

MINUTES OF THE MEETING
BUSINESS & INDUSTRY COMMITTEE
MONTANA STATE SENATE

March 26, 1985

The forty-sixth meeting of the Business & Industry Committee met on Tuesday, March 26th at 10 a.m. in Room 410 of the Capitol Building.

ROLL CALL: All committee members were present.

CONSIDERATION OF HOUSE BILL 420: Representative Ted Schye, House District #18, Glasgow, is the chief sponsor of this bill which increases allowable license fees of aircraft, air-men and instructors, clarifies the airport license fee provision and provides for an effective date. He noted this bill had been requested by the Department of Commerce, division of aeronautics. It would change the fee from \$1 to \$10 for registration of each certificate or permit. It would also allow the mechanism for charging for the licensure of airports.

PROPOSERS: Mike Ferguson, with the aeronautics division explained this would just make consistent the act that already authorizes the charge of \$10 for part of the aircraft registration. He noted they have been ordered by district court to license airports and they would like to change the 1945 law to clarify that the amount charged is the actual cost incurred to do the licensing. There would be a cap of \$1000 per airport also. He noted they have a contract with the federal government to do some inspections of certain airports throughout the state. They receive \$220 per inspection from the government and have be able to recoup some of their costs of inspections in this manner.

OPPOSERS: There were none.

Questions were then called for from the committee members. Senator Fuller asked Mike Ferguson about the bill currently before the House to repeal the licensing of airports (HB 354). Mike Ferguson explained this bill, HB 420, would provide the mechanism if HB 354 does not pass, to be able to charge a fee for the inspection of airports. Senator Fuller asked about the court decision and Rep. Schye noted this came about because of the Seeley Lake court case. The courts have now ordered that the law has to be enforced to license airports.

Senator Weeding was concerned about the costs for private airstrips and wondered what is considered public or private. Mike Ferguson explained if a strip is strictly private and not open for public use they would be exempt but if they are used by the public for commercial use then they would require licensing. The cost would be approximately \$250 to \$300 per airport. The cap is \$1000 on each airport, some might cost more than this and some less. They do not plan to make money on the licensing but would like to be able to pay for the actual costs of licensing.

Senator Gage wondered what a restricted landing strip meant and was told that this was a privately owned personal use airport strip or it could also be a restricted landing strip designated only for the use of the aeronautics division. He also asked if they would continue to contract with the federal government to do inspections and was told that they would. Senator Thayer wondered if an annual inspection was necessary and was told by Mike Ferguson he felt it was.

Representative Schye closed by stating that this bill only changes the cost of the fees and puts into place a mechanism for charging for those inspections. The hearing was closed on House Bill 420.

CONSIDERATION OF HOUSE BILL 475: Representative Rex Manuel, House District #11, Fairfield, is the sponsor of the bill which modifies the authorized activities of the credit unions. He noted there are 87 federal credit unions and 24 state chartered credit unions in the state and this would only deal with the state chartered ones.

PROPOSERS: Jeffrey Kirkland, representing the Montana Credit Unions League, spoke on behalf of House Bill 475. He explained these were technical amendments which would bring the credit union act up to date with the progress of the last 8 or 10 years. He submitted a detailed handout explaining section 1 through 8 that had been changed. (EXHIBIT 1) He noted it would just give state chartered credit unions expanded authority to bring into their services features people are looking for in today's competitive marketplace. It would also codify by statute some current practices of today's credit unions.

Charles Abell, Chairman of the Whitefish Credit Union, explained they have had requests from such organizations as church groups, local volunteer fire departments, civic groups etc. and presently they cannot loan to them because even if they are members the loan cannot exceed the amount of their deposits. They would like to have the option of electing supervisory committee members at the annual meetings. They would also like to be able to buy deposit insurance from someone other than the federal government. (EXHIBIT 2)

Gene Rice, Chairman of the Treasure State Corporate Credit Union and manager of State Capital Credit Union in Helena, feels this is a housekeeping bill and expressed concern about section 2 which deals with commercial type loans. He feels that "share" drafts should be honored the same as checks are. He urged support.

Tanya Ask, from the insurance division of the state auditor's office, spoke in a neutral position regarding this bill. She expressed concern about a share guarantor. She noted there is no definition of a share guarantor in the bill and no criteria for deposit requirements or investment requirements for the share guarantor to protect those whose money would be insured. She felt more legislative guidance was needed in the bill.

OPPONENTS: There were none.

Questions were then called for from committee members. Senator Gage asked about the current Ohio savings and loan situation concerning share guarantors. Jeffry Kirkland had inquired about this. He noted in this state there is also a national share deposit guaranty corporation that insures credit unions. They had informed him there had been no repercussions in regards to credit unions. Jeffry Kirkland also noted he would have no objections to developing language to accomodate the insurance divisions concerns. The hearing was closed on House Bill 475.

CONSIDERATION OF HOUSE BILL 598: Representative Tom Asay, House District #27 of Forsyth, is the chief sponsor of House Bill 598 which is a modification of an act to allow petroleum wholesale distributors to have a semiannual or annual choice as to how and where their purchase of gasoline or distillates are to be measured. He explained that the volume amount in the storage tanks expands or contracts with the temperatures. This bill would provide that at the refineries they may have a semiannual choice of receiving either a net or a gross billing. He noted at the refineries the temperature is a bit more unsteady than it is at pipeline terminals.

PROPONENTS: Dan Stockton, Jr., Vice-President of Intermountain Oil Marketers Association, and President of Stockton Oil in Billings supports the bill. He explained they buy from the large refineries in two methods, either by gross billing by volume and by net volume which is when the product is adjusted to what it would have been had the temperature been 60°. In areas where the temperatures are over 60° the most desirable type of buying is by net. But in less than 60° temperatures, they will lose volume. He noted that buying from refineries such as Great Falls the product is very often over 100° and consequently they lose volume when the temperature cools down. He noted the months of April and October are very important because these are the beginning of six month periods for buying the products. He noted they do a lot more business in the summer months when they lose product due to evaporation and there is no way they can make this up in the winter months. Buying at terminal points with the varying temperatures causes them to have extreme losses. (EXHIBIT 3) He distributed some fact sheets to substantiate his claims.

Doug Alexander, Chairman of the Legislative Screening Committee for Intermountain Oil Marketers Association, emphasized they are coming under regulations by the EPA and they will have to account for losses. They have to absorb the expense of testing, replacement of bad tanks and suffer penalties for infraction. He felt this legislation would help them establish a fair record to help them explain their position of just where the product went.

Steve Visocan, a petroleum distributor in Helena and Great Falls, stated this does have quite an impact on the dealers because when they deliver to a station they may wind up with much less product than what they started out with. The problem is especially acute in the summer months. This is something he does not feel the dealer should have to pay for. There is significant expense associated with allowing each jobber to select on a gross or a net basis twice each year. He indicated the current invoices already note both net or gross so this information is available.

OPPONENTS: Alan Hobbs, marketing manager for the Montana Refining Company of Great Falls, feels they have a future in Montana but if they are not allowed to compete on an equal basis with other refiners or suppliers they feel their future will not be as bright. He noted they are a small independent refinery and they have no pipeline so all their product is delivered right from the refinery. He felt the average mean temperature in Montana is less than 60° and by selling on a gross gallon basis the petroleum wholesale distributor actually gains a few gallons on their average annual deliveries. It is to the refineries benefit to deliver gasoline on a net 60° basis during cold weather and during warm weather on a gross basis. He feels a fairer method to protect the wholesaler would be to prohibit the delivery of warm products above a certain temperature. (EXHIBIT 4) He also distributed a fact sheet on the actual deliveries by product and the temperature by barrels. (EXHIBIT 5)

Harold Ude, of Laurel, Montana, representing Cenex, explained they now bill on gross volume. He noted presently they have an option once a year to choose how they want a product billed. Wholesalers have mostly opted for the gross method because it is to their advantage. He feels giving them the option of changing billing methods each six months would be unfair to the refiner. (EXHIBIT 6)

Henry Hubble, from the Exxon refinery in Billings is not supportive of this legislation and felt that this should be worked out between the wholesalers and refineries themselves rather than through the legislature. He noted the wholesalers can now choose temperature compensated product and none have chosen to do so.

Darwin Vandegraf, with the Montana Petroleum Association, felt this legislation was promoted by jobbers because they felt it was advantageous to them. He noted there was a problem with one refinery selling a hot product but felt it was unfair to impose bad law on everyone because of a problem with one refinery. He felt an obvious solution would be to raise the price of the product to compensate for loss.

Questions were then called for. Senator Thayer asked Dan Stockton how this legislation would help. Dan Stockton noted they too are affected by temperature changes and all they want to do is buy a gallon and sell a gallon in return.

Senator Kolstad wondered if it was advantageous to buy in the winter months and Dan Stockton stated that it was. He felt the consumer has a good deal actually. Senator Boylan wondered on what basis Cenex sells to Conoco and was told it was on a temperature compensated basis. Representative Asay distributed copies of receipts of deliveries made on gasoline. (EXHIBIT 7) He noted that whatever cost is involved can be established by the dealer but if the gallons are variable he wondered how one can deal with this. He felt someone should deal with the shrinkage situation. He then closed the hearing on HB 598.

CONSIDERATION OF HOUSE JOINT RESOLUTION 13: Representative Cal Winslow, House District #89 of Billings is the chief sponsor of this resolution which requests Burlington Northern Railroad's assistance in increasing markets for Montana coal and agricultural products by using restraint in raising freight rates. He feels this is a statement which recognizes the role that transportation plays in agriculture and in our transportation of coal and other minerals. It also recognizes the near monopoly position that Burlington Northern has and realizes the importance of the cost of freight regarding a product being transported. It asks Burlington Northern to refrain from raising their rates.

PROPOSERS: There were none.

OPPOSERS: John Etchart, from Burlington Northern rose in opposition to the resolution.

Questions were then called for. Senator Gage asked Rep. Winslow if the state were to work with Burlington Northern to cut down on their taxes if they in turn would reduce freight costs. Rep. Winslow felt if there were a reduction he felt that Burlington Northern would indeed be encouraged to restrict the raising of freight rates.

Senator Fuller wondered what effect this resolution would have. John Etchart felt it would have little effect that it was simply a statement of a sentiment. He felt the BN's rates were already competitive.

Rep. Winslow felt it was the legislator's role to formalize the sentiments of the people of the state and to recognize that increased agricultural rates hurt everyone. This would just be a statement noting that the state recognizes the role that Burlington Northern plays and that we need their help to encourage mineral and agricultural industry. The hearing was closed on HJR 13.

CONSIDERATION OF HOUSE JOINT RESOLUTION 39: Representative Red Menahan, House District #67, Deer Lodge, stated this resolution is similar to HJR 13 but he felt telling Burlington Northern to use restraint is an impossible task. This resolution urges Burlington Northern to reduce its freight rates for the transport of Montana coal and agriculture products also but uses stronger

language. He noted they had received a tax cut through litigation which in turn helps their profit margin. He noted there is a whereas that says that any reduction in Montana coal severance tax could be absorbed by Burlington Northern.

PROPOSERS: There were none.

OPPOSERS: James Mockler, Executive Director of the Montana Coal Council, objects to parts of the resolution particularly the part dealing with the 4.3% in coal freight rates. He feels this does not apply in all cases and is therefore not true. He does not feel that any reduction in Montana coal severance tax could be absorbed by Burlington Northern either. They would try to show any restraint they possibly could. He turned in an exhibit of three letters. (EXHIBIT 8)

John Etchart, Vice-President of government relations here in Helena for Burlington Northern, feels there are two sides to the situation. He distributed a brochure of Burlington Northern which explains the myth that BN could absorb most of the tax reductions in Montana's coal tax by increasing rates and the myth that BN charges less to haul coal from Wyoming than from Montana. (EXHIBIT 9) He also distributed a newspaper clipping of a recent article in the Billings Gazette. (EXHIBIT 10) He feels they are very aware of the current situation and that a resolution is unnecessary.

Questions from the committee were then called for. Senator Thayer asked John Etchart how many people were involved at Burlington Northern just in the marketing of coal. He did not give the exact figure but stated it was a large department of BN. He felt these resolutions were predicated because the state felt there was no competition for freight and he felt this was not true.

Senator Gage wondered if the rates that are charged for coal were also confidential as the wheat rates are and was told they were. Senator Christiaens wondered if a reduction would have a significant difference in freight costs and was told they felt they would. He felt it was frustrating that the freight rates were confidential however so you really cannot check on them.

Representative Menahan stated there are varying prices from Minnesota to Montana for agricultural products. He feels we have a short supply of bidders to render the service of freight hauling. He feels the message is that we should have some cooperation from the business sector to help promote our Montana products. The hearing was closed on HJR 39.

DISPOSITION OF HOUSE BILL 567: Senator Halligan noted that an effort was being made to put language back into the bill that would provide that a written notice be sent when a policy is cancelled. As a result some of the original language had been reinserted. He wondered if anyone felt that more policies should be included. Senator Christiaens did not see the need

for notification in some cases. Lester Loble told Senator Goodover that he had had some concerns at first but had no problems with the bill the way it is being proposed now.

Senator Thayer MOVED TO KEEP THE LANGUAGE FROM THE WHITE COPY OF THE BILL IN SECTIONS 1 AND 2. This motion carried.

Senator Thayer then MOVED TO CHANGE THE WORD REASONABLE TO RESPONSIBLE ON PAGE 3, LINE 7. This motion carried.

Senator Christiaens then MOVED THAT HOUSE BILL 567 BE CONCURRED IN AS AMENDED. The motion carried.

CONSIDERATION OF HOUSE BILL 338: The committee had been given a gray bill with all the amendments being proposed to House Bill 338. Two letters of opposition had been received and were distributed. (EXHIBIT 11) Mary McCue explained there is now a provision to allow a person to sell for a limited time only other kinds of insurance. There is also the removal of the franchise relationship. She noted that the fee situation was covered in a different statute. It was noted there was one opponent Teddi Annear from Bozeman.

The committee decided to wait for more information before taking final consideration.

The meeting was adjourned at noon.


SENATOR MIKE HALLIGAN, Chairman

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ROLL CALL

BUSINESS & INDUSTRY

COMMITTEE

49th LEGISLATIVE SESSION -- 1985

Date 3/26/85

SENATE
SENT

NAME	PRESENT	ABSENT	EXCUSED
Chairman Halligan	X		
V-chrm. Christiaens	X		
Senator Boylan	X		
Senator Fuller	X		
Senator Gage	X		
Senator Goodover	X		
Senator Kolstad	X		
Senator Neuman	X		
Senator Thayer	X		
Senator Williams	X		
Senator Weeding	X		

Each day attach to minutes.

DATE March 26, 1985

COMMITTEE ON Business & Industry

VISITORS' REGISTER

[illegible]

(Please leave prepared statement with Secretary)

EXHIBIT 1
BUSINESS & INDUSTRY
March 26, 1985
DATE: 3-26-85

NAME: Jeffery M. Kirkland

ADDRESS: 2842 Festival Road Helena

PHONE: 442-9081

REPRESENTING WHOM? Mont. Credit Unions League

APPEARING ON WHICH PROPOSAL: HB 475

DO YOU: SUPPORT? ☒ AMEND? ☐ OPPOSE? ☐

COMMENTS: _____

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY.

HOUSE BILL 475

TESTIMONY OF JEFFRY M. KIRKLAND
VICE PRESIDENT-GOVERNMENTAL RELATIONS
MONTANA CREDIT UNIONS LEAGUE

BEFORE THE SENATE BUSINESS & INDUSTRY COMMITTEE
ON TUESDAY, 26 MARCH 1985

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE, FOR THE RECORD I AM JEFF KIRKLAND, VICE PRESIDENT-GOVERNMENTAL RELATIONS FOR THE MONTANA CREDIT UNIONS LEAGUE. OUR LEAGUE IS A TRADE ASSOCIATION REPRESENTING 111 OF THE 114 CREDIT UNIONS IN MONTANA. EIGHTY-SEVEN OF THEM ARE FEDERALLY-CHARTERED, AND 24 ARE STATE-CHARTERED.

THE PROVISIONS OF HOUSE BILL 475 WILL DIRECTLY AFFECT ONLY THE 24 STATE-CHARTERED CREDIT UNIONS. STATE CREDIT UNION LAW HAS NO EFFECT ON FEDERAL CREDIT UNIONS, SINCE THEY ARE ENTITIES OF THE FEDERAL GOVERNMENT AND CONTROLLED BY FEDERAL LAW. HOWEVER, THE ENTIRE MEMBERSHIP OF THE LEAGUE IS ON RECORD AS SUPPORTING HB 475.

MOST OF THE PROVISIONS OF THE BILL AMEND CURRENT LAW TO GIVE STATE-CHARTERED CREDIT UNIONS SIMILAR POWERS TO THOSE FEDERAL CREDIT UNIONS ALREADY HAVE. THREE PROVISIONS GIVE THEM OPTIONS BEYOND THOSE OF FEDERAL CREDIT UNIONS. I'LL INDICATE WHICH OF THE TWO EACH SECTION OF HB 475 ACCOMPLISHES IN MY TESTIMONY.

SINCE STATE AND FEDERAL CREDIT UNIONS OFTEN EXIST SIDE BY SIDE IN THE SAME COMMUNITY AND MEMBERS OF ONE MAY ALSO BE

ELIGIBLE FOR MEMBERSHIP IN ANOTHER, IT IS IMPORTANT THAT STATE CREDIT UNIONS HAVE AVAILABLE COMPARABLE POWERS TO THOSE OF FEDERAL CREDIT UNIONS.

THE PROVISIONS OF HB 475 ARE THE PRODUCT OF OVER A YEAR OF WORK BY THE LEGISLATIVE COMMITTEE OF THE MONTANA CREDIT UNIONS LEAGUE. THE COMMITTEE STUDIED BOTH THE FEDERAL CREDIT UNION ACT AND MONTANA CREDIT UNION STATUTES TO DETERMINE IF CURRENT MONTANA LAW NEEDED TO BE CHANGED TO RESPOND TO TODAY'S RAPIDLY-CHANGING FINANCIAL MARKETPLACE AND IF SO, HOW.

THE EIGHT MAJOR PROVISIONS OF THE BILL I'LL REVIEW WITH YOU ARE OUR LEGISLATIVE COMMITTEE'S RECOMMENDATIONS TO ADDRESS A CHANGING MARKETPLACE IN WHICH DEREGULATION, HIGH TECHNOLOGY, HEIGHTENED CONSUMER AWARENESS, AND THE CONSUMER'S DESIRE FOR CONVENIENCE HAVE CAUSED CREDIT UNIONS TO HAVE TO MODIFY SOME OF THEIR TRADITIONAL SERVICES OR SERVICE DELIVERY SYSTEMS SIMPLY TO RESPOND TO THE NEEDS OF THEIR MEMBERS.

SECTION 1: SECTION 1 OF THE BILL (PAGE 1, LINES 22-25 AND PAGE 2, LINES 1-25) AMENDS THE SECTION OF LAW CONTROLLING THE AUTHORIZED ACTIVITIES OF STATE-CHARTERED CREDIT UNIONS. AS AMENDED, THE SECTION WOULD ALLOW A STATE-CHARTERED CREDIT UNION, UPON APPLICATION TO THE DIRECTOR OF THE DEPARTMENT OF COMMERCE (WHO REGULATES STATE-CHARTERED CREDIT UNIONS), TO ENGAGE IN ANY ACTIVITY A FEDERAL CREDIT UNION MAY ENGAGE IN IF (1) THE ACTIVITY FOSTERS COMPETITIVE EQUITY AMONG STATE-

CHARTERED AND FEDERAL CREDIT UNIONS AND (2) IT PREVENTS ADVERSE EFFECTS ON MEMBERS OF STATE-CHARTERED CREDIT UNIONS.

