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Place On Calendar

HOUSE FILE 460

BY COMMITTEE ON SMALL BUSINESS AND COMMERCE

(Formerly House Study Bill 120)

Passed House, Date 3-7-85 (p. 703) Passed Senate, Date 4-17-85 (P. 1456)  
Vote: Ayes 94 Nays 0 Vote: Ayes 46 Nays 0  
Approved May 16, 1985

### A BILL FOR

1 An Act relating to the investment of the pension funds of  
2 public safety police officers, Iowa public employees,  
3 and police officers and fire fighters, and the assets of  
4 insurance companies, state banks, state savings banks,  
5 state savings and loan associations and credit unions in  
6 venture capital firms making investments in small  
7 businesses in the state and in small businesses operating  
8 in this state.

9 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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HF 460

1 Section 1. Section 97B.7, subsection 2, paragraph b,  
2 unnumbered paragraph 1, Code 1985, is amended to read as  
3 follows:

4 b. Invest such the portion of said the trust funds as in  
5 the judgment of the department are not needed for current  
6 payment of benefits under this chapter in interest-bearing  
7 securities issued by the United States, or interest-bearing  
8 bonds issued by the state of Iowa, or bonds issued by  
9 counties, or school districts, or general obligations or  
10 limited levy bonds issued by municipal corporations in this  
11 state as authorized by law, or in shares or equity interests,  
12 but not in excess of five percent of the trust funds, in  
13 venture capital firms which agree to use their best efforts to  
14 make investments in small businesses having their principal  
15 offices within this state and having either more than one half  
16 of their assets within this state or more than one half of  
17 their employees employed within this state, which investment  
18 is not subject to the restrictions in subparagraphs (1)  
19 through (6), or in other investments authorized for life  
20 insurance companies in this state including common stocks  
21 issued or guaranteed by a corporation created or existing  
22 under the laws of the United States or any a state, district,  
23 or territory thereof of the United States subject to the  
24 following restrictions:

25 Sec. 2. Section 97B.7, subsection 2, paragraph b, Code  
26 1985, is amended by adding the following new unnumbered  
27 paragraph:

28 NEW UNNUMBERED PARAGRAPH. For purposes of this subsection,  
29 "venture capital firm" means a corporation, partnership, pro-  
30 priatorship, or other entity formed under the laws of the  
31 United States, or a state, district, or territory of the  
32 United States and whose principal business is or will be the  
33 making of investments in small businesses which meet the small  
34 business administration definition of small business and which  
35 are principally engaged in the development or exploitation of

1 inventions, technological improvements, new processes, or  
2 products not previously generally available in this state and  
3 "equity interests" means limited partnership interests and  
4 other equity interests in which liability is limited to the  
5 amount of the investment, but does not mean general  
6 partnership interests or other interests involving general  
7 liability.

8 Sec. 3. Section 410.3, Code 1985, is amended by adding the  
9 following new unnumbered paragraph:

10 NEW UNNUMBERED PARAGRAPH. Investments may be in shares or  
11 equity interests in venture capital firms which agree to use  
12 their best effort to make investments in small businesses  
13 having their principal offices within this state and having  
14 either more than one half of their assets within this state or  
15 more than one half of their employees employed within this  
16 state. The board shall not invest more than five percent of  
17 the surplus left in the funds under this paragraph. For  
18 purposes of this paragraph, "venture capital firm" means a  
19 corporation, partnership, proprietorship, or other entity  
20 formed under the laws of the United States, or a state,  
21 district, or territory of the United States, and whose  
22 principal business is or will be the making of investments in  
23 small businesses which meet the small business administration  
24 definition of small business and which are principally engaged  
25 in the development or exploitation of inventions,  
26 technological improvements, new processes, or products not  
27 previously generally available in this state and "equity  
28 interests" means limited partnership interests and other  
29 equity interests in which liability is limited to the amount  
30 of the investment, but does not mean general partnership  
31 interests or other interests involving general liability.

32 Sec. 4. Section 511.8, Code 1985, is amended by adding the  
33 following new subsection:

34 NEW SUBSECTION. 21. VENTURE CAPITAL FIRMS. Shares or  
35 equity interests in venture capital firms which agree to use

1 their best effort to make investments in small businesses  
2 having their principal offices within this state and having  
3 either more than one half of their assets within this state or  
4 more than one half of their employees employed within this  
5 state. A company shall not invest more than five percent of  
6 its legal reserve under this subsection. For purposes of this  
7 subsection, "venture capital firm" means a corporation,  
8 partnership, proprietorship, or other entity formed under the  
9 laws of the United States, or a state, district, or territory  
10 of the United States, and whose principal business is or will  
11 be the making of investments in small businesses which meet  
12 the small business administration definition of small business  
13 and which are principally engaged in the development or  
14 exploitation of inventions, technological improvements, new  
15 processes, or products not previously generally available in  
16 this state and "equity interests" means limited partnership  
17 interests and other equity interests in which liability is  
18 limited to the amount of the investment, but does not mean  
19 general partnership interests or other interests involving  
20 general liability.

21 Sec. 5. Section 515.35, subsection 4, Code 1985, is  
22 amended by adding the following new lettered paragraph after  
23 lettered paragraph "1" and relettering the remaining  
24 paragraphs:

25 NEW LETTERED PARAGRAPH. m. Shares or equity interests in  
26 venture capital firms which agree to use their best effort to  
27 make investments in small businesses having their principal  
28 offices within this state and having either more than one half  
29 of their assets within this state or more than one half of  
30 their employees employed within this state. A company shall  
31 not invest more than five percent of its capital and surplus  
32 under this paragraph. For purposes of this paragraph,  
33 "venture capital firm" means a corporation, partnership,  
34 proprietorship, or other entity formed under the laws of the  
35 United States, or a state, district, or territory of the

1 United States, and whose principal business is or will be the  
2 making of investments in small businesses which meet the small  
3 business administration definition of small business and which  
4 are principally engaged in the development or exploitation of  
5 inventions, technological improvements, new processes, or  
6 products not previously generally available in this state and  
7 "equity interests" means limited partnership interests and  
8 other equity interests in which liability is limited to the  
9 amount of the investment, but does not mean general  
10 partnership interests or other interests involving general  
11 liability.

