

MAR 4 1988

Place On Calendar

HOUSE FILE 2396
BY COMMITTEE ON ECONOMIC
DEVELOPMENT

*Substituted for S. 7, 2071
(Formerly House Study Bill 516)*

Passed House, Date 3/7/88 (p. 669)
Vote: Ayes 88 Nays 4

Failed
Passed Senate, Date 4/6/88 (p. 1281)
Vote: Ayes 21 Nays 19

Approved May 11, 1988

*Motion to reconsider (p. 685)
" w/d 3/14 (p. 786)*

Motion to reconsider journalled 4/6 (p. 1302)

*Repassed House 4/12/88 (p. 1302)
87-12* A BILL FOR

Passed Senate 4/11/88 (p. 1403)

*Repassed Senate 4/14/88 (p. 1569)
30-16
32-16*

1 An Act relating to the establishment of the economic development
2 finance corporation to assist in providing financing for small
3 business development by providing loan guarantees, letters of
4 credit, equity financing, underwriting for public offerings,
5 and creating a state assistance fund.

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

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HF 2396

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1 Section 1. NEW SECTION. 28.131 TITLE OF ACT.

2 This division shall be known and may be cited as the "Iowa
3 Business Development Finance Act".

4 Sec. 2. NEW SECTION. 28.132 DEFINITIONS.

5 As used in this division, unless the context otherwise
6 requires, the term:

7 1. "Corporation" means the business development finance
8 corporation organized pursuant to this division and for the
9 purpose of assisting businesses in any phase of business or
10 product development in the state of Iowa by the loaning of
11 money to and investing money in the business, and otherwise
12 organizing for the purposes in section 28.133.

13 2. "Financial institution" means a bank, trust company,
14 savings and loan association, insurance company or related
15 corporation, partnership, foundation or other institution
16 licensed to do business in the state of Iowa and engaged
17 primarily in lending or investing funds or any private or
18 public retirement fund.

19 3. "Member" means a financial institution which has been
20 accepted for membership in the corporation in accordance with
21 section 28.137.

22 4. "Board" means the board of directors of the corporation
23 constituted under section 28.143 in office from time to time.

24 5. "Public director" means a member of the board
25 representing the state of Iowa.

26 6. "Private director" means a member of the board
27 representing the shareholders of the corporation.

28 7. "Department" means the Iowa department of economic
29 development or any agency which succeeds to the functions of
30 the Iowa department of economic development.

31 8. "Business" means a business which meets the United
32 States small business administration's definition of small
33 business for that type of business, except a business whose
34 primary activity is retail sales.

35 Sec. 3. NEW SECTION. 28.133 PURPOSES.

1 The purposes of the corporation shall be limited to those
2 provided in this section and shall be to promote, stimulate,
3 develop and advance business prosperity of the state of Iowa
4 and its citizens; to encourage and assist through loans,
5 investments, or other business transactions, the location of
6 new businesses in the state; to rehabilitate and assist
7 existing businesses in this state; to stimulate and assist in
8 the expansion of any kind of business activity which would
9 tend to promote business development and maintain the economic
10 stability of this state, provide maximum opportunities for
11 employment, encourage thrift, and improve the standard of
12 living of the citizens of this state; to co-operate and act in
13 conjunction with other organizations, public or private, in
14 the promotion and advancement of business development in this
15 state; and to provide financing for the promotion,
16 development, and conduct of all kinds of business activity in
17 this state, in situations in which assistance would not
18 otherwise be reasonably available from commercial sources.

19 This division being necessary for the welfare of this state
20 and its inhabitants, shall be liberally construed to effect
21 its purposes.

22 Sec. 4. NEW SECTION. 28.134 POWERS.

23 The corporation shall, subject to the restrictions and
24 limits contained in this division, have the following powers:

- 25 1. To provide letters of credit or guarantees to
26 businesses for any phase of product or business development,
27 not to exceed thirty percent of the total loan amount.
- 28 2. To provide equity financing to businesses for any phase
29 of business or product development.
- 30 3. To provide loans for businesses in any phase of product
31 or business development when serviced by an Iowa financial
32 institution.
- 33 4. To underwrite the public offering of shares by
34 businesses.
- 35 5. To request, as a condition of participation or

1 assistance, royalty, equity ownership, or fees, as it
2 determines appropriate, for its assistance.

3 6. To make contracts and incur liabilities for any of the
4 purposes of the corporation.

5 7. To borrow money and to issue its bonds, debentures,
6 notes or other evidences of indebtedness, whether secured or
7 unsecured, and when necessary to secure the same by mortgage,
8 pledge, deed of trust, or other lien on its property,
9 franchises, rights and privileges of every kind and nature, or
10 any part thereof or interest therein, without securing
11 shareholder approval.

12 8. To do all acts and things necessary or convenient to
13 carry out the powers expressly granted in this division and
14 such other powers not in conflict with this division granted
15 under chapter 496A.

16 9. To enter into lending arrangements with state and
17 federal agencies or instrumentalities whereby the corporation
18 may participate in lending operations or secure guarantees or
19 qualify under applicable laws to further state or federal
20 lending programs by becoming a participant therein.

21 10. To accept broker deposits from financial institutions.

22 11. To use not more than five percent of its funds for
23 management assistance.

24 Sec. 5. NEW SECTION. 28.135 STOCK -- LIMITATIONS.

25 Capital stock shall be issued only on receipt by the
26 corporation of cash in an amount not less than the par value
27 as may be determined by the board. A shareholder of the
28 corporation shall not be entitled as of right to purchase or
29 subscribe for any unissued or treasury shares of the
30 corporation, and the shareholder shall not be entitled as of
31 right to purchase or subscribe for any bonds, notes,
32 certificates of indebtedness, debentures, or other obligations
33 convertible into shares of the corporation.

34 Sec. 6. NEW SECTION. 28.136 STOCKHOLDERS PRIVILEGES.

35 Notwithstanding any rule at common law or any provision of

1 any general or special law or any provision in their
2 respective articles of incorporation, agreements of
3 association, or trust indentures; a person is authorized to
4 acquire, purchase, hold, sell, assign, transfer, mortgage,
5 pledge or otherwise dispose of any bond, security or other
6 evidences of indebtedness created by, or the shares of the
7 capital stock of, the corporation, and while owners of said
8 shares to exercise all the rights, powers and privileges of
9 ownership, including the right to vote thereon, all without
10 the approval of any regulatory agency of this state.

11 Sec. 7. NEW SECTION. 28.137 CORPORATION MEMBERSHIP.

12 1. A financial institution is authorized to become a
13 member of the corporation and to make loans to the
14 corporation.

15 2. A financial institution may request membership in the
16 corporation by making application to the board on forms and in
17 the manner as the board may require and membership shall
18 become effective upon acceptance of the application by the
19 board.

20 3. Each financial institution which becomes a member of
21 the corporation is authorized to acquire, purchase, hold,
22 sell, assign, mortgage, pledge, or otherwise dispose of,
23 bonds, securities or other evidences of indebtedness created
24 by, or the shares of the capital stock of, the corporation, of
25 which it is a member and while owners of such shares to
26 exercise all rights, powers and privileges of ownership,
27 including the right to vote thereon, all without the approval
28 of any regulatory agency of this state. The amount of capital
29 stock of the corporation which a member is authorized to
30 acquire is in addition to the amount of capital stock in other
31 corporations which the member may otherwise be authorized to
32 acquire.

33 Sec. 8. NEW SECTION. 28.138 ELIGIBILITY TO PARTICIPATE.

34 A financial institution is not eligible to receive benefits
35 from the corporation unless it becomes a shareholder, a

1 member, or both. If, as determined by the president of the
2 corporation, there is an insufficient number of eligible
3 financial institutions to ensure reasonable access by
4 businesses to assistance by the corporation, the board may
5 designate additional eligible financial institutions.

6 Sec. 9. NEW SECTION. 28.139 LOAN TO THE CORPORATION BY
7 MEMBERS.

8 Each member of the corporation may make loans to the
9 corporation as and when called upon by the corporation to do
10 so on terms and conditions as shall be approved from time to
11 time by the board subject to the following:

12 1. All loan limits shall be established at the thousand
13 dollar amount nearest the amount computed in accordance with
14 this section.

15 2. A loan to the corporation shall not be made if
16 immediately thereafter the total amount of the obligations of
17 the corporation calling for the loan would exceed ten times
18 the amount then paid in on the outstanding capital stock of
19 the corporation.

20 3. The total amount outstanding at any one time on loans
21 to the corporation made by a member of the corporation when
22 added to the amount of the investment in the capital stock of
23 the corporation and held by the member, shall not exceed the
24 lesser of:

25 a. Twenty percent of the total amount then outstanding on
26 loans to the corporation by all members, including in that
27 total amount outstanding amounts validly called for loan but
28 not yet loaned.

29 b. The limit, to be determined as of the time the member
30 becomes a member, on the basis of the audited balance sheet of
31 the member at the close of its fiscal year immediately
32 preceding its application for membership, as follows:

33 (1) Banks and trust companies -- five percent of the paid-
34 in capital, surplus, and undivided profits.

35 (2) Savings and loan associations -- two percent of the

1 general reserve account, surplus and undivided profits.

2 (3) Stock life insurance companies -- one percent of
3 capital and unassigned surplus.

4 (4) Mutual life insurance companies -- one percent of the
5 unassigned surplus.

6 (5) All other insurance companies -- one-tenth of one
7 percent of the assets.

8 (6) Other financial institutions -- such limits as may be
9 approved by the board of the business development finance
10 corporation.

11 4. Each call for loan shall be prorated among the members
12 in substantially the same proportion that the adjusted loan
13 limit of each member bears to the aggregate of the adjusted
14 loan limits of all members. The adjusted loan limit of a
15 member shall be the amount of the member's loan limit, reduced
16 by the balance of outstanding obligations of the corporation
17 to the member and the investment in capital stock of the
18 corporation held by the member at the time of the call.

19 5. All loans to the corporation by a member shall be
20 evidenced by registered bonds, debentures, notes, or other
21 evidences of indebtedness of the corporation, which shall be
22 freely transferable by the registered holder thereof on the
23 books of the corporation.

24 Sec. 10. NEW SECTION. 28.140 DURATION OF MEMBERSHIP.

25 Membership in the corporation shall be for the duration of
26 the corporation. However, upon written notice given to the
27 corporation five years in advance a member may withdraw from
28 membership in the corporation at the expiration date of the
29 notice. A financial institution may at any time withdraw from
30 membership without such notice in the event of its merger with
31 another financial institution, after commencement of
32 proceedings for voluntary or involuntary dissolution,
33 receivership, or reorganization pursuant to or by operation of
34 federal or state law or in the event of conversion from a
35 state financial institution to a federal financial institution

1 or the reverse. If there shall be a legislative amendment of
2 this division affecting the rights and obligations of the
3 members and shareholders or otherwise affecting the articles
4 of incorporation of the corporation which shall not have been
5 approved by the public and private directors within the time
6 set forth and in the manner provided in this division, a
7 member may immediately withdraw from membership upon giving
8 written notice to the corporation not later than ninety days
9 from the effective date of the amendment. A member shall not
10 be obligated to make loans to the corporation pursuant to
11 calls made subsequent to the withdrawal of the member from the
12 corporation.

13 Sec. 11. NEW SECTION. 28.141 POWERS OF SHAREHOLDERS.

14 The shareholders of the corporation shall have the
15 following powers of the corporation:

16 1. Those powers granted in chapter 496A which are not
17 inconsistent with this division.

18 2. To elect the private directors as provided in this
19 division.

20 3. To exercise other powers of the corporation as may be
21 conferred on the shareholders by the bylaws.

5353 22 As to all matters requiring action by the shareholders of
23 the corporation, except as may be otherwise provided in this
24 division, approval of the matters shall require the
25 affirmative vote of a majority of the votes to which the
26 shareholders present or represented at the meeting are
27 entitled. Each shareholder shall have one vote, in person or
28 by proxy, for each share of capital stock held by the
29 shareholder.

30 Sec. 12. NEW SECTION. 28.142 ARTICLES AMENDED.

31 The articles of incorporation of the corporation may be
32 amended by a majority vote of both the public and private
5353 33 directors. An amendment shall not be made which is
34 inconsistent with this division, authorizes an additional
35 class or classes of shares of capital stock, or eliminates or

1 curtails the authority of the department with respect to the
2 corporation. Without the consent of each of the members
3 affected, an amendment shall not be made which increases the
4 obligation of a member to make loans to the corporation; makes
5 any change in the principal amount, interest rate, maturity
6 date, or in the security or credit position of an outstanding
7 loan of a member to the corporation; affects a member's right
8 to withdraw from membership, as provided in this division; or
9 affects a member's voting rights, if the member is a
10 shareholder, in the corporation. Within thirty days after a
11 meeting at which amendment of the articles has been adopted,
12 articles of amendment signed and sworn to by the president,
13 secretary, and majority of the directors, setting forth the
14 amendment and the due adoption of them, shall be submitted to
15 the director of the department who shall examine them, and if
16 the director finds that they conform to the requirements of
17 this division, shall certify and endorse the director's
18 approval of them. Thereupon, the articles of amendment shall
19 be filed in the office of the secretary of state in the manner
20 set forth and as provided in chapter 496A and the amendment
21 shall not take effect until the articles of amendment shall
22 have been approved and filed as provided in this section.
23 Within sixty days after the effective date of a legislative
24 amendment affecting the rights and obligations of the members
25 and shareholders or otherwise affecting the articles of
26 incorporation, the approval of the legislative amendment shall
27 be voted on by the public and private directors of the
28 corporation at a meeting duly called for that purpose. Within
29 thirty days after any meeting at which a legislative amendment
30 affecting the articles of incorporation of the corporation has
31 been voted on, a certificate filed and sworn to by the
32 secretary or other recording officer of the corporation
33 setting forth the action taken at the meeting with respect to
34 the amendment shall be submitted to the director of the
35 department and upon receipt of the approval shall be filed in

1 the office of the secretary of state.

