

of the things that we have found in study after study in this state, that we have a lack of this sort of capital available in Nebraska. Studies start back in 1983 with a task force on small business equity financing. The report was called Equity Capital for Nebraska Small Businesses and they found, and I won't read through all these but they did find a need for additional financing for small business. In 1983 again, another task force on state public pension fund investment, looked at a report that called for the investment of Nebraska Public Pension Funds and talked about the idea of utilizing some of these pension funds in this manner. The 1986, another study resulted in a report, the model for the Nebraska Statewide Risk Capital System which again suggested we look at the pension fund system and the potential it has for assisting in our capital needs. The new seeds study, Strategies for Building the Next Economy, 1987, referenced this need as well and the New Horizons study in 1988, State for All Ages Report talked about the need to study this concept that it was necessary to be reviewed by the Legislature. So study after study has recognized an issue and have made some recommendations on those issues. What we've done in this state in response, and I have a number of bills pending, is to try and find a way to flow capital back into the state, so with that capital we can take those ideas, take those potential products and services and turn them into reality. The first stage of any concept being developed as new businesses is what is usually referred to as seed capital and there we have a very high risk involved. Seed capital is when somebody has an idea, but really is just getting started and most individuals feel the private sector is where we need to make those decisions and there is a bill, LB 577, that is pending that is likely to come up this session that would provide incentives to the private sector to meet the need of seed capital, that initial stage of capital needs. The second stage of capital needs is for research and development. After you've taken the idea and developed it to a point where you know that there is some viability, then you need to research it further, develop it. And the R & D stage is where we have developed the R & D Authority and there we put in \$2 million a year to provide assistance in this capital need. The next stage after you've done the research and development can be referred to as mezzanine financing and it is at that stage that we find a gap that needs to be addressed that the pension funds can enter into. This mezzanine financing was identified by the Investment Council as a need for the state and as a potential high return also for investment. The Investment Council looked at this whole issue and found recommendations