12 Sec. 6. Section 524.901, subsection 3, Code 1985, is  
13 amended by adding the following two new lettered paragraphs:

14 NEW LETTERED PARAGRAPH. g. Shares or equity interests in  
15 venture capital firms which agree to use their best effort to  
16 make investments in small businesses having their principal  
17 offices within this state and having either more than one half  
18 of their assets within this state or more than one half of  
19 their employees employed within this state. A state bank  
20 shall not invest more than a total of five percent of its  
21 capital and surplus in investments permitted under this  
22 paragraph and paragraph "h". For purposes of this paragraph,  
23 "venture capital firm" means a corporation, partnership,  
24 proprietorship, or other entity formed under the laws of the  
25 United States, or a state, district, or territory of the  
26 United States, and whose principal business is or will be the  
27 making of investments in small businesses which meet the small  
28 business administration definition of small business and which  
29 are principally engaged in the development or exploitation of  
30 inventions, technological improvements, new processes, or  
31 products not previously generally available in this state and  
32 "equity interests" means limited partnership interests and  
33 other equity interests in which liability is limited to the  
34 amount of the investment, but does not mean general  
35 partnership interests or other interests involving general

1 liability.

2 NEW LETTERED PARAGRAPH. h. Shares or equity interests in  
3 small businesses having their principal offices within this  
4 state and having either more than one half of their assets  
5 within this state or more than one half of their employees  
6 employed within this state. The total amount of a state  
7 bank's investments under this paragraph and paragraph "g"  
8 shall not exceed five percent of the state bank's capital and  
9 surplus. The investment of a state bank in a small business  
10 under this paragraph shall be included with the obligations of  
11 the small business to the state bank that are incurred as a  
12 result of the exercise by the state bank of the powers  
13 conferred in section 524.902 for the purpose of determining  
14 the total obligations of the small business to the state bank  
15 at any one time under section 524.904. A state bank shall not  
16 invest in more than twenty percent of the total capital and  
17 surplus of any one small business under this paragraph. For  
18 purposes of this paragraph, "small business" means a  
19 corporation, partnership, proprietorship, or other entity  
20 formed under the laws of the United States, or a state,  
21 district, or territory of the United States, which meets the  
22 appropriate small business administration definition of small  
23 business and which is principally engaged in the development  
24 or exploitation of inventions, technological improvements, new  
25 processes, or other products not previously generally  
26 available in this state or other investments which provide an  
27 economic benefit to the state; and "equity interests" means  
28 limited partnership interests and other equity interests in  
29 which liability is limited to the amount of the investment,  
30 but does not mean general partnership interests or other  
31 interests involving general liability.

32 Sec. 7. NEW SECTION. 533.47 INVESTMENT IN CERTAIN SHARES  
33 OR EQUITY INTERESTS.

34 1. A credit union may invest in either of the following to  
35 the extent that the total investments under this section shall

1 not be more than five percent of the credit union's assets:

2 a. Shares or equity interests in venture capital firms  
3 which agree to use their best effort to make investments in  
4 small businesses having their principal offices within this  
5 state and having either more than one half of their assets  
6 within this state or more than one half of their employees  
7 employed within this state.

8 b. Shares or equity interests in small businesses having  
9 their principal offices within this state and having either  
10 more than one half of their assets within this state or more  
11 than one half of their employees employed within this state.  
12 A credit union shall not invest in more than twenty percent of  
13 the total capital and surplus of any one small business under  
14 this paragraph.

15 2. For purposes of this section:

16 a. "Venture capital firm" means a corporation,  
17 partnership, proprietorship, or other entity formed under the  
18 laws of the United States, or a state, district, or territory  
19 of the United States, and whose principal business is or will  
20 be the making of investments in small businesses which meet  
21 the small business administration definition of small business  
22 and which are principally engaged in the development or  
23 exploitation of inventions, technological improvements, new  
24 processes, or products not previously generally available in  
25 this state.

26 b. "Equity interests" means limited partnership interests  
27 and other equity interests in which liability is limited to  
28 the amount of the investment, but does not mean general  
29 partnership interests or other interests involving general  
30 liability.

31 c. "Small business" means a corporation, partnership,  
32 proprietorship, or other entity formed under the laws of the  
33 United States, or a state, district, or territory of the  
34 United States, which meets the appropriate small business ad-  
35 ministration definition of small business and which is

1 principally engaged in the development or exploitation of  
2 inventions, technological improvements, new processes, or  
3 other products not previously generally available in this  
4 state or other investments which provide an economic benefit  
5 to the state.

6 Sec. 8. Section 534.213, subsection 1, Code 1985, is  
7 amended by adding the following two new lettered paragraphs:

8 NEW LETTERED PARAGRAPH. 1. Shares or equity interests in  
9 venture capital firms which agree to use their best effort to  
10 make investments in small businesses having their principal  
11 offices within this state and having either more than one half  
12 of their assets within this state or more than one half of  
13 their employees employed within this state. An association  
14 shall not invest more than a total of five percent of its  
15 assets in investments permitted under this paragraph or  
16 paragraph "m". For purposes of this paragraph, "venture  
17 capital firm" means a corporation, partnership,  
18 proprietorship, or other entity formed under the laws of the  
19 United States, or a state, district, or territory of the  
20 United States, and whose principal business is or will be the  
21 making of investments in small businesses which meet the small  
22 business administration definition of small business and which  
23 are principally engaged in the development or exploitation of  
24 inventions, technological improvements, new processes, or  
25 products not previously generally available in this state; and  
26 "equity interests" means limited partnership interests and  
27 other equity interests in which liability is limited to the  
28 amount of the investment, but does not mean general  
29 partnership interests or other interests involving general  
30 liability.

31 NEW LETTERED PARAGRAPH. m. Shares or equity interests in  
32 small businesses having their principal offices within this  
33 state and having either more than one half of their assets  
34 within this state or more than one half of their employees  
35 employed within this state. The total amount of a state

1 bank's investments under this paragraph shall not exceed five  
2 percent of the state bank's capital and surplus. An associa-  
3 tion shall not invest in more than twenty percent of the total  
4 capital and surplus of any one small business under this para-  
5 graph. For purposes of this paragraph, "small business" means  
6 a corporation, partnership, proprietorship, or other entity  
7 formed under the laws of the United States, or a state, dis-  
8 trict, or territory of the United States, which meets the  
9 appropriate small business administration definition of small  
10 business and which is principally engaged in the development  
11 or exploitation of inventions, technological improvements, new  
12 processes, or other products not previously generally avail-  
13 able in this state or other investments which provide an  
14 economic benefit to the state; and "equity interests" means  
15 limited partnership interests and other equity interests in  
16 which liability is limited to the amount of investment, but  
17 does not mean general partnership interests or other interests  
18 involving general liability.