2 Sec. 13. NEW SECTION. 28.143 BOARD OF DIRECTORS.

S-57733 1. The board shall consist of twelve directors, seven of
4 which represent the public and five of which represent the
5 shareholders. The seven public directors consist of:

6 a. The director of the department.

7 b. The director of the Iowa finance authority.

8 c. The president of the Iowa product development
9 corporation.

10 d. The superintendent of banking.

11 e. The superintendent of savings and loans.

12 f. The commissioner of insurance.

13 g. The treasurer of state.

S-57737
S-577314 2. The director of the department shall serve as

15 chairperson of the board and the president of the Iowa product
16 development corporation shall serve as vice chairperson of the
17 board.

18 3. Within sixty days of the effective date of this
19 division, the chairperson shall convene the public directors
20 for the purpose of organizing the corporation under chapter
21 496A.

22 4. Within sixty days of the completion of the initial
23 stock offering, the chairperson shall convene a meeting of the
24 shareholders for the purpose of the initial election of the

S-57725 private directors. The private directors hold office until
26 the next annual meeting of the corporation or special meeting
27 held in lieu of the annual meeting after their election, and
28 until their successors are elected and qualify unless sooner
29 removed in accordance with the bylaws. A vacancy in the
30 office of a director elected by the shareholders shall be
31 filled by the other directors elected by the shareholders.

32 5. If stock is not issued and private directors are not
33 elected, all powers of the board shall be exercised by the
34 public directors.

35 Notwithstanding any provisions of law to the contrary,

1 officers and directors of insurance companies and other
2 financial institutions may be members of the board of the
3 corporation organized for the purposes of this division to
4 which the insurance company or other financial institution may
5 make a loan or may make an investment.

6 Sec. 14. NEW SECTION. 28.144 PRESIDENT OF THE
7 CORPORATION.

8 The president of the corporation shall be the director of
9 the division of finance of the department. Administrative and
10 staff support shall be furnished by the division of finance of
11 the department.

12 Sec. 15. NEW SECTION. 28.145 APPLICATIONS FOR FINANCIAL
13 ASSISTANCE.

14 1. Applications for financial assistance shall be
15 forwarded by a business in conjunction with an eligible
16 financial institution or by a city, county, or local community
17 economic development corporation on behalf of a business,
18 together with an application fee prescribed by the
19 corporation, to the president of the corporation. The
20 president, after preparing the necessary records for the
21 corporation, shall forward each application to the staff of
22 the corporation for an investigation and report concerning the
23 advisability of approving the financial assistance for the
24 business and concerning any other factors found relevant by
25 the corporation. The investigation and report shall include
26 information as deemed necessary by the president.

27 2. Criteria for assistance shall be developed by the
28 president with approval of the board and consistent with the
29 strategic plan for state economic growth prepared by the Iowa
30 economic development board.

31 3. The president shall award assistance in consultation
32 with the board upon review and rating of each application by
33 the staff of the corporation.

34 4. Appeals of the president's decisions concerning awards
35 of assistance shall be heard by the board. However, the

1 president's decision cannot be reversed except by a majority
2 vote of the directors.

3 Sec. 16. NEW SECTION. 28.146 EARNED SURPLUS SET ASIDE.

4 Net earnings and surplus shall be determined by the board,
5 after providing for the reserves as the directors deem
6 desirable, and the directors' determination made in good faith
7 shall be conclusive on all persons.

8 Sec. 17. NEW SECTION. 28.147 REPORTS TO GOVERNOR AND
9 GENERAL ASSEMBLY.

10 The corporation shall submit annually a record of its
11 operations and condition to the governor and general assembly.
12 The department may request the superintendent of banking to
13 examine the condition of the corporation and submit a report
14 to the department, copies of which shall also be sent to the
15 governor and general assembly.

16 Sec. 18. NEW SECTION. 28.148 STATE ASSISTANCE FUND.

17 There is created in the treasurer of state's office a
18 "business development finance corporation assistance fund".
19 The fund shall consist of all appropriations, grants, or gifts
20 received by the treasurer specifically for assistance under
21 this division. Moneys in this fund are appropriated to the
22 corporation for the purposes stated in this division.

23 Sec. 19. The Code editor shall codify new sections 28.131
24 through 28.148 as a separate division of chapter 28.

25 EXPLANATION

26 The bill provides for the incorporation of the business
27 development finance corporation to provide financing for the
28 promotion, development, and conduct of all kinds of small
29 business activity in the state. The financial assistance will
30 be provided from the capital of the finance corporation, loans
31 made to it from members of the corporation, and funds provided
32 by the state. The capital of the corporation is obtained by
33 the sale of shares to financial and nonfinancial entitles.
34 Financial institutions, which include insurance companies and
35 public and private pension funds, are the only entities that

1 may become members of the corporation and can commit
2 themselves to making loans to it. The board of directors of
3 the corporation consists of twelve directors with seven
4 representing the public and five representing the
5 shareholders. The seven public directors are the directors of
6 the department of economic development and Iowa finance
7 authority, president of the Iowa product development corpora-
8 tion, the superintendents of banking and savings and loans,
9 the commissioner of insurance, and state treasurer. The
10 corporation will, within sixty days of the bill's enactment,
11 be incorporated and organized by the seven public directors.
12 After sale of the corporation stock the stockholders will
13 elect the other five directors. The president of the
14 corporation is the head of the finance division of the
15 department of economic development.

16 SIMILAR TO HSB 516 (LSB 7674IS)

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HOUSE FILE 2396
FISCAL NOTE

REQUESTED BY CONNOLLY

In compliance with a written request received March 4, 1988, a fiscal note for H.F. 2396 is hereby submitted pursuant to Joint Rule 17. Data used in developing this fiscal note are available from the Legislative Fiscal Bureau to members of the Legislature upon request.

House File 2396 establishes the Business Development Finance Corporation to provide financial assistance for the promotion, development, and advancement of small business activity in the state.

The Corporation shall have the abilities to provide letters of credit, loan guarantees, equity financing, loans, and management assistance for the development and growth of small business activity.

Applicants for financial assistance shall be small businesses, as defined by the Federal Small Business Administration, in conjunction with an eligible financial institution or shall be a city, county, or community economic development corporation on behalf of a small business.

The applications shall be evaluated by staff of the Department of Economic Development. The evaluation criteria shall be developed by the president of the Corporation with approval of board of directors of the Corporation and shall be consistent with the state strategic plan for economic growth.

The small business financial assistance to be provided by the Corporation shall be funded through the sale of capital shares to financial and nonfinancial entities, loans made to it from the members of the Corporation, and funds provided by the state.

The Corporation shall have the authority to underwrite public offering of shares by businesses, borrow money, issue bonds, incur liabilities, request and enter into lending agreements with state and federal agencies.

Financial institutions, banks, trust companies, savings and loan associations, insurance companies, or other institutions primarily engaged in lending or investing private or public retirement funds are authorized to become a member of the Corporation. Only financial institutions which own shares of the Corporation or is a member of the Corporation can receive benefits of the Corporation.

The Corporation shall have a 12 member board of directors; seven which represent the public and five which represent the shareholders. The seven public directors shall be the director of the Department of Economic Development, the director of the Iowa Finance Authority, the president of the Product Development Corporation, the Superintendent of Banking, the Superintendent of Savings and Loans, the Commissioner of Insurance, and the Treasurer of State. The president of the Corporation shall be the director of the Finance Division of the Department of Economic Development. The Department shall provide administrative support to the Corporation.

ASSUMPTIONS:

- 1) The state funding for the Corporation is \$5,000,000 for FY 1989 and 1990.
- 2) Application fees shall represent 1% of total appropriation.

3) Only the administration costs associated with the Corporation can be estimated. Investment revenues attributed to the state appropriation is estimated to be 0 for FY 1989 and 1990.

4) Salaries and support for administration staff in FY 1990 would increase 4.5% above FY 1989.

FISCAL EFFECTS

	Fiscal Year 1989			Fiscal Year 1990		
	Current Law	Proposed Law	Increase (Decrease)	Current Law	Proposed Law	Increase (Decrease)
<u>REVENUE</u>						
Application Fees	0	50,000	50,000	0	50,000	50,000
Total	\$ 0	\$ 50,000	\$ 50,000	\$ 0	\$ 50,000	\$ 50,000
<u>EXPENDITURES</u>						
Salaries (FTEs)	0	\$ 88,400	\$ 88,400	0	\$ 93,400	\$ 93,400
Support/Travel	0	(3.00)	(3.00)	0	(3.00)	(3.00)
Promotion	0	17,000	17,000	0	18,000	18,000
Legal Counsel	0	5,000	5,000	0	5,000	5,000
Total	0	21,600	21,600	0	21,600	21,600
Total	\$ 0	\$ 132,000	\$ 132,000	\$ 0	\$ 138,000	\$ 138,000
NET EFFECT	\$ 0	\$ 82,000	\$ 82,000	\$ 0	\$ 88,000	\$ 88,000

Source: Department of Economic Development

(LSB 7674H, CEN)

BY DENNIS PROUTY, FISCAL DIRECTOR

FILED MARCH 11, 1988

HOUSE FILE 2396

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1 Amend House File 2396 as follows:

2 1. By striking everything after the enacting
3 clause and inserting the following:

4 "Section 1. NEW SECTION. 28A.1 CITE.

5 This chapter may be referred to and cited as the
6 "Iowa Municipal Bond Bank Act".

7 Sec. 2. NEW SECTION. 28A.2 DECLARATION OF
8 POLICY.

9 It is declared to be in the public interest and to
10 be the policy of the state to foster and promote by
11 all reasonable means the provision of adequate markets
12 and facilities for borrowing money by political
13 subdivisions of the state for the financing of their
14 public improvements and other governmental purposes
15 from proceeds of bonds or notes issued by the
16 political subdivisions, and to assist the political
17 subdivisions in fulfilling their needs for such
18 purposes by creation of indebtedness and to the extent
19 possible to encourage continued investor interest in
20 the bonds or notes of the political subdivisions as
21 sound and preferred securities for investment. It is
22 in the public interest and it is the policy of the
23 state to encourage its political subdivisions to
24 continue their independent undertakings of public
25 improvements and new governmental purposes and the
26 financing thereof and to assist them by making funds
27 available at reduced interest costs for orderly
28 financing of the public improvements and other
29 municipal purposes, particularly for those political
30 subdivisions not otherwise readily able to borrow for
31 such purposes at reasonable rates of interest. It is
32 further declared that credit and municipal bond market
33 conditions require the creation of a public
34 instrumentality to have full powers to borrow money
35 and to issue its bonds and notes to make funds
36 available through the facilities of the
37 instrumentality at reduced rates and on more favorable
38 terms for borrowing by the political subdivisions
39 through the purchase by the instrumentality of the
40 bonds or notes of the political subdivisions in fully
41 marketable form and by granting broad powers to the
42 instrumentality to accomplish and to carry out the
43 stated policies of the state which are in the public
44 interest of the state and of its taxpayers and
45 residents.

46 Sec. 3. NEW SECTION. 28A.3 DEFINITIONS.

47 As used in this chapter, unless the context
48 otherwise requires:

49 1. "Bank" means the Iowa municipal bond bank
50 established in section 28A.4.

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1 2. "Bond" means a bond issued by the bank pursuant
2 to this chapter.

3 3. "Note" means a bond anticipation note issued by
4 the bank pursuant to this chapter.

5 4. "Municipal bonds" means a bond or note issued
6 by a political subdivision which is payable from taxes
7 or from rates, charges, assessments, or other
8 revenues.

9 5. "Political subdivision" means a city, county,
10 or school district of this state, or other entity of
11 this state having power to levy taxes or provide for
12 rates, charges, or assessments.

13 Sec. 4. NEW SECTION. 28A.4 ESTABLISHMENT OF THE
14 BOND BANK.

15 1. The Iowa municipal bond bank is established and
16 constituted a public instrumentality and agency of the
17 state exercising public and essential governmental
18 functions. The bank is established to provide
19 financing at reduced rates for political subdivisions
20 of the state. The powers of the bank are vested in
21 and exercised by a board of directors consisting of
22 six members with five members appointed by the
23 governor subject to confirmation by the senate. The
24 treasurer of state or the treasurer's designee is an
25 ex officio nonvoting member. No more than three
26 appointed members shall belong to the same political
27 party. As far as possible the governor shall include
28 within the membership at least two persons who have
29 backgrounds in public finance.

30 2. The appointed members of the board shall be
31 appointed by the governor for terms of six years
32 except that, of the first appointments, two members
33 shall be appointed for terms of two years and one
34 member shall be appointed for a term of four years. A
35 person appointed to fill a vacancy shall serve only
36 for the unexpired portion of the term. A member is
37 eligible for reappointment. An appointed member of
38 the board may be removed from office by the governor
39 for misfeasance, malfeasance or willful neglect of
40 duty or other just cause, after notice and hearing,
41 unless the notice and hearing is expressly waived in
42 writing.

43 3. Three voting members of the board constitute a
44 quorum and the affirmative vote of a majority of the
45 voting members is necessary for any substantive action
46 taken by the board. The majority shall not include
47 any member who has a conflict of interest and a
48 statement by a member that the member has a conflict
49 of interest is conclusive for this purpose. A vacancy
50 in the membership does not impair the right of a

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Page Three

1 quorum to exercise all rights and perform all duties
2 of the board.

