

Ninety-Seventh Legislature First Session 2001

Introducer's Statement of Intent LB 225

Chairperson: Senator David M. Landis
Committee: Banking, Commerce and Insurance
Date of Hearing: January 23, 2001

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

Nebraska has entrepreneurs with ideas for innovative products and services, and it has individuals and institutions that would be interested in venture capital investment, i.e., the investment in the ownership of new and untried business enterprises. However, Nebraska lacks a system for bringing entrepreneurs and investors together. The state is a net exporter of venture capital funds, and the state is losing the young people who are willing to undertake the risks of a new business, but unable to find sufficient resources here.

LB 225 would establish the Venture Capital Forum Act, under which a grant would be made by the Department of Economic Development to a private, non-profit organization with venture capital expertise to create a forum for Nebraska entrepreneurs and potential investors. The organization would educate entrepreneurs about business planning and ways to communicate their products or services in a meaningful way for investor decision-making. It would provide information to investors about venture capital investment and potential investment opportunities, and organize meetings, fairs, and other methods for investors and entrepreneurs to meet. It would also promote the development of regional venture capital networks across the state as sources of capital for Nebraska entrepreneurs. The forum will focus on linking investors with entrepreneurs in the earliest stages of development when capital is most difficult to obtain--at the level of \$1 million or less of investment.

LB 225 expresses an intent for general fund appropriation in the amount of \$200,000 per year for each of three years to aid in the start up of the forum, with a required dollar for dollar match by the private, non-profit organization selected.

Principal Introducer: Senator David M. Landis

LEGISLATIVE BILL 225

Approved by the Governor May 25, 2001

Introduced by Landis, 46; Aguilar, 35; Bourne, 8; Bruning, 3;
Cunningham, 18; Jensen, 20; Eremer, 34; Smith, 48;
Tyson, 19; at the request of the Governor

AN ACT relating to economic development; to adopt the Nebraska
Venture Capital Forum Act; to state intent; to provide a
termination date; and to provide an operative date.

Be it enacted by the people of the State of Nebraska,

Section 1. Sections 1 to 11 of this act shall be known and
may be cited as the Nebraska Venture Capital Forum Act.

Sec. 2. The Legislature finds that:

(1) Sufficient venture capital resources exist within the State
of Nebraska to meet substantial portions of the equity needs of new
and high-growth business enterprises;

(2) Nebraska is a net exporter of venture capital;

(3) The venture capital needs of Nebraska business
enterprises are not currently being met due to the lack of an organized
approach to connecting investors with new and high-growth business
enterprises;

(4) The best and primary role the State of Nebraska can play
in creating an effective framework for venture capital markets is as a
partner and facilitator with the private sector;

(5) Creation of a venture capital forum must be flexible and
market driven;

(6) Potential venture capital investors in Nebraska need
better information about their role in making equity investments and
about investment opportunities in Nebraska's new and high-growth
business enterprises; and

(7) Entrepreneurs and high-growth business enterprises need
technical assistance in understanding equity markets and how to
position themselves to receive equity funding.

Sec. 3. For purposes of the Nebraska Venture Capital Forum
Act, the definitions found in sections 4 and 5 of this act shall be used,
unless the context otherwise requires.

Sec. 4. Business enterprise means an individual, corporation,
partnership, limited liability company, or joint stock company with its
principal place of business in Nebraska or potentially in Nebraska.

Sec. 5. Venture capital means equity financing provided by
investors to new or other business enterprises that have the potential

for high growth and in which the risk for loss and the potential for profit may be considerable.

Sec. 6. The purpose of the Nebraska Venture Capital Forum Act is to create a framework to facilitate the financial investment in new and high-growth business enterprises in Nebraska.

Sec. 7. The Department of Economic Development shall establish a Nebraska Venture Capital Forum Program. To establish the program, the department shall:

(1) Organize a statewide system for facilitating venture capital investing with its primary emphasis upon assisting those business enterprises generally seeking up to one million dollars in new equity financing. Such system may include, but need not be limited to, the following:

(a) Identifying and providing information to investors about **investment** opportunities in new and high-growth Nebraska business enterprises;

(b) Identifying and providing information to entrepreneurs and high-growth business enterprises about investors seeking investment opportunities;

(c) Providing statewide and regional meetings, forums, internet-based information systems, venture capital fairs, and other opportunities for venture capital investors and new and high-growth business enterprises to meet and discuss potential mutual opportunities;

(d) Cooperating with other service entities in facilitating effectiveness of the program including, but not limited to, financial institutions, attorneys, accountants, investment banking firms, established venture capital funds, institutions of higher education, local and regional development organizations, business development centers, business incubators, and utilities;

(a) Serving as a clearinghouse and access point for information about venture capital investment opportunities in Nebraska;

-1-

LB 225

LB 225

(f) Serving as the central organization and means of delivering appropriate education and training programs for potential investors and new or high-growth business enterprises;

(g) Facilitating the formation of private venture capital funds; and

(h) Assisting in the formation of sub-state or industry-specific venture capital networks; and

(2) Select a single, private, nonprofit organization for the

purpose of carrying out the functions of the Nebraska Venture Capital Forum Act which is either (a) incorporated in the State of Nebraska and exempt for federal tax purposes under section 501(c) (3) of the Internal Revenue Code as such section existed on the operative date of this act or (b) a Nebraska corporation or Nebraska organization that is exempt from federal taxation under section 501(c) (6) of the Internal Revenue Code as such section existed on the operative date of this act. Factors to be considered shall include, but not be limited to, an ability to deliver a statewide program and to provide the dollar match required by section 8 of this act.

