HOUSE BILL NO. 20

INTRODUCED BY FABREGA

IN THE HOUSE

January 3, 1983 Introduced and referred to Committee on Business and Industry. Committee recommend bill do January 6, 1983 pass. Report adopted. January 7, 1983 Bill printed and placed on members' deaks. January 10, 1983 Second reading, do pass. January 11, 1983 Considered correctly engrossed. January 12, 1983 Third reading, passed. Transmitted to Senate. IN THE SENATE January 13, 1983 Introduced and referred to Committee on Business and Industry. January 17, 1983 Committee recommend bill be concurred in. Report adopted. January 19, 1983 Second reading, concurred in. January 21, 1983 Third reading, concurred in. Ayes, 39; Noes, 4. IN THE HOUSE January 21, 1983 Returned to House. January 22, 1983 Sent to enrolling.

Reported correctly enrolled.

1 HOUSE BILL NO. 20 2 INTRODUCED BY __FABREGA 3 4 A BILL FOR AN ACT ENTITLED: "AN ACT TO GENERALLY REVISE THE 5 LAWS RELATING TO BUILDING AND LOAN ASSOCIATIONS: AUTHORIZING 6 THE FORMATION OF CAPITAL STOCK ASSOCIATIONS: PROVIDING FOR 7 CONVERSION BETWEEN CAPITAL STOCK AND MUTUAL ASSOCIATIONS: 8 AMENDING SECTIONS 32-2-101, 32-2-201, 32-2-205, 32-2-207 9 THROUGH 32-2-212: 32-2-221: 32-2-224: 32-2-231: 32-2-301: 10 32-2-309, 32-2-401, 32-2-404, 32-2-410, 32-2-416 THROUGH 11 32-2-418, 32-2-431, 32-2-432, 32-2-441, AND 32-2-501 THROUGH 12 32-2-503, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE." 13 14 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA: 15 Section 1. Section 32-2-101, MCA, is amended to read: #32-2-101. Purpose -- definitions. (1) A corporation 16 17 mutually operated for the purpose of encouraging home ownership and thrift awong --its wembers and making 18 substantially all of its loans to-them on real estate 19 20 mortgage security shall be known in this chapter as a 21 building and loan association or a savings and loan 22 association and is under the supervision of the department. 23 which shall enforce all laws with respect to it.

24 t2t--The-owners-of-shares-in-s-building-and-loan
 25 association-are-called-stockholdersu-The-mambers-of-a

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1	buildingandloonassociationareitsshareholdersy		
2	stockholdersyborrowersy-or-purchasers-of-real-estate-under		
З	contracta		
4	(3)[2] The associations have continual succession and		
5	shall be organized under the provisions of this chapter.		
6	(4)(3) When used in this chapter, the following		
7	definitions apply:		
8	(a) "Building and loan association" includes savings		
9	and loan associations organized under this chapter.		
10	(b) "Department" means the department of commerce		
11	provided for in Title 2, chapter 15, part 18.		
12	(c) "Capital stock" means the aggregate of shares of		
13	nonwithdrawable capital issues by a capital stock		
14	association.		
14 15	<u>association.</u> (d)Member" means:		
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15	(d) "Member" means:		
15 16	(d) "Hember" means: (i) a person bolding a sayings account of a mutual		
15 16 17	<pre>(d) "Hember" means: (ii a person holding a savings account of a mutual association:</pre>		
15 16 17 18	<pre>(d) "Hember" means: (i) a person holding a sayings account of a mutual association: (ii) a person borrowing from or assuming or obligated</pre>		
15 16 17 18 19	<pre>(d) "Hember" means: (ii a person holding a savings account of a mutual association: (ii) a person borrowing from or assuming or obligated upon a lgan or an interest therein held by the association;</pre>		
15 16 17 18 19 20	<pre>(d) "Hember" means: (i) a person holding a savings account of a mutual association: (ii) a person borrowing from or assuming or obligated upon a loan or an interest therein held by the association: (iii) a person purchasing property securing a loan or</pre>		
15 16 17 18 19 20 21	<pre>(d) "Hember" means: (ii person_holding a savingsaccountofamutual association: (iii personborrowing_from_orassuming_or_obligated upon a loan_or_an interest therein held by theassociation: (iii) apersonpurchasing_property_securing a loan_or interest therein_held by_such_association: or</pre>		
15 16 17 18 19 20 21 21 22	<pre>(d) "Hember" means: (i) a person holding a savings account of a mutual association: (ii) a person borrowing from or assuming or obligated upon a loan or an interest therein held by the association; (iii) a person purchasing property securing a loan or interest therein held by such association; or (iv) any other person obligated to the association.</pre>		
15 16 17 18 19 20 21 22 23	<pre>(d) "Hember" means: (ii</pre>		
15 16 17 18 19 20 21 22 23 24	<pre>(d) "Hember" means: (i)</pre>		

