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HOUSE BILL NO. 1459

Offered January 15, 2008

A BILL to amend and reenact §§ 2.2-2279, 2.2-2285, and 2.2-2290 of the Code of Virginia, relating to the Virginia Small Business Financing Act; preferred lenders.

Patron—Moran

Referred to Committee on General Laws

Be it enacted by the General Assembly of Virginia:

1. That §§ 2.2-2279, 2.2-2285, and 2.2-2290 of the Code of Virginia are amended and reenacted as follows:

§ 2.2-2279. Short title; definitions.

A. This article shall be known and may be cited as the "Virginia Small Business Financing Act."

B. As used in this article, unless the context requires a different meaning:

"Business enterprise" means (i) any industry for the manufacturing, processing, assembling, storing, warehousing, servicing, distributing, or selling of any products of agriculture, mining, or industry or professional services; (ii) commercial enterprises making sales or providing services to industries described in clause (i); (iii) enterprises for research and development, including but not limited to scientific laboratories; (iv) not-for-profit entity operating in the Commonwealth; or (v) such other businesses as will be in furtherance of the public purposes of this article.

"Cost," as applied to the eligible business, means the cost of construction; the cost of acquisition of all lands, structures, rights-of-way, franchises, easements and other property rights and interests; the cost of demolishing, removing, rehabilitating or relocating any buildings or structures on lands acquired, including the cost of acquiring any such lands to which such buildings or structures may be moved, rehabilitated or relocated; the cost of all labor, materials, machinery and equipment, financing charges, letter of credit or other credit enhancement fees, insurance premiums, interest on all bonds prior to and during construction or acquisition and, if deemed advisable by the Authority, for a period not exceeding one year after completion of such construction or acquisition, cost of engineering, financial and legal services, plans, specifications, studies, surveys, estimates of cost and of revenues, commissions, guaranty fees, other expenses necessary or incident to determining the feasibility or practicality of constructing, financing or operating a project of an eligible business; administrative expenses, provisions for working capital, reserves for interest and for extensions, enlargements, additions, improvements and replacements, and such other expenses as may be necessary or incidental to the construction or acquisition of a project of an eligible business or the financing of such construction, acquisition or expansion and the placing of a project of an eligible business in operation. Any obligation or expense incurred by the Commonwealth or any agency thereof, with the approval of the Authority for studies, surveys, borings, preparation of plans and specifications or other work or materials in connection with the construction or acquisition of a project of an eligible business may be regarded as a part of the cost of a project of an eligible business and may be reimbursed to the Commonwealth or any agency thereof out of the proceeds of the bonds issued therefor.

"Eligible business" means any person engaged in one or more business enterprises in the Commonwealth that satisfies one or more of the following requirements for a for-profit enterprise: (i) has received \$10 million or less in annual gross income under generally accepted accounting principles for each of its last three fiscal years or lesser time period if it has been in existence less than three years, (ii) has fewer than 250 employees, (iii) has a net worth of \$2 million or less, or (iv) such other satisfactory requirements as the Board shall determine from time to time if it finds and determines such person is in need of its assistance or is a not-for-profit entity granted tax-exempt status under § 501 (c) (3) of the Internal Revenue Code and operating in the Commonwealth.

"Federal Act" means the Small Business Investment Act of 1958, 15 U.S.C. § 661 et seq., as amended from time to time.

"Indenture" means any trust agreement, deed of trust, mortgage or other security agreement under which bonds authorized pursuant to this article shall be issued or secured.

"Lender" means any federal- or state-chartered bank, federal land bank, production credit association, bank for cooperatives, federal- or state-chartered savings institution, building and loan association, small business investment company or any other financial institution qualified within the Commonwealth to originate and service loans, including but not limited to insurance companies, credit unions, investment banking or brokerage companies and mortgage loan companies.

"Loan" means any lease, loan agreement or sales contract as hereinafter defined:

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59 (i) "Lease" means any lease containing an option to purchase the project or projects of the eligible
60 business being financed for a nominal sum upon payment in full, or provision thereof, of all bonds
61 issued in connection with the eligible business and all interest thereon and principal of and premium, if
62 any, thereon and all other expenses in connection therewith.

