

COMMERCE: Rife, Chair; Holden and Welsh

By Pass 11/29/87 (p. 210)

MAR 6 1987

Place On Calendar

HOUSE FILE 433

BY COMMITTEE ON SMALL BUSINESS
AND COMMERCE

(Formerly House Study Bill 149)

Passed House, Date 4-6-87 (p. 1166) Passed Senate, Date 2/18/88 (p. 33-1)

Vote: Ayes 25 Nays 10 Vote: Ayes 45 Nays 1

Approved March 31, 1988 (p. 1316)

*Approved House as amended by Senate
2/18/88 (p. 33-1)
2/18/88*

*Amended to Senate 2/18/88 (p. 33-1)
" passed 2/18/88 (p. 33-1)
Reported Senate 2/18/88 (p. 33-1)
2/18/88*

A BILL FOR

1 An Act relating to an exemption from securities registration for
2 securities traded or approved for trade on the national
3 association of securities dealers automated quotations --
4 national market system (NASDAQ/NMS).

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

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SENATE AMENDMENT TO HOUSE FILE 433

H-5122

1 Amend House File 433 as passed by the House as
2 follows:

3 1. Page 1, line 3, by striking the word "A", and
4 inserting the following: "On or after January 1,
5 1989, a".

H-5122 FILED FEBRUARY 18, 1988 RECEIVED FROM THE SENATE

House amended 2/18 (p. 33-1)

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1 Section 1. Section 502.202, Code 1987, is amended by
2 adding the following new subsection:

3 NEW SUBSECTION. 17. A security designated or approved for
4 designation upon notice of issuance on the national
5 association of securities dealers automated quotations --
6 national market system (NASDAQ/NMS); any other security of the
7 same issuer which is of senior or substantially equal rank; a
8 security called for by subscription rights or warrants
9 designated or approved for designation upon notice of issuance
10 on the NASDAQ/NMS; or a warrant or right to purchase or
11 subscribe to any of the foregoing categories in this
12 subsection.

13 EXPLANATION

14 This bill provides an exemption from state registration of
15 securities for securities which are traded or approved for
16 trade on the NASDAQ/NMS. The exemption parallels those
17 provided for the New York stock exchange, the American stock
18 exchange, the midwest stock exchange, and the pacific stock
19 exchange.

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HOUSE FILE 433

H 3609

1 Amend House File 433 as follows:

2 1. Page 1, line 6, by inserting after the word
3 "(NASDAQ/NMS)" the following: ", if, in each case,
4 quotations have been available and public trading has
5 taken place for the class of security designated,
6 prior to the offer or sale of a security in reliance
7 upon this exemption".

8 2. Page 1, by inserting after line 12 the
9 following:

10 "Sec. 2. Section 502.202, subsection 8, Code 1987,
11 is amended to read as follows:

12 8. Any A security listed or approved for listing
13 upon notice of issuance on the New York Stock
14 Exchange, the American Stock Exchange, the Midwest
15 Stock Exchange, the Pacific Coast Stock Exchange, or
16 any other national securities exchange registered
17 under the Securities Exchange Act of 1934 and
18 designated by rule of the administrator, if, in each
19 case, quotations have been available and public
20 trading has taken place for the class of security
21 listed prior to the offer or sale of a security in
22 reliance upon this exemption; any other security of
23 the same issuer which is of senior or substantially
24 equal rank; any security called for by subscription
25 rights or warrants so listed or approved; or any
26 warrant or right to purchase or subscribe to any of
27 the foregoing."

H-3609 FILED APRIL 2, 1987 BY HOLVECK of Polk

Law 4/6/87 (p. 1166)

HOUSE FILE 433

FISCAL NOTE

REQUESTED BY REPRESENTATIVE NEUHAUSER

In compliance with a written request received March 18, 1987, a fiscal note for HOUSE FILE 433 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 433 provides an exemption from state registration of securities for securities which are traded or approved for trade on the National Association of Security Dealers Automation Quotation and National Market System. The exemptions parallels those provided for the New York stock exchange, the American stock exchange, the Midwest stock exchange, and the Pacific stock exchange.

