

**State Treasurer—Bonds—Depository Bonds — Banks — Pledges.**

The State Treasurer may lawfully sell Liberty bonds pledged by a defunct bank to secure a deposit of state funds and may apply the proceeds in payment of the amount due to the state from such bank.

O. H. Junod, Esq.,  
State Treasurer,  
Helena, Montana.

My dear Mr. Junod:

Your letter was received stating that the First State Bank of Clyde Park has been closed, and that you hold \$2,550 in Liberty bonds deposited with you by such bank to secure a deposit of state funds, and stating further that it now develops that these bonds were not owned by the bank but were borrowed, the owners of the bonds knowing at the time they were borrowed by the bank that they were to be deposited by the bank with the State Treasurer to secure the deposit of state funds in the bank.

You also state that it is necessary, if the state is to be reimbursed for the funds deposited in this bank, that such bonds be sold, and request my opinion as to whether such bonds, under the conditions stated in your letter, may lawfully be sold by you and the proceeds used to reimburse the state.

In 31 Cyc., page 795, the rule is stated generally as follows:

“Where the owner of property which has been pledged by another without his authority, after being informed of the unauthorized pledge, approves it, this constitutes a ratification of the original pledge and makes it valid.”

Here we do not have a case where the property was pledged by one not the owner, without the consent or knowledge of the owner, with the owner, thereafter, upon learning of the pledge being made, ratifying it, but we have a stronger case,—the loaning of property with the knowledge on the part of the owner that it was being borrowed for the express purpose of being pledged by the borrower.

It is, therefore, my opinion that you may lawfully sell such Liberty bonds and apply the proceeds in payment of the amount due the state from such bank.

Very truly yours,

WELLINGTON D. RANKIN,  
Attorney General.