Approved Leglo Hole 4/3/87

MINUTES OF THE HOUSE COMMITTEE ON COMMERCIAL AND FINANCIAL INSTITUTIONS			
The meeting was called to order by Clyde D. Graeber at Chairperson			
3:30 xxx./p.m. on March 31 , 1987 in room 527-S of the Capitol.			
All members were present except: Bob Ott, Excused Mary Jane Johnson, Excused			
Committee staff present: Bill Wolff, Legislative Research Bruce Kinzie, Revisor of Statutes			

Conferees appearing before the committee: Stan Lind, Kansas Association of Financial Serv. Senator Joe Warren

June Evans, committee secretary

Susan Seltsam, State Treasurer's Office

Chairman Clyde Graeber opened the meeting.

Hearing on SB 275. Mr. Stan Lind, Kansas Association of Financial Services, testified in favor of SB 275, a statute pertaining to the registration and regulation of investment certificates issued by investment companies. This bill clarifies the existing authorization that investment companies may invest the funds collected from the sale of investment certificates in loans secured by real estate mortgages, subject to the conditions and limitations set out above. (Attachment I).

Representative Sand moved and Representative Roenbaugh seconded to move SB 275 out of committee favorably. The motion carried.

Hearing on SB 120. Senator Warren testified for SB 120, an Act concerning bonds; relating to notification of certain persons prior to the calling of bonds before maturity; amending K.S.A. 10-129 and repealing the existing sections. Senator Warren testified that the State Treasurer needs to be notified and they will publish in the Kansas Register.

Susan Seltsman testified for the bill but asked for an amendment which Bruce Kinzie in the Revisor's Office will draft. Bruce read the amendment the Treasurer's Office is requesting which is two sentences and the committee agreed on this.

Bill Wolff explained this amendment was brought before the Senate Committee but it was much too complicated at that time. The Senate wanted a clean and simplified bill. It was felt the changes the State Treasurer's Office is now requesting would be helpful to the bill.

Representative Roenbaugh moved and Representative Justice seconded that we amend the bill. The motion carried.

Representative Wilbert moved and Representative Sand seconded that SB 120 be moved out of committee favorably. The motion carried.

Representative Gatlin asked that the minutes of March 26 be changed to reflect a motion of his was passed.

The meeting adjourned at 4:20 P.M.

Date: March 3/, 1987

## GUEST REGISTER

## HOUSE

## COMMERCIAL & FINANCIAL INSTITUTIONS COMMITTEE

COMMERCIAL & TIME			
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AN ACT amending the Kansas Investment Certificate Act; relating to the regulation and standards of operation; amending K.S.A. 1986 Supp. 16-601 and repealing the existing section.

Be it enacted by the Legislature of the State of Kansas:

Section 1. K.S.A. 16-601 is hereby amended to reas as follows:

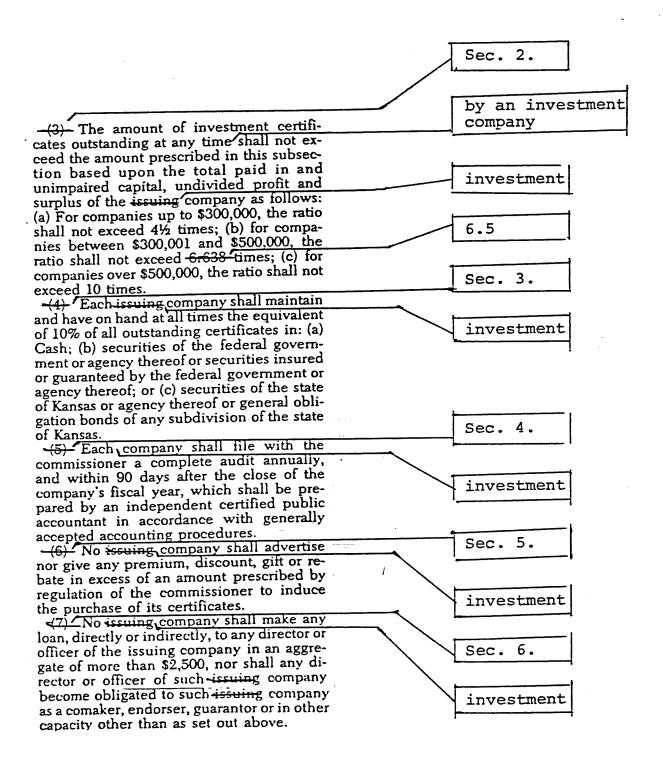
16-601. Registration of investment certificates of investment companies; membership in guaranty fund corporation; regulations and standards of operation; unlawful acts; penalties. Application for registration of investment certificates by investment companies under the provisions of this act, shall be directed to the consumer credit commissioner as designated under K.S.A. 16-403, and acts amendatory thereof or supplemental thereto, who shall administer the provisions of this act as it applies to investment companies as defined by K.S.A. 16-630, and amendments thereto. When investment certificates are registered under this or any other provision of this act, the following standards of operation shall be required and maintained by the issuer:

(1) All evidences of indebtedness issued hereunder shall be called investment cer-

tificates.

(2) The investment certificate shall state or provide for: (a) The name and address of the issuer; (b) the name and address of the certificate owner; (c) the dollar amount of the certificates; (d) the stated rate of interest or method of declaring rate of interest; (e) a provision that the certificates may be repurchased by the issuer at the desire of the issuer or of the certificate owner in the same manner as prescribed for savings and loan associations shares in K.S.A. 17-5414, and amendments thereto; (f) a provision as to

the manner in which the certificate may be assigned; (g) the priority of claim or right that the certificate shall have in relation to the other obligations of the issuer; (h) each certificate shall state that a copy of the prospectus of the issuing company shall