



One Hundred First Legislature - Second Session - 2010
Introducer's Statement of Intent
LB 814

Chairperson: Rich Pahls
Committee: Banking, Commerce and Insurance
Date of Hearing: January 25, 2010

The following constitutes the reasons for this bill and the purposes which are sought to be accomplished thereby:

LB 814 would amend Section 8-1111(9) of the Securities Act of Nebraska (Act). This statute is a transactional exemption from the registration requirements of the Act for small securities offerings. With this exemption, sales of securities may be made to no more than fifteen persons in this state during any period of twelve consecutive months. However, sales to accredited investors, existing shareholders, and employee benefit plans are not counted in the fifteen person total. As a result, there has been one recent instance where affiliated companies made repeat filings under this exemption, resulting in an inappropriate exemption. This led to sales to more than fifteen shareholders and large dollar amounts raised. Dishonest business practices led to eventual business failure and large losses for shareholders.

LB 814 is intended to continue the unlimited raising of capital with the added condition that once one (1) million dollars has been raised by an issuer, or the exemption is continuously claimed for five years, whichever comes first, a sales report and audited financial reports must be filed with the Nebraska Department of Banking and Finance (Department). The sales report would allow the Department to check the veracity of the previous filings. Audited financial statements prepared by an independent financial professional would provide an accurate review of the company's books and records for investors and the Department. Subsequently, the report and audited financials would need to be repeated after every additional million dollars is raised or after five more years (again, whichever event comes sooner).

LB 814 was introduced at the request of the Department and will provide the Department with more effective monitoring tools.

Principal Introducer: _____
Senator Mike Gloor