

February 28, 1963.  
Passed on File. *Calendar 3/11*

**House File 452** *Sub for 57 405 49*  
By STATE PLANNING AND DEVELOPMENT COMMITTEE.

Passed House, Date *3-29-63*

Passed Senate, Date *4-11-63*

Vote: Ayes *84* Nays *0*

Vote: Ayes *44* Nays *0*

Approved *April 25, 1963*  
*Senate amended*  
*House concurred 4/18*  
*aye 74 Nays 1*

*Passed on file 4/2*  
*Iowa Development 4/2*  
*Delay action 4/9*

# A BILL FOR

An Act relating to economic development corporations.

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

1 Section 1. This Act shall be known and may be cited as the  
2 "Iowa Economic Development Act".

1 Sec. 2. As used in this chapter, unless the context otherwise  
2 requires, the term:

3 1. "Development corporation" means any corporation organized  
4 pursuant to this chapter and for the purpose of developing busi-  
5 nesses, industries, and enterprises in the state of Iowa by the  
6 loaning of money thereto and investing money therein, and other-  
7 wise organizing for the purposes in section five (5) hereof.

8 2. "Financial institution" means any banking institution,  
9 savings bank, co-operative bank, trust company, savings and loan  
10 association, insurance company or related corporation, partner-  
11 ship, foundation or other institution licensed to do business in  
12 the state of Iowa and engaged primarily in lending or investing  
13 funds.

14 3. "Member" means any financial institution which shall under-  
15 take to lend money to a development corporation upon its call and  
16 in accordance with the provision of section nine (9) hereof.

17 4. "Board of directors" means members of the board of direc-  
18 tors of a development corporation constituted under section thir-

19 teen (13) hereof in office from time to time.

20 5. "Loan limit" means, for any member, the maximum amount  
21 permitted to be outstanding at any one time on loans made by any  
22 such member to a development corporation, as determined herein.

23 6. "Commission" means the Iowa development commission of the  
24 state of Iowa, or any agency which succeeds to the functions of  
25 the Iowa development commission.

1 Sec. 3. There is hereby authorized to be incorporated under  
2 the Iowa business corporation act, development corporations which  
3 meet and comply with the requirements of this chapter. Such  
4 corporations shall be subject to and have the powers and privi-  
5 leges conferred by the provisions of this chapter and those pro-  
6 visions of the Iowa business corporation act which are not in-  
7 consistent with and to the extent not restricted or limited by  
8 the provisions of this chapter. No corporation shall be deemed  
9 incorporated pursuant to and under the provisions of this chap-  
10 ter unless the same is approved by the commission and unless its  
11 articles of incorporation provides that it is incorporated pur-  
12 suant to this chapter. To assure a broad base from which develop-  
13 ment corporations may obtain loans from members, the commission  
14 at its discretion may limit the number of development corporations  
15 organized and existing pursuant to this chapter to one (1) or  
16 more such corporations.

1 Sec. 4. A development corporation may have offices in such  
2 places within the state of Iowa as may be fixed by the board of  
3 directors.

1 Sec. 5. The purposes of a development corporation shall be  
2 limited to those provided in this section and shall be to pro-

3 mote, stimulate, develop and advance the business prosperity and  
4 economic welfare of the state of Iowa and its citizens; to en-  
5 courage and assist through loans, investments, or other business  
6 transactions, the location of new business and industry in the  
7 state; to rehabilitate and assist existing business and industry  
8 in this state; to stimulate and assist in the expansion of any  
9 kind of business activity which would tend to promote business  
10 development and maintain the economic stability of this state,  
11 provide maximum opportunities for employment, encourage thrift,  
12 and improve the standard of living of the citizens of this state;  
13 to co-operate and act in conjunction with other organizations,  
14 public or private, in the promotion and advancement of industrial,  
15 commercial, agricultural, and recreational development in this  
16 state; and to provide financing for the promotion, development,  
17 and conduct of all kinds of business activity in this state.

1     Sec. 6. Any development corporation shall, subject to the  
2 restrictions and limits herein contained, have the following  
3 powers:

4     1. To make contracts and incur liabilities for any of the pur-  
5 poses of the development corporation; provided that no develop-  
6 ment corporation shall incur any secondary liability by way of  
7 guaranty or endorsement of the obligations of any person, firm,  
8 corporation, joint stock company, association or trust, or in any  
9 other manner.