3 4. The appointed members of the board are entitled
4 to receive forty dollars per diem for each day spent
5 in performance of duties as members, and shall be
6 reimbursed for all actual and necessary expenses
7 incurred in the performance of duties as members.

8 5. The appointed members of the board and the
9 executive director shall give bond as required for
10 public officers in chapter 64.

11 6. Meetings of the board shall be held at the call
12 of the chairperson or whenever two members so request.

13 7. The appointed members shall elect a chairperson
14 and vice chairperson annually, and other officers as
15 they determine, but the executive director shall serve
16 as secretary to the board.

17 8. The net earnings of the bank, beyond that
18 necessary for retirement of its notes, bonds or other
19 obligations or to implement the public purposes and
20 programs authorized, shall not inure to the benefit of
21 any person other than the state. Upon termination of
22 the existence of the bank, title to all property owned
23 by the bank including any net earnings shall vest in
24 the state.

25 Sec. 5. NEW SECTION. 28A.5 LOANS OF MONEY --
26 STATE NOT LIABLE.

27 1. The bank is authorized and empowered to lend
28 money to political subdivisions through the purchase
29 by the bank of municipal bonds of political
30 subdivisions in fully marketable form. The bank is
31 authorized to issue its bonds and notes payable solely
32 from the revenues or funds available to the bank, and
33 to otherwise assist political subdivisions as provided
34 in this chapter.

35 2. Bonds and notes of the bank are not a debt,
36 obligation, or liability of the state and do not
37 create or constitute an indebtedness, liability, or
38 obligation of the state or constitute a pledge of the
39 faith and credit of the state but all bonds and notes,
40 unless funded or refunded by bonds or notes of the
41 bank, shall be payable solely from revenues or funds
42 pledged or available for their payment as authorized
43 in this chapter. Each bond and note shall contain on
44 its face a statement to the effect that the bank is
45 obligated to pay the bank the principal and the
46 interest only from revenues or funds of the bank, that
47 the state is not obligated to pay any principal or
48 interest, and that the faith and credit or the taxing
49 power of the state is not pledged to the payment of
the principal of or the interest on such bonds or

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1 notes.

2 3. All expenses incurred in carrying out this
3 chapter shall be payable solely from revenues or funds
4 provided or to be provided under this chapter and
5 nothing in this chapter shall be construed to
6 authorize the bank to incur any indebtedness or
7 liability on behalf of or payable by the state.

8 Sec. 6. NEW SECTION. 28A.6 GENERAL POWERS.

9 The bank has all of the general powers needed to
10 carry out its purposes and duties and exercise
11 specific powers, including but not limited to:

12 1. Sue and be sued.

13 2. Have and alter an official seal.

14 3. Make and enforce bylaws, rules, and regulations
15 for the conduct of its affairs and business and for
16 use of its services and facilities.

17 4. Maintain an office at such place or places
18 within the state as it may determine.

19 5. Acquire, hold, use, and dispose of its income,
20 revenues, funds, and moneys.

21 6. Acquire, rent, lease, hold, use, and dispose of
22 other personal property for its purposes.

23 7. Borrow money and issue its negotiable bonds or
24 notes, provide for and secure the payment thereof,
25 provide for the rights of the holders thereof, and
26 purchase, hold, and dispose of any of its bonds or
27 notes.

28 8. Fix and revise from time to time and charge and
29 collect fees and charges for the use of its services
30 or facilities.

31 9. Accept gifts or grants of property, funds,
32 moneys, materials, labor, supplies, or services from
33 the United States of America or the state or any other
34 state or agencies or departments thereof, or from any
35 political subdivision or any person, firm, or
36 corporation, and carry out the terms or provisions or
37 make agreements with respect to any such gifts or
38 grants, and do any and all things necessary, useful,
39 desirable, or convenient in connection with procuring,
40 acceptance, or disposition of such gifts or grants.

41 10. Do and perform any acts and things authorized
42 by this chapter under, through, or by means of its
43 officers, agents, or employees or by contracts with
44 any person, firm, or corporation.

45 11. Make, enter into, and enforce all contracts or
46 agreements necessary, convenient, or desirable for the
47 purposes of the bank or pertaining to any loan to a
48 political subdivision or any purchase or sale of
49 municipal bonds or other investments or to the
50 performance of its duties and execution or carrying

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1 out of any of its powers under this chapter.

2 12. Purchase or hold municipal bonds at prices and
3 in the manner as the bank deems advisable and sell
4 municipal bonds acquired or held by it at such prices
5 without relation to cost and in such manner as the
6 bank shall deem advisable.

7 13. Invest any funds or moneys of the bank not
8 then required for loan to political subdivisions and
9 for the purpose of municipal bonds, in the same manner
10 as permitted for investment of funds belonging to the
11 state or held in the treasury, except as otherwise
12 permitted or provided by this chapter.

13 14. Fix and prescribe any form of application or
14 procedure to be required of a political subdivision
15 for the purpose of any loan or the purchase of its
16 municipal bonds, and to fix the terms and conditions
17 of any such loan or purchase and to enter into
18 agreements with political subdivisions with respect to
19 any such loan or purchase.

20 15. Do all acts and things necessary, convenient,
21 or desirable to carry out the powers expressly granted
22 or necessarily implied in this chapter.

23 16. Provide advice and technical information,
24 conduct research, and promote financing of securities
25 of political subdivisions.

26 Sec. 7. NEW SECTION. 28A.7 EXECUTIVE DIRECTOR --
27 RESPONSIBILITIES.

28 1. The governor, subject to confirmation by the
29 senate, shall appoint an executive director of the
30 bank, who shall serve at the pleasure of the governor.
31 The executive director shall be selected primarily for
32 administrative ability and knowledge in the field,
33 without regard to political affiliation. The
34 executive director shall not, directly or indirectly,
35 exert influence to induce any other officers or
36 employees of the state to adopt a political view, or
37 to favor a political candidate for office.

38 2. The executive director shall advise the board
39 of directors of the bank on matters relating to
40 bonding and public finance, carry out all directives
41 from the board, and hire and supervise the bank's
42 staff pursuant to its directions and under the
43 provisions of chapter 19A.

44 3. The executive director, as secretary of the
45 board of directors, shall keep a record of the
46 proceedings of the board and shall be custodian of all
47 books, documents, and papers filed with the board or
48 bank and of its minute book and seal. The executive
49 director shall have authority to cause to be made
50 copies of all minutes and other records and documents

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1 of the bank and to give certificates under the seal of
2 the bank to the effect that the copies are true copies
3 and all persons dealing with the bank may rely upon
4 these certificates.

5 Sec. 8. NEW SECTION. 28A.8 BONDS AND NOTES.

6 1. The bank may issue its negotiable bonds and
7 notes in principal amounts as, in the opinion of the
8 bank, are necessary to provide sufficient funds for
9 achievement of its corporate purposes, the payment of
10 interest on its bonds and notes, the establishment of
11 reserves to secure its bonds and notes, and all other
12 expenditures of the bank incident to and necessary or
13 convenient to carry out its purposes and powers. The
14 bonds and notes shall be deemed to be investment
15 securities and negotiable instruments within the
16 meaning of and for all purposes of the uniform
17 commercial code.

18 2. Bonds and notes issued by the bank are payable
19 solely and only out of the moneys, assets, or revenues
20 of the bank, and as provided in the agreement with
21 bondholders or noteholders pledging any particular
22 moneys, assets or revenues. Bonds or notes are not an
23 obligation of this state or any political subdivision
24 of this state other than the bank within the meaning
25 of any constitutional or statutory debt limitations,
26 but are special obligations of the bank payable solely
27 and only from the sources provided in this chapter,
28 and the bank may not pledge the credit or taxing power
29 of this state or any political subdivision of this
30 state other than the bank, or make its debts payable
31 out of any moneys except those of the bank.

32 3. Bonds and notes must be authorized by a
33 resolution of the board of directors of the bank.
34 However, a resolution authorizing the issuance of
35 bonds or notes may delegate to an officer of the bank
36 the power to negotiate and fix the details of an issue
37 of bonds or notes by an appropriate certificate of the
38 authorized officer.

39 4. Bonds shall:

40 a. State the date and series of the issue, be
41 consecutively numbered, and state on their face that
42 they are payable both as to principal and interest
43 solely out of the assets of the bank and do not
44 constitute an indebtedness of this state or any
45 political subdivision of this state other than the
46 authority within the meaning of any constitutional or
47 statutory debt limit.

48 b. Be either registered, registered as to
49 principal only, or in coupon form, issued in
50 denominations as the bank prescribes, fully negotiable

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1 instruments under the laws of this state, signed on
2 behalf of the bank with the manual or facsimile
3 signature of the chairperson or vice chairperson of
4 the board of directors, attested by the manual or
5 facsimile signature of the secretary, have impressed
6 or imprinted thereon the seal of the bank or a
7 facsimile of it, and the coupons attached shall be
8 signed with the facsimile signature of the chairperson
9 or vice chairperson of the board of directors, be
10 payable as to interest at rates and at times as the
11 bank determines, be payable as to principal at times
12 over a period not to exceed fifty years from the date
13 of issuance, at places, and with reserved rights of
14 prior redemption, as the bank prescribes, be sold at
15 prices, at public or private sale, and in a manner as
16 the bank prescribes, and the bank may pay all
17 expenses, premiums, and commissions which it deems
18 necessary or advantageous in connection with the
19 issuance and sale, and be issued under and subject to
20 the terms, conditions and covenants providing for the
21 payment of the principal, redemption premiums, if any,
22 interest and other terms, conditions, covenants and
23 protective provisions safeguarding payment, not
24 inconsistent with this chapter, as are found to be
25 necessary by the bank for the most advantageous sale,
26 which may include, but are not limited to, covenants
27 with the holders of the bonds as to:

- 28 (1) Pledging or creating a lien, to the extent
29 provided by the resolution, on moneys or property of
30 the bank or moneys held in trust or otherwise by
31 others to secure the payment of the bonds.
- 32 (2) Providing for the custody, collection,
33 securing, investment and payment of any moneys of or
34 due to the bank.
- 35 (3) The setting aside of reserves or sinking funds
36 and the regulation or disposition of them.
- 37 (4) Limitations on the purpose to which the
38 proceeds of sale of an issue of bonds then or
39 thereafter to be issued may be applied.
- 40 (5) Limitations on the issuance of additional
41 bonds and on the refunding of outstanding or other
42 bonds.
- 43 (6) The procedure by which the terms of a contract
44 with the holders of bonds may be amended or abrogated,
45 the amount of bonds the holders of which must consent
46 thereto and the manner in which consent may be given.
- 47 (7) The creation of special funds into which
48 moneys of the bank may be deposited.
- 49 (8) Vesting in a trustee properties, rights,
50 powers and duties in trust as the bank determines,

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1 which may include the rights, powers, and duties of
2 the trustee appointed for the holders of any issue of
3 bonds pursuant to section 28A.10, in which event the
4 provisions of that section authorizing appointment of
5 a trustee by the holders of bonds shall not apply, or
6 limiting or abrogating the right of the holders of
7 bonds to appoint a trustee under that section, or
8 limiting the rights, duties and powers of the trustee.

9 (9) Defining the acts or omissions which
10 constitute a default in the obligations and duties of
11 the bank and providing for the rights and remedies of
12 the holders of bonds in the event of a default.
13 However, rights and remedies shall be consistent with
14 the laws of this state and other provisions of this
15 chapter.

16 (10) Any other matters which affect the security
17 and protection of the bonds and the rights of the
18 holders.

19 5. The bank may issue its bonds for the purpose of
20 refunding any bonds or notes of the bank then
21 outstanding, including the payment of any redemption
22 premiums thereon and any interest accrued or to accrue
23 to the date of redemption of the outstanding bonds or
24 notes. Until the proceeds of bonds issued for the
25 purpose of refunding outstanding bonds or notes are
26 applied to the purchase or retirement of outstanding
27 bonds or notes or the redemption of outstanding bonds
28 or notes, the proceeds may be placed in escrow and be
29 invested and reinvested in accordance with the
30 provisions of this chapter. The interest, income and
31 profits earned or realized on an investment may also
32 be applied to the payment of the outstanding bonds or
33 notes to be refunded by purchase, retirement or
34 redemption. After the terms of the escrow have been
35 fully satisfied and carried out, any balance of
36 proceeds and interest earned or realized on the
37 investments may be returned to the bank for use by it
38 in any lawful manner. All refunding bonds shall be
39 issued and secured and subject to the provisions of
40 this chapter in the same manner and to the same extent
41 as other bonds issued pursuant to this chapter.

42 6. The bank may issue negotiable bond anticipation
43 notes and may renew them from time to time but the
44 maximum maturity of the notes, including renewals,
45 shall not exceed ten years from the date of issue of
46 the original notes. Notes are payable from any
47 available moneys of the bank not otherwise pledged, or
48 from the proceeds of the sale of bonds of the bank in
49 anticipation of which the notes were issued. Notes
50 may be issued for any corporate purpose of the bank.

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1 Notes shall be issued in the same manner as bonds, and
2 notes and the resolution authorizing them may contain
3 any provisions, conditions or limitations, not
4 inconsistent with the provisions of this subsection,
5 which the bonds or a bond resolution of the bank may
6 contain. Notes may be sold at public or private sale.
7 In case of default on its notes or violation of any
8 obligations of the bank to the noteholders, the
9 noteholders shall have all the remedies provided in
10 this chapter for bondholders. Notes shall be as fully
11 negotiable as bonds of the bank.