THIS TYPE OF STATUTE IS NECESSARY--NOT ONLY FOR CREDIT UNIONS BUT ALSO FOR OTHER FINANCIAL INSTITUTIONS--SINCE THE LEGISLATURE, WHICH CONTROLS THE AUTHORIZED ACTIVITIES OF CREDIT UNIONS, MEETS ONLY EVERY OTHER YEAR. WITH TECHNOLOGY AND TYPES OF SERVICES CHANGING SO RAPIDLY, A STATE-CHARTERED CREDIT UNION MAY BE UNABLE TO WAIT FOR TWO YEARS TO IMPLEMENT SERVICES COMPARABLE TO SERVICES FEDERAL CREDIT UNIONS CAN OFFER-- PARTICULARLY IN A COMPETITIVE ENVIRONMENT. WE FIND THAT IF MEMBERS CAN'T GET THE SERVICES THEY NEED AT THE CREDIT UNION, THEY'LL SIMPLY GO TO ANOTHER FINANCIAL INSTITUTION WHERE THE SERVICES ARE AVAILABLE.

THE PROBLEM WITH THE CURRENT STATUTE IS THAT IT IS WRITTEN IN SUCH A WAY THAT THERE IS NO CLEAR-CUT PROCEDURE FOR APPLYING TO THE STATE REGULATOR AND NO GUIDELINES FOR THE REGULATOR'S DECISION-MAKING. THE CURRENT LAW REQUIRES THE REGULATOR TO MAKE HIS DECISION BASED ON TWO JUDGMENT CALLS: (1) IS THE NEW POWER "REASONABLY REQUIRED TO PRESERVE AND PROTECT THE WELFARE" OF THE CREDIT UNION AND (2) WILL IT "PROMOTE THE GENERAL ECONOMY" OF THE STATE.

WITHOUT CLEAR-CUT GUIDELINES AND PROCEDURES FOR BOTH CREDIT UNIONS AND THE DEPARTMENT TO FOLLOW, THE CURRENT STATUTE CAN LEAD TO PROBLEMS BETWEEN THE PETITIONER AND THE REGULATOR. THE "REASONABLY REQUIRED" LANGUAGE ALLOWS FOR POSSIBLE ARBITRARY DECISIONS WHERE QUESTIONS OF PHILOSOPHY MAY CONTROL

DECISIONS RATHER THAN CLEAR-CUT REGULATORY GUIDELINES. AND ANYONE WOULD BE HARD-PRESSED TO FIND THAT A NEW SERVICE SOUGHT BY A CREDIT UNION IN, SAY, LIBBY WOULD IN ANY CONCEIVABLE WAY PROMOTE THE GENERAL ECONOMY OF THE STATE.

STATE-CHARTERED BANKS ALSO HAVE A SIMILAR SECTION IN THEIR BANKING STATUTES. I DRAW YOUR ATTENTION TO THAT SECTION OF LAW, LABELED "EXHIBIT 1," IN THE APPENDIX TO THIS TESTIMONY YOU CAN SEE THAT STATE BANKS DON'T HAVE THOSE TWO HOOPS TO JUMP THROUGH BEFORE THE DEPARTMENT MAKES A RULING.

UNDER SECTION 1 OF HB 475, A STATE-CHARTERED CREDIT UNION WOULD MAKE WRITTEN APPLICATION TO THE DIRECTOR OF THE DEPARTMENT OF COMMERCE TO ENGAGE IN SOME ACTIVITY A FEDERAL CREDIT UNION CAN ENGAGE IN (PAGE 1, LINES 23-25). THE DIRECTOR SHALL APPROVE THE ACTIVITY BASED ON TWO CRITERIA: IF (1) HE FINDS IT FOSTERS COMPETITIVE EQUITY BETWEEN THE STATE-CHARTERED AND A FEDERAL CREDIT UNION AND (2) THE NEW ACTIVITY PREVENTS ADVERSE EFFECTS ON MEMBERS OF STATE-CHARTERED CREDIT UNIONS. SECTION 1 ALSO PROVIDES CREDIT UNIONS RECOURSE UNDER THE STATE'S ADMINISTRATIVE PROCEDURES ACT SHOULD THEY FEEL THAT THE REGULATOR RULED UNFAIRLY (PAGE 2, LINES 17-25).

FINALLY, ON PAGE 2, LINES 10-12, WE'VE DELETED LANGUAGE THAT IS NO LONGER NECESSARY BECAUSE OF LEGISLATION PASSED IN 1981. THE DELETED LANGUAGE IN LINES 10-12 REFER TO A PRE-1981 PROHIBITION FOR THE STATE TO CHARTER A COMMUNITY CREDIT UNION. HOWEVER, IN 1981 THE LEGISLATURE AMENDED SECTION 32-3-304 TO

ALLOW THE STATE TO CHARTER COMMUNITY CREDIT UNIONS. (SEE "EXHIBIT 2" OF THE APPENDIX.)

SECTION 2: SECTION 2 WOULD PROVIDE STATE-CHARTERED CREDIT UNIONS THE AUTHORITY TO MAKE LIMITED COMMERCIAL-TYPE LOANS TO MEMBER "SOCIETIES, PARTNERSHIPS, OR CORPORATIONS." THIS IS IMPORTANT FROM THE STANDPOINT OF A STATE-CHARTERED CREDIT UNION BEING ABLE TO MAKE A "BUILD MONTANA" LOAN TO A NON-NATURAL PERSON MEMBER. UNDER THE CURRENT STATUTE, A STATE CREDIT UNION MAY HAVE "SOCIETIES, PARTNERSHIPS, OR CORPORATIONS" AS MEMBERS IF THEY MEET STRINGENT MEMBERSHIP REQUIREMENTS. (SEE "EXHIBIT 3" OF THE APPENDIX.) HOWEVER, THE CREDIT UNION CANNOT LOAN THOSE NON-NATURAL PERSON MEMBERS MORE THAN THOSE MEMBERS HAVE IN SAVINGS IN THE CREDIT UNION.

ALTHOUGH CREDIT UNIONS NORMALLY DON'T HAVE MANY NON-NATURAL PERSON MEMBERS, THE ONES THEY HAVE TEND TO BE SMALL FAMILY-HELD BUSINESSES AND FARMING OR RANCHING OPERATIONS WHERE THERE IS A SMALL-ENOUGH NUMBER OF PEOPLE INVOLVED TO MEET THE NON-NATURAL PERSON MEMBERSHIP REQUIREMENTS--TYPICALLY THE TYPES OF BUSINESSES OR PERSONS WHO MIGHT WANT TO TAKE ADVANTAGE OF THE "BUILD MONTANA" LOAN PROGRAM THROUGH THEIR CREDIT UNION. HOWEVER, NOW CREDIT UNIONS HAVE TO TURN THEM DOWN.

THIS AMENDMENT WOULD GIVE STATE-CHARTERED CREDIT UNIONS LIMITED POWER TO MAKE A COMMERCIAL-TYPE LOAN--AN AMOUNT OF NO MORE THAN 5% OF THE CREDIT UNION'S SHARES AND RETAINED EARNINGS

TO ANY ONE NON-NATURAL PERSON MEMBER. THE TOTAL OF SUCH LOANS COULD NOT EXCEED 15% OF THE CREDIT UNION'S SHARES AND RETAINED EARNINGS. THIS WILL ALLOW A STATE CREDIT UNION TO MAKE A "BUILD MONTANA" LOAN TO A NON-NATURAL PERSON MEMBER, SELL 80% OF IT TO THE STATE, AND KEEP THE REMAINDER IN ITS LOAN PORTFOLIO.

THE LIMITS BUILT INTO THE AMENDMENT SHOW THAT CREDIT UNIONS DO NOT WANT TO GET INTO THE COMMERCIAL LENDING BUSINESS. HOWEVER, THEY DO WANT TO SERVE THEIR NON-NATURAL PERSON MEMBERS THROUGH THE "BUILD MONTANA" PROGRAM. IT'S STRANGE THAT CREDIT UNIONS WERE THE ONLY FINANCIAL INSTITUTIONS THAT ACTIVELY SUPPORTED THE "BUILD MONTANA" CONCEPT AND LEGISLATION THROUGH THEIR TRADE ASSOCIATION LAST SESSION BUT WHOSE STATUTES DON'T ALLOW THEM TO PARTICIPATE IN THE PROGRAM.

SECTION 3: SECTION 3 OF HB 475 AMENDS THE "GENERAL POWERS" SECTION OF STATE CREDIT UNION LAW TO DO THREE THINGS. FIRST, IT REMOVES THE PROHIBITION OF STATE-CHARTERED CREDIT UNIONS OFFERING TRANSACTION ACCOUNTS--WE CALL THEM "SHARE DRAFTS" RATHER THAN CHECKS.

SECOND, IT PROVIDES STATE CREDIT UNIONS THE SAME STATUTORY AUTHORITY AS FEDERAL CREDIT UNIONS HAVE TO SERVE AS CUSTODIANS OR TRUSTEES FOR INDIVIDUAL RETIREMENT ACCOUNTS AND PENSION FUNDS OF SELF-EMPLOYED INDIVIDUALS OR OF THE SPONSOR OF THE CREDIT UNION. AND THIRD, IT GIVES STATE-CHARTERED CREDIT UNIONS THE SAME AUTHORITY FEDERAL CREDIT UNIONS HAVE TO "ACT AS FISCAL AGENTS FOR AND RECEIVE DEPOSITS FROM THE FEDERAL

GOVERNMENT, THIS STATE, OR ANY AGENCY OR POLITICAL SUBDIVISION THEREOF."

ALTHOUGH STATE CREDIT UNION LAW PROHIBITS STATE CREDIT UNIONS FROM OFFERING CHECKING ACCOUNT SERVICES, MANY ARE CURRENTLY OFFERING CHECKING-TYPE SERVICES CALLED "SHARE DRAFTS," WHICH FUNCTION ALMOST EXACTLY AS CHECKS. HOW CAN THEY DO SO WITH THE STATUTORY PROHIBITION? THROUGH A FEDERAL PRE-EMPTION OF STATE LAW ENACTED IN 1980 BY THE U.S. CONGRESS THAT ALLOWS ALL FINANCIAL INSTITUTIONS IN THE NATION TO OFFER CHECK-LIKE TRANSACTION ACCOUNTS (SHARE DRAFTS AND NOW ACCOUNTS). THE AMENDMENT STRIKING THE LANGUAGE ON PAGE 5, LINES 4 AND 5, MERELY REMOVES USELESS LANGUAGE AND A MEANINGLESS PROHIBITION FROM STATE LAW TO REFLECT THE CURRENT STATE OF CREDIT UNION SERVICES AND THE FINANCIAL MARKETPLACE.

THE NEW LANGUAGE ON PAGE 5, LINES 20-25 WOULD ALLOW STATE CREDIT UNIONS TO SERVE AS CUSTODIANS OR TRUSTEES OF INDIVIDUAL RETIREMENT ACCOUNTS (IRAs), PENSION PLANS OF SELF-EMPLOYED INDIVIDUALS OR OF THE SPONSOR OF THE CREDIT UNION, OR OF ANY OTHER PENSION OR PROFIT-SHARING PLAN ESTABLISHED BY CREDIT UNION MEMBERS. FEDERAL CREDIT UNIONS ALREADY HAVE THIS AUTHORITY.

ALTHOUGH STATE-CHARTERED CREDIT UNIONS CURRENTLY OFFER IRA ACCOUNTS, THIS NEW LANGUAGE IS NECESSARY BECAUSE THEIR ONLY AUTHORITY TO DO SO COMES FROM A LETTER FROM MONTANA'S PREVIOUS COMMISSIONER OF FINANCIAL INSTITUTIONS. THERE IS NO STATUTORY NOR REGULATORY AUTHORIZATION. THE FIDUCIARY NATURE OF SUCH ACCOUNTS, WE BELIEVE, REQUIRES SPECIFIC STATUTORY AUTHORITY.

IN TERMS OF THIS AMENDMENT, THE TERM "TRUSTEE" MAY BE MISLEADING. CREDIT UNIONS DO NOT HAVE GENERAL TRUST POWERS TO OFFER TRUE TRUST SERVICES OFFERED BY BANK-AFFILIATED TRUST COMPANIES. HOWEVER, CREDIT UNIONS DO HAVE LIMITED TRUST POWERS. (SEE "EXHIBIT 4" OF THE APPENDIX.) THIS AMENDMENT WOULD REINFORCE THAT LIMITATION BY REQUIRING THAT THE FUNDS IN SUCH ACCOUNTS BE INVESTED SOLELY IN A SHARE ACCOUNT (SAVINGS-TYPE ACCOUNT) IN THE CREDIT UNION--EXACTLY AS IS THE CASE NOW.

FINALLY, THE NEW LANGUAGE ON PAGE 6, LINES 1-3, WOULD GIVE STATE-CHARTERED CREDIT UNIONS THE SAME AUTHORITY FEDERAL CREDIT UNIONS HAVE TO "ACT AS FISCAL AGENTS FOR AND RECEIVE DEPOSITS FROM THE FEDERAL GOVERNMENT, THIS STATE, OR ANY AGENCY OR POLITICAL SUBDIVISION THEREOF." IN PLAIN ENGLISH, TO SERVE AS DEPOSITORIES FOR PUBLIC FUNDS--JUST AS FEDERAL CREDIT UNIONS CAN.

THAT AUTHORITY IS IMPORTANT TO ALLOW CREDIT UNIONS TO PARTICIPATE IN THE "BUILD MONTANA" LOAN PROGRAMS WHERE THE MONTANA ECONOMIC DEVELOPMENT BOARD, RATHER THAN PURCHASING A "BUILD MONTANA" LOAN FROM THE CREDIT UNION, CHOOSES TO HELP FUND THE LOAN BY PLACING FUNDS IN THE CREDIT UNION. DURING THE PREVIOUS LEGISLATIVE SESSION, THE LEGISLATURE AMENDED THE PUBLIC FUNDS STATUTE TO ALLOW FOR THAT. (SEE "EXHIBIT 5" OF THE APPENDIX.) HOWEVER, THE CREDIT UNION STATUTE AUTHORIZING THE CREDIT UNION TO ACCEPT THOSE FUNDS WAS NOT AMENDED TO ALLOW FOR ACCEPTING DEPOSITS OF STATE FUNDS.

SECTION 4: SECTION 4 OF HB 475 WOULD GIVE STATE CREDIT UNIONS THE OPTION OF HAVING EITHER A SUPERVISORY COMMITTEE APPOINTED BY THE BOARD OF DIRECTORS, ELECTED BY THE MEMBERS, OR NO SUPERVISORY COMMITTEE AT ALL. WHAT IS A SUPERVISORY COMMITTEE? IT IS A COMMITTEE OF CREDIT UNION MEMBERS THAT MAKES OR CAUSES TO BE MADE "A COMPREHENSIVE ANNUAL AUDIT OF THE BOOKS AND AFFAIRS OF THE CREDIT UNION."

CURRENT STATE LAW REQUIRES THE CREDIT UNION'S BOARD OF DIRECTORS TO APPOINT THE MEMBERS OF THE SUPERVISORY COMMITTEE. HOWEVER, THERE ARE SOME CREDIT UNIONS WHOSE MEMBERS WANT TO ELECT THEIR SUPERVISORY COMMITTEE--AND DO SO IN SPITE OF THE LAW. THEY ELECT THE MEMBERS OF THE SUPERVISORY COMMITTEE, AND THEN THE BOARD APPOINTS THOSE ELECTED COMMITTEE MEMBERS AFTER THE FACT.

FINALLY, THERE ARE CREDIT UNIONS THAT ARE UNABLE TO RECRUIT MEMBERS TO SERVE ON THE SUPERVISORY COMMITTEE BECAUSE THE NATURE OF CREDIT UNION ACCOUNTING AND DATA PROCESSING HAS GROWN SO COMPLEX THAT MANY MEMBERS JUST DON'T FEEL KNOWLEDGEABLE ENOUGH TO DO A COMPETENT JOB. AND EVEN IF MEMBERS ARE PERSUADED TO SERVE ON THE SUPERVISORY COMMITTEE, OFTEN THE COMMITTEE HIRES SOMEONE ELSE TO UNDERTAKE MOST, IF NOT ALL, OF THE SUPERVISORY COMMITTEE'S DUTIES.

THIS PROVISION (PAGE 6, LINES 14-22) WOULD GIVE EACH STATE-CHARTERED CREDIT UNION THE OPPORTUNITY TO DECIDE WHETHER IT WANTS TO ELECT OR APPOINT MEMBERS TO THE SUPERVISORY COMMITTEE OR WHETHER IT WANTS A SUPERVISORY COMMITTEE AT ALL. IF THE CREDIT UNION OPTS FOR NO SUPERVISORY COMMITTEE, THE

SUPERVISORY COMMITTEE'S STATUTORY DUTIES AND RESPONSIBILITIES WOULD FALL DIRECTLY ON THE BOARD OF DIRECTORS. THERE WOULD BE NO CHANGE IN THE SUPERVISORY COMMITTEE'S DUTIES AND RESPONSIBILITIES--MERELY THE OPTION FOR A CHANGE IN WHO CARRIES THEM OUT.

SECTION 6: WE SKIP TO SECTION 6 OF THE BILL (PAGE 9, LINES 8 AND 9 AND LINE 19) BECAUSE IT APPLIES DIRECTLY TO SECTION 4. THE AMENDED LANGUAGE IN SECTION 6 MERELY INSERTS THE PHRASE "BOARD OF DIRECTORS" INTO THE STATUTE CONTAINING THE DUTIES OF THE SUPERVISORY COMMITTEE. THIS AMENDED LANGUAGE IS NECESSARY SHOULD THE CREDIT UNION OPT TO HAVE NO SUPERVISORY COMMITTEE, SINCE THOSE DUTIES AND RESPONSIBILITIES WOULD THEN TRANSFER TO THE BOARD OF DIRECTORS.

SECTION 5: THE NATIONAL CREDIT UNION ADMINISTRATION (NCUA), WHICH IS THE REGULATOR OF FEDERAL CREDIT UNIONS, RECENTLY RELAXED ITS REQUIREMENTS FOR "FAITHFUL PERFORMANCE OF TRUST" COVERAGE UNDER THE DISCOVERY BOND FOR FEDERAL CREDIT UNIONS. NOW THE FEDERAL CREDIT UNION HAS THE OPTION OF PROVIDING FAITHFUL PERFORMANCE COVERAGE FOR ALL EMPLOYEES AND COMMITTEE MEMBERS OF THE CREDIT UNION OR FOR ONLY THE "CHIEF FINANCIAL OFFICER." THERE IS A 10% INCREASE IN THE BOND PREMIUM FOR FAITHFUL PERFORMANCE COVERAGE IF THE FEDERAL CREDIT UNION CHOOSES TO COVER ALL EMPLOYEES AND COMMITTEE MEMBERS.

CURRENTLY, STATE-CHARTERED CREDIT UNIONS DON'T HAVE THE OPTION OF COVERING ONLY THE "CHIEF FINANCIAL OFFICER." STATE CREDIT UNION LAW REQUIRES THAT THEY COVER EVERYONE. THIS

PROVISION (PAGE 7, LINES 17-19) WOULD GIVE STATE CREDIT UNIONS THE SAME OPTION FEDERAL CREDIT UNIONS CURRENTLY HAVE.

CREDIT UNIONS--BOTH STATE AND FEDERAL--ARE THE ONLY FINANCIAL INSTITUTIONS THAT HAVE TO PROVIDE FAITHFUL PERFORMANCE COVERAGE AT ALL. BANKS AND S&LS DON'T. THE NCUA IS COMMITTED TO REMOVING FROM THE FEDERAL CREDIT UNION ACT ANY REQUIREMENT AT ALL FOR FAITHFUL PERFORMANCE COVERAGE AND HOPES FOR CONGRESSIONAL ACTION TO THAT EFFECT THIS YEAR.