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1	liability of the association which is credited to the
Z	account of the bolder thereof and includes any form of
3	withdrawable_deposit.
4	[g] "Stock association" means a building and loan
5	association formed with authority to issue stock.
6	(h) "Stockholder" means the holder of one or more
7	shares of any class of capital stock of a capital stock
8	association organized and operating pursuant to the
9	provisions of this chapter.
10	(4) For the purposes of subsection (3)(d), a joint.
11	survivorship. or any other multiple owner or borrower
12	relationship constitutes a single membership."
13	Section 2. Section 32~2-201, MCA, is amended to read:
14	#32-2-201. Articles of incorporation contents.
15	Whenever any number of persons, not less than five, desire
16	to incorporate a building and loan association, having for
17	its object the conduct and operation of such an association
18	as defined in this chapter, they shall prepare and file
19	articles of incorporation to that effect in the manner
20	specified in this chapter. Such articles shall be signed.
21	sealed, and acknowledged in the form now provided by the
22	statutes of this state for the conveyance of real estate and
23	shall include the following:
Z4	(1) the name of the association, which may not be the
25	same as or too closely resemble that in use by any existing

1	corporation established under the laws of this state. The
2	words building and loan association or savings and loan
3	association shall form a part of the name, and a corporation
4	not organized under this chapter may not use a name
5	embodying that combination of words, provided that the
6	associations existing as of May 1, 1927, may continue their
7	present names.
8	(2) the principal office or place of business of the
9	associations which shall be within this state;
10	(3) if a capital stock association, the amount of its
11	copital-stock-and-the <u>aggregate</u> number of shares into which
12	the sameshallbedividedThecopitalstock-shall-be
13	divided-into-shares-having-a-pay-value-of-\$100. <u>corporation</u>
14	will have authority to issue:
15	(4) a provision that such association is organized
16	under this chapter for the purposes herein expressed;
17	(5) the names and residences of the persons who
18	subscribed and acknowledged the declaration, a majority of
19	whom shall be citizens of this state and shall thereafter be
20	called incorporators."
21	Section 3. Section 32-2-205, MCA, is amended to read:
22	#32-2-205• Gepits7-stock-requirementsinvestigation
23	Investigation certificate of incorporation, how issued.
24	{}}~The-capital-stock-named-in-the-srticles-of-incorpora :ion
25	refers-to-the-outhorizad-capital-stock .

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 {2}--The-organization-may-be-completed and-business

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 commenced-when-5%-of-the-capital-stock-is-subscribed-and-not

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 thereafter-be-maintained.

5 (3)(1) (a) When the articles of incorporation are in 6 proper form and regularly executed and the bylaws have been 7 duly approved as required in 32-2-204 and it-appears to -- the 8 satisfaction--of--the--department--that-51-of-the-authorized 9 capital-has-actually-been-paid-in-cash-upon-the-subucription 10 of shores and, in the case of a mutual association, the 11 requirements of [section 27] have been complied with or, in 12 the case of a capital stock association, the requirements of 13 [section 30] have been complied with, the department shall 14 then ascertain from the best sources of information at its command the responsibility, character, and general fitness 15 16 of the incorporators. The department shall also determine whether there is a reasonable need for the existence of the 17 18 association and whether the public convenience and advantage 19 will be promoted by its existence.