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## EXPLANATION

20 This bill allows the pension funds of the public safety  
21 police officers, Iowa public employees, and police officers  
22 and fire fighters, and assets of insurance companies, state  
23 banks, state savings banks, and state savings and loan  
24 associations to be invested in shares or limited liability  
25 equity interests in venture capital firms whose principal  
26 business is the making of investments in small businesses.  
27 Investments can be made in these venture capital firms if the  
28 firms agree to use their best efforts to make investments in  
29 small businesses having either more than one half of their  
30 employees employed in the state or more than one half of their  
31 assets within the state. There is a limit of not more than  
32 five percent of the funds or assets which can be invested in  
33 venture capital firms.

34 The bill also authorizes state banks, state savings banks,  
35 state savings and loan associations and state credit unions to

1 make equity investments in small businesses in this state.  
2 All investments in small businesses are limited to five  
3 percent of the financial institution's assets. This  
4 limitation includes investments made in venture capital firms.  
5 A financial institution shall not own more than twenty percent  
6 of the total amount of capital and surplus of a small business  
7 under the authorization provided by this bill.

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SMALL BUSINESS & ECONOMIC DEVELOPMENT: Rife, Chair; Boswell and Ritsema

HOUSE FILE 460

BY COMMITTEE ON SMALL BUSINESS AND COMMERCE

(As Amended and Passed by the House March 7, 1985)

Re Passed House, Date 4-26-85 (p. 1937) Passed Senate, Date 4-17-85 (p. 1456)  
Vote: Ayes 94 Nays 0 Vote: Ayes 46 Nays 0  
Approved May 16, 1985

### A BILL FOR

1 An Act relating to the investment of the assets of insurance  
2 companies, state banks, state savings banks, state  
3 savings and loan associations and credit unions in  
4 venture capital firms making investments in small  
5 businesses in the state and in small businesses operating  
6 in this state.

7 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

SENATE AMENDMENT TO HOUSE FILE 460

H-3915

1 Amend House File 460 as amended, passed, and  
2 reprinted by the House as follows:  
3 1. Page 5, by striking lines 29 through 31 and  
4 inserting the following: "employed within this state.  
5 The total amount of an association's investments under  
6 this paragraph shall not exceed five percent of the  
7 association's capital and surplus. An".

H-3915 FILED APRIL 19, 1985

RECEIVED FROM THE SENATE

*House concurred 4/26/85 (p. 1937)*

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1 Section 1. Section 511.8, Code 1985, is amended by adding  
2 the following new subsection:

3 NEW SUBSECTION. 20. VENTURE CAPITAL FUNDS. Shares or  
4 equity interests in venture capital funds which agree to  
5 invest an amount equal to at least fifty percent of the funds  
6 in small businesses having their principal offices within this  
7 state and having either more than one half of their assets  
8 within this state or more than one half of their employees  
9 employed within this state. A company shall not invest more  
10 than five percent of its legal reserve under this subsection.  
11 For purposes of this subsection, "venture capital fund" means  
12 a corporation, partnership, proprietorship, or other entity  
13 formed under the laws of the United States, or a state,  
14 district, or territory of the United States, whose principal  
15 business is or will be the making of investments in, and the  
16 provision of significant managerial assistance to, small  
17 businesses which meet the small business administration  
18 definition of small business. "Equity interests" means  
19 limited partnership interests and other equity interests in  
20 which liability is limited to the amount of the investment,  
21 but does not mean general partnership interests or other  
22 interests involving general liability.

23 Sec. 2. Section 515.35, subsection 4, Code 1985, is  
24 amended by adding the following new lettered paragraph after  
25 lettered paragraph "l" and relettering the remaining  
26 paragraphs:

27 NEW LETTERED PARAGRAPH. m. Shares or equity interests in  
28 venture capital funds which agree to invest an amount equal to  
29 at least fifty percent of the investments by a company in  
30 small businesses having their principal offices within this  
31 state and having either more than one half of their assets  
32 within this state or more than one half of their employees  
33 employed within this state. A company shall not invest more  
34 than five percent of its capital and surplus under this  
35 paragraph. For purposes of this paragraph, "venture capital

1 fund" means a corporation, partnership, proprietorship, or  
2 other entity formed under the laws of the United States, or a  
3 state, district, or territory of the United States, whose  
4 principal business is or will be the making of investments in,  
5 and the provision of significant managerial assistance to,  
6 small businesses which meet the small business administration  
7 definition of small business. "Equity interests" means  
8 limited partnership interests and other equity interests in  
9 which liability is limited to the amount of the investment,  
10 but does not mean general partnership interests or other  
11 interests involving general liability.

12 Sec. 3. Section 524.901, subsection 3, Code 1985, is  
13 amended by adding the following two new lettered paragraphs:

14 NEW LETTERED PARAGRAPH. g. Shares or equity interests in  
15 venture capital funds which agree to invest an amount equal to  
16 at least fifty percent of the state bank's investment in small  
17 businesses having their principal offices within this state  
18 and having either more than one half of their assets within  
19 this state or more than one half of their employees employed  
20 within this state. A state bank shall not invest more than a  
21 total of five percent of its capital and surplus in  
22 investments permitted under this paragraph and paragraph "h".  
23 For purposes of this paragraph, "venture capital fund" means a  
24 corporation, partnership, proprietorship, or other entity  
25 formed under the laws of the United States, or a state,  
26 district, or territory of the United States, whose principal  
27 business is or will be the making of investments in, and the  
28 provision of significant managerial assistance to, small  
29 businesses which meet the small business administration  
30 definition of small business. "Equity interests" means  
31 limited partnership interests and other equity interests in  
32 which liability is limited to the amount of the investment,  
33 but does not mean general partnership interests or other  
34 interests involving general liability.

35 NEW LETTERED PARAGRAPH. h. Shares or equity interests in

1 small businesses having their principal offices within this  
2 state and having either more than one half of their assets  
3 within this state or more than one half of their employees  
4 employed within this state. The total amount of a state  
5 bank's investments under this paragraph and paragraph "g"  
6 shall not exceed five percent of the state bank's capital and  
7 surplus. The investment of a state bank in a small business  
8 under this paragraph shall be included with the obligations of  
9 the small business to the state bank that are incurred as a  
10 result of the exercise by the state bank of the powers  
11 conferred in section 524.902 for the purpose of determining  
12 the total obligations of the small business to the state bank  
13 at any one time under section 524.904. A state bank shall not  
14 invest in more than twenty percent of the total capital and  
15 surplus of any one small business under this paragraph. For  
16 purposes of this paragraph, "small business" means a  
17 corporation, partnership, proprietorship, or other entity  
18 formed under the laws of the United States, or a state,  
19 district, or territory of the United States, which meets the  
20 appropriate small business administration definition of small  
21 business and which is principally engaged in the development  
22 or exploitation of inventions, technological improvements, new  
23 processes, or other products not previously generally  
24 available in this state or other investments which provide an  
25 economic benefit to the state; and "equity interests" means  
26 limited partnership interests and other equity interests in  
27 which liability is limited to the amount of the investment,  
28 but does not mean general partnership interests or other  
29 interests involving general liability.