SECTION 7: SECTION 7 OF THE BILL (PAGE 9, LINES 23-25 AND PAGE 10, LINES 1-23) WOULD GIVE A STATE-CHARTERED CREDIT UNION THE OPTION OF MAINTAINING SHARE INSURANCE (DEPOSIT INSURANCE) EITHER THROUGH THE NATIONAL CREDIT UNION SHARE INSURANCE FUND, ADMINISTERED BY THE NATIONAL CREDIT UNION ADMINISTRATION (NCUA), OR THROUGH A "LEGALLY CONSTITUTED SHARE GUARANTOR OR INSURANCE PLAN" THAT WOULD HAVE TO BE FIRST APPROVED BY BOTH MONTANA'S COMMISSIONER OF INSURANCE AND THE DIRECTOR OF THE DEPARTMENT OF COMMERCE.

CURRENTLY, 31 STATES ALLOW THEIR STATE-CHARTERED CREDIT UNIONS THE OPTION OF HAVING FEDERAL OR PRIVATE SHARE INSURANCE. ONLY 11 STATES REQUIRE THEIR CREDIT UNIONS TO USE ONLY THE NCUA SHARE INSURANCE FUND. MONTANA IS ONE OF THOSE.

RIGHT NOW THERE ARE SIX PRIVATE SHARE GUARANTORS OR INSURANCE PLANS THAT COULD, WITH THE PROPER APPROVALS FROM THE INSURANCE COMMISSIONER AND THE DEPARTMENT, INSURE THE SHARES OF MONTANA'S STATE CREDIT UNIONS. (SEE "EXHIBIT 6" OF THE APPENDIX.)

WHY WOULD A STATE-CHARTERED CREDIT UNION CHOOSE PRIVATE SHARE INSURANCE? FOR TWO REASONS. FIRST, MANY OF THE PRIVATE INSURERS "RISK RATE" CREDIT UNIONS APPLYING FOR INSURANCE. RISK RATING ALLOWS PRIVATE INSURERS TO CHOOSE THE CREDIT UNIONS THEY WANT TO INSURE. IF A CREDIT UNION IS EXCEPTIONALLY WELL-MANAGED AND WELL-CAPITALIZED, IT MIGHT PAY LESS IN PREMIUMS FOR THE SAME COVERAGE IT CURRENTLY HAS FROM THE NCUA. ON THE OTHER HAND, IF A CREDIT UNION DOESN'T MEET THE PRIVATE INSURER'S STANDARDS, THE INSURER CAN REFUSE TO INSURE THE CREDIT UNION. THAT CREDIT UNION WOULD HAVE NO CHOICE THEN BUT TO MAINTAIN ITS INSURANCE WITH THE NCUA SHARE INSURANCE FUND.

SECOND, SEVERAL OF THE PRIVATE SHARE GUARANTORS AND INSURANCE PLANS OFFER SHARE INSURANCE IN EXCESS OF THE \$100,000 AVAILABLE FROM THE FEDERAL DEPOSIT INSURERS.

THIS AMENDMENT DOES NOT CHANGE THE REQUIREMENT THAT A STATE-CHARTERED CREDIT UNION MUST HAVE SHARE INSURANCE IN ORDER TO OPERATE. THERE WOULD MERELY BE THE OPTION OF FEDERAL OR PRIVATE INSURANCE.

SECTION 8: SECTION 8 OF HB 475 (PAGE 10, LINES 24 AND 25 AND PAGE 11, LINES 1 AND 2) IS A NEW SECTION OF LAW. SECTION 8 CREATES THE AUTHORITY FOR THE BOARD OF DIRECTORS OF THE CREDIT UNION TO ESTABLISH PROCEDURES FOR WITHDRAWAL OF SHARES FOR PAYMENT TO THE MEMBER OR TO THIRD PARTIES. THIS AUTHORITY IS NECESSARY FOR STATE-CHARTERED CREDIT UNIONS TO PARTICIPATE IN SHARE DRAFT, CREDIT CARD, AND DEBIT CARD PROGRAMS.

THIS NEW SECTION MERELY GIVES STATE-CHARTERED CREDIT UNIONS THE SAME TYPE OF AUTHORITY FEDERAL CREDIT UNIONS CURRENTLY HAVE.

HOUSE BILL 475 GIVES STATE-CHARTERED CREDIT UNIONS SOME EXPANDED AUTHORITIES TO BRING THEIR SERVICES IN LINE WITH THOSE CURRENTLY AVAILABLE AT FEDERAL CREDIT UNIONS. IN SOME CASES IT CREATES NEW AUTHORITY, IN OTHERS IT MERELY CODIFIES IN STATUTE CURRENT PRACTICES OF STATE-CHARTERED CREDIT UNIONS.

THE MEMBERS OF THE MONTANA CREDIT UNIONS LEAGUE SUPPORT HOUSE BILL 475. WE URGE THAT, UPON CONSIDERATION OF THE MERITS OF THE BILL, THE COMMITTEE RECOMMEND THAT HOUSE BILL 475 "BE CONCURRED IN."

(3) If, at the time and place specified in the notice of the special meeting or at the annual meeting of the stockholders, stockholders representing two-thirds of all the shares of stock of the corporation appear in person or by proxy and vote in favor of the amendment, a certificate of the proceedings showing a compliance of the provisions of this chapter and the amendment relative to the number of directors shall be prepared, certified, and sworn to and filed with the department. The department shall, within 30 days after the receipt of the certificate, either approve or reject the amendment. The action of the department on the amendment is final. If it approves the amendment, it shall notify the bank, whereupon the certificate with the department's approval attached to it shall be filed in the office of the county clerk and recorder of the county in which the bank is situated and a certified copy of it shall be filed in the office of the secretary of state. Upon the filing of the certified copy with the secretary of state, the amendment becomes effective.

History: En. Sec. 19, Ch. 89, L. 1977; and, Sec. 1, Ch. 145, L. 1931; re-en. Sec. 601423, R.C.M. 1935; and, Sec. 1, Ch. 131, L. 1937; and, Sec. 2, Ch. 7, L. 1965; and, Sec. 9, Ch. 431, L. 1975; R.C.M. 1947, 5-217.

Cross-References

Organization of subsidiary trust companies, 32-1-803.

Business corporations — procedure to amend articles of incorporation, 35-1-207.
Business corporations — number, election, and term of directors, 35-1-402.

32-1-367 through 32-1-360 reserved.

32-1-361. Change from state to national bank. Any bank may become a corporation for the purpose of carrying on the business of banking in this state, under the act of congress "to provide a national currency secured by a pledge of United States bonds and to provide for the circulation and redemption thereof," approved June 3, 1864, and under Title 52 of the Revised Statutes of the United States, when stockholders owning two-thirds of the stock of the bank have voted to become such corporation or have executed a written consent authorizing its directors to make the certificate required therefor by the laws of the United States or when a majority of the directors of the bank, having been authorized in their discretion to make the change, shall, by a vote of the majority, decide to become such corporation. The cashier of the bank shall publish notice thereof for 30 days in the newspaper which the directors select and send a like printed notice by mail or otherwise to all nonvoting or dissenting stockholders and notify the department that the bank has decided to become a corporation under the laws of the United States.

History: En. Sec. 75, Ch. 89, L. 1977; re-en. Sec. 601486, R.C.M. 1935; and, Sec. 32, Ch. 431, L. 1975; and, Sec. 17, Ch. 71, L. 1977; R.C.M. 1947, 5-1002.

32-1-362. National bank powers extended to state banks. (1) With the consent of the department, every bank organized under the laws of the state shall have power to and may engage in any activity or business in which such bank could engage if it were operating as a national bank. The department may prescribe, amend, and repeal regulations affecting and controlling the exercise of the powers granted by this section, provided that, subject to subsection (2), such regulations and powers shall not apply to

activities which are expressly prohibited or limited by the statutes of the state.

(2) If the United States congress allows national banks to establish branches without regard to state prohibitions, a bank organized under the laws of Montana may, with the consent of the department, establish a branch under the same conditions allowed national banks, despite the restrictions imposed by 32-1-372.

History: En. Sec. 1, Ch. 119, L. 1973; R.C.M. 1947, 5-1002; and, Sec. 1, Ch. 163, L. 1981.

Compiler's Comments

1981 Amendment: Inserted "subject to subsection (2)" before "such regulations and powers shall not apply" in (1); added subsection (2).

32-1-363. Surrender of charter by state bank. (1) Any bank which will become a corporation for carrying on the business of banking under the laws of the United States shall cease to be a corporation under the laws of this state, except that for the term of 3 years thereafter its corporate existence shall be deemed to continue for the purposes of prosecuting and defending suits by and against it and of enabling it to close its concerns and to dispose of and convey its property.

(2) The members of the board of directors last in office, when such corporation shall have become a corporation under the laws of the United States, shall continue to be the board of directors of the corporation, with power to take all necessary measures to carry out and perfect such organization by signing the articles of association and the organization certificate and adopting such regulations as may be just and proper and not inconsistent with the acts of congress in relation thereto.

(3) Such change from a state to a national bank corporation shall not release any such bank from its obligations to pay and discharge all the liabilities created by law or incurred by it before becoming a national bank corporation or any tax imposed by the laws of this state up to the date of its becoming such national bank corporation, in proportion to the time which has elapsed since the next preceding payment thereof.

History: En. Sec. 76, Ch. 89, L. 1977; re-en. Sec. 601487, R.C.M. 1935; R.C.M. 1947, 5-1003.

Cross-References

Business corporations — survival of remedy after dissolution — continuance of corporate assistance for certain purposes, 35-1-830.

32-1-364. Increase or reduction of capital stock. The directors of such new corporation may reduce the capital stock of the bank to its par value by dividing the surplus among its stockholders or may retain such portion of such surplus as they may deem necessary. In case of an increase of the capital stock under the provisions of the acts of congress, the director may charge the shares of such increased capital stock with a like amount to place the whole of such capital stock on an equality and may award such new stock, or such proportion or fractional parts thereof, to such persons as they shall determine are entitled thereto and as are provided in their articles of association and the acts of congress. New directors may be chosen at such time and in the manner provided in the articles of association and the act of congress.

History: En. Sec. 77, Ch. 89, L. 1977; re-en. Sec. 601488, R.C.M. 1935; R.C.M. 1947, 5-1004.



of state who, upon payment of the filing fees therefor, shall issue a certificate of incorporation.

(6) The subscribers for a credit union charter shall not transact any business until formal approval of the charter has been received.
History: En. 14-603 by Sec. 3, Ch. 38, L. 1975; R.C.M. 1947, 14-603; and Sec. 2, Ch. 274, L. 1981.

Compiler's Comments
1981 Amendment: Substituted "department of commerce" for "department of business regulation" in (4) and (5).
Cross-References
Adult rights, Art. II sec. 14, Mont. Const.
Formation of banks and trust companies, Title 32, ch. 1, part 3.

32-3-302. Form of articles and bylaws. In order to simplify the organization of credit unions, the director of the department of commerce shall cause to be prepared a form of articles of incorporation and a form of bylaws, consistent with this chapter, which may be used by credit union incorporators for their guidance. Such articles of incorporation and bylaws shall be available without charge to persons desiring to organize a credit union.
History: En. 14-604 by Sec. 4, Ch. 38, L. 1975; R.C.M. 1947, 14-604; and Sec. 2, Ch. 274, L. 1981.

Compiler's Comments
1981 Amendment: Substituted "department of commerce" for "department of business regulation".
Cross-References
Banks and trust companies — bylaws, 32-1-308.
Building and loan associations — bylaws, 32-2-204.
Business corporations — bylaws — power in directors — contents, 35-1-214.

32-3-303. Amendments. (1) The articles of incorporation or the bylaws may be amended as provided in the bylaws. Amendments to the articles of incorporation or bylaws shall be submitted to the director of the department of commerce who shall approve or disapprove the amendments within 60 days.
(2) Amendments shall become effective upon:

(a) approval in writing by the director, for which no fee may be charged; and

(b) in the case of articles of incorporation, filing with the secretary of state.
History: En. 14-605 by Sec. 5, Ch. 38, L. 1975; and Sec. 32, Ch. 71, L. 1977; R.C.M. 1947, 14-605; and Sec. 2, Ch. 274, L. 1981.

Compiler's Comments
1981 Amendment: Substituted "department of commerce" for "department of business regulation" in (1).
Cross-References
Business corporations — power to amend articles of incorporation, 35-1-206.
Business corporations — procedure to amend articles of incorporation, 35-1-207.

32-3-304. Membership defined. (1) The membership of a credit union shall be limited to and consist of the subscribers to the articles of incorporation and such other persons within the common bond set forth in the bylaws as have been duly admitted members, have paid the required

entrance fee or membership fee, or both, have subscribed for one or more shares and have paid the initial installment thereon, and have complied with such other requirements as the articles of incorporation or bylaws specify.

(2) Credit union membership may include groups having a common bond of similar occupation, association, or interests or groups within a well-defined neighborhood, community, or rural district or employees of a common employer and members of the immediate family of such persons.
History: En. 14-615 by Sec. 15, Ch. 38, L. 1975; R.C.M. 1947, 14-615; and Sec. 1, Ch. 107, L. 1981.

Compiler's Comments
1981 Amendment: Inserted "or groups within a well-defined neighborhood, community, or rural district" in the middle of (2); deleted "provided that mere residence in a community may not establish a common bond of association interest" at the end of (2).
Cross-References
Authorized activities of credit union, 32-3-206.

32-3-305. Societies — associations. Societies and partnerships composed primarily of individuals who are eligible for membership and corporations whose stockholders are composed primarily of such individuals may be admitted to membership in the same manner and under the same conditions as individuals but may not borrow in excess of their shareholdings.
History: En. 14-616 by Sec. 16, Ch. 38, L. 1975; R.C.M. 1947, 14-616.

32-3-306. Other credit unions. Any credit union organized under this chapter may permit membership of any other credit union organized under this chapter or other laws.
History: En. 14-617 by Sec. 17, Ch. 38, L. 1975; R.C.M. 1947, 14-617.

Cross-References
Central credit unions, Title 32, ch. 3, part 8.

32-3-307. Limited-income persons. Existing credit unions may include within their field of membership limited-income persons, as defined by the director of the department of commerce, for whom credit union services are otherwise unavailable.
History: En. 14-618 by Sec. 18, Ch. 38, L. 1975; R.C.M. 1947, 14-618; and Sec. 2, Ch. 274, L. 1981.

Compiler's Comments
1981 Amendment: Substituted "department of commerce" for "department of business regulation".
Cross-References
Director of the Department of Commerce, 32-3-201.

32-3-308. Members who leave field. Members who leave the field membership may be permitted to retain their membership in the credit union as a matter of general policy of the board of directors.
History: En. 14-619 by Sec. 19, Ch. 38, L. 1975; R.C.M. 1947, 14-619.

Cross-References
Duties of directors, 32-3-412.

32-3-309. Liability of members. The members of the credit union shall not be personally or individually liable for the payment of its debts.

History: En. 14-620 by Sec. 20, Ch. 38, L. 1975; R.C.M. 1947, 14-620.
Cross-References
Banks and trust companies — stockholders' liability, 32-1-333.
Building and loan associations — shares stock subject to attachment, 32-2-264.
Business corporations — liability of subscribers and shareholders, 35-1-510.



of state who, upon payment of the filing fees therefor, shall issue a certificate of incorporation.

(6) The subscribers for a credit union charter shall not transact any business until formal approval of the charter has been received.

History: En. 14-603 by Sec. 3, Ch. 38, L. 1975; R.C.M. 1947, 14-603; and Sec. 2, Ch. 274, L. 1981.

Compiler's Comments

1981 Amendment: Substituted "department of commerce" for "department of business regulation" in (4) and (6).

Cross-References

Adult rights, Art. II, sec. 14, Mont. Const.
Formation of banks and trust companies, Title 32, ch. 1, part 3.

Organization of building and loan association, Title 32, ch. 2, part 2.
Election or appointment of officials, 32-3-403.
Business corporations — articles of incorporation, 35-1-202.
Business corporations — articles of incorporation — filing — issuance of certificate of incorporation, 35-1-203.

32-3-302. Form of articles and bylaws. In order to simplify the organization of credit unions, the director of the department of commerce shall cause to be prepared a form of articles of incorporation and a form of bylaws, consistent with this chapter, which may be used by credit union incorporators for their guidance. Such articles of incorporation and bylaws shall be available without charge to persons desiring to organize a credit union.

History: En. 14-604 by Sec. 4, Ch. 38, L. 1975; R.C.M. 1947, 14-604; and Sec. 2, Ch. 274, L. 1981.

Compiler's Comments

1981 Amendment: Substituted "department of commerce" for "department of business regulation".

Cross-References

Banks and trust companies — bylaws, 32-1-308.
Building and loan associations — bylaws, 32-2-204.
Business corporations — bylaws — power in directors — contents, 35-1-214.

32-3-303. Amendments. (1) The articles of incorporation or the bylaws may be amended as provided in the bylaws. Amendments to the articles of incorporation or bylaws shall be submitted to the director of the department of commerce who shall approve or disapprove the amendments within 60 days.

(2) Amendments shall become effective upon:

(a) approval in writing by the director, for which no fee may be charged; and

(b) in the case of articles of incorporation, filing with the secretary of state.

History: En. 14-605 by Sec. 5, Ch. 38, L. 1975; and Sec. 32, Ch. 71, L. 1977; R.C.M. 1947, 14-605; and Sec. 2, Ch. 274, L. 1981.

Compiler's Comments

1981 Amendment: Substituted "department of commerce" for "department of business regulation" in (1).

Cross-References

Business corporations — power to amend articles of incorporation, 35-1-206.
Business corporations — procedure to amend articles of incorporation, 35-1-207.

32-3-304. Membership defined. (1) The membership of a credit union shall be limited to and consist of the subscribers to the articles of incorporation and such other persons within the common bond set forth in the bylaws as have been duly admitted members, have paid the required

entrance fee or membership fee, or both, have subscribed for one or more shares and have paid the initial installment thereon, and have complied with such other requirements as the articles of incorporation or bylaws specify.

(2) Credit union membership may include groups having a common bond of similar occupation, association, or interests or groups within a well-defined neighborhood, community, or rural district or employees of a common employer and members of the immediate family of such persons.

History: En. 14-615 by Sec. 15, Ch. 38, L. 1975; R.C.M. 1947, 14-615; and Sec. 1, Ch. 107, 1981.

Compiler's Comments

1981 Amendment: Inserted "or groups within a well-defined neighborhood, community, or rural district" in the middle of (2); deleted "provided that more residence in a community may not establish a common bond of association" at the end of (2).

Cross-References
Authorized activities of credit unions, 32-3-206.

32-3-305. Societies — associations. Societies and partnerships composed primarily of individuals who are eligible for membership and corporations whose stockholders are composed primarily of such individuals may be admitted to membership in the same manner and under the same conditions as individuals but may not borrow in excess of their shareholdings.

History: En. 14-616 by Sec. 16, Ch. 38, L. 1975; R.C.M. 1947, 14-616.

32-3-306. Other credit unions. Any credit union organized under chapter may permit membership of any other credit union organized under this chapter or other laws.

History: En. 14-617 by Sec. 17, Ch. 38, L. 1975; R.C.M. 1947, 14-617.

Cross-References

Central credit unions, Title 32, ch. 3, part 8.

32-3-307. Limited-income persons. Existing credit unions include within their field of membership limited-income persons, as defined by the director of the department of commerce, for whom credit union services are otherwise unavailable.

History: En. 14-618 by Sec. 18, Ch. 38, L. 1975; R.C.M. 1947, 14-618; and Sec. 2, Ch. 274, L. 1981.

Compiler's Comments

1981 Amendment: Substituted "department of commerce" for "department of business regulation".

Cross-References
Director of the Department of Commerce, 32-3-201.