12 7. A copy of each pledge agreement by or to the
13 bank, including without limitation each bond
14 resolution, indenture of trust or similar agreement,
15 or any revisions or supplements to it shall be filed
16 with the secretary of state and no further filing or
17 other action under sections 554.9101 to 554.9507,
18 article 9 of the uniform commercial code, or any other
19 law of the state shall be required to perfect the
20 security interest in the collateral or any additions
21 to it or substitutions for it, and the lien and trust
22 so created shall be binding from and after the time
23 made against all parties having claims of any kind in
24 tort, contract, or otherwise against the pledgor.

25 8. Neither the members of the board of directors
26 of the bank nor any person executing its bonds, notes
27 or other obligations shall be liable personally on the
28 bonds, notes, or other obligations or be subject to
29 any personal liability or accountability by reason of
30 the issuance of the bank's bonds or notes.

31 Sec. 9. NEW SECTION. 28A.9 RESERVE FUNDS AND
32 APPROPRIATIONS.

33 1. The bank may create and establish one or more
34 special funds, to be known as "bond reserve funds",
35 and shall pay into each bond reserve fund any moneys
36 appropriated and made available by the state for the
37 purpose of the fund, any proceeds of sale of notes or
38 bonds to the extent provided in the resolutions of the
39 board of directors of the bank authorizing their
40 issuance, and any other moneys which may be available
41 to the bank for the purpose of the fund from any other
42 sources. All moneys held in a bond reserve fund,
43 except as otherwise provided in this chapter, shall be
44 used as required solely for the payment of the
45 principal of bonds secured in whole or in part by the
46 fund or of the sinking fund payments with respect to
47 the bonds, the purchase or redemption of the bonds,
48 the payment of interest on the bonds or the payments
49 of any redemption premium required to be paid when the
bonds are redeemed prior to maturity.

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1 2. Moneys in a bond reserve fund shall not be
2 withdrawn from it at any time in an amount that will
3 reduce the amount of the fund to less than the bond
4 reserve fund requirement established for the fund, as
5 provided in this section, except for the purpose of
6 making, with respect to bonds secured in whole or in
7 part by the fund, payment when due of principal,
8 interest, redemption premiums and the sinking fund
9 payments with respect to the bonds for the payment of
10 which other moneys of the bank are not available. Any
11 income or interest earned by, or incremental to, a
12 bond reserve fund due to the investment of it may be
13 transferred by the bank to other funds or accounts of
14 the bank to the extent the transfer does not reduce
15 the amount of that bond reserve fund below the bond
16 reserve fund requirement for it.

17 3. The bank shall not at any time issue bonds,
18 secured in whole or in part by a bond reserve fund if,
19 upon the issuance of the bonds, the amount in the bond
20 reserve fund will be less than the bond reserve fund
21 requirement for the fund, unless the bank at the time
22 of issuance of the bonds deposits in the fund from the
23 proceeds of the bonds issued or from other sources an
24 amount which, together with the amount then in the
25 fund will not be less than the bond reserve fund
26 requirement for the fund. For the purposes of this
27 section, the term "bond reserve fund requirement"
28 means, as of any particular date of computation, an
29 amount of money, as provided in the resolutions of the
30 board of directors of the bank authorizing the bonds
31 with respect to which the fund is established, equal
32 to not more than ten percent of the outstanding
33 principal amount of bonds of the bank secured in whole
34 or in part by the fund.

35 4. To assure the continued operation and solvency
36 of the bank for the carrying out of its corporate
37 purposes, provision is made in subsection 1 for the
38 accumulation in each bond reserve fund of an amount
39 equal to the bond reserve fund requirement for the
40 fund. In order further to assure maintenance of the
41 bond reserve funds, the chairperson of the board of
42 directors of the bank shall, on or before July first
43 of each calendar year, make and deliver to the
44 governor the chairperson's certificate stating the
45 sum, if any, required to restore each bond reserve
46 fund to the bond reserve fund requirement for that
47 fund. Within thirty days after the beginning of the
48 session of the general assembly next following the
49 delivery of the certificate, the governor may submit
50 to both houses printed copies of a budget including

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1 the sum, if any, required to restore each bond reserve
2 fund to the bond reserve fund requirement for that
3 fund. Any sums appropriated by the general assembly
4 and paid to the bank pursuant to this section shall be
5 deposited by the bank in the applicable bond reserve
6 fund.

7 5. All amounts paid over to the bank by the state
8 pursuant to the provisions of this section shall
9 constitute and be accounted for as advances by the
10 state to the bank and, subject to the rights of the
11 holders of any bonds or notes of the bank theretofore
12 or thereafter issued, shall be repaid to the state
13 without interest from all available operating revenues
14 of the bank in excess of amounts required for the
15 payment of bonds, notes or obligations of the bank,
16 the bond reserve fund and operating expenses.

17 6. The bank shall cause to be delivered to the
18 legislative fiscal committee within ninety days of the
19 close of its fiscal year its annual report certified
20 by an independent certified public accountant, who may
21 be the accountant or a member of the firm of
22 accountants who regularly audits the books and
23 accounts of the bank, selected by the bank. In the
24 event that the principal amount of any bonds or notes
25 deposited in a bond reserve fund is withdrawn for
26 payment of principal or interest thereby reducing the
27 amount of that fund to less than the bond reserve fund
28 requirement, the bank shall immediately notify the
29 general assembly of this event and shall thereafter
30 take steps to restore such bond reserve to the bond
31 reserve fund requirement for that fund from any
32 amounts available, other than principal of a bond
33 issue, which are not pledged to the payment of other
34 bonds or notes.

35 Sec. 10. NEW SECTION. 28A.10 REMEDIES OF
36 BONDHOLDERS AND NOTEHOLDERS.

37 1. If the bank defaults in the payment of
38 principal or interest on an issue of bonds or notes
39 after they become due, whether at maturity or upon
40 call for redemption, and the default continues for a
41 period of thirty days, or if the bank fails or refuses
42 to comply with the provisions of this chapter, or
43 defaults in an agreement made with the holders of an
44 issue of bonds or notes, the holders of twenty-five
45 percent in aggregate principal amount of bonds or
46 notes of the issue then outstanding, by instrument
47 filed in the office of the clerk of the county in
48 which the principal office of the bank is located, and
49 proved or acknowledged in the same manner as a deed to
50 be recorded, may appoint a trustee to represent the

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1 holders of the bonds or notes for the purposes
2 provided in this section.

3 2. The bank or any trustee appointed under the
4 indenture under which the bonds are issued may, and
5 upon written request of the holders of twenty-five
6 percent in aggregate principal amount of the issue of
7 bonds or notes then outstanding shall:

8 a. Enforce all rights of the bondholders or
9 noteholders, including the right to require the bank
10 to carry out its agreements with the holders and to
11 perform its duties under this chapter.

12 b. Bring suit upon the bonds or notes.

13 c. By action require the bank to account as if it
14 were the trustee of an express trust for the holders.

15 d. By action enjoin any acts or things which are
16 unlawful or in violation of the rights of the holders.

17 e. Declare all the bonds or notes due and payable
18 and if all defaults are made good then with the
19 consent of the holders of twenty-five percent of the
20 aggregate principal amount of the issue of bonds or
21 notes then outstanding, annul the declaration and its
22 consequences.

23 The bondholders or noteholders, to the extent
24 provided in the resolution by which the bonds or notes
25 were issued or in their agreement with the bank, may
26 enforce any of the remedies in paragraphs "a" to "e"
27 or the remedies provided in those agreements for and
28 on their own behalf.

29 3. The trustee shall also have and possess all
30 powers necessary or appropriate for the exercise of
31 functions specifically set forth or incident to the
32 general representation of bondholders or noteholders
33 in the enforcement and protection of their rights.

34 4. Before declaring the principal of bonds or
35 notes due and payable, the trustee shall first give
36 thirty days' notice in writing to the governor, to the
37 bank, and to the attorney general of the state.

38 5. The district court has jurisdiction of any
39 action by the trustee on behalf of bondholders or
40 noteholders. The venue of the action shall be in the
41 county in which the principal office of the bank is
42 located.

43 Sec. 11. NEW SECTION. 28A.11 BONDS AND NOTES AS
44 LEGAL INVESTMENTS.

45 Bonds and notes of the bank are securities in which
46 public officers, state departments and agencies,
47 political subdivisions, insurance companies, and other
48 persons carrying on an insurance business, banks,
49 trust companies, savings and loan associations,
50 investment companies and other persons carrying on a

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1 banking business, administrators, executors,
2 guardians, conservators, trustees and other
3 fiduciaries, and other persons authorized to invest in
4 bonds or other obligations of this state, may properly
5 and legally invest funds including capital in their
6 control or belonging to them. The bonds and notes are
7 also securities which may be deposited with and may be
8 received by public officers, state departments and
9 agencies, and political subdivisions, for any purpose
10 for which the deposit of bonds or other obligations of
11 this state is authorized.

12 Sec. 12. NEW SECTION. 28A.12 MONEYS OF THE BANK.

13 1. Moneys of the bank from whatever source
14 derived, except as otherwise provided in this chapter,
15 shall be paid to the bank and shall be deposited in a
16 financial institution designated by the bank. The
17 moneys shall be withdrawn on the order of the person
18 authorized by the bank. Deposits shall, if required
19 by the bank, be secured in the manner determined by
20 the bank. The auditor of state and the auditor's
21 legally authorized representatives may periodically
22 examine the accounts and books of the bank, including
23 its receipts, disbursements, contracts, leases,
24 sinking funds, investments, and any other records and
25 papers relating to its financial standing, and the
26 bank shall not be required to pay a fee for the
27 examination.

28 2. The bank may contract with holders of its bonds
29 or notes as to the custody, collection, security,
30 investment, and payment of moneys of the bank, of
31 moneys held in trust or otherwise for the payment of
32 bonds or notes, and to carry out the contract. Moneys
33 held in trust or otherwise for the payment of bonds or
34 notes or in any way to secure bonds or notes and
35 deposits of the moneys may be secured in the same
36 manner as moneys of the bank, and banks and trust
37 companies may give security for the deposits.

38 3. Subject to the provisions of any contract with
39 bondholders or noteholders and to the approval of the
40 director of revenue and finance, the bank shall
41 prescribe a system of accounts.

42 4. The bank shall submit to the governor, the
43 auditor of state, and the director of revenue and
44 finance, within thirty days of its receipt by the
45 bank, a copy of the report of every external
46 examination of the books and accounts of the bank
47 other than copies of the reports of examinations made
48 by the auditor of state.

49 Sec. 13. NEW SECTION. 28A.13 LIMITATION OF
LIABILITY.

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1 Neither the members of the board of directors of
2 the bank, nor persons acting in its behalf, while
3 acting within the scope of their employment or agency,
4 are subject to personal liability resulting from
5 carrying out the powers and duties given in this
6 chapter.

7 Sec. 14. NEW SECTION. 28A.14 ASSISTANCE BY STATE
8 OFFICERS, AGENCIES, AND DEPARTMENTS.

9 State officers and state departments and agencies
10 may render services to the bank within their
11 respective functions as requested by the bank.

12 Sec. 15. NEW SECTION. 28A.15 LIBERAL
13 INTERPRETATION.

14 This chapter, being necessary for the welfare of
15 this state and its inhabitants, shall be liberally
16 construed to effect its purposes.

17 Sec. 16. NEW SECTION. 28A.16 INSURANCE OR
18 GUARANTEE.

19 The bank is authorized to obtain from a department
20 or agency of the United States or from a
21 nongovernmental insurer insurance or guarantee as to,
22 or of, or for, the payment or repayment of, interest
23 or principal, or both, or any part thereof, on bonds
24 or notes issued by the bank, or on municipal bonds of
25 political subdivisions purchased or held by the bank,
26 pursuant to this chapter; and notwithstanding any
27 other provisions of this chapter, to enter into any
28 agreement or contract with respect to such insurance
29 or guarantee except to the extent that the same would
30 in any way impair or interfere with the ability of the
31 bank to perform and fulfill the terms of any agreement
32 made with the holders of the bonds or notes of the
33 bank.

34 Sec. 17. NEW SECTION. 28A.17 ADDITIONAL POWERS.

35 In order to carry out the purposes and provisions
36 of this chapter, the bank, in addition to any powers
37 granted to it elsewhere in this chapter, shall have
38 the following powers:

39 1. In connection with a loan to a political subdi-
40 vision, to consider the need, desirability, or
41 eligibility of such loan, the ability of the political
42 subdivision to secure borrowed money from other
43 sources, and the costs thereof, and the particular
44 public improvement or purpose to be financed by the
45 municipal bonds to be purchased by the bank.

46 2. To charge for its costs and services in review
47 or consideration of a proposed loan to a political
48 subdivision or purchase of municipal bonds of the
49 political subdivision, and to charge whether or not
50 the loan is made or the municipal bonds are purchased.

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3. To fix and establish the terms and provisions with respect to a purchase of municipal bonds by the bank, including date and maturities of bonds, provision as to redemption or payment prior to maturity, and all other matters which in connection therewith are necessary, desirable, or advisable in the judgment of the bank.

4. To the extent permitted under its contracts with the holders of bonds or notes of the bank, to consent to any modification with respect to rate of interest, time, and payment of an installment of principal or interest, security, or other term or bond or note, contract or agreement of any kind to which the bank is a party.

Sec. 18. NEW SECTION. 28A.18 LIMITATIONS NOT APPLICABLE -- CONTRACTS OF POLITICAL SUBDIVISIONS -- TERMS OF BONDS.

