

Passed on File.
November 22, 1933.

House File No. 122.

By BANKS AND BANKING COMMITTEE. ✕

Banks & Banking

A BILL FOR

An Emergency Act to provide for the issuance of preferred stock of one or more classes by state banks, savings banks and trust companies organized under the laws of this State that have been reorganized and/or recapitalized, or are in the process of reorganization and/or recapitalization; providing for the consent of "certificate holders" and subordinating the rights of "certificate holders" in and to earnings or income of such banks and trust companies, to the right of holders of preferred stock, both as to dividends and sinking fund; and binding non-consenting "certificate holders" upon written consent of required number and amount; providing for public bodies as "certificate holders" entering into written consents and subordination agreements; and providing rules of construction in event of conflict or unconstitutionality of a part of the Act.

Be It Enacted by the General Assembly of the State of Iowa:

1 Section 1. That it is hereby declared that a public
2 emergency has existed affecting the welfare of the people of
3 Iowa growing out of the abnormal disruption in economic and
4 financial processes; that because of this, a large number of banks
5 and trust companies in this State have been and still are unable
6 to carry on in an ordinary and normal manner; and depositors of
7 many of the banks and trust companies of Iowa have entered into
8 depositors agreements and pursuant thereto and to the laws of
9 this State, a number of such banks and trust companies have
10 reorganized and/or recapitalized, and a number are in the process
11 of reorganization and/or recapitalization.

1 Sec. 2. That many of these depositors agreements pro-
2 vide in substance for the payment of the earnings of the bank or

3 trust company into a trust fund created as part of such reorganiza-
4 tion and/or recapitalization.

1 Sec. 3. That the Reconstruction Finance Corporation
2 and other governmental agencies have advised the officials of
3 this State that prior to their purchase of preferred stock in
4 such banks or trust companies, the right of the “certificate
5 holders” as to the earnings of the bank or trust company sufficient
6 to the payment of dividends and sinking fund requirements for the
7 retirement of such preferred stock so purchased, must be subordin-
8 ate, junior and inferior to the rights of the holders of preferred
9 stock issued to the Reconstruction Finance Corporation or other
10 governmental agency.

1 Sec. 4. In the event any state bank, savings bank
2 or trust company organized under the laws of this State, pro-
3 posing to issue preferred stock pursuant to the laws of this
4 State, shall have theretofore been reorganized and/or recapitalized
5 or shall then be in process of reorganization and/or recapitalization
6 (whether pursuant to the provisions of Chapters 159 and 160 of the
7 Laws of the Forty-fifth General Assembly, and amendments thereto,
8 or otherwise) pursuant to a plan of reorganization and/or re-
9 capitalization providing that the future earnings or income of
10 such State bank, savings bank or trust company, or any portion
11 thereof be pledged, assigned or trusted for the benefit of de-
12 positors, creditors or holders of trust certificates of such state
13 bank, savings bank or trust company (hereinafter, for convenience,
14 referred to as “certificate holders”), the rights of such “certificate

15 holders” in such earnings or income may, with the written consent
16 of a majority of such “certificate holders” holding claims totalling
17 in the aggregate of 75% of the claims of all “certificate holders”
18 for whose benefit such earnings shall have been pledged, assigned,
19 or trustee, be made subordinate, junior and inferior to the rights
20 of holders of preferred stock issued pursuant to the laws of this
21 State, both as to the payment of dividends and any sinking fund or
22 other requirements, if any, for the retirement of such preferred
23 stock.

24 Upon such written consent being executed by
25 a majority in number of such “certificate holders” holding claims
26 totalling in the aggregate 75% of the claims of such “certificate
27 holders,” all such “certificate holders” shall be bound thereby
28 whether or not they shall have consented.

1 Sec. 5. Such State banks, savings banks or trust
2 companies shall issue preferred stock of one or more classes in
3 the same manner as provided by law for the issuance of preferred
4 stock in state banks, savings banks or trust companies organized
5 under the laws of this State.

1 Sec. 6. The State of Iowa, through the Executive
2 Council, in its discretion, and any County, City, Town, Municipal-
3 ity, Township or School District, in the discretion of its govern-
4 ing Board, when a “certificate holder” as defined in Section 4
5 of this Act, may enter into the written consent and subordination
6 agreement as provided in Section 4 of this Act, through and by
7 any member or officer designated for that purpose by such public

8 body. Joining in such written consent and subordination agreement
9 shall not be a waiver of any preference or of the right to parti-
10 cipate in the State Sinking Fund for Public Deposits.

1 Sec. 7, Insofar as the provisions of this Act may
2 conflict with other Acts or parts thereof, the provisions of this
3 Act shall control.

1 Sec. 8. Should any section of this Act, or any part
2 thereof be held by any court of competent jurisdiction unconstitu-
3 tional or invalid, such decision shall affect only the specific
4 provisions which may be held invalid or unconstitutional and shall
5 not affect the validity of the remaining portions of this Act.

1 Sec. 9. This Act, being adopted to meet an emergency,
2 and being deemed of immediate importance, it shall be in full
3 force and effect from and after its publication in The Freeman
4 Journal, a newspaper published at Webster City,
5 Iowa, and The Ackley World Journal, a newspaper published at
6 Ackley, Iowa.