32-3-308. Members who leave field. Members who leave the field of membership may be permitted to retain their membership in the credit union as a matter of general policy of the board of directors.

History: En. 14-619 by Sec. 19, Ch. 38, L. 1975; R.C.M. 1947, 14-619.

Cross-References

Duties of directors, 32-3-412.

32-3-309. Liability of members. The members of the credit union shall not be personally or individually liable for the payment of its debts.

History: En. 14-620 by Sec. 20, Ch. 38, L. 1975; R.C.M. 1947, 14-620.

Cross-References

Banks and trust companies — stockholders' liability, 32-1-333.
Building and loan associations — stock subject to attachment, 32-2-284.
Business corporations — liability of shareholders and shareholders, 35-1-510.

32-3-506. Trust accounts. (1) Shares may be issued in the name of a member in trust for a beneficiary, including a minor; but no beneficiary, unless a member in his own right, shall be permitted to vote, obtain loans, hold office or be required to pay an entrance or membership fee.

(2) Payment of part or all of such shares to such member shall, to the extent of such payment, discharge the liability of the credit union to the member and the beneficiary; and the credit union shall be under no obligation to see the application of such payment.

(3) In the event of the death of the member, and if shares are so issued or held and the credit union has been given no other written notice of the existence or terms of any trust, such shares and any dividends or interest thereon shall be paid to the beneficiary.

History: En. 14-644 by Sec. 44, Ch. 38, L. 1975; R.C.M. 1947, 14-644.

Cross-References

Banks and trust companies — trust deposits — payment, 32-1-443.
Building and loan associations — trust — payment, 32-2-417.
Trusts in general, Title 72, ch. 20.

Trustees' Powers Act, Title 72, ch. 21.
Trusts for benefit of third persons, Title 72, ch. 23.

Uniform Principal and Income Act, Title 72, ch. 25.

32-3-507. Liens. The credit union shall have a lien on the shares and accumulated dividends or interest of a member in his individual, joint, or trust account for any sum past due the credit union from said member or for any loan endorsed by him.

History: En. 14-645 by Sec. 45, Ch. 38, L. 1975; R.C.M. 1947, 14-645.

Cross-References

Lien, Title 71, ch. 3.

32-3-508. Dormant accounts. (1) If a credit union is unable to contact a member, beneficiary, or other person via first-class mail at the last address shown on the records of the credit union and if such inability continues for a period of more than 5 years, all shares, accounts, dividends, interest, and other sums due or standing in the name of such member, beneficiary, or other person may, by action of the board of directors, be segregated and thereafter no dividends or interest will accrue thereto.

(2) The member may reclaim any such sums by proper administrative or judicial proceedings or in accordance with the Uniform Disposition of Unclaimed Property Act.

(3) This section does not apply to shares, accounts, dividends, interest, and other sums due to or standing in the name of two or more persons unless the credit union is unable to contact any such persons in the manner and during the period specified in subsection (1).

History: En. 14-646 by Sec. 46, Ch. 38, L. 1975; R.C.M. 1947, 14-646.

Cross-References

Uniform Disposition of Unclaimed Property Act, Title 70, ch. 9, parts 1 through 3.

32-3-509. Reduction in shares. (1) Whenever the losses of any credit union, resulting from a depreciation in value of its loans or investments or otherwise, exceed its undivided earnings and reserve fund so that the estimated value of its assets is less than the total amount due the shareholders,

the credit union may by a majority vote of the entire membership order reduction in the shares of each of its shareholders to divide the loss proportionately among the members.

(2) If the credit union thereafter realizes from such assets a greater amount than was fixed by the order of reduction, such excess shall be divided proportionately among the shareholders whose assets were reduced but only to the extent of such reduction.

History: En. 14-647 by Sec. 47, Ch. 38, L. 1975; R.C.M. 1947, 14-647.

Cross-References

Building and loan associations — funds for contingent losses, 32-2-410.

Meetings of members, 32-3-310.

Part 6

Loans and Insurance

32-3-601. Loans — purposes, terms. A credit union may loan to members for such purpose and upon such security and terms as the credit committee, credit manager, or loan officer approves.

History: En. 14-648 by Sec. 48, Ch. 38, L. 1975; R.C.M. 1947, 14-648; and Sec. 6, Ch. 275, 1981; and Sec. 1, Ch. 9, L. 1983.

Compiler's Comments

1983 Amendment: Made 1981 amendment permanent. (Amendment was to terminate July 1, 1985 — sec. 6, Ch. 275, L. 1981.)

1987 Amendment: Deleted "at rates of interest not exceeding 1 1/4 % per month on the

unpaid monthly balances" after "approves" the end of the section.

Cross-References
Loans of money — what constitute 31-1-101.
Legal interest, 31-1-106.
Interest rate allowed by agreement, 31-1-107.

32-3-602. Loan application. Every application for a loan shall be made in writing upon a form which the credit committee, credit manager, or loan officer prescribes. The application shall state the purpose for which the loan is desired and the security, if any, offered. Each loan shall be evidence by a written document.

History: En. 14-649 by Sec. 49, Ch. 38, L. 1975; R.C.M. 1947, 14-649.

Cross-References

Authority of credit committee, 32-3-413.

32-3-603. Loan limit. No loan shall be made to any member in an aggregate amount in excess of 10% of the credit union's total assets.

History: En. 14-650 by Sec. 50, Ch. 38, L. 1975; R.C.M. 1947, 14-650.

Cross-References

Banks and trust companies — limitations on loans, 32-1-432.

Building and loan associations — limitations on loans, 32-2-416.
Duties of directors, 32-3-412.

32-3-604. Security. In addition to generally accepted types of security, the endorsement of a note by a surety, comaker, or guarantor, or assignment of shares of wages, in a manner consistent with the laws of this state, she be deemed security within the meaning of this chapter. The adequacy of any security shall be determined by the credit committee, credit manager, or loan officer, subject to this chapter and the bylaws.

History: En. 14-651 by Sec. 51, Ch. 38, L. 1975; R.C.M. 1947, 14-651.

17-6-211

STATE FINANCE

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are not required by law or by any covenant or agreement with bondholders or others to be segregated and invested in a different manner may direct its treasurer to remit such funds to the state treasurer for investment under the direction of the board of investments as part of the pooled investment fund.

(2) A separate account, designated by name and number for each such participant in the fund, shall be kept to record individual transactions and totals of all investments belonging to each participant. A monthly report shall be furnished to each participant having a beneficial interest in the pooled investment fund, showing the changes in investments made during the preceding month. Details of any investment transaction shall be furnished to any participant upon request.

(3) The principal and accrued income, and any part thereof, of each and every account maintained for a participant in the pooled investment fund shall be subject to payment at any time from the fund upon request. Accumulated income shall be remitted to each participant at least annually.

(4) No order or warrant shall be issued upon any account for a larger amount than the principal and accrued income of the account to which it applies, and if any such order or warrant is issued, the participant receiving it shall reimburse the excess amount to the fund from any funds not otherwise appropriated, and the state treasurer shall be liable under his official bond for any amount not so reimbursed.

History: En. Sec. 8, Ch. 298, L. 1973, R.C.M. 1947, 79-311.

Cross-Reference
Accrue accounting records and interaccount
Maintenance of fund and account records and loans, 17-2-107.

Interfund loans, 17-2-106.

17-6-205 through 17-6-210 reserved.

17-6-211. Permissible investments. (1) The following securities are permissible investments for all investment funds referred to in 17-6-203, except as indicated:

(a) any securities authorized to be pledged to secure deposits of public funds under 17-6-103;

(b) bonds, notes, debentures, equipment obligations, or any other kind of absolute obligation of any corporation organized and operating in any state of the United States or in Canada, if the obligations purchased are payable in United States dollars, or of any corporation in which the United States government is a voting shareholder by act of congress; provided that all investments under this subsection (1)(b) must be rated by one nationally recognized rating agency among the top third of their quality categories, not applicable to defaulted bonds;

(c) commercial paper of highest quality, as defined by one nationally recognized rating agency, issued by any corporation organized and operating in any state of the United States, provided that:

(i) such securities mature in 270 days or less;

(ii) the issuing corporation or the parent company of a finance subsidiary issuing commercial paper, at the time of the last financial reporting period, had received net income averaging \$1 million or more annually for the preceding 5 years; and

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DEPOSITS AND INVESTMENTS

17-6-211

(iii) no investment may be made at any time under this subsection (1)(c) which would cause the book value of such investments in any investment fund to exceed 10% of the book value of such fund or would cause the commercial paper of any one corporation to exceed 2% of the book value of such fund;

(d) bankers' acceptances guaranteed by any bank having its principal office in any state of the United States and having deposits in excess of \$500 million;

(e) interest-bearing deposits in banks, building and loan associations, savings and loan associations, and credit unions located in Montana; provided, however, that the board of investments shall require pledged securities as specified in 17-6-102 (interest on said deposits shall not be less than the prevailing rate of interest being paid on deposits of private funds);

(f) unencumbered real property, first mortgages, and participations in first mortgages on unencumbered real property as provided in this subsection (1)(f) and subsection (5), provided that:

(i) no such mortgage or mortgage participation may be purchased unless: (A) the principal amount of the loan secured by the mortgage or mortgage participation is 80% or less of the appraised value of the property;

(B) the principal amount of the loan secured by the mortgage or mortgage participation exceeds 80% of the appraised value of the property but the amount of the loan in excess of 80%, determined at the time the loan was made, is guaranteed or insured by a mortgage insurance company which the board of investments has determined to be a qualified private insurer;

(C) 25% or more of the loan or participation therein secured is guaranteed or insured in the event of default by the United States of America or an agency thereof; or

(D) the mortgageor has leased the mortgaged property to a person, firm, or corporation whose rental payments under the lease are guaranteed for the full term of the loan or participation therein by an agency of the United States; and

(ii) no investment shall be made at any time under subsection (1)(f) which would cause the book value of such investments in any investment fund to exceed 50% of the book value of such fund; and

(g) any other investment in any business activity in the state, including activities that continue existing jobs or create new jobs in Montana, provided that investments which do not meet the requirements of subsections (1)(a) through (1)(f) may not, in the aggregate, exceed 10% of the fund from which each such investment is made.

(2) Investments from the pooled investment fund shall be restricted to fixed income securities described in subsections (1)(a) to (1)(e) above.

(3) Retirement funds and the fund provided for in 17-6-203, subsection (4) may be invested in preferred and common stocks of any corporation organized and operating in any state of the United States, provided that:

(a) the corporation has assets of a value not less than \$10 million;

(b) if the investment is preferred stock, the corporation's aggregate earnings available for payment of interest and preferred dividends, for a period of 5 consecutive years immediately before the date of investment, have been at least 1 1/2 times the aggregate of interest and preferred dividends required to be paid during this period;

Comparison of Share Insurance Plans

[As of 12/31/83]	National Credit Union Share Insurance Fund	* California Credit Union Share Guaranty Corporation	Financial Institutions Assurance Corporation (North Carolina)	* Florida Credit Union Guaranty Corporation	Georgia Credit Union Deposit Insurance Corporation
Incorporated:	1970	1981	1967	1975	1974
Membership Deposit:	None	1/2 of 1% of share capital, adjusted annually	1.25% of insured savings, adjusted semi-annually	1/2 of 1% of net amount guaranteed, adjusted annually	1% of 1st \$1 mil. of shares, deposits, + dividends, + 1/2% of next \$4 mil. + 1/4% of all over \$5 mil., adjusted annually
Annual Premium:	1/12 of 1% of all member accounts; plus special assessment 1/12 of 1%	1/12 of 1% of shares	1/12 of 1% of insured savings - not collected currently	1/20 of 1% of funds guaranteed	1/12 of 1% of shares, deposits
Maximum Coverage:	\$100,000	\$150,000	\$100,000	\$100,000 and more if Board approves	\$100,000
Number of Insured Credit Unions:	15,877	14	25 (also 34 S&Ls, 5 industrial thrift and loans	182	128 (also 3 S&Ls)
Number of Credit Union Members:	41.07 million (Accounts)	182,499	Not available	453,243	270,000
Total Assets/ Insured CUs:	\$82.0 billion	\$698.7 million	\$1,003.8 million (CUs) \$2,256.1 million (Others)	\$762.2 million	\$744.9 million
Aggregate Amount of Savings:	\$74.7 billion	\$614.9 million	\$945.8 million (CUs) \$1,909.6 million (Others)	\$709.7 million	\$700.2 million (CUs) \$40.8 million (S&L)
Total Assets-- Corporation:	\$318.9 million	\$3.9 million	\$37.8 million	\$4.39 million	\$4.85 million
Reinsurance:	None - \$100 million line of credit - U.S. Treasury	None	\$30 million	None	None
*Gross Claims Paid in 1983:	\$55.1 million (FY '83)	None	None	None	\$10,071
Supervised by:	National Credit Union Board	Department of Corporations/ CU Division	Department of Commerce	Office of State Comptroller	Department of Banking and Finance
Insurance Mandatory:	For Federal Credit Unions by 12/71	CCUSGC, NCUA, or other by 3/31/81	FIAC or NCUA by 7/1/75	FCUGC or NCUA by 3/31/77	GCUDIC or NCUA by 4/1/78

Comparison of Share Insurance Plans

(Continued)

As of 12/31/83]	Maryland Credit Union Insurance Corporation	Massachusetts Credit Union Share Insurance Corporation	National Deposit Guaranty Corporation (Ohio)	Rhode Island Share & Deposit Indemnity Corporation	State Credit Union Share Insurance Corp. (Tennessee)
Incorporated:	1975	1961	1974	1969	1974
Membership Deposit:	1% of shares and deposits, adjusted annually	1% of shares and deposits, adjusted annually	1% of shares and deposits, adjusted annually	1% of insurable deposits, adjusted semi-annually	1% of savings capital, adjusted annually
Annual Premium:	None	1/12 of 1% of shares and deposits	1/12 of 1% of shares - not collected for 1982, 1983	1/12 of 1% of shares and deposits	1/12 of 1% of shares and deposits
Maximum Coverage:	\$250,000	To full account limit	Full amount	\$100,000	\$100,000
Number of Insured Credit Unions:	28	227	434 in 9 states (excess coverage for 23 other CUs)	54 (also 13 other institutions)	422 in 3 states
Number of Credit Union Members:	198,421	Not available	4,731,127	317,372	Not available
Total Assets/ Insured CUs:	\$538.0 million	\$2,511.1 million	\$2,317.7 million	\$659.8 million (CUs) \$806.5 million (Others)	\$1,090.5 million
Aggregate Amount of Savings:	\$502.8 million	\$2,267.1 million	\$2,207.9 million	\$611.2 million (CUs) \$748.6 million (Others)	\$983.4 million
Total Assets-- Corporation:	\$5.38 million	\$30.24 million (9/30/83)	\$25.13 million	\$19.58 million	\$14.5 million
Reinsurance:	None	None	\$10 million	None	None
Gross Claims Paid in 1983:	None	\$2.7 million	\$435,621	\$169,671	\$171,627
Supervised by:	State Banking Commissioner	Banking Department	Department of Commerce	Department of Business Regulation	Banking Commissioner
Insurance Mandatory:	MCUIC Only 7/1/76	MCUSIC or NCUA 10/73	NDGC or NCUA by 12/31/78	RISDIC or NCUA by 1982	SCUSIC or NCUA by 1/1/79

FE: Insured corporate credit
unions not included in data

*Gross Claims = Sums expended in liquidations, mergers, loan purchases,
and stabilizing guarantees during 1983

Comparison of Share Insurance Plans

(Continued)

[As of 12/31/83]	Texas Share Guaranty Credit Union	Utah Credit Union Guaranty Corporation	Virginia Credit Union Share Insurance Corporation	Washington Credit Union Share Guaranty Association	Wisconsin Credit Union Savings Insurance Corporation
Incorporated:	1975	1973	1974	1975	1970
Membership Deposit:	1% of insured savings, adjusted annually	1/2 of 1% assets, adjusted annually	1% of shares, adjusted annually	\$25 plus CU- held contingency reserve of 1/2 of 1% of guar- anteed shares	1/2 of 1% of savings capital
Annual Premium:	Up to 1/10 of insured savings; actual 1/20	1/20 of 1% of shares and deposits	1/12 of 1% of shares	None - contingency reserve annually adjusted to 1/2 of 1%	Up to 0.1% of 1% of savings capital
Maximum Coverage:	\$100,00	Full amount	\$100,000	\$100,000	\$100,000
Number of Insured Credit Unions:	378	164	115	150	569
Number of Credit Union Members:	954,180	239,210	210,646	476,150	1,288,572
Total Assets/ Insured CUs:	\$1,892.9 million	\$366.7 million	\$275.7 million	\$1,020.5 million	\$2,484.0 million
Aggregate Amount of Savings:	\$1,726.7 million	\$336.2 million	\$242.4 million	\$997.4 million	\$2,021.9 million
Total Assets-- Corporation:	\$19.96 million	\$3.04 million	\$3.8 million	\$4.9 million	\$21.1 million
Reinsurance:	None	None	None	None	None
*Gross Claims Paid in 1983:	\$1,119,000	\$94,500	\$4,626	\$140,971	\$150,314
Supervised by:	Texas Credit Union Department	Insurance Commission or Financial Institutions Department	Bureau of Financial Institutions	Supervisor, Division of Savings & Loan Associations	Commissioner of Credit Unions
Insurance Mandatory:	TSGCU or NCUA by 7/1/76	UCUGC, NCUA or other by 9/1/81	VCUSIC or NCUA by 7/1/76	WCUSGA or NCUA by 12/28/75	WCUSIC Only

NAME Charles R. Abell Bill No. 475
ADDRESS Box 37 Whitefish, MT DATE 3-26-85
WHOM DO YOU REPRESENT Whitefish Credit Union
SUPPORT ✓ OPPOSE AMEND

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

- sec 2. should be able to make loans larger than deposits to organizations that are credit union members.
- sec. 4. should have option to elect supervising committee members
- sec 7. should be able to pay deposit insurance from other than federal govt.

MONTANA CHAPTER
INTERMOUNTAIN OIL MARKETERS ASSOCIATION

Date: March 26, 1985

To: Senate Business & Industry Committee

From: Montana Chapter Intermountain Oil Marketers Association

RE: Attached Information

The attached is provided to the Committee for reference
with respect to HB-598.

TEMPERATURE CORRECTION FACTS

1. In Montana, the ambient temperature is approximately 45 degrees F. U.S. Weather Bureau 30 year average ambient temperature: Billings--46.3 degrees; Great Falls--44.9 degrees; Havre--42.2 degrees; Helena--42.2 degrees; and Hawaii--80 degrees. When we buy from terminals like Bozeman, Helena and Missoula, the product has been transported through buried pipelines and if we are buying on the "gross" basis, the volume of gasoline and diesel stays the same when we deliver it to our customers.
2. When we buy the product at refineries like in Billings, the temperature of the product varies a great deal--often over 100 degrees. It then shrinks when delivered. A 10,000 gallon load of gasoline will shrink or expand approximately 7 gallons with every degree of temperature change.
3. "Net billing" is when the volume measurement is adjusted to what it would be at 60 degrees F and then billed accordingly. "Gross billing" is when billing is strictly by volume with no temperature consideration.
4. All areas with an ambient temperature over 60 degrees F gain with net billing. All areas with an ambient temperature under 60 degrees F will lose with net billing.
5. Alaska buys gross, Hawaii buys net, Utah, Idaho and Washington allow the distributor the option to choose on a semi-annual basis: April 1 and October 1. This is what we are asking today.
6. New EPA laws require us to monitor our inventories, but in refinery communities the temperature variations make it impossible to monitor accurately. It is difficult to get employees to do it under such conditions.
7. In recent years refineries have been keeping low inventories resulting in "hot" product because of: a) dropping crude oil prices; b) cost of money; c) shrinking demand; and d) imbalance of products.
8. When an inventory shortage occurs, it is costly just to find out you don't have a leak: a) test meter--\$25; b) test lines--\$75; and c) test tank--\$350.