Notwithstanding any other provisions of law applicable to or constituting a limitation on the maximum rate of interest per annum payable on bonds or notes, or as to annual interest cost to maturity of money borrowed or received upon issuance on bonds or notes, every political subdivision is authorized to contract to pay interest on, or an interest cost per annum for, money borrowed from the bank and evidenced by its municipal bonds purchased by the bank as set by the bank. A political subdivision is authorized to contract with the bank with respect to a loan or purchase and the contract shall contain the terms and conditions of the loan or purchase. A political subdivision is authorized to pay fees and charges required to be paid to the bank for its services. Notwithstanding any other provisions of law applicable to or constituting a limitation on the sale of bonds or notes, a political subdivision may sell bonds or notes to the bank in any denomination and the bonds or notes may be fully registered, registrable as to principal or in bearer form, may bear interest at rate or rates all in accordance with this section, may be evidenced in the manner and may contain other provisions not inconsistent herewith, and may be sold to the bank without advertisement at a price of par and accrued interest, all as shall be provided in respect of the foregoing or other matters in the proceedings of the governing body of the political subdivision pursuant to which the bonds or notes are authorized to be issued. The governing body of the political subdivision may provide for the exchange of coupon bonds for fully registered bonds and of fully registered bonds for coupon bonds and for the exchange

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1 of bonds after issuance for bonds of larger or smaller
2 denominations, all in the manner as may be provided in
3 the proceedings authorizing their issuance, provided
4 the bonds in changed form or denominations shall be
5 exchanged for the surrendered bonds in the same
6 aggregate principal amounts and in the manner that no
7 overlapping interest is paid, and the bonds in changed
8 form or denominations shall bear interest at the same
9 rate or rates and shall mature on the same date or
10 dates as the bonds for which they are exchanged.
11 Where an exchange is made under this section, the
12 bonds surrendered by the holders at the time of the
13 exchange shall be cancelled. The exchange shall be
14 made only at the request of the holders of the bonds
15 to be surrendered. The political subdivision may
16 require all expenses incurred in connection with the
17 exchange to be paid by the holders. In case any of
18 the officers whose signatures appear on the bonds or
19 coupons shall cease to be officers before the delivery
20 of the bonds, the signatures shall be valid or
21 sufficient for all purposes, the same as if they had
22 remained in office.

23 Sec. 19. NEW SECTION. 28A.19 WAIVER OF DEFENSES
24 -- RIGHTS OF HOLDERS.

25 Upon the sale and issuance of municipal bonds to
26 the bank by a political subdivision, the political
27 subdivision shall be held and be deemed to have agreed
28 that in the event of the failure of the political
29 subdivision to pay the interest on or the principal of
30 any of such municipal bonds owned or held by the bank
31 as and when due and payable, the political subdivision
32 shall have waived all defenses to the nonpayment, and
33 upon the nonpayment and demand upon the political
34 subdivision for payment, if funds are not available in
35 its treasury to pay the same, the governing body of
36 the political subdivision shall assess a tax upon the
37 assessment roll of the political subdivision,
38 sufficient to pay the same with twelve percent
39 interest thereon, and cause the same to be collected
40 within sixty days, and further, notwithstanding the
41 provisions of any other law, including any law
42 pursuant to which such municipal bonds were issued by
43 the political subdivision, the bank upon the
44 nonpayment shall constitute a holder or owner of the
45 municipal bonds as being in default, and that
46 notwithstanding the provisions of any other law as to
47 time or duration of default or percentage of holders
48 or owners of bonds entitled to exercise rights of the
49 holders or owners of bonds in default, or to invoke
50 any remedies or powers thereof or of any trustee in

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1 connection therewith or of any board, body, agency, or
2 commission of the state having jurisdiction in the
3 matter or circumstance, the bank may avail itself of
4 all other remedies, rights, and provisions of law
5 applicable in the circumstance, and that the failure
6 to exercise or exert any rights or remedies within any
7 time or period provided by law shall not be raised as
8 a defense by the political subdivision, and that all
9 of the bonds of the issue of bonds of the political
10 subdivision as to which there has been a nonpayment,
11 shall for all of the purposes of this section be held
12 and be deemed to have become due and payable and to be
13 unpaid. The bank is authorized to carry out the
14 provisions of this section and to exercise all of the
15 rights and remedies and provisions of law herein
16 provided or referred to.

17 Sec. 20. NEW SECTION. 28A.20 EFFECTUATION OF
18 PURPOSES.

19 In order to effectively carry out its purpose under
20 this chapter of making loans to political
21 subdivisions, by purchase of the municipal bonds of
22 the political subdivisions, and by receipt of its
23 income from service charges and from payments of
24 interest on and the maturing principal of municipal
25 bonds purchased and held by it, and in order to
26 produce revenues or income to the bank sufficient at
27 all times to meet its costs and expenses of operation
28 under this chapter and to pay the principal of and
29 interest on its outstanding bonds and notes when due,
30 the bank shall at all times, and to the greatest
31 extent possible, plan to issue its bonds and notes and
32 lend money to political subdivisions by the purchase
33 of municipal bonds of the political subdivision so
34 that the intention and purpose is achieved without in
35 any manner or respect jeopardizing any rights of the
36 holders of bonds or notes of the bank or affecting
37 other matters provided for in or pursuant to this
38 chapter.

39 Sec. 21. NEW SECTION. 28A.21 FORM OF
40 INVESTMENTS.

41 Municipal bonds or other investments of moneys of
42 the bank permitted or provided for under the chapter
43 shall at all times be purchased and held in fully
44 marketable form, subject to provision for any
45 registration in the name of the bank. Municipal bonds
46 at any time purchased, held, or owned by the bank
47 shall upon delivery to the bank be accompanied by all
48 documentation customary in the municipal bond market,
49 including approving bond opinion, certification, and
guarantee as to signatures, and certification as to

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1 absence of litigation, and other documentation as
 2 shall from time to time be required in the municipal
 3 bond market.
 4 Sec. 22. NEW SECTION. 28A.22 AUTHORIZATION
 5 CONCLUSIVELY APPROVED.
 6 After issuance, the bonds or notes of the bank
 7 shall be conclusively presumed to be fully authorized
 8 and issued by all the laws of this state, and a person
 9 or political subdivision shall be stopped from
 10 questioning their authorization, sale, issuance,
 11 execution, or delivery by the bank."
 12 2. Title page, by striking lines 1 through 5 and
 13 inserting the following: "An Act relating to the
 14 establishment of the Iowa municipal bond bank."

H-5355 FILED MARCH 7, 1988 BY SCHNEKLOTH of Scott

Adopted and approved 3/9/88

HOUSE FILE 2396

H-5353

1 Amend House File 2396 as follows:
 2 1. Page 7, by inserting after line 21 the
 3 following:
 4 "4. To approve or disapprove amendments to the
 5 articles of incorporation of the corporation."
 6 2. Page 7, line 33, by inserting after the word
 7 "directors" the following: ", subject to subsequent
 8 approval by the shareholders as provided in this
 9 section".
 10 3. Page 8, line 18, by inserting after the word
 11 "them." the following: "Following the director's
 12 approval, the chairperson shall convene a meeting of
 13 the shareholders for the purpose of obtaining their
 14 approval of the amendment. The amendment is approved
 15 upon the affirmative vote of two-thirds of the votes
 16 to which the shareholders present or represented at
 17 the meeting are entitled."

H-5353 FILED MARCH 7, 1988 BY BENNETT of Ida

Has an amendment 3/9/88

HOUSE FILE 2396

H-5364

1 Amend the amendment, H-5353, to House File 2396 as
 2 follows:
 3 1. Page 1, line 15, by striking the word "two-
 4 thirds" and inserting the following: "a majority".

H-5364 FILED MARCH 8, 1988 BY KREMER of Buchanan

Adopted 3/9/88

HOUSE FILE 2396

S-5793

1 Amend House File 2396 as passed by the House, as
2 follows:

3 1. Page 9, line 3, by striking the words "twelve
4 directors, seven" and inserting the following:
5 "eighteen directors, ten".

6 2. Page 9, line 4, by striking the word "five"
7 and inserting the following: "eight".

8 3. Page 9, line 5, by striking the word "seven"
9 and inserting the following: "ten".

10 4. Page 9, by inserting after line 13 the
11 following:

12 "h. The administrators of the divisions of the
13 status of women, of Spanish-speaking people, and of
14 the status of blacks.

15 1. Or the designees of the officials named in
16 paragraphs "a" through "h".

17 5. Page 9, line 14, by inserting after the word
18 "department" the following: ", or the director's
19 designee,".

20 6. Page 9, line 16, by inserting after the word
21 "corporation" the following: ", or the president's
22 designee,".

23 7. Page 9, line 25, by inserting before the word
24 "The" the following: "To the extent practicable, the
25 makeup of the private directors shall reflect the
26 percentage of women and minorities in the general
27 population of the state."

S-5793

Filed April 6, 1988

DIV A - ADOPTED

DIV B - ADOPTED

BY BEVERLY A. HANNON
TOM MANN, Jr.
JIM RIORDAN
JIM LIND
DAVID READINGER
JOY CORNING

(S 1257)

HOUSE FILE 2396

S-5835

1 Amend House File 2396, as passed by the House, as
2 follows:

3 1. Page 10, line 30, by inserting after the word
4 "board." the following: "In addition to other
5 criteria developed the following factors and
6 requirements shall be considered or applied:

7 a. A business that has an average hourly wage for
8 a majority of its employees of less than five dollars
9 fifty cents is disqualified from receiving assistance.

10 b. A business that does not provide health
11 insurance coverage to its employees shall lose three
12 points in making the computations for determining
13 assistance.

14 c. Not more than two hundred fifty thousand
15 dollars may be provided as a grant unless the board
16 unanimously approves a grant in excess of that amount,
17 but in no case may a grant exceed one million dollars.

18 d. A business awarded a grant that does not create
19 at least fifty percent of the expected jobs within two
20 years of the awarding of the grant shall repay the
21 full amount of the grant within six months of the end
22 of the two-year period.

23 e. A business that is a FORTUNE 500 company shall
24 be given a low priority for providing assistance.

25 f. The point rankings of the proposed projects
26 shall be public information. If assistance is awarded
27 to a project which has a ranking below that of
28 proposed projects denied assistance, an explanation of
29 the reason why one was approved over the other shall
30 be written up and shall accompany the point rankings
31 as public information."

S-5835

Filed April 7, 1988

Revised version 4/8 (S-5835)

BY DAVID READINGER
JACK RIFE
JIM LIND

HOUSE FILE 2396

882

1 Amend House File 2396, as passed by the House, as
2 follows:

3 1. Page 10, line 30, by inserting after the word
4 "board." the following: "In addition to other
5 criteria developed the following factors and
6 requirements shall be considered or applied:

7 a. A business that has an average hourly wage for
8 a majority of its employees of less than five dollars
9 fifty cents is disqualified from receiving assistance.

10 b. A business that does not provide health
11 insurance coverage to its employees shall lose three
12 points in making the computations for determining
13 assistance.

14 c. Not more than two hundred fifty thousand
15 dollars may be provided in financial assistance unless
16 the board unanimously approves the financial
17 assistance in excess of that amount, but in no case
18 may financial assistance exceed one million dollars.

19 d. A business awarded financial assistance that
20 does not create at least fifty percent of the expected
21 jobs within two years of the awarding of financial
22 assistance shall repay the full amount of the
23 financial assistance within six months of the end of
24 the two-year period.

25 e. A business that is a FORTUNE 500 company shall
26 be given a low priority for providing assistance.

27 f. The point rankings of the proposed projects
28 shall be public information. If assistance is awarded
29 to a project which has a ranking below that of
30 proposed projects denied assistance, an explanation of
31 the reason why one was approved over the other shall
32 be written up and shall accompany the point rankings
33 as public information."

S-5882

Filed April 8, 1988

LOST

BY DAVID READINGER
JACK RIFE

HOUSE AMENDMENT TO
SENATE AMENDMENT TO
HOUSE FILE 2396

S-5987

1 Amend the Senate amendment, H-6359, to House File
2 2396, as passed by the House, as follows:

3 1. Page 1, by striking lines 3 through 16 and
4 inserting the following:

5 "_____. Page 9, by inserting after line 13 the
6 following:

7 "h. Or the designees of the officials named in
8 paragraphs "a" through "g"."

9 2. Page 1, by striking lines 23 through 27.

S-5987

Filed April 14, 1988

Senate concurred 4/14 (p. 1534)

RECEIVED FROM THE HOUSE

SENATE AMENDMENT TO HOUSE FILE 2396

H-6359

1 Amend House File 2396 as passed by the House, as
2 follows:

3 1. Page 9, line 3, by striking the words "twelve
4 directors, seven" and inserting the following:
5 "eighteen directors, ten".

6 2. Page 9, line 4, by striking the word "five"
7 and inserting the following: "eight".

8 3. Page 9, line 5, by striking the word "seven"
9 and inserting the following: "ten".

10 4. Page 9, by inserting after line 13 the
11 following:

12 "h. The administrators of the divisions of the
13 status of women, of Spanish-speaking people, and of
14 the status of blacks.

15 i. Or the designees of the officials named in
16 paragraphs "a" through "h".

17 5. Page 9, line 14, by inserting after the word
18 "department" the following: ", or the director's
19 designee,".

20 6. Page 9, line 16, by inserting after the word
21 "corporation" the following: ", or the president's
22 designee,".

23 7. Page 9, line 25, by inserting before the word
24 "The" the following: "To the extent practicable, the
25 makeup of the private directors shall reflect the
26 percentage of women and minorities in the general
27 population of the state."