be available to each certificate holder upon request; and (i) investment certificates authorized hereunder shall have printed thereon the words: "Funds in investment certificates owned by a single investor are protected up to an aggregate maximum of \$10,000 by the Kansas investment certificate guaranty fund corporation, a private corporation which is not an agency of the state of Kansas or of the federal government."



Sec. 7.

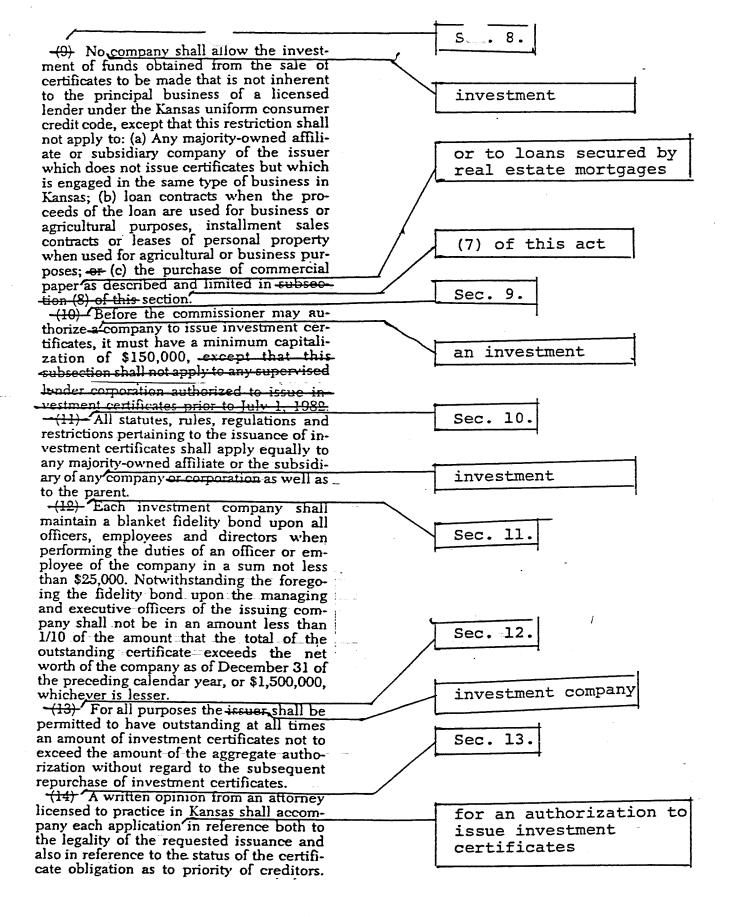
-(8) No investment company shall make any loan, purchase any installment sales contract or buy or enter into any lease of personal property, directly or indirectly, to, from or with any person or company, corporation or firm, including in the liabilities of the company or firm, the liabilities of the several members thereof, in an amount in excess of 10% of the unimpaired capital and surplus of the issuer, except that this restriction shall not apply to any loan to any majority-owned affiliate or subsidiary Kansas corporation of the issuer or its parent which is also an investment company as that term is defined in K.S.A. 16-630, and any amendments thereto, except that loans secured by mortgages on real estate located in Kansas or in a state adjacent to Kansas where the total mortgage indebtedness is not more than 85% of appraised value may be made in an amount not in excess of 15% of the paid-in and unimpaired capital and surplus of the issuer. The percentage limitation stated in this subsection shall not apply to the purchase of commercial paper which has a quality rating by Moody's Investor's Service of not less than prime-1 or prime-2 or Standard and Poor's Corporation of Al or A2.