9. It is practically impossible for us to accurately compute temperature volume losses because of so many variables such as a) amount of inventory already in tank; b) how fast the products are cooling or warming; c) how fast product is being removed from tank; and d) length of line runs and the temperature they are exposed to.

10. We gain in the winter and loose in the summer, but our volumes are 50%-100% greater in the summer making it impossible to make up our losses.

TEMPERATURE VARIATION EXAMPLES

10,000 gallon---purchased and delivered to an underground tank where the temperature is 45 degrees F.

A. FUEL TEMPERATURE---100 degrees F			
Actual adjusted gallons	9,615		Loss or Gain
Billed at Net	9,720		-105
Billed at Gross	10,000		-385
B. FUEL TEMPERATURE---70 degrees F			
Actual adjusted gallons	9,825		
Billed at net	9,930		-70
Billed at gross	10,000		-175
C. FUEL TEMPERATURE---60 degrees F			
Actual adjusted gallons	9,895		
Billed at net	10,000		-105
Billed at gross	10,000		-105
D. FUEL TEMPERATURE---40 degrees F			
Actual adjusted gallons	10,035		
Billed at net	10,140		-105
Billed at gross	10,000		+35
E. FUEL TEMPERATURE---30 degrees F			
Actual adjusted gallons	10,105		
Billed at net	10,210		-105
Billed at gross	10,000		+105
F. FUEL TEMPERATURE---20 degrees F			
Actual adjusted gallons	10,175		
Billed at net	10,280		-105
Billed at gross	10,000		+175

5

Motor Carrier Straight Bill of Lading or Loading Ticket

(Not a Bill of Lading when moved in vehicle operated by shipper or owner of product, but merely a receipt for product in behalf of shipper or owner.)

EXHIBIT 3
BUSINESS & INDUSTRY
March 26, 1985Bill of Lading or
State Tax

Cattlemen's Roundup

Shipped from

No. 1588

Carrier

License No. _____

Shipper or
Consignor

License No. _____

Consignee
and
Destination

License No. _____

State Tax if
Sale in Texas _____

Date 7/5/84	Driver No. 110	Time In 1:10	Time Out 1E:42	Load Area LP1	Sequence No. 2224	Purchase Order No.
Order No. 3512545675254	Petroex Consignee No.	Carrier QUST	Truck No.	Trailer No.		

Product Code	Meter No.	D.O.T. Hazardous Material Description-Product	API Grav.	Gross Gals. Loaded	Net Gals. at 60°F
10	111	GASOLINE, FLAMMABLE LIQUID, UN1203 REG	628	4600	4526
15	112	GASOLINE, FLAMMABLE LIQUID, UN1203 UNL	617	2500	2450
60	114	DIESEL FUEL, COMBUSTIBLE LIQUID, UN1993	346	1400	1372
LOADING TEMPERATURE BY METER					
	111		83		
	112		84		
	114		103		

Seal Number(s)	Due At Destination	COD	<input type="checkbox"/> Ppd. <input type="checkbox"/> Collect
	AM PM	\$	

This is to certify that the above named materials are properly classified, described, packaged, marked, and labeled, and are in proper condition for transportation, according to the applicable regulations of the Department of Transportation.

Carrier hereby certifies that the cargo tank used for this shipment is a proper container for the commodity loaded therein and complies with Department of Transportation specifications.

Shipper

Driver's Signature

Carrier

Payment
Received byReceived for
Consignee

154X6, 7-83

5

Motor Carrier Straight Bill of Lading or Loading Ticket

(Not a bill of lading when moved in vehicle operated by shipper or owner of product, but merely a receipt for product in behalf of shipper or owner.)

Bill of Lading or
State Tax

Shipped from FILLMORE, MT

CONOCO

Carrier STOUTON

Shipper or
Consignor CONOCOConsignee
and STOUTON OIL

Destination FARMINGTON, N.M.

*Cattle mens
Round up*

No. 2819

License No. _____

License No. _____

License No. _____

State Tax if
Sale in Texas _____

Date 8/2/84	Driver No. 141	Time In 17:15	Time Out 17:54	Load Area LFI	Sequence No. 2224	Purchase Order No.
Order No. 5512509625404		Petrox Consignee No.		Carrier CUST	Truck No.	Trailer No.

Product Code	Meter No.	D.O.T. Hazardous Material Description-Product	API Grav.	Gross Gals. Loaded	Net Gals. at 60°F
14	RA1	GASOLINE, FLAMMABLE LIQUID, UN1203 REG	628	5280	5094
15	RA2	GASOLINE, FLAMMABLE LIQUID, UN1203 UNL	617	2501	2445
60	GR4	DIESEL FUEL, COMBUSTIBLE LIQUID, UN1993	646	1200	1174
LOADING TEMPERATURE BY METER					
	RA1		89		
	RA2		92		
	GR4		107		

Seal Number(s)	Due At Destination AM PM	COD \$	<input type="checkbox"/> Ppd. <input type="checkbox"/> Collect
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This is to certify that the above named materials are properly classified, described, packaged, marked, and labeled, and are in proper condition for transportation, according to the applicable regulations of the Department of Transportation.

Carrier hereby certifies that the cargo tank used for this shipment is a proper container for the commodity loaded therein and complies with Department of Transportation specifications.

Shipper_____
Driver's Signature_____
CarrierPayment
Received by _____Received for
Consignee _____

11-154X6, 7-83

5

Motor Carrier Straight Bill of Lading or Loading Ticket

(Not a Bill of Lading when moved in vehicle operated by shipper or owner of product, but merely a receipt for product in behalf of shipper or owner.)

E. J. Jones
Memo #2Bill of Lading or
State Tax

Shipped from

000000

No. 5585

Carrier

000000

License No. _____

Shipper or
Consignor

000000

License No. _____

Consignee
and

000000

License No. _____

Destination

000000

State Tax if
Sale in Texas _____

Date 11/10/84	Driver No. 100	Time In 12:43	Time Out 12:43	Load Area L22	Sequence No. 2224	Purchase Order No.
Order No. 501251081001	Petrox Consignee No.	Carrier CUST	Truck No.	Trailer No.		

Product Code	Meter No.	D.O.T. Hazardous Material Description-Product	API Grav.	Gross Gals. Loaded	Net Gals. at 60°F
180	000	FLUORINE GAS, COMBUSTIBLE LIQUID, UN1993	344	2253	2297
180	000	FLUORINE GAS, COMBUSTIBLE LIQUID, NA1993	410	2501	2520
LOADING TEMPERATURE BY METER					
110 80					
110 80					

Seal Number(s)	Due At Destination	COD	<input type="checkbox"/> Ppd. <input type="checkbox"/> Collect
	AM PM	\$	

This is to certify that the above named materials are properly classified, described, packaged, marked, and labeled, and are in proper condition for transportation, according to the applicable regulations of the Department of Transportation.

Carrier hereby certifies that the cargo tank used for this shipment is a proper container for the commodity loaded therein and complies with Department of Transportation specifications.

per _____ Shipper

Driver's Signature CarrierPayment
Received by _____Received for
Consignee _____

5

Motor Carrier Straight Bill of Lading or Loading Ticket

(When a Bill of Lading when moved in vehicle operated by shipper or owner of product, but merely a receipt for product in behalf of shipper or owner.)

Bill of Lading or
State Tax

Shipped from

No.

5321

Carrier

License No.

Shipper or
Consignor

License No.

Consignee
and
Destination

License No.

State Tax if
Sale in Texas

Date 12/29/84	Driver No.	Time In	Time Out	Load Area	Sequence No.	Purchase Order No.
Order No.	Petroleum Consignee No.	Carrier	Truck No.	Trailer No.		

Product Code	Meter No.	D.O.T. Hazardous Material Description-Product	API Grav.	Gross Gals. Loaded	Net Gals. at 60°F
15	111	FLAMMABLE LIQUID, UN1203 LSC	63	3400	3140
15	111	FLAMMABLE LIQUID, UN1203 UNL	63	3400	3140

LOADING TEMPERATURE BY MATERIAL
41
60

Seal Number(s)	Due At Destination	COD	<input type="checkbox"/> Ppd. <input type="checkbox"/> Collect
	AM PM	\$	

This is to verify that the above named materials are properly classified, described, packaged, marked, and labeled, and are in proper condition for transportation according to the applicable regulations of the Department of Transportation.

Carrier hereby certifies that the cargo tank used for this shipment is a proper container for the commodity loaded therein and complies with Department of Transportation specifications.

Shipper

Driver's Signature

Carrier

Payment
Received byReceived for
Consignee

11-154X6, 7 83

(Summary of Meter Readings and Inventory Control)

Date: 12-31-84

Location: 1503 Brookline Ave

Regular Report ☒

Price Change Report ☐

	Regular	No-Lead	SUPER NO LEAD
Retail Selling Price Per Report	<u>1.069</u>	<u>1.099</u>	<u>1.119</u>
Pump No. 1	<u>1571308</u>	<u>1 893720</u>	<u>1 1209579</u>
Pump No. 2	<u>114646</u>	<u>2 7546711</u>	<u>2 1450121</u>
Pump No. 3	<u>---</u>	<u>3 52025.13</u>	<u>3 ---</u>
Pump No. 4	<u>1373861</u>	<u>4 25660.50</u>	<u>4 2245265</u>
Pump No. 5	<u>25880.13</u>	<u>5 19051.25</u>	<u>5 1713265</u>
Pump No. 6	<u>4394493</u>	<u>6 ---</u>	<u>6 ---</u>
Total	<u>26 171436</u>	<u>Total 15642054</u>	<u>Total 10620228</u>
Less Previous Readings	<u>1571308</u>	<u>15296255</u>	<u>6470</u>
Total Gallons Metered	<u>103693</u>	<u>3457.99</u>	<u>147</u>
	<u>10440</u>	INVENTORY <u>10440</u>	<u>10540</u>

DIP STICK READING IN INCHES

Reg Tank 63" : No-Lead 51 1/2" SUPER NO LEAD 21"

INVENTORY CONTROL	Gasoline		
	REG.	N.L.	SUPER N.L.
Opening Inventory	5199	4487	2779
Additions	5022	3520	---
Sub Total	10199	7997	2779
Less Todays Sales	4656	3458	1491
Book Inventory	5843	4529	1230
Actual Inventory	5151	4528	1257
Stock Over (Short)	-92	-1	-23

-1296
YR TO DATE

NAME: Alan Hobbs DATE: 3/26/85

ADDRESS: P.O. Box 1243 Great Falls, Montana 59402

PHONE: 761-4100

REPRESENTING WHOM? Montana Refining Co.

APPEARING ON WHICH PROPOSAL: HB 598

DO YOU: SUPPORT? AMEND? OPPOSE? X

COMMENTS: The proposal as amended
treats us differently than it does
our competition, the Great Falls Pipeline
Terminal.

[Handwritten signature]

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY.

Mr. Chairman and Committee Members,
my name is Alan Hobbs. I am the
Marketing Manager with Montana Refining
Company.

Montana Refining Company operates the
refining in Great Falls. We have 40
to 45 employees.

Since 1981, the Great Falls refinery
has been operated by three different
companies. In January 1982,
Phillips Petroleum Co. sold the refinery
to Simmons Oil Corporation. The refinery
was sold because it was a
marginal operation in the Phillips
System. Simmons could not operate
profitably and last June the refinery
operation went over to Montana Refining Co.

We feel we can operate as a
viable business in Montana, although
our profitability so far has
been only marginal. However, if
we are allowed to compete on
an equal basis with the other
Montana Refiner-Suppliers we believe
we have a good future in Montana.

(2)

Montana Refining Company is a small independent refinery, as opposed to Exxon, Chevron, Conoco or Texaco as examples of large integrated oil companies. Currently we are refining only Montana produced crude oil, though we will supplement our Montana Crude Supplies with Canadian Crude oil during high volume months.

Montana Refining Company is a refiner only. We have no crude oil product. We own no service stations. We don't have a tank fleet. And we don't have any product pipelines. We deliver gasoline and diesel fuel only in Montana.

Every drop of gasoline, ~~and~~ diesel fuel, stove oil, and other products refined by ~~the~~ Montana Refining Co. is delivered at our Great Falls refinery. The three other full-product line refineries in Montana deliver large volumes of their ~~products~~ gasolines and distillates through the system of product pipelines in

(3)
Billings.

Gasolines and distillates refined in Billings and Laurel are regularly pipelined to Glendive, Bozeman, Helena, Missoula, Great Falls, Minot North Dakota, and Spokane Washington. Gasolines and distillates refined in Billings and Laurel can be pipelined south into Wyoming and even as far as Denver Colorado and Salt Lake City Utah.

We have no product pipeline. We ~~now~~ deliver from our only refinery which is ~~a~~ target for House Bill No. 598. Our competitor in Great Falls is a pipeline terminal which is not a target of House Bill No. 598. House Bill No. 598, if passed, would give our competitor, the Great Falls Pipeline Terminal a financial advantage.

Today, deliveries of gasoline and diesel fuel in Montana, whether from refinery or pipeline terminal, are all treated the same. The petroleum wholesale distributor pays for the gross gallons received.

(4)

Industry practice, even Federal contracts, are based on delivery of product at net gallons at 60° Fahrenheit. Net gallons at 60° F is considered to be the most accurate measurement method ~~as it~~ eliminates temperature as a factor in sales of gasoline and diesel fuel. As a refiner, we buy crude oil at 60° temperature corrected. We would like to also sell at 60° temperature corrected.

In Montana, the annual mean temperature is less than 60°. Therefore, by selling on a gross gallon basis, the ~~we~~ petroleum wholesale distributor actually gains a few gallons on the average annual delivery. We feel that selling based on gross gallons costs our refinery about $\frac{1}{2}$ ¢ per gallon on the average product gallon delivered. This is the case at all locations whether refinery or pipeline terminal because of the annual mean temperatures in Montana.

(5)

Gallons delivered, whether gasoline or diesel fuel, that are colder than 60° are more dense than gallons ~~delivered~~ warmer than 60° . It is to the refiner's benefit to deliver gasoline and diesel fuel on a net 60° basis during very cold weather and to deliver on a gross basis during warm weather. It is to the petroleum wholesaler's benefit to do just the opposite.

In order to be fair one system of measurement, whether net gallons at 60° or gross gallons delivered, should be used on an annual basis. Changes should be made only annually. We, as a refiner prefer delivery should be measured on a temperature corrected, net 60° basis. This eliminates temperature as a factor in measurement. Petroleum wholesale distributors prefer gross gallons on an annual basis, ~~at~~ because of the average mean temperature in Montana.

(6)

The current situation requires the gross gallon method and we are complying. Although this method, we feel costs Montana Refining Company about $\frac{1}{2}$ ¢ per gallon. Allowing the whole sales to change every six months puts our refining in the worst measurement method year round.

Taking House Bill 598 one step further, not only will it put our refining in the worst possible position for measuring product, it will not affect our direct competition, the Great Falls Pipeline Terminal. House Bill #598 puts us at a disadvantage with the wholesaler and with our competitors. It does not treat us, Montana Refining Company fairly.

Wholesale Petroleum Distributors can be hurt financially if they are delivered warm product and the measurement is based on gross gallons. They are hurt because warm gallons shrink as they cool down in the wholesaler's tank.

(7)

and tanks. However, protecting the wholesaler from warm deliveries does not require putting our refinery at a financial disadvantage.

A fair method to protect the wholesaler would be to prohibit the delivery of warm product. Placing a maximum delivery temperature limit of $100^{\circ} F$ on distillates and $80^{\circ} F$ on gasoline would both protect the wholesaler and be reasonable to the supplier.

We are a small, independent refiner. We feel we have a place and a future in Montana. However, to succeed we need to be allowed to operate on an equitable basis with our competition. House Bill 598 does not treat us fairly. We urge you to oppose House Bill 598.

REGULAR GASOLINE 1984

<u>MONTH</u>		<u>DIFFERENCE</u>
JANUARY	41561 @ 34° = 42214	+653
FEBRUARY	35198 @ 39° = 35645	+447
MARCH	42936 @ 41° = 43430	+494
APRIL	37517 @ 50° = 47746	+229
MAY	23239 @ 54° = 23323	+ 84
JUNE	32688 @ 63° = 32629	- 59
JULY	44591 @ 71° = 44292	-299
AUGUST	42637 @ 75° = 42249	-388
SEPTEMBER	36382 @ 64° = 36295	- 87
OCTOBER	38394 @ 55° = 38509	+115
NOVEMBER	47428 @ 41° = 47874	+446
DECEMBER	46080 @ 37° = 46605	+525

REGULAR YEARLY DIFFERENCE = +2160

NO LEAD GASOLINE 1984

<u>MONTH</u>		<u>DIFFERENCE</u>
JANUARY	16707 @ 37° = 16939	+232
FEBRUARY	15618 @ 43° = 15779	+161
MARCH	13963 @ 41° = 14124	+161
APRIL	14906 @ 46° = 15033	+127
MAY	9956 @ 51° = 10009	+ 53
JUNE	12976 @ 57° = 12999	+ 23
JULY	18845 @ 70° = 18730	-115
AUGUST	18613 @ 68° = 18522	- 91
SEPTEMBER	16965 @ 57° = 16996	+ 31
OCTOBER	16451 @ 52° = 16481	+ 30
NOVEMBER	22376 @ 37° = 22687	+311
DECEMBER	22049 @ 32° = 22422	+373

NO LEAD YEARLY DIFFERENCE = +1296

STOVE OIL/JET A 1984

<u>MONTH</u>		<u>DIFFERENCE</u>
JANUARY	14850 @ 39° = 15004	+154
FEBRUARY	9799 @ 49° = 9853	+ 54
MARCH	7596 @ 34° = 7694	+ 98
APRIL	6973 @ 54° = 6994	+ 21
MAY	7126 @ 56° = 7140	+ 14
JUNE	7616 @ 63° = 7605	- 11
JULY	11195 @ 75° = 11111	- 84
AUGUST	12009 @ 86° = 11854	-154
SEPTEMBER	12386 @ 63° = 12367	- 19
OCTOBER	14585 @ 59° = 14592	+ 7
NOVEMBER	13891 @ 54° = 13933	+ 42
DECEMBER	17389 @ 32° = 17631	+242

STOVE OIL YEARLY DIFFERENCE = +364

DIESEL FUEL 1984

<u>MONTH</u>		<u>DIFFERENCE</u>
JANUARY	27694 @ 46° = 27849	+155
FEBRUARY	25990 @ 47° = 26125	+135
MARCH	18303 @ 50° = 18376	+ 73
APRIL	26856 @ 59° = 26867	+ 11
MAY	23856 @ 73° = 23732	-124
JUNE	20344 @ 81° = 20175	-169
JULY	31212 @ 79° = 30978	-234
AUGUST	33419 @ 93° = 32981	-438
SEPTEMBER	30504 @ 71° = 30370	-134
OCTOBER	41188 @ 63° = 41139	- 49
NOVEMBER	28255 @ 61° = 28244	- 9
DECEMBER	35108 @ 55° = 35178	+ 70

DIESEL FUEL YEARLY DIFFERENCE = -713

TOTAL PRODUCT YEARLY DIFFERENCE = +3107

TESTIMONY BY CENEX OPPOSING HB 598

ALL PRODUCT DELIVERED TO WHOLESALERS FROM THE CENEX REFINERY AT LAUREL IS NOW BILLED ON GROSS VOLUME.

UNDER PRESENT LAW, WHOLESALERS HAVE AN OPTION ONCE A YEAR AS TO WHETHER THEY WISH PRODUCT BILLED ON A GROSS BASIS OR TEMPERATURE CORRECTED TO 60° F.