RECEIVED FROM THE SENATE

H-6359 FILED APRIL 11, 1988

*House amended as amended by 6398
4/12 (p. 1802)*

HOUSE FILE 2396

H-6398

1 Amend the Senate amendment, H-6359, to House File
2 2396, as passed by the House, as follows:

3 1. Page 1, by striking lines 3 through 16 and
4 inserting the following:

5 "_____. Page 9, by inserting after line 13 the
6 following:

7 "h. Or the designees of the officials named in
8 paragraphs "a" through "g"."

9 2. Page 1, by striking lines 23 through 27.

By PARKER of Jasper
DODERER of Johnson

H-6398 FILED APRIL 12, 1988

ADOPTED (p. 1802)

Parker, Chair

HSB 516

House Study Bill 516

Economic Development; Parker, Chair; Bennett, Halvorson of Webster, Hanson of Delaware and Wise.

ECONOMIC DEVELOPMENT

HALVORSON

Hanson

HOUSE FILE

2396

Bennett

BY

(PROPOSED RURAL DEVELOPMENT STUDY COMMITTEE BILL)

Passed House, Date _____ Passed Senate, Date _____

Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____

Approved _____

A BILL FOR

1 An Act relating to the establishment of economic development
2 finance corporations to assist in providing financing for
3 small business development by providing loan guarantees,
4 letters of credit, equity financing, underwriting for public
5 offerings, and providing state matching funds.

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

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1 Section 1. NEW SECTION. 496D.1 TITLE OF ACT.

2 This chapter shall be known and may be cited as the "Iowa
3 Business Development Finance Act".

4 Sec. 2. NEW SECTION. 496D.2 DEFINITIONS.

5 As used in this chapter, unless the context otherwise
6 requires, the term:

7 1. "Business development finance corporation" means a
8 corporation organized pursuant to this chapter and for the
9 purpose of assisting small businesses in any phase of business
10 or product development in the state of Iowa by the loaning of
11 money to and investing money in the business, and otherwise
12 organizing for the purposes in section 496D.5.

13 2. "Financial institution" means a bank, trust company,
14 savings and loan association, insurance company or related
15 corporation, partnership, foundation or other institution
16 licensed to do business in the state of Iowa and engaged
17 primarily in lending or investing funds or any private or
18 public retirement fund.

19 3. "Member" means a financial institution which shall
20 undertake to lend money to a business development finance
21 corporation upon its call and in accordance with section
22 496D.9.

23 4. "Board of directors" means members of the board of
24 directors of a business development finance corporation
25 constituted under section 496D.13 in office from time to time.

26 5. "Loan limit" means, for any member, the maximum amount
27 permitted to be outstanding at any one time on loans made by
28 the member to a business development finance corporation, as
29 determined in this chapter.

30 6. "Department" means the Iowa department of economic
31 development or any agency which succeeds to the functions of
32 the Iowa department of economic development.

33 7. "Small business" means a business which meets the
34 United States small business administration's definition of
35 small business for that type of business.

1 Sec. 3. NEW SECTION. 496D.3 AUTHORIZED CORPORATIONS.

2 There is authorized to be incorporated under chapter 496A,
3 business development finance corporations which meet and
4 comply with the requirements of this chapter. These
5 corporations shall be subject to and have the powers and
6 privileges conferred by this chapter and those provisions of
7 chapter 496A which are not inconsistent with and to the extent
8 not restricted or limited by the provisions of this chapter.
9 A corporation shall not be deemed incorporated pursuant to and
10 under this chapter unless the incorporation is approved by the
11 department and unless its articles of incorporation provide
12 that it is incorporated pursuant to this chapter. To assure a
13 broad base from which corporations may obtain loans from
14 members, the department at its discretion may limit the number
15 of corporations organized and existing pursuant to this
16 chapter to one or more corporations.

17 Sec. 4. NEW SECTION. 496D.4 OFFICES.

18 A business development finance corporation may have offices
19 in places within the state of Iowa as may be fixed by the
20 board of directors.

21 Sec. 5. NEW SECTION. 496D.5 PURPOSES.

22 The purposes of a business development finance corporation
23 shall be limited to those provided in this section and shall
24 be to promote, stimulate, develop and advance small business
25 prosperity of the state of Iowa and its citizens; to encourage
26 and assist through loans, investments, or other business
27 transactions, the location of new small businesses in the
28 state; to rehabilitate and assist existing small businesses in
29 this state; to stimulate and assist in the expansion of any
30 kind of business activity which would tend to promote small
31 business development and maintain the economic stability of
32 this state, provide maximum opportunities for employment,
33 encourage thrift, and improve the standard of living of the
34 citizens of this state; to co-operate and act in conjunction
35 with other organizations, public or private, in the promotion

1 and advancement of small business development in this state;
2 and to provide financing for the promotion, development, and
3 conduct of all kinds of small business activity in this state.

4 Sec. 6. NEW SECTION. 496D.6 POWERS.

5 A business development finance corporation shall, subject
6 to the restrictions and limits contained in this chapter, have
7 the following powers:

- 8 1. To provide letters of credit or guarantees to small
9 businesses for any phase of product or business development,
10 not to exceed thirty percent of the total loan amount.
- 11 2. To provide equity financing to small businesses for any
12 phase of business or product development.
- 13 3. To provide loans for small businesses in any phase of
14 product or business development when serviced by an Iowa
15 financial institution.
- 16 4. To underwrite the public offering of shares by small
17 businesses.
- 18 5. To request, as a condition of participation or
19 assistance, royalty, equity ownership, or fees, as it
20 determines appropriate, for its assistance.
- 21 6. To make contracts and incur liabilities for any of the
22 purposes of the corporation.
- 23 7. To borrow money either from its members or pursuant to
24 lending arrangements entered into under the authority granted
25 in subsection 9, or both from its members and pursuant to said
26 lending arrangements, and to issue its bonds, debentures,
27 notes or other evidences of indebtedness, whether secured or
28 unsecured, and when necessary to secure the same by mortgage,
29 pledge, deed of trust, or other lien on its property,
30 franchises, rights and privileges of every kind and nature, or
31 any part thereof or interest therein, without securing
32 shareholder or member approval. However, no loan to the
33 corporation shall be secured in any manner unless all
34 outstanding loans to the corporation, and for which loan or
35 loans no subordination agreement has been entered into between

1 the respective loan maker and the corporation, shall be
2 secured equally and ratably in proportion to the unpaid
3 balance of the loans and in the same manner.

4 8. To do all acts and things necessary or convenient to
5 carry out the powers expressly granted in this chapter and
6 such other powers not in conflict with this chapter granted
7 under chapter 496A.

8 9. To enter into lending arrangements with state and
9 federal agencies or instrumentalities whereby the corporation
10 may participate in lending operations or secure guarantees or
11 qualify under applicable laws to further state or federal
12 lending programs by becoming a participant therein.

13 10. To accept broker deposits from member institutions.

14 Sec. 7. NEW SECTION. 496D.7 STOCK -- LIMITATIONS.

15 Capital stock shall be issued only on receipt by each
16 business development finance corporation of cash in an amount
17 not less than the par value as may be determined by the board
18 of directors. A shareholder of a business development finance
19 corporation shall not be entitled as of right to purchase or
20 subscribe for any unissued or treasury shares of the
21 corporation, and the shareholder shall not be entitled as of
22 right to purchase or subscribe for any bonds, notes,
23 certificates of indebtedness, debentures, or other obligations
24 convertible into shares of the corporation.

25 Sec. 8. NEW SECTION. 496D.8 STOCKHOLDERS PRIVILEGES.

26 Notwithstanding any rule at common law or any provision of
27 any general or special law or any provision in their
28 respective articles of incorporation, agreements of
29 association, or trust indentures:

30 1. A person is authorized to acquire, purchase, hold,
31 sell, assign, transfer, mortgage, pledge or otherwise dispose
32 of any bond, security or other evidences of indebtedness
33 created by, or the shares of the capital stock of, business
34 development finance corporations, and while owners of said
35 shares to exercise all the rights, powers and privileges of

1 ownership, including the right to vote thereon, all without
2 the approval of any regulatory agency of this state.

3 2. A financial institution is authorized to become a
4 member of a business development finance corporation and to
5 make loans to the corporation.

6 3. A financial institution which does not become a member
7 of a business development finance corporation shall not be
8 permitted to acquire any shares of the capital stock of the
9 corporation.

10 4. Each financial institution which becomes a member of a
11 business development finance corporation is authorized to
12 acquire, purchase, hold, sell, assign, mortgage, pledge, or
13 otherwise dispose of, bonds, securities or other evidences of
14 indebtedness created by, or the shares of the capital stock
15 of, the business development finance corporation, of which it
16 is a member and while owners of such shares to exercise all
17 rights, powers and privileges of ownership, including the
18 right to vote thereon, all without the approval of any
19 regulatory agency of this state. However, the amount of the
20 capital stock of a business development finance corporation
21 which may be acquired by any member pursuant to the authority
22 granted in this subsection, shall not exceed ten percent of
23 the loan limit of the member. The amount of capital stock of
24 a corporation which a member is authorized to acquire pursuant
25 to the authority granted in this subsection, is in addition to
26 the amount of capital stock in other corporations which the
27 member may otherwise be authorized to acquire. However, a
28 financial institution shall not become a shareholder or member
29 of more than one business development finance corporation.

30 Sec. 9. NEW SECTION. 496D.9 LOAN PROCEDURES.

31 A financial institution may request membership in a
32 business development finance corporation by making application
33 to the board of directors of the corporation on forms and in
34 the manner as the board of directors may require, and
35 membership shall become effective upon acceptance of the

1 application by the board. Each member of a business
2 development finance corporation shall make loans to the
3 corporation as and when called upon by that corporation to do
4 so on terms and conditions as shall be approved from time to
5 time by the board of directors subject to the following:

6 1. All loan limits shall be established at the thousand
7 dollar amount nearest the amount computed in accordance with
8 this section.

9 2. A loan to the corporation shall not be made if
10 immediately thereafter the total amount of the obligations of
11 the corporation calling for the loan would exceed ten times
12 the amount then paid in on the outstanding capital stock of
13 the corporation.

14 3. The total amount outstanding at any one time on loans
15 to a corporation made by a member of the corporation when
16 added to the amount of the investment in the capital stock of
17 the corporation and held by the member, shall not exceed the
18 lesser of:

19 a. Twenty percent of the total amount then outstanding on
20 loans to the corporation by all members, including in that
21 total amount outstanding amounts validly called for loan but
22 not yet loaned.

23 b. The limit, to be determined as of the time the member
24 becomes a member, on the basis of the audited balance sheet of
25 the member at the close of its fiscal year immediately
26 preceding its application for membership, as follows:

27 (1) Banks and trust companies -- two percent of the paid-
28 in capital, surplus, and undivided profits.

29 (2) Savings and loan associations -- two percent of the
30 general reserve account, surplus and undivided profits.

31 (3) Stock life insurance companies -- one percent of
32 capital and unassigned surplus.

33 (4) Mutual life insurance companies -- one percent of the
34 unassigned surplus.

35 (5) All other insurance companies -- one-tenth of one

1 percent of the assets.

2 (6) Other financial institutions -- such limits as may be
3 approved by the board of directors of the business development
4 finance corporation.

5 However, the lending limit of a member shall not exceed two
6 hundred fifty thousand dollars.

7 4. Each call for loan shall be prorated among the members
8 in substantially the same proportion that the adjusted loan
9 limit of each member bears to the aggregate of the adjusted
10 loan limits of all members. The adjusted loan limit of a
11 member shall be the amount of the member's loan limit, reduced
12 by the balance of outstanding obligations of the corporation
13 to the member and the investment in capital stock of the
14 corporation held by the member at the time of the call.

15 5. All loans to a corporation by a member shall be
16 evidenced by registered bonds, debentures, notes, or other
17 evidences of indebtedness of the corporation, which shall be
18 freely transferable by the registered holder thereof on the
19 books of the corporation.

20 Sec. 10. NEW SECTION. 496D.10 DURATION OF MEMBERSHIP.

21 Membership in a business development finance corporation
22 shall be for the duration of the respective corporation.
23 However, upon written notice given to the corporation five
24 years in advance a member may withdraw from membership in the
25 corporation at the expiration date of the notice. A financial
26 institution may at any time withdraw from membership without
27 such notice in the event of its merger with another financial
28 institution, after commencement of proceedings for voluntary
29 or involuntary dissolution, receivership, or reorganization
30 pursuant to or by operation of federal or state law or in the
31 event of conversion from a state financial institution to a
32 federal financial institution or the reverse. If there shall
33 be a legislative amendment of this chapter affecting the
34 rights and obligations of the members and shareholders or
35 otherwise affecting the articles of incorporation of the

1 corporation which shall not have been approved by the members
2 and shareholders within the time set forth and in the manner
3 provided in this chapter, a member not approving the amendment
4 may immediately withdraw from membership upon giving written
5 notice to the corporation not later than ninety days from the
6 effective date of the amendment. A member shall not be
7 obligated to make loans to a corporation pursuant to calls
8 made subsequent to the withdrawal of the member from the
9 corporation.

10 Sec. 11. NEW SECTION. 496D.11 POWERS OF SHAREHOLDERS.

11 The shareholders and the members of the business
12 development finance corporation shall have the following
13 powers of the corporation:

14 1. Those powers granted in chapter 496A which are not
15 inconsistent with this chapter.

16 2. To determine the number and elect directors as provided
17 in this chapter.

18 3. To amend the articles of incorporation as provided in
19 this chapter.

20 4. To dissolve the corporation as provided in this
21 chapter.