10    2. To borrow money from the members only, and to issue there-  
11 for its bonds, debentures, notes or other evidences of indebted-  
12 ness, whether secured or unsecured, and when necessary to secure  
13 the same by mortgage, pledge, deed of trust, or other lien on its

14 property, franchises, rights and privileges of every kind and  
15 nature, or any part thereof or interest therein, without secur-  
16 ing shareholder or member approval; provided, that no loan to a  
17 development corporation shall be secured in any manner unless  
18 all outstanding loans to such corporation shall be secured  
19 equally and ratably in proportion to the unpaid balance of such  
20 loans and in the same manner.

21 3. To make loans to any person, firm, corporation, joint  
22 stock company, association or trust and to establish and regulate  
23 the terms and conditions with respect to any such loans, and the  
24 charges for interest and service connected therewith.

25 4. To acquire the good will, business, rights, real and per-  
26 sonal property, and other assets, or any part thereof, or inter-  
27 est therein, of any persons, firms, corporations, associations or  
28 trusts, and to assume, undertake, or pay the obligations, debts  
29 and liabilities of any such person, firm, corporation, association  
30 or trust; to acquire, construct or reconstruct, alter, repair,  
31 maintain, operate, sell, convey, transfer, lease, or otherwise  
32 dispose of industrial plants and business establishments.

33 5. To co-operate with and avail itself of the facilities of  
34 the commission and to co-operate with and assist and otherwise  
35 encourage organizations in the various communities of the state  
36 of Iowa in the promotion, assistance and development of business  
37 prosperity and economic welfare of such communities or of this  
38 state or any part thereof.

39 6. To do all acts and things necessary or convenient to carry  
40 out the powers expressly granted in this chapter and such other  
41 powers not in conflict herewith granted under the Iowa business

42 corporation act.

1 Sec. 7. Capital stock shall be issued only on receipt by each  
2 development corporation of cash in such amount not less than the  
3 par value thereof as may be determined by the board of directors.  
4 No shareholder of any development corporation shall be entitled  
5 as of right to purchase or subscribe for any unissued or treasury  
6 shares of the corporation, and no such shareholder shall be en-  
7 titled as of right to purchase or subscribe for any bonds, notes,  
8 certificates of indebtedness, debentures, or other obligations  
9 convertible into shares of the development corporation.

1 Sec. 8. Notwithstanding any rule at common law or any pro-  
2 vision of any general or special law or any provision in their  
3 respective articles of incorporation, agreements of association,  
4 or trust indentures:

5 1. Any person, as defined in the Iowa business corporation  
6 act, is hereby authorized to acquire, purchase, hold, sell, as-  
7 sign, transfer, mortgage, pledge or otherwise dispose of any bond,  
8 security or other evidences of indebtedness created by, or the  
9 shares of the capital stock of, development corporations, and  
10 while owners of said shares to exercise all the rights, powers  
11 and privileges of ownership, including the right to vote thereon,  
12 all without the approval of any regulatory agency of this state.

13 2. Any financial institution is hereby authorized to become a  
14 member of a development corporation and to make loans to such  
15 corporation.

16 3. Any financial institution which does not become a member  
17 of a development corporation shall not be permitted to acquire  
18 any shares of the capital stock of such development corporation.

19 4. Each financial institution which becomes a member of a  
20 development corporation is hereby authorized to acquire, purchase,  
21 hold, sell, assign, mortgage, pledge, or otherwise dispose of,  
22 any bonds, securities or other evidences of indebtedness created  
23 by, or the shares of the capital stock of, the development cor-  
24 poration, of which it is a member and while owners of such shares  
25 to exercise all rights, powers and privileges of ownership, in-  
26 cluding the right to vote thereon, all without the approval of  
27 any regulatory agency of this state; provided that the amount of  
28 the capital stock of any development corporation which may be  
29 acquired by any member pursuant to the authority granted herein,  
30 shall not exceed ten (10) percent of the loan limit of such mem-  
31 ber. The amount of capital stock of a development corporation  
32 which any member is authorized to acquire pursuant to the author-  
33 ity granted herein, is in addition to the amount of capital stock  
34 in other corporations which such member may otherwise be author-  
35 ized to acquire, provided, however, that no financial institution  
36 shall become a shareholder or member of more than one (1) develop-  
37 ment corporation.

1 Sec. 9. A financial institution may request membership in a  
2 development corporation by making application to the board of di-  
3 rectors thereof on such form and in such manner as such board of  
4 directors may require, and membership shall become effective upon  
5 acceptance of such application by said board. Each member of any  
6 development corporation shall make loans to such development cor-  
7 poration as and when called upon by that corporation to do so on  
8 such terms and conditions as shall be approved from time to time  
9 by the board of directors subject to the following:

10 1. All loan limits shall be established at the thousand dol-  
11 lar amount nearest the amount computed in accordance with the  
12 provisions of this section.