20 (b) If the department is not satisfied with the result 21 of its investigations of the matters specified in this 22 section, it shall, within 60 days after the articles of 23 incorporation and bylaws have been presented to it, refuse 24 to issue the certificate described in this section.

25 (c) If it is satisfied with the result of its

investigations, it shall, within 60 days after the articles
 of incorporation and bylaws have been presented to it, issue
 under its official seal a certificate reciting in substance
 the filing in its office of the articles of incorporation
 and bylaws.

6 (4)(2) (a) The certificate shall also state that the 7 articles and bylaws conform to all the requirements of this ß chapter, that the department has approved them and that it 9 believes that the incorporators are fit and proper persons to conduct the business of a building and loan association 10 11 as defined in this chapter and the bylaws, that there is a 12 reasonable need for the existence of the building and loan 13 association, and that the public convenience and advantage 14 will be promoted thereby.

15 (b) The certificate shall be made in guadruplicate and attached to each copy of the articles of incorporation, one 16 17 of which shall be retained by the department. The other 18 three shall be returned to the incorporators, who shall immediately file one copy with the secretary of state and 19 one with the clerk and recorder of the county in which the 20 21 principal place of business of the association is located. 22 The other copy shall be retained by the association.

(c) Immediately upon the receipt of the certified
copy, the secretary of state shall issue a certificate of
incorporation, at which time the incorporation of the

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1 association is complete.*

2 Section 4. Section 32-2-207, MCA, is amended to read: 3 #32-2-207. Removal of directors. No director shall be removed from office except as herein provided or by a vote 4 5 of the members of a mutual association representing two-thirds of the withdrawable deposits in the association 6 7 or the stockholders of a capital stock corporation holding two-thirds of the capital stocks at a general meeting held 8 9 after previous notice given in the manner provided in 10 32-2-209. Meetings of the <u>members or</u> stockholders for this 11 purpose may be called by the president or by a majority of 12 the directors or by stockholders holding not less than 25% 13 of the capital stock."

Section 5. Section 32-2-208, MCAy is amended to read: "32-2-208. Meetings of stockholders and directors. (1) The meetings of the members or stockholders of a Montana building and loan association must be held at its office or principal place of business in this state.

19 {2] In its bylaws, such association shall provide for 20 at least one regular meeting of <u>members_or</u> stockholders 21 annually. Notice of any meeting, whether regular or special, 22 shall be given by the secretary in accordance with 32-2-209. 23 The board of directors shall have the right to call a 24 special meeting at any time. The board of directors must 25 also call a special meeting whenever petitioned to do so by:

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-	(a) members of a mutual association representing at
2	<u>least 25% of the withdrawable deposits of the association:</u>
3	<u>or</u>
4	(b) stockholders owning at least 25% of the issued
5	stock.
6	(3) The secretary shall call special meetings in the
7	same manner as provided in 32-2-209."
8	Section 6. Section 32-2-209. MCA, is amended to read:
9	"32-2-209. Notice of meetings. (1) At least 30 days
10	prior to any annual or special meeting of any such
11	association, a notice stating the time and place of such the
12	meeting shall be deposited in the post office at the
13	principal place of business of such associations directed to
14	each member <u>or stockholder</u> at his address, as the same
15	appears at the time on the books of the association, and
16	when so deposited, postage prepaid, shall be deemed a legal
17	and sufficient notice of any such meeting.
18	(2) In addition thereto notice may be given by four
19	consecutive weekly publications in a newspaper published in
20	the county where the association has its principal place of
21	business. Such publication shall be complete on the day of
22	the fourth publication.

(3) In notices of special meetings there shall be
 attached to and accompanying such notice a statement of any
 matter or matters to be considered at said meeting.

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1 (4) All members <u>or stockholders</u> of such <u>the</u> 2 association shall be entitled to vote at such <u>the</u> meetings 3 in person or by proxy."