22 5. To exercise other powers of the corporation as may be
23 conferred on the shareholders and the members by the bylaws.
24 As to all matters requiring action by the shareholders and the
25 members of the corporation, the shareholders and the members
26 shall vote separately thereon by classes and, except as may be
27 otherwise provided in this chapter, approval of the matters
28 shall require the affirmative vote of a majority of the votes
29 to which the shareholders present or represented at the
30 meeting are entitled, and the affirmative vote of a majority
31 of the votes to which the members present or represented at
32 the meeting are entitled. Each shareholder shall have one
33 vote, in person or by proxy, for each share of capital stock
34 held by the shareholder, and each member shall have one vote,
35 in person or by proxy, except that any member having a loan

1 limit of more than one thousand dollars shall have one
2 additional vote, in person or by proxy, for each additional
3 one thousand dollars which the member is authorized to have
4 outstanding on loans to the corporation at any one time as
5 determined in this chapter.

6 Sec. 12. NEW SECTION. 496D.12 ARTICLES AMENDED.

7 The articles of incorporation of a business development
8 finance corporation may be amended by the votes of the
9 shareholders and the members voting separately by classes. An
10 amendment shall require approval by the affirmative vote of
11 two-thirds of the votes to which the shareholders shall be
12 entitled and two-thirds of the votes to which the members
13 shall be entitled. An amendment shall not be made which is
14 inconsistent with this chapter, authorizes an additional class
15 or classes of shares of capital stock, or eliminates or
16 curtails the authority of the department with respect to the
17 corporation. Without the consent of each of the members
18 affected, an amendment shall not be made which increases the
19 obligation of a member to make loans to the corporation; makes
20 any change in the principal amount, interest rate, maturity
21 date, or in the security or credit position of an outstanding
22 loan of a member to the corporation; affects a member's right
23 to withdraw from membership, as provided in this chapter; or
24 affects a member's voting rights in the corporation. Within
25 thirty days after a meeting at which amendment of the articles
26 has been adopted, articles of amendment signed and sworn to by
27 the president, secretary, and majority of the directors,
28 setting forth the amendment and the due adoption of them,
29 shall be submitted to the director of the department who shall
30 examine them, and if the director finds that they conform to
31 the requirements of this chapter, shall certify and endorse
32 the director's approval of them. Thereupon, the articles of
33 amendment shall be filed in the office of the secretary of
34 state in the manner set forth and as provided in chapter 496A
35 and the amendment shall not take effect until the articles of

1 amendment shall have been approved and filed as provided in
2 this section. Within sixty days after the effective date of a
3 legislative amendment affecting the rights and obligations of
4 the members and shareholders or otherwise affecting the
5 articles of incorporation, the approval of the legislative
6 amendments shall be voted on by the shareholders and the
7 members of the corporation at a meeting duly called for that
8 purpose. If the legislative amendment is not approved by the
9 affirmative vote of two-thirds of the votes to which the
10 shareholders shall be entitled and two-thirds of the votes to
11 which the members shall be entitled, a member voting against
12 the approval of the legislative amendment shall have the right
13 to withdraw from membership as provided in this chapter.
14 Within thirty days after any meeting at which a legislative
15 amendment affecting the articles of incorporation of a
16 corporation has been voted on, a certificate filed and sworn
17 to by the secretary or other recording officer of the
18 corporation setting forth the action taken at the meeting with
19 respect to the amendment shall be submitted to the director of
20 the department and upon receipt of the approval shall be filed
21 in the office of the secretary of state.

22 Sec. 13. NEW SECTION. 496D.13 BOARD OF DIRECTORS.

23 The board of directors shall consist of not less than
24 fifteen members as shall be determined in the first instance
25 by the incorporators and thereafter annually by the members
26 and the shareholders at each annual meeting or at a special
27 meeting held in lieu of the annual meeting. At each annual
28 meeting or at a special meeting held in lieu of the annual
29 meeting, the members of each corporation shall elect two-
30 thirds of the board of directors and the shareholders shall
31 elect the remaining directors. The directors shall hold
32 office until the next annual meeting of the corporation or
33 special meeting held in lieu of the annual meeting after their
34 election, and until their successors are elected and qualify
35 unless sooner removed in accordance with the provisions of the

1 bylaws. A vacancy in the office of a director elected by the
2 members shall be filled by the directors elected by the
3 members, and a vacancy in the office of a director elected by
4 the shareholders shall be filled by the directors elected by
5 the shareholders.

6 If the corporation receives assistance from the business
7 development finance corporation assistance fund under section
8 496D.19, the board of directors shall include the director of
9 the department, the treasurer of state, and the state
10 secretary of agriculture as ex officio voting members.

11 Notwithstanding any provisions of law to the contrary,
12 officers and directors of insurance companies and other
13 financial institutions may be members of the board of
14 directors of a corporation organized for the purposes of this
15 chapter to which the insurance company or other financial
16 institution may make a loan or may make an investment.

17 Sec. 14. NEW SECTION. 496D.14 EARNED SURPLUS SET ASIDE.

18 Each year each business development finance corporation
19 shall set apart as earned surplus not less than ten percent of
20 its net earnings for the preceding fiscal year until the
21 surplus shall be equal in value to one-half of the amount paid
22 in on the capital stock then outstanding. Whenever the amount
23 of surplus established shall become impaired, it shall be
24 built up again to the required amount in the manner provided
25 for its original accumulation. Net earnings and surplus shall
26 be determined by the board of directors, after providing for
27 the reserves as the directors deem desirable, and the
28 directors' determination made in good faith shall be
29 conclusive on all persons.

30 Sec. 15. NEW SECTION. 496D.15 DEPOSIT OF FUNDS.

31 A business development finance corporation shall not
32 deposit any of its funds in a financial institution unless the
33 institution has been designated as a depository by a vote of a
34 majority of the directors present at an authorized meeting of
35 the board of directors exclusive of a director who is an

1 officer or director of the depository designated. The
2 corporation shall not receive money on deposit.

3 Sec. 16. NEW SECTION. 496D.16 REPORTS TO DEPARTMENT OF
4 ECONOMIC DEVELOPMENT.

5 Each business development finance corporation is subject to
6 the examination of the department and shall make reports of
7 its condition not less than annually to the department. The
8 department shall make copies of the reports available to the
9 commissioner of insurance and the superintendent of banking.
10 Each corporation shall also furnish other information as the
11 department may require. The department may request the
12 superintendent of banking to examine the condition of a
13 corporation and to submit a report on the examination to the
14 department and the commissioner of insurance.

15 Sec. 17. NEW SECTION. 496D.17 CERTIFICATE TO DO BUSINESS
16 AND RECEIVE STATE ASSISTANCE.

17 Upon the approval of the department as required in this
18 chapter and the issuance of a certificate as provided in
19 chapter 496A, a business development finance corporation shall
20 be authorized to commence business and to issue stock to the
21 extent authorized in its articles of incorporation. Upon
22 approval and issuance of a certificate as provided in section
23 496D.19, the business development finance corporation is
24 entitled to state assistance from the business development
25 finance corporation assistance fund.

26 Sec. 18. NEW SECTION. 496D.18 DISSOLUTION.

27 A business development finance corporation may be dissolved
28 upon the affirmative vote of two-thirds of the votes to which
29 the shareholders shall be entitled and two-thirds of the votes
30 to which the members shall be entitled. Upon dissolution of a
31 business development finance corporation, the corporation's
32 assets shall not be distributed to the shareholders until all
33 sums due the members of the corporation as creditors have been
34 paid in full.

35 Sec. 19. NEW SECTION. 496D.19 STATE ASSISTANCE FUND.

1 1. There is created in the treasurer of state's office a
2 "business development finance corporation assistance fund".
3 The fund shall consist of all appropriations, grants, or gifts
4 received by the treasurer specifically for assistance under
5 this chapter and revenues designated in section 98.35 to be
6 deposited in the fund. Moneys in this fund shall be used to
7 match, on a dollar-for-dollar basis, the amount of capital
8 investment made by financial institutions and persons that are
9 not financial institutions under section 496D.7 in the capital
10 stock of a qualified business development finance corporation.
11 However, the treasurer shall not provide matching funds in any
12 one year in excess of the lesser of five million dollars or
13 ten percent of the total capital investment as certified as of
14 the last audit. If the amount of investments to be matched
15 exceeds the limit in any year, including amounts carried
16 forward from a previous year, the excess shall be carried
17 forward until matching funds have been provided.

18 2. A business development finance corporation may apply
19 for assistance under subsection 1 and shall be qualified to
20 receive the assistance if it meets the following criteria:

21 a. The corporation has received the approval of the
22 department to commence business and issue stock as required in
23 this chapter.

24 b. The corporation has provided in its articles of
25 incorporation or bylaws that three of the members of the board
26 of directors shall consist of the director of the department,
27 the treasurer of state, and the state secretary of
28 agriculture.

29 c. The corporation's policies have been reviewed and
30 approved by the financial assistance division of the
31 department.

32 d. The director issued a certificate for assistance. This
33 certificate must be applied for annually along with a report
34 of the following year's activities and recommendations for
35 statutory changes the corporation deems appropriate.

1 Sec. 20. Section 98.35, Code 1987, is amended to read as
2 follows:

3 98.35 TAX AND FEES PAID TO GENERAL FUND.

4 The proceeds derived from the sale of stamps and the
5 payment of taxes, fees and penalties provided for under this
6 chapter, and the permit fees received from all permits issued
7 by the department, shall be credited to the general fund of
8 the state, except as otherwise provided in this section. All
9 permit fees provided for in this chapter and collected by
10 cities in the issuance of permits granted by the cities shall
11 be paid to the treasurer of the city where the permit is
12 effective, or to another city officer as designated by the
13 council, and credited to the general fund of the city. Permit
14 fees so collected by counties shall be paid to the county
15 treasurer. Two and one-half cents of the first five cents
16 received from the sale of each stamp and the payment of the
17 tax on each pack of cigarettes or little cigars shall be
18 deposited into the business development finance corporation
19 assistance fund created in section 496D.19.

20 Sec. 21. As of the effective date of this Act,
21 corporations shall no longer be incorporated under the pro-
22 visions of chapter 496B. Corporations incorporated under
23 chapter 496B that are in existence on the effective date of
24 this Act shall reincorporate under the provisions of chapter
25 496D established in this Act or be dissolved as provided under
26 chapter 496B by July 1, 1990.

27 EXPLANATION

28 The bill provides for the incorporation of business
29 development finance corporations, similar to the provisions of
30 chapter 496B for the incorporation of economic development
31 corporations, to provide financing for the promotion,
32 development, and conduct of all kinds of small business
33 activity in the state. The financial assistance will be
34 provided from the capital of the finance corporation, loans
35 made to it from members of the corporation, and matching funds

1 provided by the state. The capital of the corporation is
2 obtained by the sale of shares to financial and nonfinancial
3 entitles. Financial institutions, which include insurance
4 companies and public and private pension funds, are the only
5 entities that may become members of the corporation and can
6 commit themselves to making loans to it. The state will match
7 on a dollar-for-dollar basis the contributions to capital of
8 the corporation made through the purchase of the shares of the
9 corporation if the corporation agrees to have as part of its
10 board of directors the director of the department of economic
11 development, the treasurer of state, and the state secretary
12 of agriculture and its policies have been reviewed and
13 approved by the department of economic development. The
14 state's match will come from a special fund set up for that
15 purpose. This fund will include any moneys appropriated to it
16 and one-half of the first five cents received by the state
17 from the sale of each stamp for and the payment of the tax on
18 each pack of cigarettes. The maximum amount the state will
19 match in a fiscal year shall not exceed \$5,000,000 or 10% of
20 the capital investment made in the corporation, whichever is
21 the lower.

22 The bill takes effect July 1, 1988, and after that date no
23 economic development corporation shall be incorporated under
24 chapter 496B. Existing chapter 496B corporations will have to
25 reincorporate under this Act or be dissolved by July 1, 1990.

26 COMPANION TO LSB 7599IS

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HOUSE FILE 2396

AN ACT

RELATING TO THE ESTABLISHMENT OF THE ECONOMIC DEVELOPMENT FINANCE CORPORATION TO ASSIST IN PROVIDING FINANCING FOR SMALL BUSINESS DEVELOPMENT BY PROVIDING LOAN GUARANTEES, LETTERS OF CREDIT, EQUITY FINANCING, UNDERWRITING FOR PUBLIC OFFERINGS, AND CREATING A STATE ASSISTANCE FUND.

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

Section 1. NEW SECTION. 28.131 TITLE OF ACT.

This division shall be known and may be cited as the "Iowa Business Development Finance Act".

Sec. 2. NEW SECTION. 28.132 DEFINITIONS.

As used in this division, unless the context otherwise requires, the term:

1. "Corporation" means the business development finance corporation organized pursuant to this division and for the purpose of assisting businesses in any phase of business or product development in the state of Iowa by the loaning of money to and investing money in the business, and otherwise organizing for the purposes in section 28.133.

2. "Financial institution" means a bank, trust company, savings and loan association, insurance company or related corporation, partnership, foundation or other institution licensed to do business in the state of Iowa and engaged primarily in lending or investing funds or any private or public retirement fund.

3. "Member" means a financial institution which has been accepted for membership in the corporation in accordance with section 28.137.

4. "Board" means the board of directors of the corporation constituted under section 28.143 in office from time to time.

5. "Public director" means a member of the board representing the state of Iowa.

6. "Private director" means a member of the board representing the shareholders of the corporation.

7. "Department" means the Iowa department of economic development or any agency which succeeds to the functions of the Iowa department of economic development.

8. "Business" means a business which meets the United States small business administration's definition of small business for that type of business, except a business whose primary activity is retail sales.

Sec. 3. NEW SECTION. 28.133 PURPOSES.