30 Sec. 4. NEW SECTION. 533.47 INVESTMENT IN CERTAIN SHARES  
31 OR EQUITY INTERESTS.

- 32 1. A credit union may invest in either of the following to  
33 the extent that the total investments under this section shall  
34 not be more than five percent of the credit union's assets:  
35 a. Shares or equity interests in venture capital funds

1 which agree to invest an amount equal to at least fifty  
2 percent of the credit union's investment in small businesses  
3 having their principal offices within this state and having  
4 either more than one half of their assets within this state or  
5 more than one half of their employees employed within this  
6 state.

7     b. Shares or equity interests in small businesses having  
8 their principal offices within this state and having either  
9 more than one half of their assets within this state or more  
10 than one half of their employees employed within this state.

11 A credit union shall not invest in more than twenty percent of  
12 the total capital and surplus of any one small business under  
13 this paragraph.

14     2. For purposes of this section:

15     a. "Venture capital fund" means a corporation,  
16 partnership, proprietorship, or other entity formed under the  
17 laws of the United States, or a state, district, or territory  
18 of the United States, whose principal business is or will be  
19 the making of investments in, and the provision of significant  
20 managerial assistance to, small businesses which meet the  
21 small business administration definition of small business.

22     b. "Equity interests" means limited partnership interests  
23 and other equity interests in which liability is limited to  
24 the amount of the investment, but does not mean general  
25 partnership interests or other interests involving general  
26 liability.

27     c. "Small business" means a corporation, partnership,  
28 proprietorship, or other entity formed under the laws of the  
29 United States, or a state, district, or territory of the  
30 United States, which meets the appropriate small business  
31 administration definition of small business and which is  
32 principally engaged in the development or exploitation of  
33 inventions, technological improvements, new processes, or  
34 other products not previously generally available in this  
35 state or other investments which provide an economic benefit

1 to the state.

2 Sec. 5. Section 534.213, subsection 1, Code 1985, is  
3 amended by adding the following two new lettered paragraphs:

4 NEW LETTERED PARAGRAPH. 1. Shares or equity interests in  
5 venture capital funds which agree to invest an amount equal to  
6 at least fifty percent of the association's investment in  
7 small businesses having their principal offices within this  
8 state and having either more than one half of their assets  
9 within this state or more than one half of their employees  
10 employed within this state. An association shall not invest  
11 more than a total of five percent of its assets in investments  
12 permitted under this paragraph or paragraph "m". For purposes  
13 of this paragraph, "venture capital fund" means a corporation,  
14 partnership, proprietorship, or other entity formed under the  
15 laws of the United States, or a state, district, or territory  
16 of the United States, whose principal business is or will be  
17 the making of investments in, and the provisions of  
18 significant managerial assistance to, small businesses which  
19 meet the small business administration definition of small  
20 business. "Equity interests" means limited partnership  
21 interests and other equity interests in which liability is  
22 limited to the amount of the investment, but does not mean  
23 general partnership interests or other interests involving  
24 general liability.

25 NEW LETTERED PARAGRAPH. m. Shares or equity interests in  
26 small businesses having their principal offices within this  
27 state and having either more than one half of their assets  
28 within this state or more than one half of their employees  
29 employed within this state. The total amount of a state  
30 bank's investments under this paragraph shall not exceed five  
31 percent of the state bank's capital and surplus. An  
32 association shall not invest in more than twenty percent of  
33 the total capital and surplus of any one small business under  
34 this paragraph. For purposes of this paragraph, "small  
35 business" means a corporation, partnership, proprietorship, or

1 other entity formed under the laws of the United States, or a  
2 state, district, or territory of the United States, which  
3 meets the appropriate small business administration definition  
4 of small business and which is principally engaged in the  
5 development or exploitation of inventions, technological  
6 improvements, new processes, or other products not previously  
7 generally available in this state or other investments which  
8 provide an economic benefit to the state; and "equity  
9 interests" means limited partnership interests and other  
10 equity interests in which liability is limited to the amount  
11 of investment, but does not mean general partnership interests  
12 or other interests involving general liability.

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## HOUSE FILE 460

H-3273

1 Amend House File 460 as follows:

2 1. By striking everything after the enacting  
3 clause and inserting the following:  
4 "Section 1. Section 511.8, Code 1985, is amended  
5 by adding the following new subsection:

6 NEW SUBSECTION. 20. VENTURE CAPITAL FUNDS.  
7 Shares or equity interests in venture capital funds  
8 which agree to invest an amount equal to at least  
9 fifty percent of the funds in small businesses having  
10 their principal offices within this state and having  
11 either more than one half of their assets within this  
12 state or more than one half of their employees  
13 employed within this state. A company shall not  
14 invest more than five percent of its legal reserve  
15 under this subsection. For purposes of this  
16 subsection, "venture capital fund" means a  
17 corporation, partnership, proprietorship, or other  
18 entity formed under the laws of the United States, or  
19 a state, district, or territory of the United States,  
20 whose principal business is or will be the making of  
21 investments in, and the provision of significant  
22 managerial assistance to, small businesses which meet  
23 the small business administration definition of small  
24 business. "Equity interests" means limited  
25 partnership interests and other equity interests in  
26 which liability is limited to the amount of the  
27 investment, but does not mean general partnership  
28 interests or other interests involving general  
29 liability.

30 Sec. 2. Section 515.35, subsection 4, Code 1985,  
31 is amended by adding the following new lettered  
32 paragraph after lettered paragraph "l" and relettering  
33 the remaining paragraphs:

34 NEW LETTERED PARAGRAPH. m. Shares or equity  
35 interests in venture capital funds which agree to  
36 invest an amount equal to at least fifty percent of  
37 the investments by a company in small businesses  
38 having their principal offices within this state and  
39 having either more than one half of their assets  
40 within this state or more than one half of their  
41 employees employed within this state. A company shall  
42 not invest more than five percent of its capital and  
43 surplus under this paragraph. For purposes of this  
44 paragraph, "venture capital fund" means a corporation,  
45 partnership, proprietorship, or other entity formed  
46 under the laws of the United States, or a state,  
47 district, or territory of the United States, whose  
48 principal business is or will be the making of  
49 investments in, and the provision of significant  
50 managerial assistance to, small businesses which meet

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1 the small business administration definition of small  
2 business. "Equity interests" means limited  
3 partnership interests and other equity interests in  
4 which liability is limited to the amount of the  
5 investment, but does not mean general partnership  
6 interests or other interests involving general  
7 liability.

