

Approved February 26, 1987  
Date

MINUTES OF THE SENATE COMMITTEE ON FINANCIAL INSTITUTIONS AND INSURANCE

The meeting was called to order by Sen. Neil H. Arasmith at  
Chairperson

9:00 a.m./~~p.m.~~ on February 25, 1987 in room 529-S of the Capitol.

All members were present except:

Committee staff present:

Bill Wolff, Legislative Research  
Myrta Anderson, Legislative Research  
Bill Edds, Revisor of Statutes

Conferees appearing before the committee:

Sen. Warren  
Steve Hirsch, State Treasurer's Office

The minutes of February 24 were approved as corrected in paragraph seven where "bank" is changed to "community" and in paragraph eight where "substitute" is added before "motion".

Attention was turned to SB 133 which had been previously heard and which deals with removing the \$25,000 ceiling on credit insurance. After a short review of the testimony on the bill, Sen. Burke made a motion to report SB 133 favorable for passage, Sen. Harder seconded, and the motion carried.

The chairman began discussion on another bill previously heard, SB 66. He informed the committee that he has the information requested from the Securities Commissioner as to the effect of the rates. He said with the new rate, the annualized revenue to the Commissioner's office would increase \$199,000. There was no action on the bill at this meeting as staff has a balloon prepared with amendments to be discussed tomorrow.

The hearing began on SB 120 dealing with notification of bondholders and other persons prior to calling of bonds before maturity. Sen. Warren who had the bill introduced, testified. He said the bill is a result of an unfortunate personal experience he had this past year where he had no notice that his bond had been called until he sent in his coupons. After checking with the Secretary of State's office and the Securities and Exchange's office, he found that there is no one who has the authority to deal with the problem. He introduced Steve Hirsch of the State Treasurer's Office to testify further on the bill. (See Attachment I.)

A short discussion followed between the chairman and Mr. Hirsch regarding knowledge of the bonds being called. Mr. Hirsch said they could do a mailing but they would not know who owned the bonds. The chairman said that even if this information were published in the Kansas Register, private individuals would not have knowledge because most would not subscribe to it. Sen. Werts questioned Mr. Hirsch further about notice of call and the receipt of coupons. He also asked if consideration was given to corporate bonds when preparing this bill to which Mr. Hirsch responded, "no".

Sen. Strick had questions regarding the notice of call and the actual call date and as to the period of time in which interest is paid.

The chairman asked Doug Mays, Securities Commissioner, his opinion of the bill as amended as to if it is a workable concept. Mr. Mays said his office would not be dealing with this so his opinion would be personal, however, his only question would be, "Does the average investor have access to the record?" He said Sen. Warren's case is unusual because an effort is usually made to notify when a bond has been called. He would hope that the bill would not be made to be too cumbersome for issuers and that it would apply also to corporate bonds.

Staff informed the committee of a conversation with the Attorney General's office informing him that further work needs to be done on the bill to solve the problem.

Unless specifically noted, the individual remarks recorded herein have not been transcribed verbatim. Individual remarks as reported herein have not been submitted to the individuals appearing before the committee for editing or corrections.

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON FINANCIAL INSTITUTIONS AND INSURANCE,  
room 529-S, Statehouse, at 9:00 a.m./~~a.m.~~<sup>p.m.</sup> on February 25, 1987, 19   .

Sen. Gannon noted that there is no penalty in the bill and asked what would happen if the statute were violated. Mr. Mays said this would not be under the jurisdiction of his office. Mr. Hirsch said there is no criminal provision for this violation. It would be a civil remedy. Sen. Werts noted that a good bond dealer keeps a record, and part of his business is to notify people if a call is made.

The chairman asked if corporate bonds could be added to this bill or if a separate bill is needed. Staff said it would present no problem of a legal nature, but it probably would be better not to include corporate bonds because they are not usually combined with municipal bonds and industrial revenue bonds; but it would be advisable to add industrial revenue bonds. The chairman concluded that corporate bonds could be addressed at a later time if needed.

The meeting was adjourned.

