

**ONE HUNDRED FOURTH LEGISLATURE - FIRST SESSION - 2015**  
**COMMITTEE STATEMENT**  
**LB226**

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**Hearing Date:** Monday February 02, 2015  
**Committee On:** Banking, Commerce and Insurance  
**Introducer:** Coash  
**One Liner:** Authorize crowdfunding as prescribed and exempt crowdfunding under the Securities Act of Nebraska

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**Roll Call Vote - Final Committee Action:**  
Advanced to General File with amendment(s)

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**Vote Results:**

**Aye:** 8 Senators Campbell, Craighead, Gloor, Howard, Lindstrom, Scheer, Schumacher, Williams

**Nay:**

**Absent:**

**Present Not Voting:**

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**Verbal Testimony:**

**Proponents:**

Senator Colby Coash  
C. Steven Bradford  
Jerry Stilmock  
Bruce Boyer  
Ron Sedlacek  
Ann Post

**Representing:**

Introducer  
Self  
NE Bankers Association  
Lincoln Chamber of Commerce  
NE Chamber of Commerce  
LIBA

**Opponents:**

**Representing:**

**Neutral:**

Mark Quandahl

**Representing:**

NE Dept of Banking and Finance

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**Summary of purpose and/or changes:**

This bill would amend section 8-1111 of the Securities Act of Nebraska to authorize crowdfunding as prescribed and would exempt crowdfunding from registration. The bill would provide an exemption from registration for Nebraska issuers who chose to issue securities as part of a crowdfunding offering. Crowdfunding is the practice of funding a venture by raising small amounts of money from a large number of people, usually done via the Internet.

The bill relies upon the intrastate exemption from federal securities laws in the Securities Act of 1933 for securities sold only to persons in the same state as the issuer. States have authority to regulate intrastate offerings. Accordingly, the bill would require that crowdfunding issuers must be located in Nebraska and can only sell securities to Nebraska residents, subject to the following conditions:

- (1) The aggregate amount that can be raised is \$1,000,000, except that an issuer may raise up to \$2,000,000 if it has audited financial statements. (Page 18, Lines 10-23)
  - (2) The maximum amount that can be raised from an investor is \$5,000, except that for accredited investors such
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limitation does not apply. (Page 18, Line 30 through Page 19, Line 1)

(3) The issuer must make a notice filing with the Nebraska Department of Banking and Finance at least ten days prior to initiating the offering, and shall pay a fee of \$200. (Page 19, Lines 2-12)

(4) The issuer must enter into an escrow agreement with a financial institution authorized to do business in Nebraska, and must escrow the proceeds until the aggregate amount raised exceeds the minimum amount specified in the escrow agreement. (Page 19, Lines 13-27; Page 21, Lines 14-20)

(5) The issuer must provide a disclosure document to potential investors which discloses material information pertaining to the issuer and the offering as set forth in the act. (Page 20, Lines 4-23; Page 21, Line 21 through Page 23, Line 2)

(6) The issuer must sign an acknowledgment that he or she understands the risky nature of the investment. (Page 20, Line 24 through Page 21, Line 9)

(7) The offering must be made through an internet web portal registered with the department. (Page 23, Line 28 through Page 24, Line 2)

(8) The issuer must supply a quarterly report regarding its operations to its investors and the department. (Page 26, Line 24 through Page 28, Line 1)

Web portals must register with the department and pay a \$200 fee, except that a broker-dealer that is also an internet web portal must register but does not have to pay the filing fee. A web portal does not need to register as a broker-dealer if it meets the requirements found in Page 24, Line 15 through Page 25, Line 30.

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**Explanation of amendments:**

The committee amendments would rearrange some of the subdivisions within the proposed new subdivision (24) of section 8-111 of the Securities Act of Nebraska (the crowdfunding exemption).

The bill, as introduced, would provide that the issuer shall provide a disclosure document to each prospective investor at the time the offer of securities is made to the prospective investor that contains, among other things, the names and addresses, including the Uniform Resource Locator, of each Internet web site that will be used by the issuer to offer or sell securities. (Page 22, Lines 26 through 28 of the bill as introduced) The committee amendments would provide that the disclosure document shall instead contain: the names and addresses of each portal operator that will be offering or selling the issuer's securities; and the Uniform Resource Locator for each funding portal that will be used by the portal operator to offer or sell the issuer's securities. (Page 21, Lines 26 through 31 of the committee amendments)

The committee amendments would define the terms "funding portal" (an Internet web site that is operated by a portal operator for the offer and sale of securities pursuant to the crowdfunding exemption) (Page 26, Lines 23 through 25 of the committee amendments) and "portal operator" (an entity authorized to do business in this state which operates a funding portal and has registered with the Department of Banking and Finance as required by the bill). (Page 27, Lines 8 through 10 of the committee amendments)

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Jim Scheer, Chairperson