

One Hundred Third Legislature - First Session - 2013

Introducer's Statement of Intent

LB205

Chairperson: Senator Mike Gloor

Committee: Banking, Commerce and Insurance

Date of Hearing: March 05, 2013

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

Debt and equity financing are two basic private capital mechanism used to start a business. Debt financing usually requires the entrepreneur or a family member to personally guarantee a loan. This means putting one's nest egg on the line and elevates the risk of pursuing a promising but uncertain business opportunity. Equity financing involves selling shares of the idea to people who have money. It spreads the risk and shares the wealth if the idea is successful.

The Nebraska Securities Act presently has the effect of redirecting the risk back upon the entrepreneur and his or her attorneys and accountants by making the entrepreneur a virtual guarantor of the success of the venture. This deters the use of the powerful equity tool in business formation by entrepreneurs. LB205 creates a narrow exception to the Nebraska Securities Act for the sale of shares in a small business. This exception would reduce the paperwork in selling a limited dollar amount of shares and require proof of an actual intent to defraud on the part of the entrepreneur in the event a claim was made under the act.

Principal Introducer: _____

Senator Paul Schumacher