ASSUMPTIONS

1. In FY 86 the Division of Insurance reviewed 2317 filings and received \$1,302,000 in security filing fees. While the Insurance Division does not keep data on the type of issuer, (ie.NMS) it is assumed that approximately 10% of all NMS securities or 279 securities were registered in Iowa.
2. Security fee's paid to the division by NMS issuers are based on an average of 40% of the maximum fee.

FISCAL IMPACT:

1. House File 433 would eliminate NMS registration fees collected which currently amount to \$112,000 annually.
2. Because registration will no longer be required it is estimated that one additional enforcement attorney at a cost of \$32,000 will be needed to monitor market conduct.

Source: The Department of Insurance.

(LSB 2083H, JEM)

FILED MARCH 25, 1987

BY DENNIS PROUTY, FISCAL DIRECTOR

SENATE 6
FEBRUARY 8, 1988

HOUSE FILE 433

S-5054

1 Amend House File 433, as passed by the House, as
2 follows:
3 1. Page 1, by inserting before line 1 the
4 following:
5 "Section 1. Section 502.202, subsection 8, Code
6 Supplement 1987, is amended by striking the
7 subsection."
8 2. Page 1, by striking lines 1 through 12.
9 3. Title page, lines 1 through 4, by striking the
10 words "for securities traded or approved for trade on
11 the national association of securities dealers
12 automated quotients -- national market system
13 (NASDAQ/NMS)".

S-5054
Filed February 5, 1988
Lower 2/15 (p. 356)

BY TOM MANN, Jr.

HOUSE FILE 433

S-5073

1 Amend House File 433 as passed by the House as
2 follows:
3 1. Page 1, line 3, by striking the word "A", and
4 inserting the following: "On or after January 1,
5 1989, a".

S-5073

Filed February 15, 1988 LOST *Op. 236* BY EUGENE FRAISE

Motion to reconsider by S-5073 passed 2/13
Adopted 2/15 (p. 504)

HOUSE FILE 433

3561

Amend House File 433 as follows:

1. Page 1, line 6 by inserting after the word
3 "(NASDAQ/NMS)" the following: "if the issuer
4 satisfies the requirements of section 502.202,
5 subsection 18, paragraphs "a" and "b".

2. Page 1, by inserting after line 12 the
7 following:

"Sec. _____. Section 502.202, Code 1987, is amended
9 by adding the following new subsection:

10 NEW SUBSECTION. 18. Certification of an exchange
11 or listing system, as exempt, if not otherwise exempt
12 under this section, shall be made by the administrator
13 upon written request if the administrator finds that
14 the exchange or listing system approves applications
15 to list or designate securities and applies the
16 substantial equivalent of or exceeds the criteria set
17 forth in each of paragraphs "a" and "b". The
18 administrator may certify an exchange or system upon a
19 finding that it provides a sufficient level of
20 investor protection and that certification is
21 consistent with the purposes fairly intended by the
22 policy and provisions of this section.

a. QUANTITATIVE LISTING REQUIREMENTS:

(1) SHARES. Five hundred thousand or more
publicly held shares.

(2) MARKET VALUE. Market value of publicly held
27 shares of three million dollars or more.

(3) MINIMUM PRICE. Minimum price per share of
29 five dollars of a reasonable period of time prior to
30 the filing of a listing application.

(4) STOCKHOLDERS. One thousand or more
32 stockholders.

(5) DISTRIBUTION OF SHARES. Eight hundred or more
34 holders of one hundred or more shares.

(6) NET INCOME. Net income for the last fiscal
36 year of four hundred thousand dollars or more.