8 Sec. 3. Section 524.901, subsection 3, Code 1985,  
9 is amended by adding the following two new lettered  
10 paragraphs:

11 NEW LETTERED PARAGRAPH. g. Shares or equity  
12 interests in venture capital funds which agree to  
13 invest an amount equal to at least fifty percent of  
14 the state bank's investment in small businesses having  
15 their principal offices within this state and having  
16 either more than one half of their assets within this  
17 state or more than one half of their employees  
18 employed within this state. A state bank shall not  
19 invest more than a total of five percent of its  
20 capital and surplus in investments permitted under  
21 this paragraph and paragraph "h". For purposes of  
22 this paragraph, "venture capital fund" means a  
23 corporation, partnership, proprietorship, or other  
24 entity formed under the laws of the United States, or  
25 a state, district, or territory of the United States,  
26 whose principal business is or will be the making of  
27 investments in, and the provision of significant  
28 managerial assistance to, small businesses which meet  
29 the small business administration definition of small  
30 business. "Equity interests" means limited  
31 partnership interests and other equity interests in  
32 which liability is limited to the amount of the  
33 investment, but does not mean general partnership  
34 interests or other interests involving general  
35 liability.

36 NEW LETTERED PARAGRAPH. h. Shares or equity  
37 interests in small businesses having their principal  
38 offices within this state and having either more than  
39 one half of their assets within this state or more  
40 than one half of their employees employed within this  
41 state. The total amount of a state bank's investments  
42 under this paragraph and paragraph "g" shall not  
43 exceed five percent of the state bank's capital and  
44 surplus. The investment of a state bank in a small  
45 business under this paragraph shall be included with  
46 the obligations of the small business to the state  
47 bank that are incurred as a result of the exercise by  
48 the state bank of the powers conferred in section  
49 524.902 for the purpose of determining the total ob-  
50 ligations of the small business to the state bank at

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Page Threc

1 any one time under section 524.904. A state bank  
2 shall not invest in more than twenty percent of the  
3 total capital and surplus of any one small business  
4 under this paragraph. For purposes of this paragraph,  
5 "small business" means a corporation, partnership,  
6 proprietorship, or other entity formed under the laws  
7 of the United States, or a state, district, or  
8 territory of the United States, which meets the  
9 appropriate small business administration definition  
10 of small business and which is principally engaged in  
11 the development or exploitation of inventions, tech-  
12 nological improvements, new processes, or other  
13 products not previously generally available in this  
14 state or other investments which provide an economic  
15 benefit to the state; and "equity interests" means  
16 limited partnership interests and other equity  
17 interests in which liability is limited to the amount  
18 of the investment, but does not mean general  
19 partnership interests or other interests involving  
20 general liability.

21 Sec. 4. NEW SECTION. 533.47 INVESTMENT IN  
22 CERTAIN SHARES OR EQUITY INTERESTS.

23 1. A credit union may invest in either of the  
24 following to the extent that the total investments  
25 under this section shall not be more than five percent  
26 of the credit union's assets:

27 a. Shares or equity interests in venture capital  
28 funds which agree to invest an amount equal to at  
29 least fifty percent of the credit union's investment  
30 in small businesses having their principal offices  
31 within this state and having either more than one half  
32 of their assets within this state or more than one  
33 half of their employees employed within this state.

34 b. Shares or equity interests in small businesses  
35 having their principal offices within this state and  
36 having either more than one half of their assets  
37 within this state or more than one half of their  
38 employees employed within this state. A credit union  
39 shall not invest in more than twenty percent of the  
40 total capital and surplus of any one small business  
41 under this paragraph.

42 2. For purposes of this section:

43 a. "Venture capital fund" means a corporation,  
44 partnership, proprietorship, or other entity formed  
45 under the laws of the United States, or a state,  
46 district, or territory of the United States, whose  
47 principal business is or will be the making of  
48 investments in, and the provision of significant  
49 managerial assistance to, small businesses which meet  
50 the small business administration definition of small

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1 business.

2 b. "Equity interests" means limited partnership  
3 interests and other equity interests in which  
4 liability is limited to the amount of the investment,  
5 but does not mean general partnership interests or  
6 other interests involving general liability.

7 c. "Small business" means a corporation,  
8 partnership, proprietorship, or other entity formed  
9 under the laws of the United States, or a state,  
10 district, or territory of the United States, which  
11 meets the appropriate small business administration  
12 definition of small business and which is principally  
13 engaged in the development or exploitation of  
14 inventions, technological improvements, new processes,  
15 or other products not previously generally available  
16 in this state or other investments which provide an  
17 economic benefit to the state.

18 Sec. 5. Section 534.213, subsection 1, Code 1985,  
19 is amended by adding the following two new lettered  
20 paragraphs:

21 NEW LETTERED PARAGRAPH. 1. Shares or equity  
22 interests in venture capital funds which agree to  
23 invest an amount equal to at least fifty percent of  
24 the association's investment in small businesses  
25 having their principal offices within this state and  
26 having either more than one half of their assets  
27 within this state or more than one half of their  
28 employees employed within this state. An association  
29 shall not invest more than a total of five percent of  
30 its assets in investments permitted under this  
31 paragraph or paragraph "m". For purposes of this  
32 paragraph, "venture capital fund" means a corporation,  
33 partnership, proprietorship, or other entity formed  
34 under the laws of the United States, or a state,  
35 district, or territory of the United States, whose  
36 principal business is or will be the making of  
37 investments in, and the provisions of significant  
38 managerial assistance to, small businesses which meet  
39 the small business administration definition of small  
40 business. "Equity interests" means limited  
41 partnership interests and other equity interests in  
42 which liability is limited to the amount of the  
43 investment, but does not mean general partnership  
44 interests or other interests involving general  
45 liability.

46 NEW LETTERED PARAGRAPH. m. Shares or equity  
47 interests in small businesses having their principal  
48 offices within this state and having either more than  
49 one half of their assets within this state or more  
50 than one half of their employees employed within this

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1 state. The total amount of a state bank's investments  
2 under this paragraph shall not exceed five percent of  
3 the state bank's capital and surplus. An association  
4 shall not invest in more than twenty percent of the  
5 total capital and surplus of any one small business  
6 under this paragraph. For purposes of this paragraph,  
7 "small business" means a corporation, partnership,  
8 proprietorship, or other entity formed under the laws  
9 of the United States, or a state, district, or  
10 territory of the United States, which meets the appro-  
11 priate small business administration definition of  
12 small business and which is principally engaged in the  
13 development or exploitation of inventions,  
14 technological improvements, new processes, or other  
15 products not previously generally available in this  
16 state or other investments which provide an economic  
17 benefit to the state; and "equity interests" means  
18 limited partnership interests and other equity  
19 interests in which liability is limited to the amount  
20 of investment, but does not mean general partnership  
21 interests or other interests involving general  
22 liability."

