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IOWA DEPARTMENT OF COMMERCE
DIVISION OF CREDIT UNIONS
JOANN JOHNSON, SUPERINTENDENT

Interpretive Bulletin

Date: August 12, 2011

To: All Iowa State Chartered Credit Unions

From: JoAnn M. Johnson
Superintendent

Subject: **Venture Capital Policy**

Iowa Code 533.304 (1c) "*Venture capital fund*" means a corporation, partnership, proprietorship, or other entity formed under the laws of the United States, or a state, district, or territory of the United States, whose principal business is or will be the making of investments in the provision of significant managerial assistance to small businesses that meet the United States small business administration definition of small business.

A state credit union may invest in either of the following to the extent that the total investments under this section shall not be more than five percent of the state credit union's assets:

- a. Shares or equity interests in venture capital funds that agree to invest an amount equal to at least fifty percent of the state credit union's investment in small businesses having their principal offices with this state and having either more than one-half of their assets within this state or more than one-half of their employees employed within this state.
- b. Shares or equity interests in small businesses having their principal offices within this state and having either more than one-half of their assets within this state or more than one-half of their employees employed within this state. A state credit union shall not invest in more than twenty percent of the total capital and surplus of any one small business under this paragraph.

Prior to investing in a venture capital fund, Iowa state chartered credit unions are required to have a written policy on venture capital investment and submit to the Superintendent the following information:

1. Evidence of due diligence on the venture capital firm, including nature of the firm and officials.
2. Evidence of due diligence on the companies in which investments will be made.

3. Restrictions on investing in funds that would involve official or employee interlock issues.
4. Maximum investment life
5. Monitoring of investment
6. Any other risk limiting considerations