

## Chartering a business development company

The Department of Financial Institutions (DFI) is considering applications to charter a business development company. Minimum requirements include:

**Corporation or LLC:** A for-profit Washington State corporation or limited liability company with acceptable articles and bylaws.

**Incorporators:** Five or more incorporators. Three incorporators must be federally insured depository institutions.

**Mission:** Must be dedicated to lending and/or investment for small business, small agricultural, community development, and/or historic preservation.

**Business Plan:** Must demonstrate a reasonable likelihood of safe and sound operation and ability to fulfill its stated goals, consistent with an approved mission.

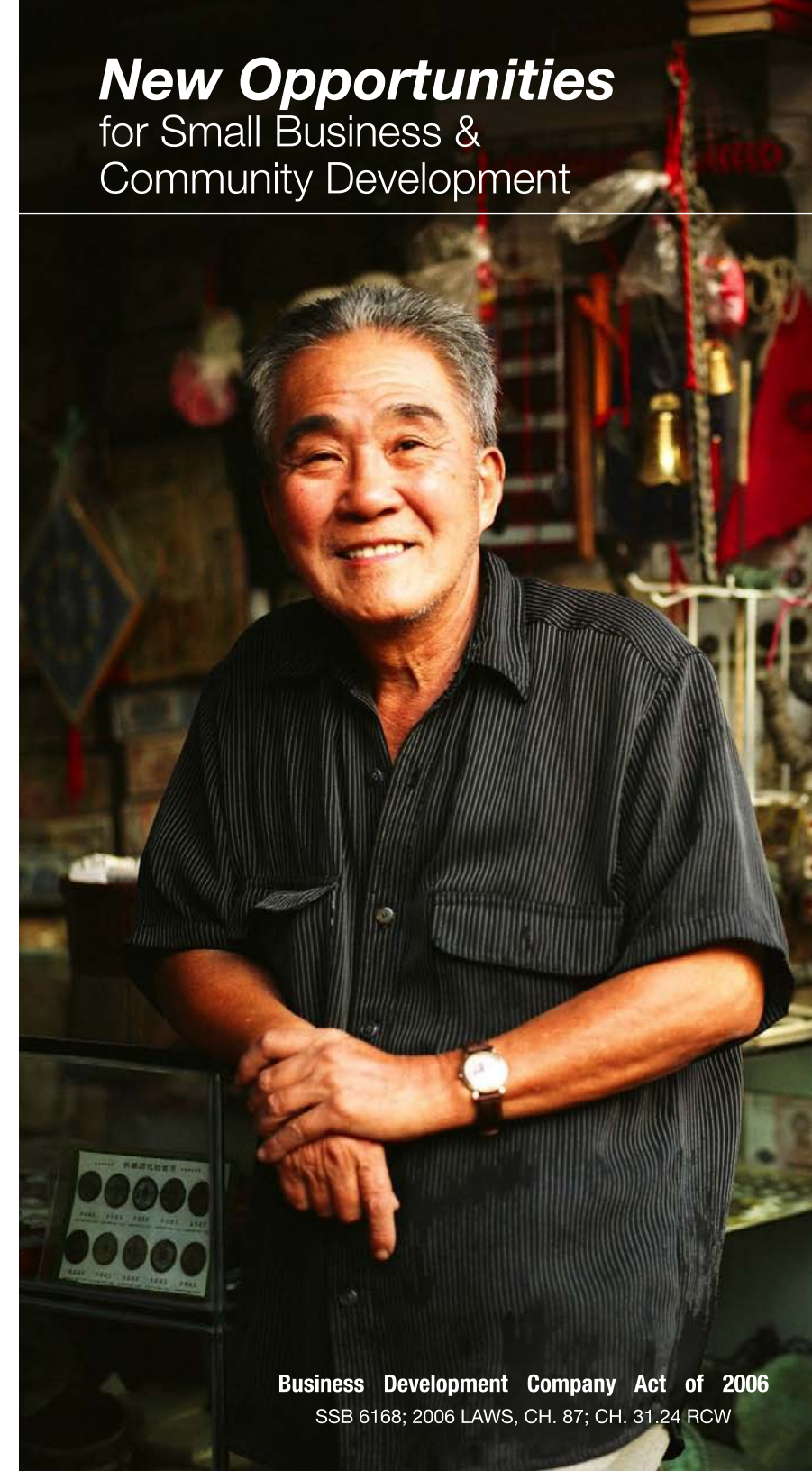
**Management:** Proposed management must demonstrate the qualifications to fulfill mission and business plan.

**Capitalization:** Core capital must be consistent with the goals of the business plan. Minimum capital-to-asset ratio of 8%.

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## New Opportunities for Small Business & Community Development



Business Development Company Act of 2006

SSB 6168; 2006 LAWS, CH. 87; CH. 31.24 RCW





## The NEW Business Development Company Why a new law?

The Department of Financial Institutions (DFI) recognized a prevailing need to stimulate small business, agriculture, community development and historic preservation in many local communities throughout Washington State. The DFI also believed that it could overhaul and modernize an obscure and seldom-used industrial- development company law to help meet these needs, while at the same time helping banks and thrifts to better comply with their obligations under the Community Reinvestment Act.

### Can YOU participate?

Yes. The new business development company (BDC) charter actively encourages participation by qualified persons committed to community development and reinvestment. Of course, to assure strong backing from the financial community, at least three of the minimum five incorporators must be federally insured banks, thrifts or credit unions. However, the success of most business development companies will depend on strong participation from the communities that they will serve, through involvement by qualified community developers, promoters, institutional and private investors, and/or government sponsored entities (GSEs).

### What can YOU DO with a BDC?

All BDC lending and investment must be targeted to small business, agriculture, community development and historic preservation in local communities in Washington State. A BDC makes this possible by:

- Making qualified loans.
- Investing in qualified projects.
- Facilitating direct participation loans by third-party qualified loan participants.

### How can YOU participate?

A BDC is now easier to charter, govern, raise capital, attract stakeholder participation, and manage. In this way, the DFI believes that creative business plans may emerge that are market (need) driven.

The new approach encourages sustainability through flexibility and choice. You now have the option of participating as Founder (Promoter and/or Incorporator), Capital Equity Investor, Debt Financer, Lender, or Direct Co-Lender in Participation Loans Facilitated by a BDC.

### What can you do?

If you or your group is interested in forming or participating in a BDC, or you would like more information on chartering and operating a BDC, please contact the DFI Division of Banks at (360) 902-8704. The DFI's Guide to Chartering and Operating Business Development Companies is also available to interested parties, and pre-application meetings and outreach presentations may be arranged through the Division of Banks.