13 2. No loan to a development corporation shall be made if im-  
14 mediately thereafter the total amount of the obligations of the  
15 development corporation calling for the loan would exceed eight  
16 (8) times the amount then paid in on the outstanding capital  
17 stock of such corporation.

18 3. The total amount outstanding at any one time on loans to  
19 a development corporation made by a member thereof when added to  
20 the amount of the investment in the capital stock of such corpo-  
21 ration and held by such member, shall not exceed the lesser of:

22 a. Twenty (20) percent of the total amount then outstanding  
23 on loans to such development corporation by all members thereof,  
24 including in said total amount outstanding amounts validly called  
25 for loan but not yet loaned.

26 b. The limit, to be determined as of the time such member be-  
27 comes a member, on the basis of the audited balance sheet of such  
28 member at the close of its fiscal year immediately preceding its  
29 application for membership, as follows:

30 (1) Banks and trust companies—two (2) percent of the paid-in  
31 capital, surplus, and undivided profits.

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

34 (3) Co-operative banks—one (1) percent of the paid-in capi-  
35 tal and undivided surplus.

36 (4) Stock insurance companies except fire insurance companies  
37 —one (1) percent of capital and unassigned surplus.

38 (5) Mutual insurance companies except fire insurance companies  
39 —one (1) percent of the unassigned surplus.

40 (6) Fire insurance companies—one-tenth (1/10) of one (1)  
41 percent of the assets.

42 (7) Other financial institutions—such limits as may be  
43 approved by the board of directors of the development corporation.

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

52 5. All loans to a development corporation by a member shall  
53 be evidenced by registered bonds, debentures, notes, or other  
54 evidences of indebtedness of the development corporation, which  
55 shall be freely transferable by the registered holder thereof on  
56 the books of the corporation.

1 Sec. 10. Membership in any development corporation shall be  
2 for the duration of the respective development corporation; pro-  
3 vided, however, that upon written notice given to the develop-  
4 ment corporation five (5) years in advance a member thereof may  
5 withdraw from membership in such corporation at the expiration  
6 date of such notice. If there shall be a legislative amendment  
7 of this chapter affecting the rights and obligations of the mem-  
8 bers and shareholders or otherwise affecting the articles of in-  
9 corporation of such corporation which shall not have been approved  
10 by the members and shareholders within the time set forth and in

11 the manner provided in this chapter, any member not approving  
12 such amendment may immediately withdraw from membership upon  
13 ing written notice to the corporation not later than ninety (90)<sup>giv-</sup>  
14 days from the effective date of the amendment. A member shall not  
15 be obligated to make any loans to a development corporation pur-  
16 suant to calls made subsequent to the withdrawal of said member  
17 therefrom.

1 Sec. 11. The shareholders and the members of the development  
2 corporation shall have the following powers of such corporation:

3 1. Those powers granted in the Iowa business corporation act  
4 which are not inconsistent with the provisions of this chapter.

5 2. To determine the number and elect directors as provided  
6 herein.

7 3. To amend the articles of incorporation as provided herein.

8 4. To dissolve the corporation as provided herein.

9 5. To exercise such other of the powers of the corporation as  
10 may be conferred on the shareholders and the members by the by-  
11 laws. As to all matters requiring action by the shareholders  
12 and the members of the corporation, such shareholders and such mem-  
13 bers shall vote separately thereon by classes and, except as may  
14 be otherwise herein provided, approval of such matters shall re-  
15 quire the affirmative vote of a majority of the votes to which  
16 the shareholders present or represented at the meeting are en-  
17 titled, and the affirmative vote of a majority of the votes to  
18 which the members present or represented at the meeting are en-  
19 titled. Each shareholder shall have one (1) vote, in person or  
20 by proxy, for each share of capital stock held by him, and each  
21 member shall have one (1) vote, in person or by proxy, except  
22 that any member having a loan limit of more than one thousand

23 (1,000) dollars shall have one (1) additional vote, in person or  
24 by proxy, for each additional one thousand (1,000) dollars which  
25 such member is authorized to have outstanding on loans to the  
26 corporation at any one (1) time as determined herein.