23 2. Title page, by striking lines 1 through 3 and  
24 inserting the following: "An Act relating to the  
25 investment of the assets of".

BY PARKER of Jasper  
SWARTZ of Marshall  
HUMMEL of Benton

H-3273 FILED MARCH 6, 1985

*Adopted 3/7/85 (p. 702)*

HSB 120

SMALL BUSINESS AND COMMERCE

Study Bill 120

Small Business and Commerce: Swartz, Chair; Blanshan, Hummel, Parker and Schreckloth.

SENATE/HOUSE FILE 460

HF 460

BY PROPOSED NON-GENERAL FUND TAX INCENTIVE ECONOMIC DEVELOPMENT STUDY COMMITTEE BILL

Passed Senate, Date \_\_\_\_\_ Passed House, Date \_\_\_\_\_  
Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_ Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_  
Approved \_\_\_\_\_

**A BILL FOR**

1 An Act allowing the pension funds of the public safety police  
2 officers, Iowa public employees, and police officers and  
3 fire fighters, and assets of insurance companies, state  
4 banks, state savings banks, and state savings and loan  
5 associations to be invested in venture capital firms  
6 making investments in small businesses in the state.

7 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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1 Section 1. Section 97B.7, subsection 2, paragraph b,  
 1 inventions, technological improvements, new processes, or  
 2 unnumbered paragraph 1, Code 1985, is amended to read as  
 2 products not previously generally available in this state and  
 3 follows:  
 3 "equity interests" means limited partnership interests and  
 4 b. Invest such the portion of said the trust funds as in  
 4 other equity interests in which liability is limited to the  
 5 the judgment of the department are not needed for current  
 5 amount of the investment, but does not mean general  
 6 payment of benefits under this chapter in interest-bearing  
 6 partnership interests or other interests involving general  
 7 securities issued by the United States, or interest-bearing  
 7 liability.  
 8 bonds issued by the state of Iowa, or bonds issued by  
 8 Sec. 3. Section 410.3, Code 1985, is amended by adding the  
 9 counties, or school districts, or general obligations or  
 9 following new unnumbered paragraph:  
 10 limited levy bonds issued by municipal corporations in this  
 10 NEW UNNUMBERED PARAGRAPH. Investments may be in shares or  
 11 state as authorized by law, or in shares or equity interests,  
 11 equity interests in venture capital firms which agree to use  
 12 but not in excess of five percent of the trust funds, in  
 12 their best effort to make investments in small businesses  
 13 venture capital firms which agree to use their best efforts to  
 13 having their principal offices within this state and having  
 14 make investments in small businesses having their principal  
 14 either more than one-half of their assets within this state or  
 15 offices within this state and having either more than one-half  
 15 more than one-half of their employees employed within this  
 16 of their assets within this state or more than one-half of  
 16 state. The board shall not invest more than five percent of  
 17 their employees employed within this state, which investment  
 17 the surplus left in the funds under this paragraph. For  
 18 is not subject to the restrictions in subparagraphs (1)  
 18 purposes of this paragraph, "venture capital firm" means a  
 19 through (6), or in other investments authorized for life  
 19 corporation, partnership, proprietorship, or other entity  
 20 insurance companies in this state including common stocks  
 20 formed under the laws of the United States, or a state,  
 21 issued or guaranteed by a corporation created or existing  
 21 district, or territory of the United States, and whose  
 22 under the laws of the United States or any a state, district,  
 22 principal business is or will be the making of investments in  
 23 or territory thereof of the United States subject to the  
 23 small businesses which meet the small business administration  
 24 following restrictions:  
 24 definition of small business and which are principally engaged  
 25 Sec. 2. Section 97B.7, subsection 2, paragraph b, Code  
 25 in the development or exploitation of inventions,  
 26 1985, is amended by adding the following new unnumbered  
 26 technological improvements, new processes, or products not  
 27 paragraph:  
 27 previously generally available in this state and "equity  
 28 NEW UNNUMBERED PARAGRAPH. For purposes of this subsection,  
 28 interests" means limited partnership interests and other  
 29 "venture capital firm" means a corporation, partnership, pro  
 29 equity interests in which liability is limited to the amount  
 30 prietorship, or other entity formed under the laws of the  
 30 of the investment, but does not mean general partnership  
 31 United States, or a state, district, or territory of the  
 31 interests or other interests involving general liability.  
 32 United States and whose principal business is or will be the  
 32 Sec. 4. Section 511.8, Code 1985, is amended by adding the  
 33 making of investments in small businesses which meet the small  
 33 following new subsection:  
 34 business administration definition of small business and which  
 34 NEW SUBSECTION. 20. VENTURE CAPITAL FIRMS. Shares or  
 35 are principally engaged in the development or exploitation of  
 35 equity interests in venture capital firms which agree to use

1 inventions, technological improvements, new processes, or  
2 products not previously generally available in this state and  
3 "equity interests" means limited partnership interests and  
4 other equity interests in which liability is limited to the  
5 amount of the investment, but does not mean general  
6 partnership interests or other interests involving general  
7 liability.

8 Sec. 3. Section 410.3, Code 1985, is amended by adding the  
9 following new unnumbered paragraph:

10 NEW UNNUMBERED PARAGRAPH. Investments may be in shares or  
11 equity interests in venture capital firms which agree to use  
12 their best effort to make investments in small businesses  
13 having their principal offices within this state and having  
14 either more than one-half of their assets within this state or  
15 more than one-half of their employees employed within this  
16 state. The board shall not invest more than five percent of  
17 the surplus left in the funds under this paragraph. For  
18 purposes of this paragraph, "venture capital firm" means a  
19 corporation, partnership, proprietorship, or other entity  
20 formed under the laws of the United States, or a state,  
21 district, or territory of the United States, and whose  
22 principal business is or will be the making of investments in  
23 small businesses which meet the small business administration  
24 definition of small business and which are principally engaged  
25 in the development or exploitation of inventions,  
26 technological improvements, new processes, or products not  
27 previously generally available in this state and "equity  
28 interests" means limited partnership interests and other  
29 equity interests in which liability is limited to the amount  
30 of the investment, but does not mean general partnership  
31 interests or other interests involving general liability.