SENATE COMMITTEE

ON

FINANCIAL INSTITUTIONS AND INSURANCE

OBSERVERS  
(Please print)

DATE                      NAME                      ADDRESS                      REPRESENTING

*M. Hannon*

*Toneta*

*Dep. Ins.*

*Doug Mays*

*"*

*Sec. Commissioner*

Steven Hirsch, Administrative Officer, State Treasurer's Office

The Kansas State Treasurer's Office is the only state treasury in the nation to perform the functions of registrar, paying and transfer agent for municipal bonds. These functions save the municipalities an average of 50 to 75 percent over the cost of comparable services.

There are two types of municipal bonds:

1. Bearer bonds.

- a. These have interest coupons attached.
- b. In order to collect the interest, the bond holder sends the coupon to the paying agent.
- c. Inherent in the nature of a bearer bond is the fact that you do not know who the bond holder is.

2. Registered bonds.

- a. Tax Equity and Fiscal Reform Act of 1982 mandated that all municipal bonds be issued in registered form, if they were to keep their tax exempt status.
- b. No longer are there coupons to clip, nor are the bonds bearer instruments.
- c. The owner's name is printed on the face of the bond when issued.

When a municipality issues bonds, they need a paying agent, an intermediate through whom the bond holders are paid. That may be the State Treasurer or a bank.

Occasionally a municipality will want to pay off bonds before their maturity. This is a "call." The important part here is that interest stops when the bonds are called, therefore notice to bond holders is necessary. The attached white sheet is an example of a bond call published in the Kansas Register.

1. Registered bonds.

- a. The owner of the bond is on record.
- b. It is very easy to give notice to the owner when a call has been made.
- c. When the State Treasurer is the paying agent, a notice is mailed out to the bond holder.
- d. Some registered bond transcripts do not specify that notification of a call be given to the bond holders. Where this is the case, we have been able to prevail upon the municipality to authorize the treasurer to send a notice of call to bond holders.
- e. When the bond holders are known, it is foolish to not contact them.

2. Bearer bonds.

- a. These present a more difficult situation.
- b. Inherently, the owner of a bearer bond is unknown. Therefore direct notice of call is a real problem.

- c. The State Treasurer has two methods of dealing with this problem.
1. If a bond holder wants to put their name on file to receive a notice of call we will gladly do that. A sample of that request is on the attached pink sheet.
  2. If anyone presents coupons after the issue is called, they immediately get a notice from our office. A sample of that notice is on the attached yellow sheet. Because many of the coupons are presented by a bank or the Federal Reserve, we often do not know who the owner is but we do know who presented coupons for payment. Hopefully the bank will then notify their customers of the call notice.

Senate Bill 120 with amendments will conform the law with what the State Treasurer is already doing administratively. It will require private paying agents to do the same thing. The bill will not help the person who is consistently late in clipping their interest coupons. One important feature of the bill with amendments is that it will require notice to be published in the Kansas Register when any call of municipal bonds is made.

#### SUMMARY

The purpose of Senate Bill 120 is to ensure prompt notification of bond holders when a call of bonds has been made. The State Treasurer supports these efforts, evidenced both by this testimony and by long established practice in the State Treasurer's Office.

State of Kansas

**SECRETARY OF STATE**

**NOTICE**

TO ALL TO WHOM THESE PRESENTS SHALL COME, GREETING:

I, Jack H. Brier, Secretary of State of the State of Kansas, do hereby certify that pursuant to the provisions of K.S.A. 1984 Supp. 16-207, the maximum effective rate of interest per annum for notes secured by all real estate mortgages and contracts for deed for real estate executed during the period of October 1, 1985 through October 31, 1985 shall be 13.69 percent.

In testimony whereof: I hereto set my hand and cause to be affixed my seal. Done at the City of Topeka, this 30th day of September, A.D. 1985.

**JACK H. BRIER**  
Secretary of State

Doc. No. 003589

(Published in the KANSAS REGISTER, October 10, 1985.)

**NOTICE OF REDEMPTION  
CITY OF KANSAS CITY, KANSAS  
UTILITY SYSTEM REVENUE  
REFUNDING BONDS  
SERIES 1984**

Notice is hereby given that the city of Kansas City, Kansas has instructed the Office of the Treasurer of the State of Kansas (the bond registrar and paying agent) to redeem the bonds described below on the dates and in the amounts set forth below:

**Series**

City of Kansas City, Kansas Utility System Revenue Refunding Bonds, Series 1984.

