's really about what veterans can do," says Connor. "Veterans are leaders. They are a group of people who are built to lead the American economy."



Todd Connor, CEO of Bunker Labs, says veterans are built to lead the American economy.

Connor equates the ambitions of today's veterans to WWII vets. Half of the latter started or owned a business after 1945—not the tech start-ups of this generation, but local businesses from restaurants, plumbing companies, and hardware shops to accounting, financial, and law firms.

"Many of today's *Fortune* 100 companies have their roots in companies started by guys coming out of wars," Connor says, adding: "It all starts small."

In the Bunker

The Bunker offers a 14-week night class—Entrepreneurial Program for Innovation & Collaboration (EPIC)—taught by business leaders who have experience running everything from start-ups to *Fortune* 500 companies. EPIC focuses on helping entrepreneurs face the challenges that

come with starting and growing a business.

Most importantly, and in a wider sense, the Bunker is a place for our 21st century veterans to connect.

Like the long-standing Veterans of Foreign Wars (VFW) and the American Legion, the Bunker Labs is a national organization with a national mission. As with the other support groups, the Bunker allows military veterans to participate through their local chapters.

"It's a place to come where you know everybody; it's very personal," Connor says.

The start-ups

To date, the Bunker's entrepreneurs have started 315 companies, offering everything from mental health services to carpooling for busy parents

to supplying luxury spices from Afghanistan (see sidebar). Some of these grew from ideas while serving overseas. Others grew from personal experiences once they returned home. Many were created to solve social problems.

Sandra Edwards, an Army veteran and a graduate of Bunker's EPIC course, started Wheelz On Time, a tire financing and rental company. As a truck driver for 12 years, she had recognized the value of a rent-to-own tire service. The business opened in 2014 and is going well, she says, but she admits that being an entrepreneur is not as glamorous as it might seem.

"Being a military entrepreneur is absolutely an advantage because you're taught to be dogmatic and determined and orderly," says Edwards. "You want to be the person where giving up is not an option."

HIGHLIGHT

Army Vets' Start-Up Rumi Spice Sows Peace in Afghanistan



Rumi Spice CEO Kimberly Jung was a platoon leader in Afghanistan.



Emily Miller served on the first-ever Special Forces cultural support team in Afghanistan.

Rumi Spice, a start-up and importer of the luxury Afghan spice saffron, was founded by three U.S. Army veterans who learned while serving in Afghanistan that the war-torn country needed much more than military intervention to stop terrorism and unrest.

The veterans believe the answer to peace is through economic empowerment.

Rumi Spice, founded in 2014, sources saffron from Afghan farmers, which is then processed by women in Afghanistan before the spice is sold to high-end grocers and restaurants in America. The for-profit social enterprise is based in Chicago and part of the Bunker Labs veteran network.

"It's important because it means that Afghanistan has a place in the international economy," says Kimberly Jung, Rumi Spice's CEO and co-founder.

Jung, along with co-founders Emily Miller and Keith Alaniz, were officers serving in the U.S. Army as engineers in Afghanistan. Jung and Miller—both named to *Fortune*'s Most Innovative Women in Food and Drink in 2016—graduated from West Point and later earned MBAs from Harvard. Alaniz speaks fluent Afghan Farsi and worked in Afghanistan with several local governments.

Saffron has long been one of the world's most sought-after and priciest spices, a common ingredient in risotto, paella, and bouillabaisse. Saffron is also undermining the production of poppy, the dominant cash crop in Afghanistan.

"Afghanistan is not just a place of terrorism, opium, and war; it's also a place that has some of the best produce in the world," Jung says. "The value-add of Rumi Spice is to connect farmers to distribution."

Among Edwards' mentors is Michael Hubbard, a William Blair research analyst who served two tours of duty in Afghanistan as an infantry officer for the Marines. Hubbard leads the Bunker's networking operation, the Veterans Leadership Council.

What he likes most about the Bunker is the collaborative environment and the focus on helping entrepreneurs develop their business skills.

"Service members experience very close bonds during their time in the service," says Hubbard, who now also teaches an EPIC financial modeling class. "Those kinds of bonds don't exist to the same degree in the private sector."

Jarek Hamilton, a Navy veteran who formed an on-demand photography service called QikPix this year, has had similar experiences.

"We all learn from each other and work together just like you do in the military," says Hamilton.