The purposes of the corporation shall be limited to those provided in this section and shall be to promote, stimulate, develop and advance business prosperity of the state of Iowa and its citizens; to encourage and assist through loans, investments, or other business transactions, the location of new businesses in the state; to rehabilitate and assist existing businesses in this state; to stimulate and assist in the expansion of any kind of business activity which would tend to promote business development and maintain the economic stability of this state, provide maximum opportunities for employment, encourage thrift, and improve the standard of living of the citizens of this state; to co-operate and act in conjunction with other organizations, public or private, in the promotion and advancement of business development in this state; and to provide financing for the promotion, development, and conduct of all kinds of business activity in this state, in situations in which assistance would not otherwise be reasonably available from commercial sources.

This division being necessary for the welfare of this state and its inhabitants, shall be liberally construed to effect its purposes.

Sec. 4. NEW SECTION. 28.134 POWERS.

The corporation shall, subject to the restrictions and limits contained in this division, have the following powers:

1. To provide letters of credit or guarantees to businesses for any phase of product or business development, not to exceed thirty percent of the total loan amount.
2. To provide equity financing to businesses for any phase of business or product development.
3. To provide loans for businesses in any phase of product or business development when serviced by an Iowa financial institution.
4. To underwrite the public offering of shares by businesses.
5. To request, as a condition of participation or assistance, royalty, equity ownership, or fees, as it determines appropriate, for its assistance.
6. To make contracts and incur liabilities for any of the purposes of the corporation.
7. To borrow money and to issue its bonds, debentures, notes or other evidences of indebtedness, whether secured or unsecured, and when necessary to secure the same by mortgage, pledge, deed of trust, or other lien on its property, franchises, rights and privileges of every kind and nature, or any part thereof or interest therein, without securing shareholder approval.
8. To do all acts and things necessary or convenient to carry out the powers expressly granted in this division and such other powers not in conflict with this division granted under chapter 496A.
9. To enter into lending arrangements with state and federal agencies or instrumentalities whereby the corporation may participate in lending operations or secure guarantees or qualify under applicable laws to further state or federal lending programs by becoming a participant therein.
10. To accept broker deposits from financial institutions.

11. To use not more than five percent of its funds for management assistance.

Sec. 5. NEW SECTION. 28.135 STOCK -- LIMITATIONS.

Capital stock shall be issued only on receipt by the corporation of cash in an amount not less than the par value as may be determined by the board. A shareholder of the corporation shall not be entitled as of right to purchase or subscribe for any unissued or treasury shares of the corporation, and the shareholder shall not be entitled as of right to purchase or subscribe for any bonds, notes, certificates of indebtedness, debentures, or other obligations convertible into shares of the corporation.

Sec. 6. NEW SECTION. 28.136 STOCKHOLDERS PRIVILEGES.

Notwithstanding any rule at common law or any provision of any general or special law or any provision in their respective articles of incorporation, agreements of association, or trust indentures; a person is authorized to acquire, purchase, hold, sell, assign, transfer, mortgage, pledge or otherwise dispose of any bond, security or other evidences of indebtedness created by, or the shares of the capital stock of, the corporation, and while owners of said shares to exercise all the rights, powers and privileges of ownership, including the right to vote thereon, all without the approval of any regulatory agency of this state.

Sec. 7. NEW SECTION. 28.137 CORPORATION MEMBERSHIP.

1. A financial institution is authorized to become a member of the corporation and to make loans to the corporation.
2. A financial institution may request membership in the corporation by making application to the board on forms and in the manner as the board may require and membership shall become effective upon acceptance of the application by the board.
3. Each financial institution which becomes a member of the corporation is authorized to acquire, purchase, hold,

sell, assign, mortgage, pledge, or otherwise dispose of, bonds, securities or other evidences of indebtedness created by, or the shares of the capital stock of, the corporation, of which it is a member and while owners of such shares to exercise all rights, powers and privileges of ownership, including the right to vote thereon, all without the approval of any regulatory agency of this state. The amount of capital stock of the corporation which a member is authorized to acquire is in addition to the amount of capital stock in other corporations which the member may otherwise be authorized to acquire.

Sec. 8. NEW SECTION. 28.138 ELIGIBILITY TO PARTICIPATE.

A financial institution is not eligible to receive benefits from the corporation unless it becomes a shareholder, a member, or both. If, as determined by the president of the corporation, there is an insufficient number of eligible financial institutions to ensure reasonable access by businesses to assistance by the corporation, the board may designate additional eligible financial institutions.

Sec. 9. NEW SECTION. 28.139 LOAN TO THE CORPORATION BY MEMBERS.

Each member of the corporation may make loans to the corporation as and when called upon by the corporation to do so on terms and conditions as shall be approved from time to time by the board subject to the following:

1. All loan limits shall be established at the thousand dollar amount nearest the amount computed in accordance with this section.

2. A loan to the corporation shall not be made if immediately thereafter the total amount of the obligations of the corporation calling for the loan would exceed ten times the amount then paid in on the outstanding capital stock of the corporation.

3. The total amount outstanding at any one time on loans to the corporation made by a member of the corporation when

added to the amount of the investment in the capital stock of the corporation and held by the member, shall not exceed the lesser of:

a. Twenty percent of the total amount then outstanding on loans to the corporation by all members, including in that total amount outstanding amounts validly called for loan but not yet loaned.

b. The limit, to be determined as of the time the member becomes a member, on the basis of the audited balance sheet of the member at the close of its fiscal year immediately preceding its application for membership, as follows:

(1) Banks and trust companies -- five percent of the paid-in capital, surplus, and undivided profits.

(2) Savings and loan associations -- two percent of the general reserve account, surplus and undivided profits.

(3) Stock life insurance companies -- one percent of capital and unassigned surplus.

(4) Mutual life insurance companies -- one percent of the unassigned surplus.

(5) All other insurance companies -- one-tenth of one percent of the assets.

(6) Other financial institutions -- such limits as may be approved by the board of the business development finance corporation.

4. Each call for loan shall be prorated among the members in substantially the same proportion that the adjusted loan limit of each member bears to the aggregate of the adjusted loan limits of all members. The adjusted loan limit of a member shall be the amount of the member's loan limit, reduced by the balance of outstanding obligations of the corporation to the member and the investment in capital stock of the corporation held by the member at the time of the call.

5. All loans to the corporation by a member shall be evidenced by registered bonds, debentures, notes, or other evidences of indebtedness of the corporation, which shall be

freely transferable by the registered holder thereof on the books of the corporation.

Sec. 10. NEW SECTION. 28.140 DURATION OF MEMBERSHIP.

Membership in the corporation shall be for the duration of the corporation. However, upon written notice given to the corporation five years in advance a member may withdraw from membership in the corporation at the expiration date of the notice. A financial institution may at any time withdraw from membership without such notice in the event of its merger with another financial institution, after commencement of proceedings for voluntary or involuntary dissolution, receivership, or reorganization pursuant to or by operation of federal or state law or in the event of conversion from a state financial institution to a federal financial institution or the reverse. If there shall be a legislative amendment of this division affecting the rights and obligations of the members and shareholders or otherwise affecting the articles of incorporation of the corporation which shall not have been approved by the public and private directors within the time set forth and in the manner provided in this division, a member may immediately withdraw from membership upon giving written notice to the corporation not later than ninety days from the effective date of the amendment. A member shall not be obligated to make loans to the corporation pursuant to calls made subsequent to the withdrawal of the member from the corporation.

Sec. 11. NEW SECTION. 28.141 POWERS OF SHAREHOLDERS.

The shareholders of the corporation shall have the following powers of the corporation:

1. Those powers granted in chapter 496A which are not inconsistent with this division.
2. To elect the private directors as provided in this division.
3. To exercise other powers of the corporation as may be conferred on the shareholders by the bylaws.

As to all matters requiring action by the shareholders of the corporation, except as may be otherwise provided in this division, approval of the matters shall require the affirmative vote of a majority of the votes to which the shareholders present or represented at the meeting are entitled. Each shareholder shall have one vote, in person or by proxy, for each share of capital stock held by the shareholder.

Sec. 12. NEW SECTION. 28.142 ARTICLES AMENDED.

The articles of incorporation of the corporation may be amended by a majority vote of both the public and private directors. An amendment shall not be made which is inconsistent with this division, authorizes an additional class or classes of shares of capital stock, or eliminates or curtails the authority of the department with respect to the corporation. Without the consent of each of the members affected, an amendment shall not be made which increases the obligation of a member to make loans to the corporation; makes any change in the principal amount, interest rate, maturity date, or in the security or credit position of an outstanding loan of a member to the corporation; affects a member's right to withdraw from membership, as provided in this division; or affects a member's voting rights, if the member is a shareholder, in the corporation. Within thirty days after a meeting at which amendment of the articles has been adopted, articles of amendment signed and sworn to by the president, secretary, and majority of the directors, setting forth the amendment and the due adoption of them, shall be submitted to the director of the department who shall examine them, and if the director finds that they conform to the requirements of this division, shall certify and endorse the director's approval of them. Thereupon, the articles of amendment shall be filed in the office of the secretary of state in the manner set forth and as provided in chapter 496A and the amendment shall not take effect until the articles of amendment shall

have been approved and filed as provided in this section. Within sixty days after the effective date of a legislative amendment affecting the rights and obligations of the members and shareholders or otherwise affecting the articles of incorporation, the approval of the legislative amendment shall be voted on by the public and private directors of the corporation at a meeting duly called for that purpose. Within thirty days after any meeting at which a legislative amendment affecting the articles of incorporation of the corporation has been voted on, a certificate filed and sworn to by the secretary or other recording officer of the corporation setting forth the action taken at the meeting with respect to the amendment shall be submitted to the director of the department and upon receipt of the approval shall be filed in the office of the secretary of state.

Sec. 13. NEW SECTION. 28.143 BOARD OF DIRECTORS.

1. The board shall consist of twelve directors, seven of which represent the public and five of which represent the shareholders. The seven public directors consist of:

- a. The director of the department.
- b. The director of the Iowa finance authority.
- c. The president of the Iowa product development

corporation.

- d. The superintendent of banking.
- e. The superintendent of savings and loans.
- f. The commissioner of insurance.
- g. The treasurer of state.

h. Or the designees of the officials named in paragraphs "a" through "g".

2. The director of the department, or the director's designee, shall serve as chairperson of the board and the president of the Iowa product development corporation, or the president's designee, shall serve as vice chairperson of the board.

3. Within sixty days of the effective date of this division, the chairperson shall convene the public directors for the purpose of organizing the corporation under chapter 496A.

4. Within sixty days of the completion of the initial stock offering, the chairperson shall convene a meeting of the shareholders for the purpose of the initial election of the private directors. The private directors hold office until the next annual meeting of the corporation or special meeting held in lieu of the annual meeting after their election, and until their successors are elected and qualify unless sooner removed in accordance with the bylaws. A vacancy in the office of a director elected by the shareholders shall be filled by the other directors elected by the shareholders.

5. If stock is not issued and private directors are not elected, all powers of the board shall be exercised by the public directors.

Notwithstanding any provisions of law to the contrary, officers and directors of insurance companies and other financial institutions may be members of the board of the corporation organized for the purposes of this division to which the insurance company or other financial institution may make a loan or may make an investment.

Sec. 14. NEW SECTION. 28.144 PRESIDENT OF THE CORPORATION.

The president of the corporation shall be the director of the division of finance of the department. Administrative and staff support shall be furnished by the division of finance of the department.

Sec. 15. NEW SECTION. 28.145 APPLICATIONS FOR FINANCIAL ASSISTANCE.

1. Applications for financial assistance shall be forwarded by a business in conjunction with an eligible financial institution or by a city, county, or local community economic development corporation on behalf of a business,

together with an application fee prescribed by the corporation, to the president of the corporation. The president, after preparing the necessary records for the corporation, shall forward each application to the staff of the corporation for an investigation and report concerning the advisability of approving the financial assistance for the business and concerning any other factors found relevant by the corporation. The investigation and report shall include information as deemed necessary by the president.

2. Criteria for assistance shall be developed by the president with approval of the board and consistent with the strategic plan for state economic growth prepared by the Iowa economic development board.

3. The president shall award assistance in consultation with the board upon review and rating of each application by the staff of the corporation.

4. Appeals of the president's decisions concerning awards of assistance shall be heard by the board. However, the president's decision cannot be reversed except by a majority vote of the directors.

Sec. 16. NEW SECTION. 28.146 EARNED SURPLUS SET ASIDE.

Net earnings and surplus shall be determined by the board, after providing for the reserves as the directors deem desirable, and the directors' determination made in good faith shall be conclusive on all persons.

Sec. 17. NEW SECTION. 28.147 REPORTS TO GOVERNOR AND GENERAL ASSEMBLY.

The corporation shall submit annually a record of its operations and condition to the governor and general assembly. The department may request the superintendent of banking to examine the condition of the corporation and submit a report to the department, copies of which shall also be sent to the governor and general assembly.

Sec. 18. NEW SECTION. 28.148 STATE ASSISTANCE FUND.

There is created in the treasurer of state's office a "business development finance corporation assistance fund". The fund shall consist of all appropriations, grants, or gifts received by the treasurer specifically for assistance under this division. Moneys in this fund are appropriated to the corporation for the purposes stated in this division.

Sec. 19. The Code editor shall codify new sections 28.131 through 28.148 as a separate division of chapter 28.

DONALD D. AVENSON
Speaker of the House

JO ANN ZIMMERMAN
President of the Senate

I hereby certify that this bill originated in the House and is known as House File 2396, Seventy-second General Assembly.

JOSEPH O'HERN
Chief Clerk of the House
Approved *May 11*, 1988

TERRY E. BRANSTAD
Governor