63 (ii) "Loan agreement" means an agreement providing for a loan of proceeds from the sale and
64 issuance of bonds by the Authority or by a lender with which the Authority has contracted to loan such
65 proceeds to one or more contracting parties to be used to pay the cost of one or more projects of an
66 eligible business and providing for the repayment of such loan including but not limited to all interest
67 thereon, and principal of and premium, if any, thereon and all other expenses in connection therewith,
68 by such contracting party or parties and which may provide for such loans to be secured or evidenced
69 by one or more notes, debentures, bonds or other secured or unsecured debt obligations of such
70 contracting party or parties, delivered to the Authority or to a trustee under an indenture pursuant to
71 which the bonds were issued.

72 (iii) "Sales contract" means a contract providing for the sale of one or more projects of an eligible
73 business to one or more contracting parties and includes but is not limited to a contract providing for
74 payment of the purchase price including but not limited to all interest thereon, and principal of and
75 premium, if any, thereon and all other expenses in connection therewith, in one or more installments. If
76 the sales contract permits title to a project being sold to an eligible business to pass to such contracting
77 party or parties prior to payment in full of the entire purchase price, it also shall provide for such
78 contracting party or parties to deliver to the Authority or to the trustee under the indenture pursuant to
79 which the bonds were issued, one or more notes, debentures, bonds or other secured or unsecured debt
80 obligations of such contracting party or parties providing for timely payments of the purchase price
81 thereof.

82 "Municipality" means any county or incorporated city or town in the Commonwealth.

83 "*Preferred lender*" means a bank that is subject to continuing supervision and examination by state
84 or federal chartering, licensing, or similar regulatory authority satisfactory to the Authority and that
85 meets the eligibility requirements established by the Authority.

86 "Revenue Code" means the Internal Revenue Code of 1954, as amended.

87 "Revenues" means any and all fees, rates, rentals, profits and receipts collected by, payable to, or
88 otherwise derived by, the Authority, and all other moneys and income of whatsoever kind or character
89 collected by, payable to, or otherwise derived by, the Authority in connection with loans to any eligible
90 business in furtherance of the purposes of this article.

91 "Statewide Development Company" means the corporation chartered under this article for purposes of
92 qualification as a state development company as such term is defined in the Federal Act.

93 § 2.2-2285. Powers of the Authority.

94 The Authority is granted all powers necessary or appropriate to carry out and effectuate its purposes
95 including, but not limited to, the following powers to:

96 1. Have perpetual existence as a public body corporate and as a political subdivision of the
97 Commonwealth;

98 2. Adopt, amend, and repeal bylaws, rules and regulations not inconsistent with this article, to
99 regulate its affairs and to carry into effect the powers and the purposes of the Authority and for the
100 conduct of its business;

101 3. Sue and be sued in its name including but not limited to bringing actions pursuant to Article 6
102 (§ 15.2-2650 et seq.) of Chapter 26 of Title 15.2 to determine the validity of any issuance or proposed
103 issuance of its bonds under this article and the legality and validity of all proceedings previously taken
104 or proposed in a resolution of the Authority to be taken for the authorization, issuance, sale and delivery
105 of such bonds and for the payment of the principal thereof and interest thereon;

106 4. Have an official seal and alter it at will;

107 5. Maintain an office at such place within the Commonwealth as it may designate;

108 6. Make and execute contracts and all other instruments necessary and convenient for the
109 performance of its duties and the exercise of its powers under this article upon such terms and
110 conditions it deems appropriate;

111 7. Employ office personnel, advisers, consultants, professionals and agents as may be necessary in its
112 judgment, and to fix their compensation;

113 8. Procure insurance against any loss in connection with its property and other assets, including but
114 not limited to loans in such amounts and from such insurers as it deems advisable;

115 9. Borrow money and issue bonds as provided by this article;

116 10. Procure insurance or guarantees from any public or private entities, including any department,
117 agency or instrumentality of the United States of America, or, subject to the provisions of and to the
118 extent moneys are available in the fund created by § 2.2-2290, insure or guarantee the payment of any
119 bonds issued by the Authority, including the power to pay premiums on any such insurance or
120 guarantees or other instruments of indebtedness;

11. Receive and accept from any source aid or contributions of money, property, labor or other things of value to be held, used and applied to carry out the purposes of this article (subject, however, to any conditions upon which grants or contributions are made) including, but not limited to gifts or grants from any department, agency or instrumentality of the United States;

