

Clearinghouse Rule 10-080

**PROPOSED ORDER OF THE
DEPARTMENT OF COMMERCE**

CREATING RULES

The Wisconsin Department of Commerce proposes an order to create chapter Comm 126 relating to the annual Wisconsin Angel Network grant under section 560.255 of the Statutes, and to capital connections grants and venture seed fund grants under section 560.277 of the Statutes, and affecting small businesses.

Rule Summary

1. Statutes Interpreted.

Sections 560.255 and 560.277, as created in 2009 Wisconsin Act 28.

2. Statutory Authority.

Sections 227.11 (2) (a), 560.255 and 560.277 (4) and (5).

3. Explanation of Agency Authority.

Section 227.11 (2) (a) of the Statutes authorizes the Department to promulgate rules interpreting the provisions of any Statute administered by the Department. Section 560.255 directs the Department to promulgate rules for administering Wisconsin Angel Network grants. Sections 560.277 (4) and (5) direct the Department to promulgate rules for administering capital connections grants and venture seed fund grants, and for establishing a Wisconsin venture fund advisory council.

4. Related Statute or Rule.

The Department has various rules for administering several economic development programs, but those rules do not specifically include the rule text in this order for (1) the Wisconsin Angel Network, (2) connecting business ventures and entrepreneurs with capital, (3) institutions that fund new businesses or determine proof of concept and feasibility of new business ideas, and (4) a Venture Fund Advisory Council.

5. Plain Language Analysis.

The rules in this order set forth the criteria the department will use for (1) providing an annual grant to the Wisconsin Angel Network, (2) funding eligible institutions that connect business ventures and entrepreneurs with capital, (3) providing matching funds to eligible

institutions that fund new businesses or determine proof of concept and feasibility of new business ideas, and (4) establishing and interacting with a Venture Fund Advisory Council.

6. Summary of, and Comparison With, Existing or Proposed Federal Regulations.

The Department is not aware of any existing or proposed federal regulation that addresses the content of these proposed rules.

7. Comparison With Rules in Adjacent States.

WISCONSIN ANGEL NETWORK (WAN)

Iowa: The Venture Network of Iowa provides a forum through which inventors and entrepreneurs interact in the hope of forging profitable, long-term business relationships. VNI has been a catalyst in the formation of new, viable businesses throughout Iowa by facilitating networking meetings for Iowa entrepreneurs, investors and business advisors. However, no state-level rules were found for VNI.

The remaining adjacent states typically have organizations like the Wisconsin Technology Council that houses WAN, but do not have a program like WAN to support angel networks.

Illinois: The Illinois Venture Capital Association is a nonprofit trade organization for Illinois venture-capital and private-equity professionals. IVCA enhances the growth of Illinois' \$77 billion venture-capital and private-equity community by advocating on behalf of the industry. IVCA promotes institutional investment in local private equity firms, provides networking opportunities for Midwest-based firms, supports public-policy initiatives for making Illinois an appealing financial center, shares up-to-the-minute news on local venture-capital/private-equity firms and professional service providers, facilitates intermediaries' and entrepreneurs' identification of appropriate venture-capital or private-equity firms for a given investment, and communicates the substantial economic value of a strong private-equity community. No state-level rules were found for IVCA.

Minnesota: The Minnesota High Tech Association supports the growth, sustainability and global competitiveness of Minnesota's technology-based economy through advocacy, collaboration and education. MHTA advocates for technology growth that benefits the full spectrum of technology companies as well as organizations which are dependent on technology. No state-level rules were found for MHTA.

Michigan: Michigan provides funds for the Michigan Venture Capital Association, which advocates for the private-equity/venture-capital industry. MVCA is a nonprofit trade organization designed to bring together venture-capital industry participants. The organization's goal is to grow and sustain a vibrant venture-capital community. Membership includes private-venture capital funds, corporate-venture capital funds, private-equity firms, angel investors, and entrepreneurial infrastructure participants. MVCA is a vehicle to bring together industry participants and to provide a concerted voice for Michigan's venture-capital industry. The Michigan Economic Development Corporation is a founding member of MVCA and has aggressively supported the growth of angel networks to fill the gap in seed-stage financing. No state-level rules were found for MVCA.

CAPITAL CONNECTIONS GRANTS AND VENTURE SEED FUND GRANTS

Iowa: No similar state-level program or rules were found.

Illinois: No similar state-level program or rules were found.

Minnesota: No similar state-level program or rules were found.

Michigan: The Venture Michigan Fund invests in venture-capital firms that target seed and early-stage investments. Moneys for the \$95 million fund are provided by private investors who receive State-based single-business tax credits for investing in the fund. The 21st Century Investment Fund is funded by \$109 million of tobacco-settlement money. This fund invests in both venture-capital and private-equity companies and in both Michigan companies and out-of-state companies. No state-level rules were found for either of these programs.

8. Summary of Factual Data and Analytical Methodologies.

The data and methodology for developing these rules were derived from and consisted of (1) applying the corresponding provisions in 2009 Wisconsin Act 28; (2) incorporating applicable best practices the Department has developed in administering similar programs for economic development and business development; and (3) reviewing Internet-based sources of related federal, state, and private-sector information.

9. Analysis and Supporting Documents Used to Determine Effect on Small Business or in Preparation of an Economic Impact Report.

The primary document that was used to determine the effect of the rules on small business was 2009 Wisconsin Act 28. The proposed rules and the applicable portion of this Act apply their private-sector requirements only to entities that choose to pursue a corresponding grant. No economic impact report was prepared.

10. Effect on Small Business.

The rules are expected to result in only beneficial effects on small business because the rules only address grants for the Wisconsin Angel Network and for research institutions or nonprofit organizations that are involved in economic development.

11. Agency Contact Person.

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12. Place Where Comments Are to Be Submitted, and Deadline for Submission.

Comments on the proposed rules may be submitted by e-mail to sam.rockweiler@wi.gov, no later than August 11, 2010. If e-mail submittal is not possible, written comments may be mailed, by the same date, to Sam Rockweiler, Department of Commerce, Division of Environmental and Regulatory Services, P.O. Box 14427, Madison, WI 53708-0427.

File reference: Comm 126/rules, analysis PH