1 Sec. 12. The articles of incorporation of any development  
2 corporation may be amended by the votes of the shareholders and  
3 the members thereof voting separately by classes. Any amendment  
4 shall require approval by the affirmative vote of two-thirds  
5 ( $2/3$ ) of the votes to which the shareholders shall be entitled  
6 and two-thirds ( $2/3$ ) of the votes to which the members shall  
7 be entitled. No amendment, however, shall be made which: (1)  
8 is inconsistent with this Act; (2) authorizes any additional  
9 class or classes of shares of capital stock; (3) eliminates or  
10 curtails the authority of the commission with respect to the  
11 corporation. Without the consent of each of the members af-  
12 fected, no amendment shall be made which: (1) increases the  
13 obligation of a member to make loans to the corporation; (2)  
14 makes any change in the principal amount, interest rate, ma-  
15 turity date, or in the security or credit position of any out-  
16 standing loan of a member to the corporation; (3) affects a  
17 member's right to withdraw from membership, as provided herein,  
18 or (4) affects a member's voting rights in the corporation.  
19 Within thirty (30) days after any meeting at which amendment of  
20 any such articles has been adopted, articles of amendment signed  
21 and sworn to by the president, secretary and majority of the  
22 directors, setting forth such amendment and the due adoption  
23 thereof, shall be submitted to the chairman of the commission  
24 who shall examine them, and if he finds that they conform to the  
25 requirements of this chapter, shall so certify and endorse his

26 approval thereof. Thereupon, the articles of amendment shall  
27 be filed in the office of the secretary of state in the manner  
28 set forth and as provided in the Iowa business corporation act  
29 and no such amendment shall take effect until such articles of  
30 amendment shall have been approved and filed as aforesaid. With-  
31 in sixty (60) days after the effective date of any legislative  
32 amendment affecting the rights and obligations of the members  
33 and shareholders or otherwise affecting the articles of incor-  
34 poration, the approval of such legislative amendment shall be vot-  
35 ed on by the shareholders and the members of the development  
36 corporation at a meeting duly called for that purpose. If such  
37 legislative amendment is not approved by the affirmative vote  
38 of two-thirds (2/3) of the votes to which such shareholders  
39 shall be entitled and two-thirds (2/3) of the votes to which  
40 such members shall be entitled, any such member voting against  
41 the approval of such legislative amendment shall have the right  
42 to withdraw from membership as provided in this chapter. With-  
43 in thirty (30) days after any meeting at which a legislative  
44 amendment affecting the articles of incorporation of a develop-  
45 ment corporation has been voted on, a certificate filed and sworn  
46 to by the secretary or other recording officer of such corpora-  
47 tion setting forth the action taken at such meeting with respect  
48 to such amendment shall be submitted to the chairman of the  
49 commission and upon receipt of such approval shall be filed in  
50 the office of the secretary of state.

1     **Sec. 13.** The board of directors shall consist of such number  
2 not less than fifteen (15) nor more than eighteen (18) as shall  
3 be determined in the first instance by the incorporators and  
4 thereafter annually by the members and the shareholders at each

5 annual meeting or at any special meeting held in lieu of the  
6 annual meeting. At each annual meeting or at any special meeting  
7 held in lieu of the annual meeting, the members of each corpora-  
8 tion shall elect two-thirds ( $2/3$ ) of the board of directors and  
9 the shareholders shall elect the remaining directors. The di-  
10 rectors shall hold office until the next annual meeting of the  
11 corporation or special meeting held in lieu of the annual meet-  
12 ing after their election, and until their successors are elected  
13 and qualify unless sooner removed in accordance with the pro-  
14 visions of the bylaws. Any vacancy in the office of a director  
15 elected by the members shall be filled by the directors elected  
16 by the members, and any vacancy in the office of a director  
17 elected by the shareholders shall be filled by the directors  
18 elected by the shareholders.

1 Sec. 14. Each year each development corporation shall set  
2 apart as earned surplus not less than ten (10) percent of its  
3 net earnings for the preceding fiscal year until such surplus  
4 shall be equal in value to one-half ( $1/2$ ) of the amount paid in  
5 on the capital stock then outstanding. Whenever the amount of  
6 surplus established herein shall become impaired, it shall be  
7 built up again to the required amount in the manner provided for  
8 its original accumulation. Net earnings and surplus shall be  
9 determined by the board of directors, after providing for such  
10 reserves as said directors deem desirable, and the directors' de-  
11 termination made in good faith shall be conclusive on all persons.