12. Enter into agreements with any department, agency or instrumentality of the United States or of the Commonwealth and with lenders and enter into loans with contracting parties for the purpose of planning, regulating and providing for the financing or assisting in the financing of any eligible business or any project thereof;

13. Enter into contracts or agreements with lenders for the servicing and/or processing of loans;

14. Provide technical assistance to local industrial development authorities and to profit and nonprofit entities in the development or operation by, or assistance to, persons engaged in small business enterprises and distribute data and information concerning the encouragement and improvement of small business enterprises in the Commonwealth;

15. To the extent permitted in the proceedings pursuant to which the bonds of the Authority are issued, consent to any modification with respect to the rate of interest, time for, and payment of, any installment of principal or interest, or any other term of any contract, loan, sales contract, lease, indenture or agreement of any kind to which the Authority is a party;

16. To the extent permitted in the proceedings pursuant to which the bonds of the Authority are issued, enter into contracts with any lender containing provisions authorizing the lender to reduce the charges or fees, exclusive of loan payments, to persons unable to pay the regular schedule thereof when, by reason of other income or payment by any department, agency or instrumentality of the United States or the Commonwealth, the reduction can be made without jeopardizing the economic stability of the eligible business being financed;

17. Allocate any of its property to the insurance or guarantee fund established by § 2.2-2290 or to any other fund of the Authority, such property consisting of:

a. Moneys appropriated by the Commonwealth;

b. Premiums, fees and any other amounts received by the Authority with respect to financial assistance provided by the Authority;

c. Proceeds as designated by the Authority from the loan or other disposition of property held or acquired by the Authority;

d. Income from investments that were made by the Authority or on the behalf of the Authority from moneys in one or more of its funds; or

e. Any other moneys made available to the Authority consistent with this article;

18. Use any fund of the Authority for any and all expenses to be paid by the Authority including, but not limited to: (i) any and all expenses for administrative, legal, actuarial, and other services; (ii) all costs, charges, fees and expenses of the Authority relating to the authorizing, preparing, printing, selling, issuing, and insuring of bonds and the funding of reserves; and (iii) all expenses and costs relating to the guaranteeing, insuring or procurement of guarantees, insurance or other instruments providing credit or the enhancement of credit for the bonds;

19. Collect fees and charges the Authority determines to be reasonable in connection with its loans, insurance, guarantees, commitments and servicing thereof;

20. Sell, at public or private sale, with or without public bidding, any obligation held by the Authority;

21. Invest any funds not needed for immediate disbursement, including any funds held in reserve, in any obligations or securities that may be legally purchased by political subdivisions in the Commonwealth or as may be otherwise permitted by § 2.2-2305;

22. Administer the Private Activity Bonds program in Chapter 50 (§ 15.2-5000 et seq.) of Title 15.2;

23. Create and establish such funds and accounts as may be necessary or desirable for its purposes; and

24. Enter into agreements the purpose of which is to authorize lenders that have been designated as preferred lenders to undertake loan decisioning and processing functions and responsibilities with respect to certain Authority guaranteed loans without obtaining prior Authority approval. Under such agreements, the Authority will provide each preferred lender credit authority equal to an amount determined by the Authority, or an amount equal to the funds available for such guarantees, whichever is less, for the period designated in the allocation. The preferred lender's allocation of credit authority shall be increased only by written permission of the Authority and shall not be restored automatically by the receipt of payments on Authority loans; and

25. Take any action necessary or convenient for the exercise of the powers granted by this article or reasonably implied from them.

§ 2.2-2290. Insurance or guarantee fund.

There is created an insurance or guarantee fund of the Authority that may be used for any of the

182 following purposes:

183 1. To insure the payment or repayment of all or any part of the principal of, redemption or
184 prepayment premiums or penalties on, and interest on its bonds;

185 2. To insure the payment or repayment of all or any part of the principal of, redemption or
186 prepayment premiums or penalties on, and interest on any instrument executed, obtained or delivered in
187 connection with the issuance and sale of its bonds; and

188 3. To pay or insure the payment of any fees or premiums necessary to obtain insurance, guarantees,
189 or other instruments or enhancement of credit for or support from any person in connection with
190 financing assistance provided by the Authority under this article including but not limited to working
191 capital loans made by a lender, *a preferred lender, or both.*