The Kauffman Foundation, known for its entrepreneurship research, says that 25% of today's veterans re-entering civilian life would like to start their own business but only 6% do. The Bunker's participants want to narrow the gap, with the hope that their success will encourage more veterans to start businesses, similar to what happened after WWII.

There are 250,000 service members leaving the military this year. That pace will continue for the next five years based on current troop drawdown schedules.

"That's a huge demand. Our biggest challenge going forward is scale," says Connor. "We have 20 cities across the country interested in Bunker Labs—places like San Antonio, Hampton Roads, Springfield, St. Louis, Bozeman—we're managing that and still trying to find our footing."

But Connor says the mission mentality and high values that veterans bring to all their dreams in business are what make the Bunker such a vibrant project.

"I believe that if we are successful, we help entrepreneurs be successful. If they are successful, they reshape industry. They reshape the American economy. They create thousands of jobs. There's a force multiplying impact—that's why entrepreneurship is so important," Connor says.

Nevro Fights Chronic Pain With Latest Technology

More than 100 million Americans suffer with chronic pain, larger than the number of people with diabetes, heart disease, and cancer combined. But a young company, Nevro Corp., looks set to relieve a significant chunk of that pain, says William Blair healthcare analyst Margaret Kaczor.

Nevro's patented spinal cord stimulator (SCS) alleviates severe back and leg pain by applying small electrical impulses to the spinal cord at a higher frequency (10KHz) than other SCS devices (40Hz to 60Hz) on the market today. Nevro uses proprietary technology licensed from the Mayo Clinic to provide HF10 therapy, known as the "Senza System."

The Food and Drug Administration, in approving Nevro's device in 2015, gave it huge praise. "The Senza System can reduce pain without producing a tingling sensation called paresthesia by providing high-frequency stimulation (at 10 KHz) and low stimulation amplitudes." It added: "This system is unique."

The company has quickly taken an estimated annualized 13% share in the \$1.4 billion U.S. spinal cord stimulation market since the FDA approval, according to a recent research report by Kaczor, but the potential is much larger, she adds.

Today, some 50,000 Americans annually receive SCS devices—typically a last-resort treatment for pain sufferers. That number is seen increasing as baby boomers age and technology improves. The Nevro system not only is superior to anything else on the market, but also could reduce the use of other methods to battle pain, including opioids and spinal fusions, according to the report.

"Nevro is a special story from a technology perspective," says Kaczor, who was named a "Rising Star of Wall Street" analyst by *Institutional Investor* magazine in October.

"It fits the thesis we look for at William Blair. You could see it move from being a small-cap stock to the mid-cap to large-cap range," Kaczor says. "That's what we like about it."

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Matt Moog, Entrepreneur and Angel Investor, Helps Make Chicago a Thriving Tech Hub

At first glance Chicago is not the first place that comes to mind as a tech hub. But it is. All it takes is vision and energy—and Matt Moog has plenty of both.



Matt Moog
PowerReviews CEO

Matt Moog, chief executive of Chicago-based consumer ratings company PowerReviews, is a long-time client of William Blair wealth advisor Dan Grant. Moog has been one of the forces behind Chicago's thriving tech community, including its entrepreneurial hub known as 1871. The not-for-profit was created four years ago and is now home to more than 400 of the city's technology start-ups.

He first got involved with 1871, a name inspired by the city's transformation after the famous 1871 Great Fire, when his friend and fellow entrepreneur J.B. Pritzker asked him to chair the initiative in 2011.

Moog was already well-connected with the city's technology community and resources. In 2010 he had founded "Built In Chicago," an online tech community to find jobs, share news, and network, and in 2012 he started the FireStarter Fund, a group of Chicago entrepreneurs who have raised nearly \$6 million to help early-stage tech start-ups get off the ground.

"Part of my strong belief and passion is that you can start a technology company anywhere. Chicago doesn't get as much credit as it should for how many companies are here and how well they are doing," Moog says in an interview. "Generally people talk about San Francisco or New York. But we certainly are one of the top

cities in the country, if not the world, for technology start-ups and large successful technology companies."

Start-up hub 1871

The 1871 hub is based in the Merchandise Mart, a giant riverside design center whose 4 million square feet of office space is being increasingly taken up by innovative technology companies from start-ups to giants like Motorola. It provides both office space and support services, acting as both catalyst and networking hub for entrepreneurs working to build their ideas into companies. Bunker Labs, supporting military veterans' business start-ups, has been an 1871 tenant since 2014.