1 Sec. 15. No development corporation shall deposit any of its  
2 funds in any financial institution unless such institution has  
3 been designated as a depository by a vote of a majority of the  
4 directors present at any authorized meeting of the board of di-

5 rectors exclusive of any director who is an officer or director  
6 of the depository so designated. No development corporation shall  
7 receive money on deposit.

1 Sec. 16. Each development corporation shall be subject to the  
2 examination of the commission and shall make reports of its con-  
3 dition not less than annually to the commission, which in turn  
4 shall make copies of such reports available to the commissioner  
5 of insurance and the superintendent of banking, and each develop-  
6 ment corporation shall also furnish such other information as may  
7 from time to time be required by the commission.

1 Sec. 17. Upon the approval of the commission as required in  
2 this chapter and the issuance of a certificate as provided in the  
3 Iowa business corporation act, a development corporation shall  
4 then be authorized to commence business and to issue stock there-  
5 of to the extent authorized in its articles of incorporation.

1 Sec. 18. The provisions of the Iowa securities law shall not  
2 apply to the shares of capital stock, bonds, debentures, notes,  
3 evidences of indebtedness, or any other securities of develop-  
4 ment corporations.

1 Sec. 19. A development corporation may be dissolved upon the  
2 affirmative vote of two-thirds (2/3) of the votes to which the  
3 shareholders thereof shall be entitled and two-thirds (2/3) of  
4 the votes to which the members shall be entitled. Upon any dis-  
5 solution of a development corporation, none of the corporation's  
6 assets shall be distributed to the shareholders until all sums  
7 due the members of the corporation as creditors thereof have been  
8 paid in full.

1 Sec. 20. Under no circumstances is the credit of the state of  
2 Iowa pledged herein.

1 Sec. 21. If any provision of this Act or the application there-  
 2 of to any person shall be invalid, such invalidity shall not af-  
 3 fect the provisions or application of this Act which can be given  
 4 effect without the invalid provisions or application and to this  
 5 end the provisions of the Act are declared severable.

1 Sec. 22. This Act, being deemed of immediate importance, \_\_\_\_\_  
 2 shall take effect and be in force from and after its publication  
 3 in the \_\_\_\_\_, a newspaper published in  
 4 \_\_\_\_\_, Iowa, and in the \_\_\_\_\_,  
 5 a newspaper published in \_\_\_\_\_, Iowa.

EXPLANATION OF HOUSE FILE 452

This is a bill which authorizes the incorporation, under the Iowa Business Corpora-  
 tion Act of Iowa, economic development corporations for the purpose of promoting  
 business prosperity and economic welfare in Iowa by encouraging and assisting, through  
 loans, investments and other business transactions, the location of new business and  
 industry in Iowa; by rehabilitating and assisting existing business and industry in Iowa;  
 by providing the industrial and business borrowers loans and investment funds for a  
 term or period of time which is not otherwise available to certain industrial and business  
 borrowers in customary financial channels, thereby promoting the economic stability,  
 business activity, maximum opportunities of employment, thrift, and an improved stand-  
 ard of living of the citizens of this state; and by cooperating and acting in conjunction  
 with other organizations, public or private, in the promotion and advancement of indus-  
 trial, commercial, agricultural and recreational development in this state. The bill  
 authorizes financial institutions, as defined therein, to invest in and loan money to  
 economic development corporations notwithstanding any common law or statutory law  
 of Iowa to the contrary.

The bill establishes certain limitations on the amount of money economic development  
 corporations can borrow from such financial institutions and the amount of money such  
 financial institutions, individually, may invest or loan to economic development corpora-  
 tions and establishes certain safeguards in relation thereto. The bill limits the number  
 and composition of such corporations' boards of directors; establishes voting rights by  
 classes; and provides for the amending of the articles of incorporation of such corpora-  
 tions.

HOUSE FILE 452

1 Amend House File 452 by striking all of section 22.

Filed and adopted  
March 29, 1963.

DIETZ of Scott.

HOUSE FILE 452

1 Amend House File 452 by inserting after the period (.) in  
 2 section 10, line 6, the following:  
 3 "Provided that a financial institution may at any time withdraw  
 4 from membership without such notice in the event of its merger  
 5 with another financial institution, after commencement of  
 6 proceedings for voluntary or involuntary dissolution, receivership,  
 7 or reorganization pursuant to or by operation of federal or state  
 8 law or in the event of conversion from a state financial institution  
 9 to a federal financial institution or the reverse."

*Adopted  
House  
Concurred  
4/18*

Filed  
April 8, 1963.

By RIGLER.