32 Sec. 4. Section 511.8, Code 1985, is amended by adding the  
33 following new subsection:

34 NEW SUBSECTION. 20. VENTURE CAPITAL FIRMS. Shares or  
35 equity interests in venture capital firms which agree to use

S.F. \_\_\_\_\_ H.F. \_\_\_\_\_

1 their best effort to make investments in small businesses  
2 having their principal offices within this state and having  
3 either more than one-half of their assets within this state or  
4 more than one-half of their employees employed within this  
5 state. A company shall not invest more than five percent of  
6 its legal reserve under this subsection. For purposes of this  
7 subsection, "venture capital firm" means a corporation,  
8 partnership, proprietorship, or other entity formed under the  
9 laws of the United States, or a state, district, or territory  
10 of the United States, and whose principal business is or will  
11 be the making of investments in small businesses which meet  
12 the small business administration definition of small business  
13 and which are principally engaged in the development or  
14 exploitation of inventions, technological improvements, new  
15 processes, or products not previously generally available in  
16 this state and "equity interests" means limited partnership  
17 interests and other equity interests in which liability is  
18 limited to the amount of the investment, but does not mean  
19 general partnership interests or other interests involving  
20 general liability.

21 Sec. 5. Section 515.35, subsection 4, Code 1985, is  
22 amended by adding the following new lettered paragraph after  
23 lettered paragraph "l" and relettering the remaining  
24 paragraphs:

25 NEW LETTERED PARAGRAPH. m. Shares or equity interests in  
26 venture capital firms which agree to use their best effort to  
27 make investments in small businesses having their principal  
28 offices within this state and having either more than one-half  
29 of their assets within this state or more than one-half of  
30 their employees employed within this state. A company shall  
31 not invest more than five percent of its capital and surplus  
32 under this paragraph. For purposes of this paragraph,  
33 "venture capital firm" means a corporation, partnership,  
34 proprietorship, or other entity formed under the laws of the  
35 United States, or a state, district, or territory of the

1 United States, and whose principal business is or will be the  
2 making of investments in small businesses which meet the small  
3 business administration definition of small business and which  
4 are principally engaged in the development or exploitation of  
5 inventions, technological improvements, new processes, or  
6 products not previously generally available in this state and  
7 "equity interests" means limited partnership interests and  
8 other equity interests in which liability is limited to the  
9 amount of the investment, but does not mean general  
10 partnership interests or other interests involving general  
11 liability.

12 Sec. 6. Section 524.901, subsection 3, Code 1985, is  
13 amended by adding the following new lettered paragraph:

14 NEW LETTERED PARAGRAPH. g. Shares or equity interests in  
15 venture capital firms which agree to use their best effort to  
16 make investments in small businesses having their principal  
17 offices within this state and having either more than one-half  
18 of their assets within this state or more than one-half of  
19 their employees employed within this state. A state bank  
20 shall not invest more than five percent of its capital and  
21 surplus under this paragraph. For purposes of this paragraph,  
22 "venture capital firm" means a corporation, partnership,  
23 proprietorship, or other entity formed under the laws of the  
24 United States, or a state, district, or territory of the  
25 United States, and whose principal business is or will be the  
26 making of investments in small businesses which meet the small  
27 business administration definition of small business and which  
28 are principally engaged in the development or exploitation of  
29 inventions, technological improvements, new processes, or  
30 products not previously generally available in this state and  
31 "equity interests" means limited partnership interests and  
32 other equity interests in which liability is limited to the  
33 amount of the investment, but does not mean general  
34 partnership interests or other interests involving general  
35 liability.

1 employees employed in the state or more than one-half of their  
 2 assets within the state. There is a limit of not more than  
 3 five percent of the funds or assets which can be invested in  
 4 NEW LETTERED PARAGRAPH. 1. Shares or equity interests in  
 5 venture capital firms.  
 6 venture capital firms which agree to use their best effort to  
 7 make investments in small businesses having their principal  
 8 offices within this state and having either more than one-half  
 9 of their assets within this state or more than one-half of  
 10 their employees employed within this state. An association  
 11 shall not invest more than five percent of its assets under  
 12 this subsection. For purposes of this subsection, "venture  
 13 capital firm" means a corporation, partnership,  
 14 proprietorship, or other entity formed under the laws of the  
 15 United States, or a state, district, or territory of the  
 16 United States, and whose principal business is or will be the  
 17 making of investments in small businesses which meet the small  
 18 business administration definition of small business and which  
 19 are principally engaged in the development or exploitation of  
 20 inventions, technological improvements, new processes, or  
 21 products not previously generally available in this state and  
 22 "equity interests" means limited partnership interests and  
 23 other equity interests in which liability is limited to the  
 24 amount of the investment, but does not mean general  
 25 partnership interests or other interests involving general  
 26 liability.

EXPLANATION

26 This bill allows the pension funds of the public safety  
 27 police officers, Iowa public employees, and police officers  
 28 and fire fighters, and assets of insurance companies, state  
 29 banks, state savings banks, and state savings and loan  
 30 associations to be invested in shares or limited liability  
 31 equity interests in venture capital firms whose principal  
 32 business is the making of investments in small businesses.  
 33 Investments can be made in these venture capital firms if the  
 34 firms agree to use their best efforts to make investments in  
 35 small businesses having either more than one-half of their

LSB 1372B 71

HOUSE FILE 460

AN ACT

RELATING TO THE INVESTMENT OF THE ASSETS OF INSURANCE COMPANIES,  
STATE BANKS, STATE SAVINGS BANKS, STATE SAVINGS AND LOAN  
ASSOCIATIONS AND CREDIT UNIONS IN VENTURE CAPITAL FIRMS MAK-  
ING INVESTMENTS IN SMALL BUSINESSES IN THE STATE AND IN  
SMALL BUSINESSES OPERATING IN THIS STATE.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

Section 1. Section 511.8, Code 1985, is amended by adding  
the following new subsection:

NEW SUBSECTION. 20. VENTURE CAPITAL FUNDS. Shares or  
equity interests in venture capital funds which agree to  
invest an amount equal to at least fifty percent of the funds  
in small businesses having their principal offices within this

state and having either more than one half of their assets  
within this state or more than one half of their employees  
employed within this state. A company shall not invest more  
than five percent of its legal reserve under this subsection.  
For purposes of this subsection, "venture capital fund" means  
a corporation, partnership, proprietorship, or other entity  
formed under the laws of the United States, or a state,  
district, or territory of the United States, whose principal  
business is or will be the making of investments in, and the  
provision of significant managerial assistance to, small  
businesses which meet the small business administration  
definition of small business. "Equity interests" means  
limited partnership interests and other equity interests in  
which liability is limited to the amount of the investment,  
but does not mean general partnership interests or other  
interests involving general liability.