Sec. 8. All funds appropriated to the Department of Economic Development shall be passed through as a grant to a private nonprofit organization selected to carry out the purposes of the Nebraska Venture Capital Forum Act. The department may receive state appropriations as well as funds from local or federal governments, private foundations, or other sources. Expenditures of state money for the Nebraska Venture Capital Forum Program must be matched dollar-for-dollar by the private nonprofit organization, any portion of which may be provided in-kind.

Sec. 9. The Department of Economic Development shall submit an annual report on the activities of the Nebraska Venture Capital Forum Program to the Governor and the Clerk of the Legislature on or before January 1 each year.

Sec. 10. It is the intent of the Legislature that one hundred thousand dollars be appropriated to the Department of Economic Development for fiscal year 2001-02 and two hundred thousand dollars be appropriated to the Department of Economic Development for fiscal years 2002-03 and 2003-04 to carry out the purposes of the Nebraska Venture Capital Forum Act.

Sec. 11. The Nebraska Venture Capital Forum Act terminates December 31, 2003.

Sec. 12. This act becomes operative on January 1, 2002.

ITEMS FOR VENTURE CAPITAL FORUM RFP

June 21, 2001

Purpose:

- The purpose of the Nebraska Venture Capital Forum is to create a framework to facilitate the financial investment in new and high growth enterprises in Nebraska.
- The program is to be delivered statewide
- The program will emphasize investment deals not receiving historical interest from the investment market-place, e.g., particularly smaller deals of up to \$1 million

Operations Requirements:

- A statewide system
- \$1 for \$1 match of the state appropriation
- Program delivered by a private non-profit entity
- Start-up on 1/1/02, with state oversight and funding through 6/30/04
- Annual reports to Governor and Legislature January 1 of each year
- Work with an Advisory Board to establish and manage the program

Program Activities:

- Online support tools
- Local/regional/statewide venture capital network
- Seminars, workshops, focus groups, information materials, ...to inform about program
- Individual and group training and technical assistance to candidate small businesses and entrepreneurs
- Same activities for investors and investor groups
- Facilitate the creation of seed/venture-capital investment funds
- Work with constituent community to identify/generate deals: venture capital companies, financial institutions, accountants, attorneys, economic developers and organizations,
- Assist with identification of programs, public policies and legislation that will enhance the business development environment

Criteria for Selection:

- Demonstration of non-profit status
- Experience in venture capital finance
- Successes in past activity
- Demonstration of capability to provide **at least** the required match
- Ability to deliver a statewide system
- Experience in working with subject businesses

VENTURE CAPITAL FORUM (LB 225)
IMPLEMENTATION TEAM

7/17/01

Tom Sattler
Wolfe Snowden Hurd Luers & Ahl
Suite 800
Wells Fargo Center
Lincoln, NE 68508
Ph: (402) 474-1507

Dale Tinstman
3901 S. 27th Street, Ste. 40
Lincoln, NE 68502
Ph: (402) 423-7295

Ed Kentch- 1116
First National Bank of Omaha
1620 Dodge Street
Omaha, NE 68102-1596
Ph: (402) 633-3189

Don Leuenberger
Univ. of Nebraska Medical Center
986605 Nebraska Medical Center
Omaha, NE 68198-6605
Ph.: (402) 559-6301

Thompson Rogers (or David
McLease)
The Affiliated Companies, Inc.
1625 Farnam Street
Omaha, NE 68102
Ph.: (402) 346-2421

Mike McCarthy (or Dana
Bradford)
McCarthy Group, Inc.
1125 S. 103rd Street, Ste 450
Omaha, NE 68124-1071
Ph.: (402) 392-1300

Don Smith, President
Research Incubator Tech Transfer
LLC (RJTT LLC)
University of Nebraska-Omaha
Omaha, NE 68182
Ph.: 402-502-4505
Cell: 402-203-3184
Fax: 425-732-0128
E-mail: DRSmith@DRSmith.ws

Tom Olson
Lisco State Bank
102 Coldwater
Lisco, NE 69148
Ph.: (308) 772-3226

Matt Williams
Gothenburg State Bank
900 Lake Avenue
Gothenburg, NE
Ph.: (308) 537-7181