ALL WHOLESALERS HAVE OPTED FOR GROSS BECAUSE THIS IS TO THEIR ADVANTAGE.

PRODUCT DELIVERED TO WHOLESALERS DURING 1984 FROM THE CENEX REFINERY WAS 52.5° F. ON A WEIGHTED AVERAGE. THIS IS ABOUT THE SAME TEMPERATURE AS PRODUCT DELIVERED FROM PIPELINE TERMINALS. BECAUSE OF THIS, WHOLESALERS HAD A .6% VOLUME GAIN ON PRODUCT.

GIVING WHOLESALERS THE OPTION OF CHANGING BILLING EACH SIX MONTHS WOULD BE AN ADVANTAGE TO THE WHOLESALERS WHO WOULD HAVE AN EVEN GREATER GAIN THAN .6%, BUT WOULD BE UNFAIR TO THE REFINER.

Motor Carrier Straight Bill of Lading or Loading Ticket
(Not a Bill of Lading when moved in vehicle operated by shipper or owner of product, but merely a receipt for product in behalf of shipper or owner.)

#116

Bill of Lading or
State Tax

SHIPPER OR
CONSIGNOR
CONSIGNEE
AND
DESTINATION

BILLINGS MT
CONOCO
G M PETRO
CONOCO
G-M PETR DIST
BILLINGS MT

Empire State
Bills MT
may \$

No. 1713

License No. _____
License No. _____
License No. _____
State Tax if
Sale in Texas _____

Date 7/ 6/84	Driver No. 126	Time In 7: 9	Time Out 7:27	Load Area IP1	Sequence No. 2121	Purchase Order No.
Order No. 184657154	Petrox Consignee No.		Carrier GUST	Truck No.	Trailer No.	

Product Code	Meter No.	D.O.T. Hazardous Material Description - Product	API Grav.	Gross Gals. Loaded	Net Gals. at 60°F
GD	GF4	DIESEL FUEL, COMBUSTIBLE LIQUID, UN1993 LOADING TEMPERATURE BY WATER GF4 <i>July</i>	346	2202	7865

Seal Number(s)	Due At Destination AM PM \$	COD \$	<input type="checkbox"/> Ppd. <input type="checkbox"/> Collect
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This is to certify that the above named materials are properly classified, described, packaged, marked, and labeled, and are in proper condition for transportation, according to the applicable regulations of the Department of Transportation.

Carrier hereby certifies that the cargo tank used for this shipment is a proper container for the commodity loaded therein and complies with Department of Transportation specifications.

per _____ Shipper

R. M. P.
Driver's Signature _____ Carrier

Payment Received by _____

Received for Consignee _____

11-154X6, 7-83

EXHIBIT 7
BUSINESS & INDUSTRY
March 26, 1985

Motor Carrier Straight Bill of Lading or Loading Ticket

(Not a Bill of Lading when moved in vehicle operated by shipper or owner of product, but merely a receipt for product in behalf of shipper or owner.)

Bill of Lading or
State Tax

from **BILLINGS MT**
Carrier **CONOCO**
Shipper or
Consignor **G M PETRO**
Consignee
and **CONOCO**
Destination **G-M PETR DIST**
BILLINGS MT

Conoco MT
TR9
Blgs MT

No. 1753

License No. _____

License No. _____

License No. _____

State Tax if
Sale in Texas _____

Date 7/7/84	Driver No. 120	Time In 6:51	Time Out 7:10	Load Area LP2	Sequence No. 2161	Purchase Order No.
Order No. 120637154	Petrox Consignee No.	Carrier GUST	Truck No.	Trailer No.		

Product Code	Meter No.	D.O.T. Hazardous Material Description-Product	API Grav.	Gross Gals. Loaded	Net Gals. at 60°F
60	GR4	DIESEL FUEL, COMBUSTIBLE LIQUID, UN1993	346	8020	7878
		LOADING TEMP 53			
		TEMP 53			
		MATER			

Seal Number(s)	Due At Destination AM PM	COD \$	<input type="checkbox"/> Ppd. <input type="checkbox"/> Collect
----------------	-----------------------------	-----------	--

This is to certify that the above named materials are properly classified, described, packaged, marked, and labeled, and are in proper condition for transportation, according to the applicable regulations of the Department of Transportation.

per _____ Shipper

Carrier hereby certifies that the cargo tank used for this shipment is a proper container for the commodity loaded thereon and complies with Department of Transportation specifications.

Driver's Signature _____ Carrier

Payment Received by _____

Received for Consignee _____

(This is a Bill of Lading which must be issued by shipper or owner of product, but merely a receipt for product in behalf of shipper or owner.)

Bill of Lading or
State Tax

ad from FILLINGS MT
CONOCO

No. 1E8C

Carrier G M PETRO

License No. _____

Shipper or
Consignor CONOCO

License No. _____

Consignee
and C-M PETA DIST J-S

License No. _____

Destination FILLINGS MT *Big Timber*

State Tax if
Sale in Texas _____

Date 7/ 9/84	Driver No. 118	Time In 7:44	Time Out 7:48	Load Area LF2	Sequence No. 21-1	Purchase Order No.
Order No. 1E8637144	Petrox Consignee No.	Carrier GUST	Truck No.	Trailer No.		

Product Code	Meter No.	D.O.T. Hazardous Material Description - Product	API Grav	Gross Cwt. Loaded	Net Cwt. at 60°F
04	CR4	DIESEL FUEL, COMBUSTIBLE LIQUID, UN1993 LOADING TEMPERATURE BY METER CR4 78	546	1799	1764

Seal Number(s)	Due At Destination AM PM \$	COD	<input type="checkbox"/> Ppd. <input type="checkbox"/> Collect
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This is to certify that the above named materials are properly classified, described, packaged, marked, and labeled, and are in proper condition for transportation, according to the applicable regulations of the Department of Transportation.

Carrier hereby certifies that the cargo tank used for the shipment is a proper container for the commodity loaded therein and complies with Department of Transportation specifications.

per _____ Shipper

[Signature] Driver's Signature Carrier

Payment
Received by _____

Received for
Consignee _____

11-154X6, 7-83

Motor Carrier Straight Bill of Lading or Loading Ticket

(Not a Bill of Lading when moved in vehicle operated by shipper or owner of product, but merely a receipt for product in behalf of shipper or owner.)

Bill of Lading or
State Tax

Shipped from **FILLINGS MT**

CONOCO

Carrier **G M PETRO**

Shipper or
Consignor **CONOCO**

Consignee
and
Destination **G-M PETR DIST W. Isom, Dunham**

FILLINGS MT

No. **1663**

License No. _____

License No. _____

License No. _____

State Tax if
Sale in Texas _____

Date	Driver No.	Time In	Time Out	Load Area	Sequence No.	Purchase Order No.
7/18/84	112	13:32	13:42	LF1	2101	
Order No.	Petroleum Consignee No.	Carrier	Truck No.	Trailer No.		
112637154		JUST				

Product Code	Meter No.	D.O.T. Hazardous Material Description - Product	API Grav.	Gross Gals. Loaded	Net Gals. at 60°F
20	DE5	DIESEL FUEL, COMBUSTIBLE LIQUID, UN1993	348	2987	2341
		LOADING TEMPERATURE BY METER DE5 93			

Seal Number(s)	Due At Destination	COD	<input type="checkbox"/> Ppd. <input type="checkbox"/> Collect
	AM PM	\$	

This is to certify that the above named materials are properly classified, described, packaged, marked, and labeled, and are in proper condition for transportation, according to the applicable regulations of the Department of Transportation.

Carrier hereby certifies that the cargo tank used for this shipment is a proper container for the commodity loaded therein and complies with Department of Transportation specifications.

per _____ Shipper

Driver's Signature _____ Carrier

Payment
Received by _____

Received for
Consignee _____

Motor Carrier Straight Bill of Lading or Loading Ticket

(Not a Bill of Lading when moved in vehicle operated by shipper or owner of product, but merely a receipt for product in behalf of shipper or owner.)

Bill of Lading or
State Tax

Shipped from **BILLINGS MT**
GONOCO
Carrier **G M PETRO**
Shipper or
Consignor **GONOCO**
Consignee
and **G-M PETR DIST**
Destination **BILLINGS MT**

No. **1901**

License No. _____
License No. _____
License No. _____
State Tax if
Sale in Texas _____

Date	Driver No.	Time In	Time Out	Load Area	Sequence No.	Purchase Order No.
7/11/64	197	8:39	8:55	LP2	2101	
Order No.	Petrox Consignee No.	Carrier	Truck No.	Trailer No.		
122637154		CUST				

Product Code	Meter No.	D.O.T. Hazardous Material Description - Product	API Grav.	Gross Gals. Loaded	Net Gals. at 60°F
00	DE5	DIESEL FUEL, COMPUSTIBLE LIQUID, UN1993	346	2980	2043
		LOADING TEMPERATURE 155	PER 87	TEMPERATURE 155	METER

Seal Number(s)	Due At Destination	COD	<input type="checkbox"/> Ppd. <input type="checkbox"/> Collect
	AM PM	\$	

This is to certify that the above named materials are properly classified, described, packaged, marked, and labeled, and are in proper condition for transportation, according to the applicable regulations of the Department of Transportation.

Carrier hereby certifies that the cargo tank used for this shipment is a proper container for the commodity loaded thereon and complies with Department of Transportation specifications.

per _____ Shipper

Driver's Signature _____ Carrier

Payment Received by _____

Received for Consignee _____

It is declared herein that every service to be performed by the carrier is to be performed in accordance with the terms of the contract of carriage.

Motor Carrier Straight Bill of Lading or Loading Ticket

(Not a Bill of Lading when moved in vehicle operated by shipper or owner of product, but merely a receipt for product in behalf of shipper or owner.)

Bill of Lading or
State Tax

Shipped from **BILLINGS MT**
CONOCO
 Carrier **G M PETRO**
 Shipper or Consignor **CONOCO**
 Consignee and Destination **G-M PETR DIST**
BILLINGS MT

No. **1914**

License No. _____
 License No. _____
 License No. _____
 State Tax If
 Sale in Texas _____

Date 7/11/84	Driver No. 197	Time In 11:57	Time Out 12:17	Load Area LP1	Sequence No. 2101	Purchase Order No.
Order No. 198637154	Petrox Consignee No.	Carrier JUST	Truck No.	Trailer No.		

Product Code	Meter No.	D.O.T. Hazardous Material Description-Product	API Grav.	Gross Gals. Loaded	Net Gals. at 60°F.
6P	DE5	DIESEL FUEL, COMBUSTIBLE LIQUID, UN1993	346	2980	2934
			125	90	
LOADING TEMPERATURE BY METER					

Seal Number(s)	Due At Destination AM PM \$	COD AM PM \$	<input type="checkbox"/> Ppd. <input type="checkbox"/> Collect
----------------	--------------------------------	-----------------	--

This is to certify that the above named materials are properly classified, described, packaged, marked, and labeled, and are in proper condition for transportation, according to the applicable regulations of the Department of Transportation.

Carrier hereby certifies that the cargo tank used for this shipment is a proper container for the commodity loaded therein and complies with Department of Transportation specifications.

per _____ Shipper

Driver's Signature _____ Carrier

Payment
Received by _____

Received for
Consignee _____

Carrier Straight Bill of Lading or Loading Ticket

(This Bill of Lading when moved in vehicle operated by shipper or owner of product, but merely a receipt for product in behalf of shipper or owner.)

Bill of Lading or
State Tax

No. 2013

from BILLINGS MT
Carrier CONOCO
Shipper or Consignor G M PETRO
Consignee and G-M PETRO DIST
Destination BILLINGS MT

H P Boll

License No. _____
License No. _____
License No. _____
State Tax if
Sale in Texas _____

Date	Driver No.	Time In	Time Out	Load Area	Sequence No.	Purchase Order No.
7/13/84	119	13:2	13:18	LP2	2161	
Order No.	Petrox Consignee No.	Carrier	Truck No.	Trailer No.		
180837154		JUST				

Product Code	Meter No.	D.O.T. Hazardous Material Description - Product	API Grav.	Gross Gals. Loaded	Net Gals. at 60°F
CH	CR4	DIESEL FUEL, COMBUSTIBLE LIQUID, UN1993	348	4818	3947
		LOADING TEMPERATURE BY METER	98		

Seal Number(s)	Due At Destination	COD	<input type="checkbox"/> Ppd. <input type="checkbox"/> Collect
	AM PM \$		

This is to certify that the above named materials are properly classified, described, packaged, marked, and labeled, and are in proper condition for transportation, according to the applicable regulations of the Department of Transportation.

per _____ Shipper

Carrier hereby certifies that the cargo tank used for this shipment is a proper container for the commodity loaded therein and complies with Department of Transportation specifications.

[Signature] Driver's Signature *[Signature]* Carrier

Payment Received by _____

Received for Consignee _____

opponent must. Ref. - Get facts
Couldn't operate Profitably -

Whatever the costs involved it
is recognized that those costs will be
passed on - That is acceptable -
That can be dealt with if you
know the correct value you are
dealing with - It cannot be
dealt with on the basis of incorrect
valuations -

5

Motor Carrier Straight Bill of Lading or Loading Ticket

(Not a Bill of Lading when moved in vehicle operated by shipper or owner of product, but merely a receipt for product in behalf of shipper or owner.)

EXHIBIT 7
BUSINESS & INDUSTRY
March 26, 1985

Cattlemen's Roundup

Bill of Lading or
State Tax

Shipped from

No. 1688

Carrier

License No. _____

Shipper or
Consignor

License No. _____

Consignee
and

License No. _____

Destination

State Tax if
Sale in Texas _____

Date 7/ 5/84	Driver No. 100	Time In 7:00	Time Out 18:42	Load Area LPI	Sequence No. 2224	Purchase Order No.
Order No. 5012548675254	Petrox Consignee No.	Carrier DUST	Truck No.	Trailer No.		

Product Code	Meter No.	D.O.T. Hazardous Material Description-Product	API Grav.	Gross Gals. Loaded	Net Gals. at 60°F
10	GA1	GASOLINE, FLAMMABLE LIQUID, UN1203 REG	628	4600	4526
15	GA2	GASOLINE, FLAMMABLE LIQUID, UN1203 UNL	617	2580	2480
60	GA4	DIESEL FUEL, COMBUSTIBLE LIQUID, UN1903	346	1400	1372
LOADING TEMPERATURE BY METER					
	GA1		83		
	GA2		84		
	GA4		103		

Seal Number(s)	Due At Destination	COD	<input type="checkbox"/> Ppd. <input type="checkbox"/> Collect
	AM PM \$		

This is to certify that the above named materials are properly classified, described, packaged, marked and labeled, and are in proper condition for transportation, according to the applicable regulations of the Department of Transportation.

Carrier hereby certifies that the cargo tank used for this shipment is a proper container for the commodity loaded therein and complies with Department of Transportation specifications.

Shipper

Driver's Signature

Carrier

Payment
Received byReceived for
Consignee

PH-154X6, 7-83

5

Motor Carrier Straight Bill of Lading or Loading Ticket

(This is a bill of lading when moved in vehicle operated by shipper or owner of product, but merely a receipt for product in behalf of shipper or owner.)

Bill of Lading or
State Tax

Shipped from FILLMORE, CA

CONOCO

Carrier SLOAN OIL

Shipper or
Consignor CONOCOConsignee and
Destination SLOAN OIL
VAN HOUTEN, CA.*Cattle mens
Hand up*

No. 2810

License No. _____

License No. _____

License No. _____

State Tax if
Sale in Texas _____

Date 8/2/84	Driver No. 141	Time In 17:10	Time Out 17:54	Load Area L.F.	Sequence No. 2224	Purchase Order No.
Order No. 531550623404		Petrox Consignee No.		Carrier CUST	Truck No.	Trailer No.

Product Code	Meter No.	D.O.T. Hazardous Material Description-Product	API Grav.	Gross Gals. Loaded	Net Gals. at 60°F
10	RA1	GASOLINE, FLAMMABLE LIQUID, UN1203 REG	628	5200	5094
15	RA2	GASOLINE, FLAMMABLE LIQUID, UN1203 UNL	617	2501	2445
60	GR4	DIESEL FUEL, COMBUSTIBLE LIQUID, UN1903	648	1200	1174
LOADING TEMPERATURE BY METER					
	RA1		89		
	RA2		92		
	GR4		107		

Seal Number(s)	Due At Destination	COD	<input type="checkbox"/> Ppd. <input type="checkbox"/> Collect
	AM PM \$		

This is to certify that the above named materials are properly classified, described, packaged, marked, and labeled, and are in proper condition for transportation according to the applicable regulations of the Department of Transportation.

Carrier hereby certifies that the cargo tank used for this shipment is a proper container for the commodity loaded therein and complies with Department of Transportation specifications.

Shipper

Driver's Signature

Carrier

Payment
Received byReceived for
Consignee

11-154X6, 7-83

5

Motor Carrier Straight Bill of Lading or Loading Ticket

(This is the bill of lading when moved in vehicle operated by shipper or owner of product. It is merely a receipt for product in behalf of shipper or owner.)

Eggers
Unit #2Bill of Lading or
State Tax

Shipped from VINELAND

No. 5525

Carrier SAGG

License No. _____

Shipper or
Consignor SAGG

License No. _____

Consignee and
Destination SAGG

License No. _____

State Tax if
Sale in Texas _____

Date 11/13/84	Driver No. 117	Time In	Time Out 12:45	Load Area LP2	Sequence No. 2224	Purchase Order No.
Order No. 5-1154X6-7-83	Motor Carrier No.		Carrier CUST	Truck No.	Trailer No.	

Product Code	Meter No.	D.O.T. Hazardous Material Description-Product	API Grav.	Gross Gals. Loaded	Net Gals. at 60°F
150	117	FLUOROCARBON, COMBUSTIBLE LIQUID, UN1993	34.1	2253	2253
		FUEL OIL, COMBUSTIBLE LIQUID, NA1993	41.4	2501	2501
LOADING TEMPERATURE BY METER					
			60		
			60		

Seal Number(s)	Due At Destination	COD	<input type="checkbox"/> Ppd. <input type="checkbox"/> Collect
	AM PM	\$	

This is to certify that the above named materials are properly classified, described, packaged, marked, and labeled, and are in proper condition for transportation, according to the applicable regulations of the Department of Transportation.

Carrier hereby certifies that the cargo tank used for this shipment is a proper container for the commodity loaded therein and complies with Department of Transportation specifications.

per _____ Shipper

Driver's Signature

Carrier

Payment
Received byReceived for
Consignee

11-154X6, 7-83

5

Motor Carrier Straight Bill of Lading or Loading Ticket

(This is a Bill of Lading when moved in vehicle operated by shipper or owner of product, and merely a receipt for product in behalf of shipper or owner.)

Bill of Lading or
State Tax

12/29/84
At last way

Shipped from

No. *5321*

Carrier

License No. _____

Shipper or
Consignor

License No. _____

Consignee
and

License No. _____

Destination

State Tax if
Sale in Texas _____

Date <i>12/29/84</i>	Driver's Lic.	Time In	Time Out	Load Area	Sequence No.	Purchase Order No.
Order No.	Product & Consignee No.		Carrier	Truck No.	Trailer No.	

Product Code	Motor No.	D.O.T. Hazardous Material Description-Product	API Grav.	Gross Gals. Loaded	Net Gals. at 60°F
15	151	FASCEINT, FLAMMABLE LIQUID, UN1203 UNL	63	34.98	34.98
15	151	FASCEINT, FLAMMABLE LIQUID, UN1203 UNL	63	34.98	34.98
LOADING TEMPERATURE 17° 60°					

Seal Number(s)	Due At Destination	COD	<input type="checkbox"/> Ppd. <input type="checkbox"/> Collect
	AM PM \$		

This is to certify that the above named materials are properly classified, described, packaged, marked, and labeled, and are in proper condition for transportation according to the applicable regulations of the Department of Transportation.