Sec. 2. Section 515.35, subsection 4, Code 1985, is  
amended by adding the following new lettered paragraph after  
lettered paragraph 1 and relettering the remaining paragraphs:

NEW LETTERED PARAGRAPH. m. Shares or equity interests in  
venture capital funds which agree to invest an amount equal to  
at least fifty percent of the investments by a company in  
small businesses having their principal offices within this  
state and having either more than one half of their assets  
within this state or more than one half of their employees  
employed within this state. A company shall not invest more  
than five percent of its capital and surplus under this  
paragraph. For purposes of this paragraph, "venture capital  
fund" means a corporation, partnership, proprietorship, or  
other entity formed under the laws of the United States, or a  
state, district, or territory of the United States, whose  
principal business is or will be the making of investments in,  
and the provision of significant managerial assistance to,  
small businesses which meet the small business administration  
definition of small business. "Equity interests" means

Limited partnership interests and other equity interests in which liability is limited to the amount of the investment, but does not mean general partnership interests or other interests involving general liability.

Sec. 3. Section 524.901, subsection 3, Code 1985, is amended by adding the following two new lettered paragraphs:

NEW LETTERED PARAGRAPH. g. Shares or equity interests in venture capital funds which agree to invest an amount equal to at least fifty percent of the state bank's investment in small businesses having their principal offices within this state and having either more than one half of their assets within this state or more than one half of their employees employed within this state. A state bank shall not invest more than a total of five percent of its capital and surplus in investments permitted under this paragraph and paragraph "h". For purposes of this paragraph, "venture capital fund" means a corporation, partnership, proprietorship, or other entity formed under the laws of the United States, or a state, district, or territory of the United States, whose principal business is or will be the making of investments in, and the provision of significant managerial assistance to, small businesses which meet the small business administration definition of small business. "Equity interests" means limited partnership interests and other equity interests in which liability is limited to the amount of the investment, but does not mean general partnership interests or other interests involving general liability.

NEW LETTERED PARAGRAPH. h. Shares or equity interests in small businesses having their principal offices within this state and having either more than one half of their assets within this state or more than one half of their employees employed within this state. The total amount of a state bank's investments under this paragraph and paragraph "g" shall not exceed five percent of the state bank's capital and surplus. The investment of a state bank in a small business

under this paragraph shall be included with the obligations of the small business to the state bank that are incurred as a result of the exercise by the state bank of the powers conferred in section 524.902 for the purpose of determining the total obligations of the small business to the state bank at any one time under section 524.904. A state bank shall not invest in more than twenty percent of the total capital and surplus of any one small business under this paragraph. For purposes of this paragraph, "small business" means a corporation, partnership, proprietorship, or other entity formed under the laws of the United States, or a state, district, or territory of the United States, which meets the appropriate small business administration definition of small business and which is principally engaged in the development or exploitation of inventions, technological improvements, new processes, or other products not previously generally available in this state or other investments which provide an economic benefit to the state; and "equity interests" means limited partnership interests and other equity interests in which liability is limited to the amount of the investment, but does not mean general partnership interests or other interests involving general liability.

Sec. 4. NEW SECTION. 533.47 INVESTMENT IN CERTAIN SHARES OR EQUITY INTERESTS.

1. A credit union may invest in either of the following to the extent that the total investments under this section shall not be more than five percent of the credit union's assets:

a. Shares or equity interests in venture capital funds which agree to invest an amount equal to at least fifty percent of the credit union's investment in small businesses having their principal offices within this state and having either more than one half of their assets within this state or more than one half of their employees employed within this state.

b. Shares or equity interests in small businesses having their principal offices within this state and having either more than one half of their assets within this state or more than one half of their employees employed within this state. A credit union shall not invest in more than twenty percent of the total capital and surplus of any one small business under this paragraph.

2. For purposes of this section:

a. "Venture capital fund" means a corporation, partnership, proprietorship, or other entity formed under the laws of the United States, or a state, district, or territory of the United States, whose principal business is or will be the making of investments in, and the provision of significant managerial assistance to, small businesses which meet the small business administration definition of small business.

b. "Equity interests" means limited partnership interests and other equity interests in which liability is limited to the amount of the investment, but does not mean general partnership interests or other interests involving general liability.

c. "Small business" means a corporation, partnership, proprietorship, or other entity formed under the laws of the United States, or a state, district, or territory of the United States, which meets the appropriate small business administration definition of small business and which is principally engaged in the development or exploitation of inventions, technological improvements, new processes, or other products not previously generally available in this state or other investments which provide an economic benefit to the state.

Sec. 5. Section 534.213, subsection 1, Code 1985, is amended by adding the following two new lettered paragraphs:

NEW LETTERED PARAGRAPH. 1. Shares or equity interests in venture capital funds which agree to invest an amount equal to at least fifty percent of the association's investment in

small businesses having their principal offices within this state and having either more than one half of their assets within this state or more than one half of their employees employed within this state. An association shall not invest more than a total of five percent of its assets in investments permitted under this paragraph or paragraph "m". For purposes of this paragraph, "venture capital fund" means a corporation, partnership, proprietorship, or other entity formed under the laws of the United States, or a state, district, or territory of the United States, whose principal business is or will be the making of investments in, and the provisions of significant managerial assistance to, small businesses which meet the small business administration definition of small business. "Equity interests" means limited partnership interests and other equity interests in which liability is limited to the amount of the investment, but does not mean general partnership interests or other interests involving general liability.

NEW LETTERED PARAGRAPH. m. Shares or equity interests in small businesses having their principal offices within this state and having either more than one half of their assets within this state or more than one half of their employees employed within this state. The total amount of an association's investments under this paragraph shall not exceed five percent of the association's capital and surplus. An association shall not invest in more than twenty percent of the total capital and surplus of any one small business under this paragraph. For purposes of this paragraph, "small business" means a corporation, partnership, proprietorship, or other entity formed under the laws of the United States, or a state, district, or territory of the United States, which meets the appropriate small business administration definition of small business and which is principally engaged in the development or exploitation of inventions, technological improvements, new processes, or other products not previously

generally available in this state or other investments which provide an economic benefit to the state; and "equity interests" means limited partnership interests and other equity interests in which liability is limited to the amount of investment, but does not mean general partnership interests or other interests involving general liability.

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DONALD D. AVENSON  
Speaker of the House

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ROBERT T. ANDERSON  
President of the Senate

I hereby certify that this bill originated in the House and is known as House File 460, Seventy-first General Assembly.

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JOSEPH O'HERN  
Chief Clerk of the House

Approved May 16, 1985

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TERRY E. BRANSTAD  
Governor