"Matt is without question one of the leading architects and main reasons why Chicago stands apart from other cities as a central beacon for entrepreneurs looking to start their own business, take risks, and seek solutions," says Jim O'Connor, William Blair's global head of venture capital and 1871 chairman of the board.

Moog says a key ingredient of a successful technology community is a strong university system that offers basic training not just in engineering and computer science but also professions like finance, medicine, physics, and mathematics. In that respect, he says, Chicago offers a rich seed bed of talent.

Chicago is just the right place “to be an entrepreneur because there are always new opportunities,” Moog says.

The talent pool is abundant: renowned private universities like University of Chicago, Northwestern, DePaul, and Loyola; famous tech training and research centers like the University of Illinois, Illinois Institute of Technology, and DeVry; the giant Fermilab particle accelerator; and many tech-minded two-year community colleges.

“That, combined with a very active corporate community of potential buyers and mentors and customers for those start-ups, makes Chicago an ideal city for many kinds of technology companies to start and scale here,” says Moog, who adds that “Chicago is also a very livable city.”

Tech sector growth

Many of Chicago’s successful start-ups in recent years, Moog notes, are technology-enabled businesses that help drive sales for the traditional local brick-and-mortar economy: cars.com, apartments.com, Groupon, and GrubHub, to name a few. There is also a growing number of expanding software companies in Chicago, including Moog’s own PowerReviews.

“Of the different sectors of the Chicago economy, technology is the fastest growing—we’re growing at more than 20% a year in terms of employment. The growth of good-paying high-tech jobs in and around the city of Chicago is a very important trend that we all want to see continue,” he says.

Moog’s career is an inspirational recipe for any “tech” entrepreneur: imagination, innovation, dedication, boldness. A 1992 graduate of George Washington University in political science, he worked at Microsoft for five years and helped develop MSN before he helped launch CoolSavings in 1996, a publicly traded marketing services company he sold in 2005 for \$220 million.

The power of reviews

PowerReviews is a classic example of the model. The company works with 1,000 different retailers and brands around the world, helping them collect customer ratings on products. Using such data, PowerReviews customers have been able to generate an average 17% sales gain across their entire business, Moog says, which he attributes to the increased customer transparency the software provides.

The number of employees at PowerReviews has also doubled to more than 100 since Moog bought the San Francisco company in 2012 and merged it with his online ratings company Viewpoints in Chicago.

Moog has been interested in starting and running businesses for as long as he can remember. But entrepreneurship and creativity are also literally in his DNA. His father, Robert “Bob” Moog, was a shining example for him of how an imaginative, inventive, and dedicated

entrepreneur could not just change business, but also have a huge cultural impact.

That is exactly what Bob Moog did in 1964 with his invention of the Moog synthesizer, the revolutionary transistor-based tool enabling the creation of the tidal wave of “electronic music” that has filled our ears since the Monterey Pop Festival (1967) and “Switched on Bach” (1968).

The Beatles; The Byrds; David Bowie; Emerson, Lake & Palmer; Stevie Wonder; and others embraced the Moog synthesizer, as did film directors like Stanley Kubrick in the landmark sound track for “A Clockwork Orange” (1971).

“He was both an engineer and an entrepreneur and in some small ways I’m following in his footsteps,” Moog says. “I just grew up at the right time.”

And Chicago, he says, is just the right place “to be an entrepreneur because there are always new opportunities.”

William Blair

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CLIENT SERVICE

Year-End Tax Planning Reminder

One of the hottest trends in charitable giving is the rise of donor-advised funds (DAFs), a do-it-yourself giving tool that has seen a double-digit growth in donor contributions, total assets, and grant-making in recent years.

While DAFs have been around since the 1930s, they have surged in popularity for their tax advantages, simplicity, and convenience. Instead of giving directly to a charity or setting up a private foundation, donors set up a charitable fund administered by a money manager, achieve a full tax deduction, but retain the power to select where the money goes in future years.

Donations and distributions can be done by the donor online, like digital banking, while the recordkeeping is handled by the fund manager. Donors transfer funds to the DAF and have one receipt for tax returns, as opposed to sending out checks to various charities.

To learn more about DAFs, contact your William Blair financial advisor.