Carrier hereby certifies that the cargo tank used for this shipment is a proper container for the commodity loaded therein and complies with Department of Transportation specifications.

Shipper

Driver's Signature Carrier

Payment
Received by _____

Received for
Consignee _____

11-154X6, 7 83

(Summary of Meter Readings and Inventory Control)

Date: 12-11-84

Location: 1503 Snowflake

Regular Report ✓

Price Change Report

	Regular	No-Lead	SUPER NO LEAD
Retail Selling Price Per Report	<u>1.067</u>	<u>1.099</u>	<u>1.117</u>
Pump No. 1	<u>4401308</u>	<u>1 8893720</u>	<u>1 1209571</u>
Pump No. 2	<u>440466</u>	<u>2 4546711</u>	<u>2 1450121</u>
Pump No. 3	<u> </u>	<u>3 5202513</u>	<u>3 </u>
Pump No. 4	<u>1370861</u>	<u>4 25660.50</u>	<u>4 2245260</u>
Pump No. 5	<u>25880.13</u>	<u>5 18051.25</u>	<u>5 1713265</u>
Pump No. 6	<u>4394493</u>	<u>6 </u>	<u>6 </u>
Total	<u>20171430</u>	<u>Total 15642054</u>	<u>Total 10620244</u>
Less Previous Readings	<u> </u>	<u>15296255</u>	<u>6470</u>
Total Gallons Metered	<u>111173</u>	<u>3457.99</u>	<u>147</u>
	<u>10140</u>	<u>INVENTORY 10440</u>	<u>10340</u>

DIP STICK READING IN INCHES

Reg Tank 63" : No-Lead 5 1/2" SUPER NO LEAD 21"

INVENTORY CONTROL	Gasoline		
	REG.	N.L.	SUPER N.L.
Opening Inventory	<u>5199</u>	<u>4437</u>	<u>2777</u>
Additions <u>124</u>	<u>5020</u>	<u>2000</u>	<u>—</u>
Sub Total	<u>10199</u>	<u>7977</u>	<u>2777</u>
Less Todays Sales	<u>4556</u>	<u>3458</u>	<u>1499</u>
Book Inventory	<u>5843</u>	<u>4529</u>	<u>1230</u>
Actual Inventory	<u>5151</u>	<u>4528</u>	<u>1237</u>
Stock Over (Short)	<u>-92</u>	<u>-1</u>	<u>-23</u>

-1296
YR TO DAY

120

MIDWEST ENERGY RESOURCES COMPANY
2000 Second Avenue, Detroit, Michigan 48226 (313)963-6156

EXHIBIT 8
BUSINESS & INDUSTRY
March 26, 1985

Superior Midwest Energy Terminal
P.O. Box 737
Superior, Wisconsin 54880
Telephone: (715) 392-9807

February 15, 1985

Mr. James Mockler
Executive Director
Montana Coal Council
2301 Colonial Drive
Helena, Montana 59601

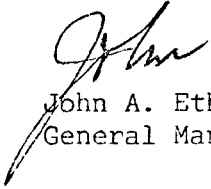
Dear Jim:

You mentioned that there is still some concern that any benefits received from a reduction in the Montana Severance Tax would or could be offset through rate increases by the Burlington Northern.

We, as you know, have a long-term contract with the Burlington Northern and nowhere in our contract are any provisions or implications which would allow the Burlington Northern to increase our rates due to a reduction of severance or any taxes. In conversations that I have had with other shippers, I have found this to be the case in their contracts also.

If any additional information is needed, please get back with me.

Sincerely,


John A. Ethen
General Manager

JAE:tlw
cc: DCMcDonald

RECEIVED

FEB 19 1985

MONTANA COAL
COUNCIL



Northern States Power Company

414 Nicollet Mall
Minneapolis, Minnesota 55401
Telephone (612) 330-5500

February 15, 1985

Mr J D Mockler
Executive Director
Montana Coal Council
2301 Colonial Drive
Helena, MT 59601

Dear Jim:

As a result of our numerous conversations regarding coal freight rates from Montana versus Wyoming, I would like to clarify the situation.

First Mr John Hertog, Senior Vice President, Coal & Taconite for the Burlington Northern Railroad, (at the Montana Coal Forum in September, 1984) stated that Burlington Northern's average 1984 coal freight rates from Montana were 1.636 cents per ton mile and from Wyoming 1.655 cents per ton mile.


As far as Northern States Power Company is concerned, we have a long-term coal freight contract with the Burlington Northern for coal deliveries from Montana to Sherco and the Twin Cities. We also have a medium term coal freight contract with the Chicago & Northwestern Railroad for deliveries from Wyoming to the Twin Cities. The rates per ton mile are very similar for both contracts. The rates per ton mile are not identical only because the Twin Cities plants require that the trains be split up into two or more segments and they take more time to unload the trains.

Both of these contracts also provide for increases or decreases in rates due to changes in railroad costs to move the coal. There are no other contract mechanisms to change the rates except substantial changes in government regulations which directly effect the cost of moving the coal.

In other words, if the state of Montana were to lower its severance tax the railroad could not absorb the coal cost reduction. Likewise Northern States Power Company could not absorb the savings since we have a fuel clause adjustment which requires all fuel cost savings be passed on to our customers.

I trust that this will help clarify the situation with the state of Montana. If you need anything further, please let me know.

Sincerely,


D H Peterson
Director
Fuel Supply Department

RECEIVED

FEB 19 1985

vf

MONTANA COAL
COUNCIL

Wisconsin Power & Light Company

Investor-owned Energy

222 West Washington Avenue

P. O. Box 192

Madison, Wisconsin 53701

Phone 608/252-3311

February 19, 1985

Mr. James D. Mockler
Executive Director
Montana Coal Council
2301 Colonial Drive
Helena, MT 59601

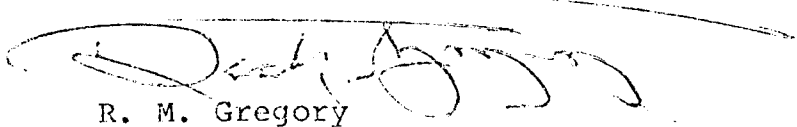
Dear Jim:

I would like to take this opportunity to restate several points made in a recent discussion that you and I had relative to the Montana coal market.

First of all, contrary to what I perceive as a misleading or misunderstood shipper-carrier market relationship, Wisconsin Power and Light has a standing contract with the Burlington Northern-Milwaukee Road railroads that controls the transportation costs charged by these carriers to Wisconsin Power and Light for transporting Montana coal. These costs are set and can only be adjusted by changes of the RCAF Index as prescribed by the ICC. Any changes in the prices of coal, i.e., elimination of the Montana severance tax, will be a direct savings to the producer and passed on as such to us. The railroads have no access to these savings or to any other cost changes in the fuel market.

In another matter, I would like to confirm that the transportation costs to move Montana coal, Coalstrip (to our Columbia Plant) are less than the costs to move Powder River coal out of Wyoming to the same Columbia Plant.

Sincerely,



R. M. Gregory
Director of Purchase
and Stores

RMG:ls.1/ss
850219a



ECONOMIC IMPACTS OF BNI IN MONTANA

- BNI and its five companies operating in Montana employ over 6,400 Montanans with a total annual payroll of nearly \$210 million.
- BNI and its subsidiaries pay additional tens of millions of dollars in retirement benefits each year to thousands of pensioners who live in Montana.
- BNI and its operating companies spend substantial sums each year improving and expanding their facilities in Montana. BNRK spent more than \$70 million on track and other improvements in Montana in 1984.
- In 1984, in addition to expenditures for capital improvements, BNI and its subsidiaries spent more than \$35 million for Montana goods and services ranging from major equipment purchases to custom labor.
- BNI's real estate development subsidiary, Glacier Park Company, actively pursues the development of commercial sites in Montana. An example is the \$20 million shopping mall to be constructed in downtown Kalispell.
- In 1984, BNI and its subsidiary companies paid over \$18 million to Montana taxing authorities.
- Meridian Oil, Inc., BNI's oil and gas subsidiary, paid \$4.2 million in production taxes on 1.6 million barrels of oil and 705 million cubic feet of gas in Montana in 1984.
- In 1984, Plum Creek Timber Company marketed Montana logs and wood products with an approximate value of \$130 million.
- Meridian Minerals Company, headquartered in Billings, is one of the largest private holders of coal reserves in the U.S. with potential for sale of Montana coal to markets in the Pacific Northwest, Northern Great Plains and the Illinois Basin regions.

MYTHS AND REALITIES ABOUT RAILROAD TRANSPORTATION AND MONTANA

MYTH:

BN grain rates continue to rise as the price of grain falls.

REALITY:

The major recent grain transportation development has been the advent of the unit train. Using this highly efficient mode, most Montana farmers ship by rail at rates which are actually *lower* than five years ago. Wheat rates from Wolf Point provide a good example. The rates per hundredweight for single car and 54-car single origin BN unit trains moving to the Pacific Northwest from Wolf Point are shown below.

	Single Car	Unit Train
October, 1980	\$2.21	none prior to 1980
October, 1981	\$1.99	\$1.72
October, 1984	\$1.96	\$1.61

In the time since the introduction of the unit train, BN's market share has grown from less than half to nearly 85% at present as more and more Montana shippers move their grain to market by unit train.

MYTH:

BN will absorb most of the tax reductions in Montana's coal tax by increasing its rates.

REALITY:

"BN will not take action by which it could recoup any reduction in the state's severance tax," stated a February 14, 1985, letter from John Herzog, Sr. Vice President, BNRK to Senator Tom Towe. Major consumers of Montana coal have written to the Montana Coal Council stating that under the contracts they have with BN, "if the State of Montana were to lower its severance tax, the railroad could not absorb the coal cost reduction."

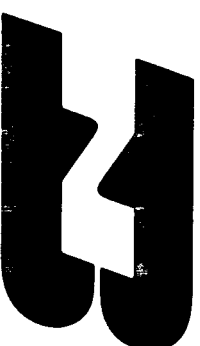
MYTH:

BN charges less to haul coal from Wyoming than from Montana because of the competitive transportation available to Wyoming producers.

REALITY:

In 1984, BN coal rates from Montana averaged 1.636 cents per ton mile and from Wyoming, 1.655 cents per ton mile. In the most recent contract negotiations for coal to be hauled either from Montana or Wyoming (where Chicago and Northwestern Railroad is seeking to compete to haul coal), the rates offered by BN were identical on a ton mile basis for both Montana and Wyoming coal.

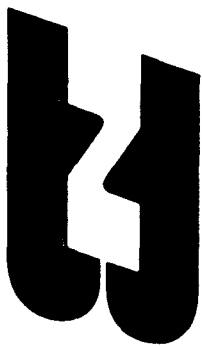
BURLINGTON NORTHERN'S INVESTMENT IN MONTANA'S FUTURE



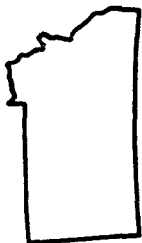
**BURLINGTON
NORTHERN
INC.**

EXHIBIT 9
BUSINESS & INDUSTRY
March 26, 1985

For further information:
BURLINGTON NORTHERN INC.
36 N. Last Chance Gulch
Suite 200
Helena, MT 59601
(406) 442-1296



BURLINGTON NORTHERN INC.



Burlington Northern's commitment to Montana began over 100 years ago and continues today as Burlington Northern Inc. and its operating companies work to strengthen Montana's economy. Burlington Northern companies are active partners in Montana business and they are making investments for Montana's future.

This brochure contains some facts and figures for you to consider when you think about Burlington Northern in Montana.

BNI SUBSIDIARIES AND

NUMBER OF MONTANA EMPLOYEES

Burlington Northern Railroad Company...	4,811
Plum Creek Timber Company, Inc.....	1,537
Meridian Oil, Inc.....	94
Meridian Minerals Company	41
Glacier Park Company.....	6
TOTAL MONTANA EMPLOYEES.....	6,489

TOTAL WAGES PAID TO
MONTANA EMPLOYEES IN 1984
\$297,806,305

STATEMENT OF 1984 MONTANA PROPERTY TAXES BURLINGTON NORTHERN INC.

COUNTY	TOTAL
BEAVERHEAD	821.74
BIG HORN	103,309.31
BLAINE	137,574.08
BROADWATER	99,409.90
CARBON	135,949.15
CARTER	5,398.14
CASCADE	768,856.67
CHOTEAU	105,415.40
CLUSTER	226,531.13
DANIELS	88,485.09
DAWSON	310,866.85
DEER LODGE	52,135.04
FALLON	37,291.42
FERGUS	161,703.34
FLATHEAD	708,683.57
GALLATIN	290,072.20
GARFIELD	25,122.10
GLACIER	199,995.73
GOLDEN VALLEY	60,340.84
GRANITE	113,962.97
HILL	359,777.37
JEFFERSON	114,191.90
JUDITH BASIN	206,520.74
LAKE	134,672.51
LEWIS AND CLARK	308,320.41
LIBERTY	80,206.03
LINCOLN	434,952.29
MADISON	54,650.80
MCCONE	61,980.87
MEIGER	538.48
MINERAL	157,535.00
MISSOULA	666,398.30
MINNESHELL	6,107.58
PARK	339,853.62
PETROLEUM	1,517.00
PHILLIPS	116,900.47
PONDERA	79,562.15
POWDER RIVER	2,726.20
POWELL	170,908.60
PIRE	110,022.26
RAVALLI	90,352.42
RICHLAND	152,301.19
ROOSEVELT	247,386.59
ROSEBUD	171,304.20
SANDERS	364,913.28
SHERIDAN	42,701.78
SILVER BOW	123,739.94
STILLWATER	121,753.66
SWEET GRASS	110,369.62
TETON	120,428.24
TOOLE	157,389.32
TRINITY	130,302.19
VALLEY	236,559.30
WHAITLAND	58,682.49
WIBAUTX	30,675.34
YELLOWSTONE	921,708.09
TOTAL	\$10,118,814.88

In addition to the property taxes shown above, Burlington Northern Inc. pays over \$8 million in production and income taxes, and excise taxes on diesel and propane fuels used.

TOTAL TAX BILL IN EXCESS OF \$18.5 MILLION

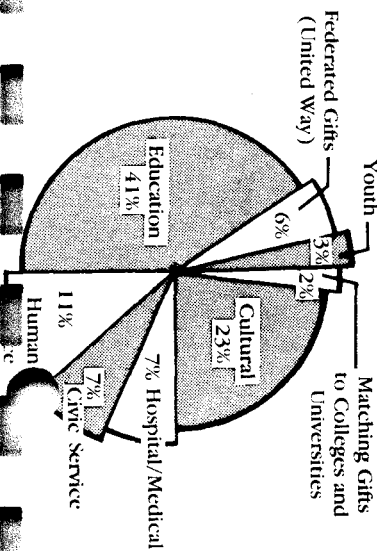
STATEMENT OF 1984 BURLINGTON NORTHERN FOUNDATION CONTRIBUTIONS

In the last few years, the Burlington Northern Foundation has grown into one of Montana's most active givers. The Foundation supports a wide range of worthwhile activities in Montana in recognition of BNI's responsibility to support and improve the general welfare and the quality of life in the communities the company serves.

1984 BNI FOUNDATION CONTRIBUTIONS IN MONTANA

COUNTY	AMOUNT
BIG HORN	\$ 1,000.00
CASCADE	\$ 44,250.00
CHOTEAU	\$ 7,500.00
CLUSTER	\$ 7,000.00
DAWSON	\$ 25,270.00
DEER LODGE	\$ 3,000.00
FERGUS	\$ 26,000.00
FLATHEAD	\$ 10,540.00
GALLATIN	\$ 54,850.00
HILL	\$ 114,770.00
LAKE	\$ 9,130.00
LEWIS AND CLARK	\$ 173,420.00
LINCOLN	\$ 695.00
MCCONE	\$ 25,000.00
MISSOULA	\$ 371,432.00
RICHLAND	\$ 1,500.00
ROOSEVELT	\$ 4,500.00
ROSEBUD	\$ 5,000.00
SANDERS	\$ 3,000.00
SILVER BOW	\$ 47,125.00
VALLEY	\$ 75,000.00
YELLOWSTONE	\$ 248,940.00
TOTAL	\$1,258,922.00

FOUNDATION GIFTS BY CATEGORY IN MONTANA



8

BN agrees to 15-year coal-hauling pact

3/16/85
The Burlington Northern Railroad has reached a 15-year coal-hauling agreement with Utility Fuels Inc., a coal supplier for Houston Lighting & Power Co.

The railroad will ship about 8.7 million tons of coal annually from the Spring Creek Mine northeast of Decker and the Caballo and Jacobs Ranch mines south of Gillette, Wyo., according to Pat Hiatte, BN's Billings Region public relations manager.

The Spring Creek Mine, which opened in 1980, is owned by NERCO

Inc. The Caballo Mine is owned by Carter Mining Co. and Kerr-McGee is listed as the owner of the Jacobs Ranch Mine.

Hiatte said BN's bid bettered that of the Chicago & North Western Transportation Co. The terms were not disclosed.

The new contract means the BN is now under contract to haul 95 million tons of coal a year, he said.

EXHIBIT 10
BUSINESS & INDUSTRY
March 26, 1985

Substitute bill
HB 567, third reading, blue copy.

Following: line 12, page 1

Strike: everything after the enacting clause and insert:

"Section 1. Notice required for cancellation. No insurer may cancel a life insurance policy, certificate of insurance, or annuity for nonpayment of premiums until the insurer has mailed or delivered to the named insured at the address shown in the policy one written notice of cancellation in addition to any billing statement, stating the date the cancellation, will become effective, which may not be less than 30 days after the date of mailing or delivery of the notice.

Section 2. Contents of notice--proof--limitation on recovery--exemptions.

(1) (a) The notice of cancellation shall state:

(i) the amount of the premium, installment, or interest due on such policy;

(ii) the place where it must be paid; and

(iii) the name and address of the person or company to which the premium is payable.

(b) the notice must also state that unless the premium or other sums are paid to the company or its agent, the policy will lapse or be forfeited, except as to any nonforfeiture options provided for by a life insurance policy.

(2) "Policyowner", as used in this section, means the owner of the policy, or any other person designated as the person to receive premium notices, as shown by the records of the insurance company.

(3) The affidavit of any responsible officer, clerk, or agent of the insurance company authorized to mail the notice that it is the standard practice of the company to mail to policyowners the notice required by this section is prima facie evidence that the notice has been duly given.

(4) No action may be maintained to recover under a lapsed or forfeited policy on the ground that the insurance company failed to comply with this section unless the action is instituted within 2 years from the due date upon which default was made in paying the premium, installment, or interest for which lapse or forfeiture is claimed.

(5) This section does not apply to:

(a) group or group-type policies;

(b) industrial life or industrial disability policies;

(c) policies upon which premiums are payable monthly or at more frequent intervals; or

(d) policies for which the premiums are billed to and payable through an employer.

Section 3. Notice required for cancellation. No insurer may cancel a disability insurance policy or certificate of insurance for nonpayment of premiums until the insurer has mailed or delivered to the named insured at the address shown in the policy one written notice of cancellation in addition to any billing statement, stating the date the cancellation will become effective, which may not be less than 30 days after the date of mailing or delivery of the notice.

Section 4. Contents of notice--proof--limitation on recovery--exemptions.

(1)(a) The notice of cancellation shall state:

(i) the amount of the premium, installment, or interest due on such policy;

(ii) the place where it must be paid; and

(iii) the name and address of the person or company to which the premium is payable.

(b) The notice must also state that unless the premium or other sums are paid to the company or its agent, the policy will lapse or be forfeited.

(2) "Policyowner", as used in this section, means the owner of the policy, or any other person designated as the person to receive premium notices, as shown by the records of the insurance company.