(7) PRETAX INCOME. Pretax income of seven hundred
38 fifty thousand dollars or more in the last fiscal
39 year.

(8) SHAREHOLDERS' EQUITY. Minimum shareholders'
41 equity of at least four million dollars calculated by
42 subtracting liabilities from assets.

b. QUALITATIVE LISTING REQUIREMENTS:

(1) SHAREHOLDER MEETINGS. Each issuer shall hold
45 an annual meeting of shareholders and shall provide at
46 least ten days' written notice of a shareholder
47 meeting to the self-regulatory exchange or listing
48 system.

(2) INDEPENDENT DIRECTORS. Each issuer shall have
49 at least two independent directors on its board of

H-3561

Page Two

1 directors. For purposes of this subsection,
2 "independent director" means a person other than an
3 officer or employee of the company or its affiliates,
4 or other close relatives of an officer or employee, or
5 any other individual having a relationship which, in
6 the opinion of the self-regulatory exchange or listing
7 service, would interfere with the exercise of
8 independent judgment.

9 (3) AUDIT COMMITTEE. Each issuer shall establish
10 and maintain an audit committee composed solely of
11 independent directors.

12 (4) QUORUM. Each issuer shall provide for a
13 quorum as specified in its bylaws for any meeting of
14 the holders of voting securities which quorum shall be
15 no less than one-third of the company's outstanding
16 voting securities.

17 (5) CONFLICTS OF INTEREST. Each issuer shall
18 conduct an appropriate review of all materially
19 related-party transactions on an ongoing basis and
20 shall utilize the company's audit committee or a
21 comparable body for the review of potential conflict
22 of interest situations. The audit committee is
23 expected to judge objectively the benefits and
24 detriments of any related-party transactions and to
25 make a fair and impartial review that will permit
26 those situations which clearly are advantageous to the
27 corporation and its security holders to continue.

28 (6) EQUAL VOTING RIGHTS. Each issuer shall
29 provide for equal voting rights for all classes of
30 common shares."

H-3561 PASSED APRIL 1, 1987 BY NECHUAUSER of Johnson

Law 4/6/87 (p 1165)

NSB 149

SMALL BUSINESS AND COMMERCE

HOUSE FILE _____

BY (PROPOSED COMMITTEE ON SMALL
BUSINESS AND COMMERCE BILL)

Passed House, Date _____ Passed Senate, Date _____

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

Approved _____

A BILL FOR

1 An Act relating to an exemption from securities registration for
2 securities traded or approved for trade on the national
3 association of securities dealers automated quotations --
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5 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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SUB COMMITTEE ASSIGNMENTS

CHAIR: *Parker, Swartz 2/26/87*

COMMITTEE: *Small Business
2/18/87*

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11 subscribe to any of the foregoing categories in this
12 subsection.

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14 This bill provides an exemption from state registration of
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warrant or right to purchase or subscribe to any of the foregoing categories in this subsection.

HOUSE FILE 433

AN ACT

RELATING TO AN EXEMPTION FROM SECURITIES REGISTRATION FOR SECURITIES TRADED OR APPROVED FOR TRADE ON THE NATIONAL ASSOCIATION OF SECURITIES DEALERS AUTOMATED QUOTATIONS -- NATIONAL MARKET SYSTEM (NASDAQ/NMS).

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

Section 1. Section 502.202, Code 1987, is amended by adding the following new subsection:

NEW SUBSECTION. 17. On or after January 1, 1989, a security designated or approved for designation upon notice of issuance on the national association of securities dealers automated quotations -- national market system (NASDAQ/NMS); any other security of the same issuer which is of senior or substantially equal rank; a security called for by subscription rights or warrants designated or approved for designation upon notice of issuance on the NASDAQ/NMS; or a

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 433, Seventy-second General Assembly.

JOSEPH O'HERN
Chief Clerk of the House

Approved March 31, 1988

TERRY E. BRANSTAD
Governor

HF 433