

**Depositories—Surety Companies—Bonds—County Deposits—Deposits—City Deposits—Guarantees.**

The guarantee of the surety company is too remote under the facts appearing in the opinion to operate as an indirect guarantee of the bond issued by the National Union Mortgage Company.

J. G. Larson, Esq.,  
Superintendent of Banks,  
Helena, Montana.

December 14, 1927.

My dear Mr. Larson:

You have submitted to me literature concerning bonds of the National Union Mortgage Company, and request my opinion whether they may be taken as security for county and city funds.

By chapter 134, laws of 1927, it is provided that bonds guaranteed directly or indirectly by a surety company authorized to do business in the state of Montana may be accepted as security for such deposits. It appears from the literature submitted by you that the National Union Mortgage Company issues bonds secured by obligations and other securities of other mortgage companies placed in trust. It further appears that the payment of the principal and interest of the mortgages pledged as security for the obligations or securities of the mortgage companies are guaranteed by a surety company.

It is my opinion that our legislature did not contemplate that a guarantee by a surety company as remote as the one here involved should be considered as an indirect guarantee of the bond of the issuing company, and hence it is my opinion that bonds issued by the National Union Mortgage Company may not be accepted as security for county or city deposits.

Of course, if the bonds in question are quoted on the New York market, then, under the express provisions of chapter 134, supra, they may be accepted as such security at not to exceed 90% of such market quotation.

Very truly yours,

L. A. FOOT,  
Attorney General.