**Maturities**

Bonds maturing on September 1, 1995 through September 1, 2007, inclusive, and September 1, 2014.

**Date of Redemption**

September 1, 1994 (interest ceases to accrue from such date).

**Redemption Price**

One hundred percent (100%) of the principal amount of each bond called for redemption, plus accrued interest to the date of redemption, without premium.

**STATE OF KANSAS  
JOAN FINNEY, STATE TREASURER  
AS BOND REGISTRAR**

Doc. No. 003597

(Published in the KANSAS REGISTER, October 10, 1985)

**NOTICE OF BOND SALE**

**\$165,000**

**GENERAL OBLIGATION  
LIBRARY BUILDING BONDS  
OF THE  
CITY OF GODDARD, KANSAS**

The city of Goddard, Kansas will receive sealed bids at the office of the City Clerk, City Hall, Goddard, until 7:30 p.m., C.D.T., Monday, October 14, 1985, for \$165,000 par value general obligation library building bonds of the city, at which time and place such bids will be publicly opened. No oral or auction bids will be considered.

The Series B, 1985 Bonds initially issued will be dated as of November 1, 1985 and shall mature on October 1 in each of the years and in the amounts set forth below. Such bonds shall consist of fully registered certificated bonds, each in the denomination of \$5,000 or integral multiples thereof, not exceeding the principal amount of bonds maturing in each year. Interest will be payable semiannually, commencing April 1, 1986, and each October 1 and April 1 thereafter. The principal of, and premium, if any, on the bonds shall be payable in lawful money of the United States of America, at the principal office of Treasurer of the State of Kansas (the paying agent and bond registrar) to the registered owners thereof upon presentation of the bonds for payment and cancellation. Interest on the bonds shall be payable in lawful money of the United States of America, by check or draft of the paying agent to the registered owners appearing on the books maintained by the bond registrar as of the preceding September 15 and March 15 (the record dates). The fees of the bond registrar for registration and transfer of the bonds shall be paid by the city.

The bonds will mature serially in accordance with the following schedule:

Amount	Maturity
\$ 5,000	October 1, 1986
5,000	October 1, 1987
5,000	October 1, 1988
5,000	October 1, 1989
10,000	October 1, 1990
10,000	October 1, 1991
10,000	October 1, 1992
10,000	October 1, 1993
15,000	October 1, 1994
15,000	October 1, 1995
15,000	October 1, 1996
15,000	October 1, 1997
15,000	October 1, 1998
15,000	October 1, 1999
15,000	October 1, 2000

**Redemption**

Bonds maturing October 1, 1996 and thereafter are subject to call for redemption and payment prior to their respective maturities at the option of the city on and after October 1, 1995, in whole at any time or in part in inverse order of maturity, and by lot within maturities, on any interest payment date, at a redemption price of 100 percent of the par value of the principal amount thereof plus accrued interest to the redemption date.

Notice of any call for redemption will be mailed to the registered owners of such bonds to be redeemed at the address shown on the registration books maintained by the bond registrar not less than 30 days prior to the date fixed for

[Published in the Kansas Register on OCTOBER 10, 1985]

NOTICE OF REDEMPTION  
OF THE CITY OF KANSAS CITY, KANSAS UTILITY SYSTEM  
REVENUE REFUNDING BONDS, SERIES 1984

NOTICE is hereby given that the City of Kansas City, Kansas has instructed the Office of the Treasurer of the State of Kansas (the "Bond Registrar" and "Paying Agent") to redeem the Bonds described below on the dates and in the amounts set forth below:

SERIES: City of Kansas City, Kansas Utility System Revenue Refunding Bonds, Series 1984.

MATURITIES: Bonds maturing on September 1, 1995 through September 1, 2007, inclusive, and September 1, 2014.

DATE OF REDEMPTION: September 1, 1994 (Interest ceases to accrue from such date).

REDEMPTION PRICE: One Hundred Percent (100%) of the principal amount of each Bond called for redemption, plus accrued interest to the date of redemption, without premium.

