

SAVINGS AND LOAN ACT OF 1980 (EXCERPT)
Act 307 of 1980

491.700 Investment of funds; venture capital investments; other lending or investment powers not limited; definitions; approval of investments in other categories by commissioner.

Sec. 700. (1) Subject to rules promulgated by the commissioner, an association may invest its funds in the following categories of assets:

(a) Obligations or securities of, or fully guaranteed as to principal and interest by, the United States or any of the agencies of the United States, or for which the full faith and credit of the United States is pledged to provide for the payment of principal and interest, or for which annual contributions to be paid under contract by the United States or any of its instrumentalities under the national housing act, 12 U.S.C. 1701 to 1750g, are pledged for payment of principal and interest.

(b) Obligations of a state of the United States, or an agency or authority of a state for which the full faith and credit of the state is pledged to provide payment of principal and interest.

(c) Obligations of this state or an agency or authority of this state for which specific revenues are pledged to provide payment of principal and interest.

(d) Obligations of a school district or political subdivision of this state.

(e) Bankers' acceptances eligible for purchase by federal reserve banks and any corporate obligations approved for investment purposes by the supervisor.

(f) Stock, bonds, or other obligations of a federal home loan bank, the federal savings and loan insurance corporation, the federal deposit insurance corporation, a corporation or agency of the United States or of this state to the extent that the corporation or agency requires the investment as a means of furthering or facilitating an association's purposes, and any service corporation, partnership, or other organization approved by the supervisor that assists in furthering or facilitating an association's purposes.

(g) Demand, time, or savings deposits or accounts or other obligations of a financial institution the accounts of which are insured by a federal agency or instrumentality.

(h) Under a plan approved by the supervisor, savings accounts or certificates of deposit with banks whose deposits are recognized by the federal home loan bank board for liquidity purposes.

(i) Shares or certificates in any open-end management investment company registered with the securities and exchange commission under the investment company act of 1940, chapter 686, 54 Stat. 789, while the portfolio of the company is restricted by its investment policy, changeable only by vote of the shareholders, to investments eligible for liquidity pursuant to federal home loan bank board regulations.

(j) Stock, bonds, or other obligations of any business and industrial development corporation licensed and supervised by this state.

(k) Small business investment companies formed under section 301(d) of the small business investment company act of 1958, 15 U.S.C. 681.

(l) A finance subsidiary wholly owned by 1 or more associations whose sole purpose is to issue debt or equity securities of the type that the association is authorized to issue directly, or, if a mutual association, would be authorized to issue if it converted to stock form, and to remit the net proceeds of such issuance to the association.

(m) Any class of voting securities of a bank organized and chartered under the banking code of 1999, 1999 PA 276, MCL 487.11101 to 487.15105, or the national bank act, chapter 106, 13 Stat. 99, and engaged exclusively in providing services to depository institutions or their officers, directors, and employees, or a bank holding company that owns or controls a bank organized and chartered under the banking code of 1999, 1999 PA 276, MCL 487.11101 to 487.15105, the national bank act, chapter 106, 13 Stat. 99, if the stock of a bank holding company is owned exclusively, except to the extent directors' qualifying shares are required by law, by depository institutions, as defined in the banking code of 1999, 1999 PA 276, MCL 487.11101 to 487.15105, and if all subsidiaries of the company engaged exclusively in serving depository institutions or their officers, directors, and employees. The amount of securities of a bank or bank holding company held by an investing association shall not exceed 20% of the net worth of the investing association.

(2) Subject to the limitations contained in this act, an association may make venture capital investments or may invest in equity securities of a professional investor a majority of whose assets consist of venture capital investments.

(3) If an association makes a venture capital investment under subsection (2), an officer or director of the association shall not hold an equity position in the financed company, and the association shall own less than 50% of such company.

(4) An association's investment pursuant to subsection (2) in any 1 entity shall not exceed an amount equal

to 5% of the net worth of the association, and all investments under subsection (2) shall not exceed an amount equal to 10% of the net worth of the association.

(5) This section does not limit the authority of an association to exercise lending or investment powers that are otherwise authorized by law.

(6) As used in this section:

(a) "Professional investor" means an investment company registered under the investment company act of 1940, 15 U.S.C. 80a-1 to 80a-64, a pension or profit sharing trust or other institutional buyer, or a person, partnership, or other entity a majority of whose resources is dedicated to investing in equity or debt securities and whose net worth exceeds \$500,000.00 prior to the association's investment.

(b) "Venture capital" means equity financing that is provided for starting up or expanding a company, or related purposes such as financing for seed capital, research, and development; introduction of a product or process into the marketplace; or similar needs requiring risk capital. A venture capital investment shall not include the purchase of a share of stock in a company if, on the date on which the share of stock is purchased, the company has securities outstanding that are registered on a national securities exchange under section 12(b) of title I of the securities exchange act of 1934, 15 U.S.C. 78 l; that are registered or required to be registered under section 12(g) of title I of the securities exchange act of 1934, 15 U.S.C. 78l; or which would be required to be so registered except for the exemptions in section 12(g)(2) of title I of the securities exchange act of 1934.

(7) The commissioner is authorized to approve investments in other categories of assets that the commissioner determines are consistent with this act. Those investments shall be subject to limitations as determined appropriate by rule of the commissioner.

History: 1980, Act 307, Eff. Jan. 1, 1981;—Am. 1987, Act 106, Imd. Eff. July 7, 1987;—Am. 2000, Act 365, Imd. Eff. Jan. 2, 2001.

Administrative rules: R 491.101 et seq. of the Michigan Administrative Code.