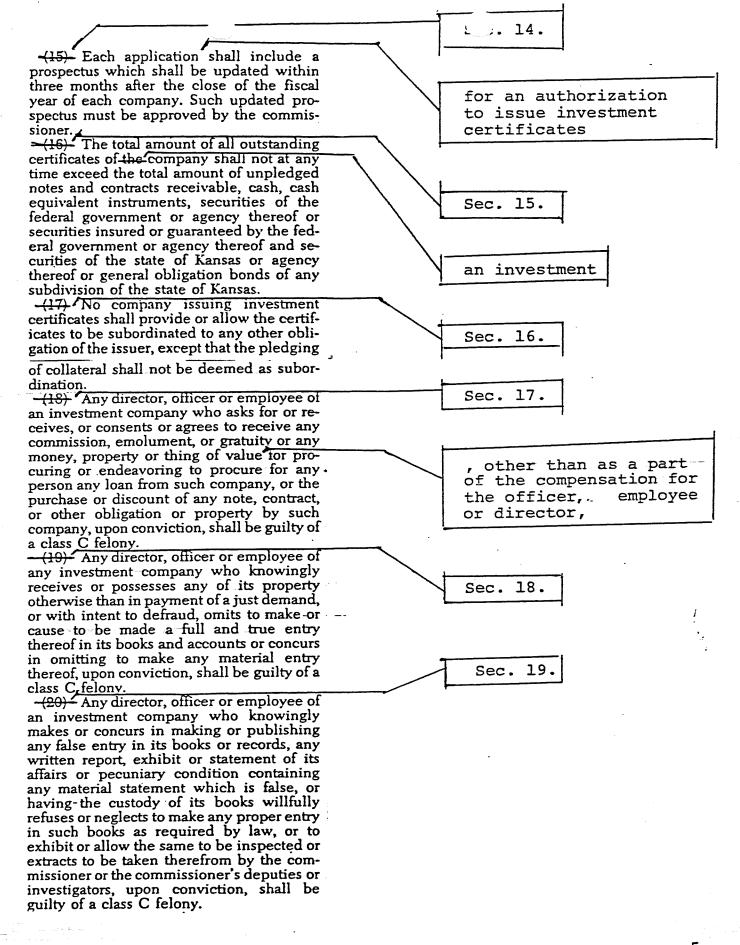
, surplus and undivided profits

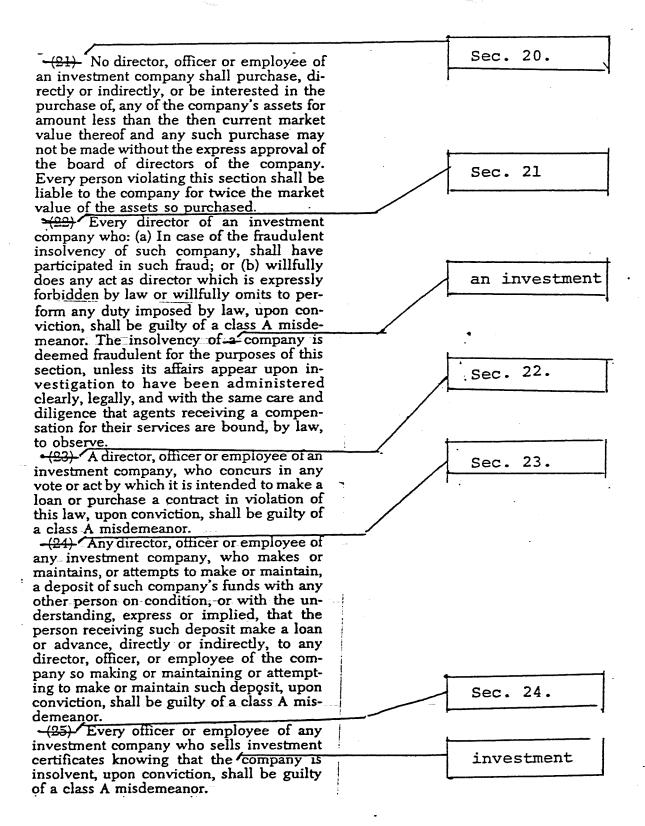
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loans secured by real estate mortgages when the total mortgage indebtedness is in excess of 85% of appraised value to the extent that the loan is insured against the default of the mortgagor by the federal or state government or an agency thereof or by a private mortgage insurance company

or to a real estate mortgage that is eligible for purchase by the Federal National Mortgage Association, the Government National Mortgage Association, or the Federal Home Loan Mortgage Corporation, or if the investment company has a committment to sell the said note and mortgage.







-(26) Any director, officer, agent or em-Sec. 25 ployee of any investment company, who willfully makes a false or untrue entry in any book or record or in any report, or statement of the business, affairs, or condition, or in connection with any transaction of such company, with intent to deceive any officer, director or employee thereof, or any agent or examiner, private or official, employed or lawfully appointed to examine into its condition or any of its affairs or transactions, or to any public officer who has authority to examine into its affairs or transactions, or who, with like intent, willfully omits to make new entry of any matter particularly pertaining to the business property condition, affairs, transactions, assets or accounts of such company in any book, record, report, statement of such company, or who with like intent alters, abstracts, conceals, or destroys any book, record, report, statement of such company made, written, or kept, or required to be made, written, or kept by such person or under such person's direction, upon conviction, shall be guilty of a class C felony.

(27) The investment company shall be-Sec. 26. Every come a member of the Kansas investment certificate guaranty fund corporation and qualify as a member before the issuance of Sec. 27. Every any investment certificates. (28) The investment company shall be incorporated in the state of Kansas as a corporation for profit. (29) The authority to issue investment Sec. 28. certificates shall be nontransferable, except with the prior written consent of the commissioner and the investment certificate guaranty fund corporation. (30) The authority to issue investment certificates shall not be acquired by the Sec. 29. purchase of the common stock, or the stock which exercises voting control of a company authorized to issue investment certificates without the prior written consent of the commissioner and the investment certificate guaranty fund corporation. History: L. 1961, ch. 117, § 2; L. 1981, ch. 90, § 1; L. 1982, ch. 91, § 1; L. 1983, ch. 77, § 1; July 1.

Sec. 30. K.S.A. 16-601 is hereby repealed.

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Sec. 31. This act shall take effect and be in force from and after its publication in the statute book.