OFFICE OF THE STATE TREASURER  
STATE OF KANSAS,  
as Bond Registrar

[SEAL]

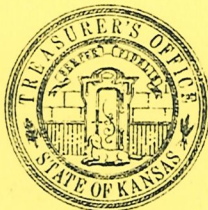


By

A handwritten signature in cursive script, appearing to read "Jon G. Young", written over a horizontal line.



Office of the



State Treasurer

Joan Finney  
TREASURER

\_\_\_\_\_, 19\_\_\_\_

700 HARRISON  
P.O. BOX 737  
TOPEKA, KANSAS 66601  
(913) 296-3171

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

BOND IS CALLED

Date \_\_\_\_\_

Please notify your bond owner of the status this issue is now in. The prompt notification of this matter to the owner will delay future loss of interest for the owner.

We acknowledge receipt of interest coupon (s) you recently submitted to our fiscal agency for payment, relative to the following described bond/ bonds now called effective \_\_\_\_\_.

Municipality \_\_\_\_\_

Date of issue \_\_\_\_\_

Bond number \_\_\_\_\_

Treas. collection no. and date \_\_\_\_\_

It is therefore necessary for subject bond/bonds, with all remaining coupons attached, to be submitted to this office, in order the payment can be expedited immediately. If you have any questions regarding this matter please let this Fiscal Agency know. In the future if we can be of service, please contact me.

Sincerely yours,

*Joan Finney*  
Joan Finney

12-12-77

AMERICAN NATIONAL BANK TRUST DEPT.  
St. Joseph, MO 64502

Please notify if the following bonds are called:

Issue Date: \_\_\_\_\_  
Sereis : \_\_\_\_\_  
Coupon # : \_\_\_\_\_  
Bond # : \_\_\_\_\_  
Value : \_\_\_\_\_

On Line 0024 strike the word "notify".

On Line 0025 after "(1)" insert "notify".

On Line 0025 after "state treasurer" insert the following:  
"or other paying agent".

On Line 0026 & 0027 strike the words "a copy of the order, resolution or ordinance calling such bonds; and".

On Line 0026 after "state treasurer" insert the following:  
"or other paying agent".

On Line 0026 after "mail," insert the following:  
"at least 30 days prior to the date fixed for the call of such bonds, notice of their intention to call such bonds; and".

Strike Lines 0028 through 0040.

On Line 0028 insert the following:

"(2) cause to be published in the Kansas Register a notice of bond call; and

(3) cause the paying agent to notify each presenter of interest coupons or owners of registered bonds that a call has been made as follows:

- (A) If the bonds are bearer bonds, such notice shall be made with the first interest payment for such bonds that the paying agent makes after the paying agent has received notice of call; or
- (B) If the bonds are registered bonds, such notice of call shall be made in accordance with the transcript of bond proceedings. If the transcript of bond proceedings is silent on the issue of notice of call to the registered bond owners, then the paying agent shall notify the registered owners 30 days prior to the call date at the issuers expense.

(b) Costs associated with the foregoing provisions shall be borne by the municipality."

## SENATE BILL 120

By Committee on Financial Institutions and Insurance

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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 section.

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

Sec. 1. K.S.A. 10-129 is hereby amended to read as follows: 10-129. (a) Whenever any municipality orders the call of any bonds issued by such municipality prior to the date of maturity of such bonds, it shall be the duty of the clerk or secretary of such municipality to:

(1) Notify the state treasurer or other paying agent of such call by mailing to the state treasurer or other paying agent, by certified mail, at least 30 days prior to the date fixed for the call of such bonds, notice of their intention to call such bonds; and

(2) cause to be published in the Kansas Register a notice of bond call; and

(3) cause the paying agent to notify each presenter of interest coupons or owners of registered bonds that a call has been made as follows:

(A) If the bonds are bearer bonds, such notice shall be made with the first interest payment for such bonds that the paying agent makes after the paying agent has received notice of call; or

(B) If the bonds are registered bonds, such notice of call shall be made in accordance with the transcript of bond proceedings. If the transcript of bond proceedings is silent on the issue of notice of call to the registered bond owners, then the paying agent shall notify the registered owners 30 days prior to the call date at the issuers expense.

(b) Costs associated with the foregoing provisions shall be borne by the municipality.

Sec. 2. K.S.A. 10-129 is hereby repealed.

Sec. 3. This act shall take effect and be in force from and after its publication in the statute book.