(3) The affidavit of any responsible officer, clerk, or agent of the insurance company authorized to mail the notice that it is the standard practice of the company to mail to policyowners the notice required by this section is prima facie evidence that the notice has been duly given.

(4) No action may be maintained to recover under a lapsed or forfeited policy on the ground that the insurance company failed to comply with this section unless the action is instituted within 2 years from the due date upon which default was made in paying the premium, installment, or interest for which lapse or forfeiture is claimed.

(5) This section does not apply to:

(a) group or group-type policies;

(b) industrial life or industrial disability policies;

(c) policies upon which premiums are payable monthly or at more frequent intervals; or

(d) policies for which the premiums are billed to and payable through an employer.

Section 5. Extension of authority. Any existing authority of the commissioner of insurance to make rules on the subject of the provisions of this act is extended to the provisions of this act.

Section 6. Codification instruction. (1) Section 1 and 2 are intended to be codified as an integral part of Title 33, chapter 20, part 1, and the provisions of Title 33, chapter 20, apply to sections 1 and 2.

(2) Sections 3 and 4 are intended to be codified as an integral part of Title 33, chapter 22, part 1, and the provisions of Title 33, chapter 22, apply to sections 3 and 4."

AMERICAN TITLE & ESCROW

EXHIBIT 12
BUSINESS & INDUSTRY
March 26, 1985

1216 — 16th Street West
Alpine Village North, Suite 21
Billings, Montana 59102-4198
Phone (406) 248-7877

March 13, 1985

Dear Committee Member Thayer:

Thank you for the opportunity to express my views in opposition to House Bill No. 338 as it pertains to title insurance agents.

The said bill attempts to make statutory law as to contracts between agents who write the title policies and underwriters, by making the contracts subject to review by the State and thus meddling in private contracts.

The said bill includes as "title insurance business" the handling of Escrow Closings, Settlements and Closings of Real Estate transactions. It is attempting to broaden the field of title insurance to include fidelity insurance.

The said bill attempts to control contracts of reinsurance between and among underwriters. Again, the Bill is meddling in private contractual arrangements.

Section 7, Page 9, of the bill attempts to put limitations on Escrow Closings and settlement services. Again, this is an arrangement between the agent and the underwriter together with a fidelity insurer for the misappropriation of funds.

Section 8, Page 11, has been under the control of underwriters and thus, if an agent does not perform his search properly and the underwriter has losses, the underwriter will cancel the agent's license.

Section 9, Page 12, deals with claims and reporting the same to the underwriter. This Section is dealt with in the policy as issued, since all policies provide the method for reporting claims to the home office of the underwriter.

Sections 11 and 12 deal with rate splitting and prohibiting the splitting of charges. All of the Underwriters' Rate and Form Manuals as filed with the Montana Insurance Commissioner contain the following:

"No commission or bonus or discount shall be paid or allowed on title insurance or any other title services"

The underwriters monitor the agents. In addition thereto, there is Section 33-17-1103, which pertains to sharing of commissions and gives authority to the Montana Insurance Commission to enforce the same if the need arises.

Sections 13 and 14 attempt to deal with damages, costs and attorney fees. All attorneys and title agents that are informed are familiar with the Jarow decision, which goes into great detail in these areas; and in addition thereto, the Jarow case deals with the imputed "bad faith" theory, which imposes punitive damages.

Continued on Page No. 2.

Section 15 attempts to force a title insurance policy onto a purchaser of land if they obtain a loan policy. Again, this is attempting to regulate loan closing agents and lenders when they perform their closings and settlements.

In 1979 the Montana Legislature passed the "Sunset Law" Section 2-8-103 M.C.A. and thus repealed all the laws relating to abstracts. This was one of the first deregulation bills. House Bill No. 338 is attempting indirectly to reinstate the abstract requirements as to examination and licensing. Furthermore, it is attempting to regulate private contracts between agents and underwriters. In addition thereto, since the legislature is having a "hard time" to make ends meet on the budget, this will only add more money to be spent, for which there will be no income to affect the same.

Briefly, my qualifications are:

- (a) Graduate of Law School
- (b) Admitted to Montana Bar in March, 1948, and I am a member as of this writing
- (c) Member of the Yellowstone County Bar Association, as of this writing
- (d) Obtained my Abstracter's License in August, 1975
- (e) June, 1977 Montana Bar sponsored Indian Law Seminar with Cale Crowley as chief contributor, which I attended
- (f) November, 1977 California Continuing Education of the Bar course covering Title Insurance and Litigation and also Title Insurance and the use of special Endorsements
- (g) February, 1978 Montana Bar sponsored a seminar entitled "Real Estate Law"
- (h) March, 1978 Practicing Law Institute from New York Law School sponsored a seminar on "Title Insurance In Major Real Estate Transactions"
- (i) April, 1979 and Practicing Law Institute sponsored a seminar on Title Insurance and the Attorney's Role.

The course covered:

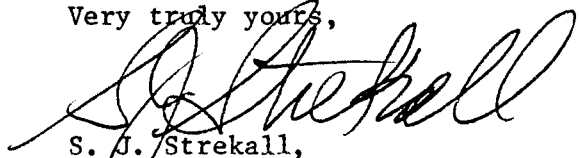
- (1) Policy Coverages
 - (2) Special Coverages
 - (3) Claims against the Insurer
 - (4) Defense to Claims
 - (5) Underwriters Duty to Defend
 - (6) Role of the Lawyer
 - (7) Lawyer as a Title Agent
 - (8) Disposing of Title Objections
- (j) August, 1979 the New York School of Law sponsored a seminar on "How to Practice under the new Bankruptcy Code insofar as it pertains to Real Property"
 - (k) 1980 Practicing Law Institute had a seminar on "Real Property Title Insurance and its role in financing and conveyancing"
 - (l) 1982 Practicing Law Institute had a seminar on Advanced Title Insurance Problems regarding owners and lenders
 - (m) October 1984 in Portland, Oregon, the ALTA held a seminar on Title Insurance
 - (n) December, 1984 the Practicing Law Institute held a seminar on "New Trends in Title Insurance" and Use of Endorsements to Title Policies

Page No. 3 - (Continued)

For your information, in 9 out of the 10 seminars above described which I attended, I was the only Title Insurance agent from Montana.

At this time I want to thank you and your fellow Committee Members for considering the facts that are contained in this letter, and I hope that House Bill 338 is killed in this Committee.

Very truly yours,

A handwritten signature in cursive script, appearing to read "S. J. Strekall".

S. J. Strekall,
Manager of American Title & Escrow

SJS:lb

CARBON TITLE GUARANTY

2 NORTH BROADWAY — THE POLLARD
P. O. DRAWER 10 — RED LODGE, MONTANA 59068
406-446-2603

March 13, 1985

Montana State Senate
Business and Industry Committee
Hon. Mike Halligan, Chairman
State Capitol Building
Capitol Station
Helena, Montana 59620

Re: House Bill 338
Montana Title Insurance Act

Dear Chairman Halligan and Committee Members:

House Bill 338 was drafted and proposed by the Montana Land Title Association, a 75 year old organization whose members are mostly ex-abstractors and whose desire it is to revive the old Abstractors Law (repealed in 1981) and the Board of Abstractors (abolished by "Sunset Law," 1979.)

House Bill 338 was primarily designed by the Montana Land Title Association to restrict the licensing of title insurance agents to its members only, thus eliminating all competition.

No necessity exists for the passage of House Bill 338. There are not now, nor has there been in the past, any consumer complaints relative to the title insurance industry or agents made to the office of the Commissioner of Insurance or by that office to the Attorney General for prosecution or litigation.

Therefore, to enact House Bill 338 into law would violate both the spirit and the letter of the "Legislative Review" law as follows:

"2-8-101 (2) (c) Montana Code Annotated. No profession, occupation, business, industry or other endeavor is subject to the state's regulatory power unless the exercise of such power is necessary to protect the public health, safety, or welfare from significant and discernible harm or damage. The exercise of the state's police power shall be done only to the extent necessary for that purpose."

"2-8-101 (2) (e) Montana Code Annotated. The state may not regulate a profession, occupation, industry, business, or other endeavor in a manner which will unreasonably adversely affect the competitive market."

Further, relative to real estate sale and loan closings, escrows and settlement services, (Section 7) these activities have nothing to do with "title insurance," and are engaged in by banks, real estate agents, attorneys, credit unions and other independent agencies. Therefore, the office of the insurance commissioner lacks jurisdiction to regulate such activities.

Further, the proponents of House Bill 338 have falsely stated that at the present time anyone can obtain a title insurance agents license. In fact, one can only obtain a title insurance agents license by first having been appointed as an agent by a title insurance underwriter licensed to do business in the State of Montana. These companies are not going to (and do not now) appoint unqualified persons to act as their agents, for to do so would only result in financial loss to that underwriter, and not to the consumer.

Therefore, there is no reason for the requirement that insurance agent applicants pass an examination prior to licensing. (Section 18.)

If the committee honestly feels that there should be an examination requirement for title insurance applicants in the future, then those presently and lawfully licensed as title insurance agents should be exempted from such requirement.

The proponents of House Bill 338 have also falsely represented that a

Montana State Senate
March 13, 1985
Page 2

grandfather clause exempting those presently and legally licensed would be unconstitutionally discriminatory, and cite Montana Land Title Association v. First American Title, 176 Mont. 471 (1975) as authority.

That case held that the grandfather clause there in question was unconstitutionally discriminatory, but went on to say that grandfather clauses in general are, and always have been, constitutional by quoting the following language: "the constitutional provisions against discrimination do 'not forbid statutes and statutory changes to have a beginning, and thus to discriminate between the rights of an earlier and later time.' All things must have a period of adjustment, and such classification is not 'arbitrary classification.'"

Therefore, the following amendment to Section 18 (6) (pages 23 and 24) is suggested:

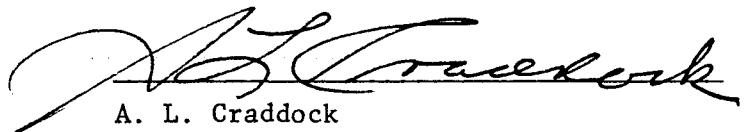
"(h) any individual lawfully licensed as a title insurance agent as of or immediately prior to January 1, 1985, and thereafter continuing to be so licensed;"

Also, I believe that attorneys licensed to practice law in the State of Montana should also be exempt from an examination. This exemption could be accomplished as follows:

(i) licensed Montana attorneys applying for title insurance agent's license."

Lastly, I enclose herewith a list of over 50 Montana individuals or businesses who are opposed to House Bill 338. We urgently request that you not pass this bill.

Very truly yours,



A. L. Craddock
Licensed Montana Attorney at Law
Licensed Montana Title Insurance Agent

ALC:bjs

Enclosures

1. Treasure State Title, Licensed Corporate Title Insurance Agency, Hardin, Montana.
2. Helen Deneen, Licensed Title Insurance Agent, Hardin, Montana.
3. Morgan Deneen, owner of Licensed Title Insurance Agency, Hardin, Montana.
4. Rick Seder, Licensed Real Estate Broker, Hardin, Montana.
5. Natasha J. Morton, Licensed Montana Attorney, Hardin, Montana.
6. Douglas Freeman, Licensed Montana Attorney, Hardin, Montana.
7. Wayne Parris, President, Federal Land Bank Association of Billings, Montana.
8. Wayne Meridith, Production Credit Association, Hardin, Montana.
9. Dave Reisig, Production Credit Association, Hardin, Montana.
10. Patricia D. O'Connor, Licensed Title Insurance Agent, Hardin, Montana.
11. Ray Grant, Licensed Title Insurance Agent, Miles City, Montana.
12. Nick Murnion, Licensed Montana Attorney, Jordan, Montana.
13. David Rivenes, Licensed Title Insurance Agent, Miles City, Montana.
14. Joseph Bradley, Licensed Montana Attorney, Laurel, Montana.
15. Larry Herman, Licensed Montana Attorney, Laurel, Montana.
16. Joseph E. Mudd, Licensed Montana Attorney, Bridger, Montana.
17. Wayne L. Vick, Licensed Montana Attorney, Bridger, Montana.
18. Title Montana, Inc., Licensed Corporate Title Insurance Agency, Bozeman, Montana.
19. Richard Booth, Licensed Title Insurance Agency Manager, Bozeman, Montana.
20. McKinnley Anderson, Licensed Montana Attorney and Licensed Title Insurance Agent, Bozeman, Montana.
21. Marvin Albach, Licensed Montana Attorney, Bozeman, Montana.
22. Buffalo Land Title Company, Licensed Corporate Title Insurance Agency, Bozeman, Montana.
23. Andrew Siebert, Licensed Title Insurance Agent, Bozeman, Montana.
24. Warren Tucker, Licensed Montana Attorney, Virginia City, Montana.
25. William F. Meisberger, Licensed Montana Attorney and Real Estate Broker, Forsyth, Montana.
26. Mary Jane Bertrand, Licensed Title Insurance Agent, Miles City, Montana.
27. Darrell Peterson, Licensed Montana Attorney and Title Insurance Agent, Cutbank, Montana.
28. North American Land Title Company of Forsyth, Licensed Corporate Title Insurance Agency, Forsyth, Montana.

29. Lance A. Pedersen, Licensed Montana Attorney, Hardin, Montana.
30. Richard Sidwell, Sidwell Land and Cattle Company, Columbus, Montana.
31. William R. Palmer, Land Developer, Billings, Montana.
32. Phillip O'Connell, Licensed Montana Attorney and Title Insurance Agent, Missoula, Montana.
33. Tim Ritter, Petroleum Land Title Examiner, Red Lodge, Montana.
34. Genivieve Remillard, Corporate Title Agency Owner, Forsyth and Glendive, Montana.
35. Claudia R. Elton, Licensed Title Insurance Agent, Red Lodge, Montana.
36. Carbon Title Guaranty, Licensed Corporate Title Agency, Red Lodge, Montana.
37. R. K. Craddock, Licensed Title Insurance Agent, Red Lodge, Montana.
38. A. L. Craddock, Licensed Montana Attorney and Title Insurance Agent, Red Lodge, Montana.
39. Doloris Storm, Licensed Title Insurance Agent, Forsyth, Montana.
40. North American Land Title Company of Glendive, Licensed Corporate Title Insurance Agency, Glendive, Montana.
41. Muriel Lohman, Licensed Title Insurance Agent, Glendive, Montana.
42. Insured Titles, Inc., Licensed Title Insurance Underwriter with 15 Licensed Title Insurance Agents who are also Licensed Montana Attorneys, Wichita, Kansas.
43. Terry J. Hanson, Licensed Montana Attorney, Miles City, Montana.
44. Russell K. Filner, Licensed Montana Attorney, Billings, Montana.
45. Richard C. Nellen, Licensed Montana Attorney, Hardin, Montana.
46. Richard A. Dorn, Licensed Real Estate Broker, Hardin and Billings, Montana.
47. Earle C. Gross, President, Little Horn State Bank, Hardin, Montana.
48. L. L. Shore, Vice President, Little Horn State Bank, Hardin, Montana.
49. Harold C. Stanton, Licensed Montana Attorney, Hardin, Montana.
50. American Title and Escrow, Licensed Title Insurance Agency, Billings, Montana.
51. Steven Streckall, Licensed Montana Attorney and Title Insurance Agent, Billings, Montana.
52. Teddy Annear, Real Estate Closing, Escrow and Disbursement business, Bozeman, Montana.
53. Harry Annear, Contractor and Concerned Citizen, Bozeman, Montana.
54. Beverly B. Shaw, Concerned Citizen, Red Lodge, Montana.

STANDING COMMITTEE REPORT

Page 1 of 4

MARCH 26

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19.....

MR. PRESIDENT

BUSINESS & INDUSTRY

We, your committee on.....

having had under consideration..... HOUSE BILL No. 567

third reading copy (blue)
color

REQUIRE WRITTEN NOTICE OF CANCELLATION OF LIFE & HEALTH INSURANCE POLICIES (Thayer)

Respectfully report as follows: That..... HOUSE BILL No. 567

be amended as follows

Following: line 12, page 1

Strike: everything after the enacting clause and insert:.

"Section 1. Notice required for cancellation. No insurer may cancel a life insurance policy, certificate of insurance, or annuity for nonpayment of premiums until the insurer has mailed or delivered to the named insured at the address shown in the policy one written notice of cancellation in addition to any billing statement, stating the date the cancellation, will become effective, which may not be less than 30 days after the date of mailing or delivery of the notice.

Section 2. Contents of notice--proof--limitation on recovery--exemptions.

(i)(a) The notice of cancellation shall state:

(i) the amount of the premium, installment, or interest due on such policy;

(iii) the place where it must be paid; and

(continued)

~~XXXXXX~~
DO NOT PASS

~~XXXXXX~~
DO NOT PASS

.....
Chairman.

(iii) the name and address of the person or company to which the premium is payable.

(b) the notice must also state that unless the premium or other sums are paid to the company or its agent, the policy will lapse or be forfeited, except as to any nonforfeiture options provided for by a life insurance policy.

(2) "Policyowner", as used in this section, means the owner of the policy, or any other person designated as the person to receive premium notices, as shown by the records of the insurance company.

(3) The affidavit of any responsible officer, clerk, or agent of the insurance company authorized to mail the notice that it is the standard practice of the company to mail to policyowners the notice required by this section is prima facie evidence that the notice has been duly given.

(4) No action may be maintained to recover under a lapsed or forfeited policy on the ground that the insurance company failed to comply with this section unless the action is instituted within 2 years from the due date upon which default was made in paying the premium, installment, or interest for which lapse or forfeiture is claimed.

(5) This section does not apply to:

(a) group or group-type policies;

(b) industrial life or industrial disability policies;

(c) policies upon which premiums are payable monthly or at more frequent intervals; or

(d) policies for which the premiums are billed to and payable through an employer.

Section 3. Notice required for cancellation. No insurer may cancel a disability insurance policy or certificate of insurance for nonpayment of premiums until the insurer has mailed or delivered to the named insured at the address shown in the policy one written notice of cancellation in addition to any billing statement, stating the date the cancellation will become effective, which may not be less than 30 days after the date of mailing or delivery of the notice.

(continued)

Section 4. Contents of notice--proof--limitation on recovery--exemptions.

(1)(a) The notice of cancellation shall state:

(i) the amount of the premium, installment, or interest due on such policy;

(ii) the place where it must be paid; and

(iii) the name and address of the person or company to which the premium is payable.

(b) The notice must also state that unless the premium or other sums are paid to the company or its agent, the policy will lapse or be forfeited.

(2) "Policyowner", as used in this section, means the owner of the policy, or any other person designated as the person to receive premium notices, as shown by the records of the insurance company.

(3) The affidavit of any responsible officer, clerk, or agent of the insurance company authorized to mail the notice that it is the standard practice of the company to mail to policyowners the notice required by this section is prima facie evidence that the notice has been duly given.

(4) No action may be maintained to recover under a lapsed or forfeited policy on the ground that the insurance company failed to comply with this section unless the action is instituted within 2 years from the due date upon which default was made in paying the premium, installment, or interest for which lapse or forfeiture is claimed.

(5) This section does not apply to:

(a) group or group-type policies;

(b) industrial life or industrial disability policies;

(c) policies upon which premiums are payable monthly or at more frequent intervals; or

(continued)

(d) policies for which the premiums are billed to and payable through an employer.

Section 5. Extension of authority. Any existing authority of the commissioner of insurance to make rules on the subject of the provisions of this act is extended to the provisions of this act.

Section 6. Codification instruction. (1) Section 1 and 2 are intended to be codified as an integral part of Title 33, chapter 20, part 1, and the provisions of Title 33, chapter 20, apply to sections 1 and 2.

(2) Sections 3 and 4 are intended to be codified as an integral part of Title 33, chapter 22, part 1, and the provisions of Title 33, chapter 22, apply to sections 3 and 4."

AND AS AMENDED
BE CONCURRED IN