Section 7. Section 32-2-210, MCA, is amended to read: 4 5 "32-2-210. Proxies. At least once every year the board 6 of directors of every building and loan association shall. 7 by resolution, cause the secretary of such association to mail to every member or stockholder of such association a 8 9 blank form of proxy, and the member or stockholder may 10 withdraw his former proxy and substitute another in its stead. Every proxy shall continue in force and be binding 11 upon the member or stockholder until such proxy is revoked 12 13 or another substituted."

14 Section 8. Section 32-2-211, MCA, is amended to read: *32-2-211. Transfer of stock or account -- effect. (1) 15 The delivery of a capital stock certificate of a building 16 and loan association to a bona fide purchaser or pledgee for 17 18 value, together with a written transfer of the same or a written power of attorney to sell, assign, or transfer the 19 same, signed by the owner of the certificate, shall be a 20 sufficient delivery to transfer the title as against the 21 creditors of the transferor and subsequent purchasers; but 22 23 no such transfer shall affect the right of the building and loan association to pay any dividend due upon the stock or 24 25 treat the holder of record as the holder in fact until such transfer is recorded upon the books of the building and loan
 association or a new certificate is issued to the person to
 whom it has been transferred.

4 (2) A savings account or any interest therein is 5 transferable on the books of the association only upon 6 proper written application and acceptance by the association 7 of the transferee as a member: subject to terms approved by 8 the board of directors. The association may treat the holder 9 of record of a savings account as the owner thereof without 10 being affected by any motice to the contrary unless the 11 association has acknowledged in writing the receipt of 12 notice of a pledge of the savings account." 13 Section 9. Section 32-2-212, MCA, is amended to read: 14 "32-2-212. Requirements of transfer in certain cases. 15 When a certificate of stock <u>or a savings account</u> in a 16 building and loan association is owned by persons residing 17 out of the state or is lost, the president, secretary, or 18 directors of such association, before entering any transfer 19 of such stock or account on its books or before issuing a 20 new certificate therefor to the transferee or owner, may 21 require from the attorney or agent of the owner or from the person claiming under the transfer an affidavit or other 22 23 evidence that the owner was alive at the date of the 24 transfer or that the original certificate is lost and has 25 not been assigned or transferred and may also require from

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the attorney, agent, or claimant a bond of indemnity, with a 1 2 surety or sureties satisfactory to the officers of such association, to protect such association against any 3 liability to the owner, assignee, or transferee of such 4 5 shares or account or the legal representatives of the owners 6 of such shares or account, in case of his or her death before the transfer, and also to protect such the 7 association against any liability accruing or resulting by 8 reason of said lost or original certificate being thereafter 9 10 presented to it. If such the affidavit or other evidence or 11 bond be is not furnished when required as herein provided, 12 neither such the association nor any officer thereof shall 13 be liable for refusing to enter the transfer on the books of 14 the association."

15 Section 10. Section 32-2-221, MCA, is amended to read: 16 "32-2-221. Foreign associations -- requirements. (1) 17 An association, as defined in 32-2-103, organized under the 18 laws of any other state, of the United States, or of any 19 foreign government shall, before doing business in this 20 state, file with the secretary of state and the department a 21 duly authenticated copy of their charter, articles of 22 incorporation, or articles of agreement and also a 23 statement. verified by oath of the president and secretary 24 of the corporation or managing officials if other than a 25 corporation and duly verified, showing:

1 (a) the name of the association and the location of 2 its principal office or place of business outside this state 3 and the location of the place of business or principal 4 office in this state: 5 (b) the names and residences of the officers, 6 trustees, or directors: 7 (c) the amount of capital stock. if any, and savings 8 liability; 9 (d) the amount of capital invested in the state of 10 Montana. 11 (2) The association shall also file, at the same time 12 and in the same offices, a certificate, signed by its 13 president, vice-president, or other acting head and by its 14 secretary, if there is one, certifying that the association 15 has consented to all the license laws and other laws of this 16 state relative to foreign associations and has consented to 17 be sued in the courts of this state upon all causes of 18 action arising against it in this state and that service of 19 process may be made upon a citizen of this state, whose name

20 and place of residence shall be designated in the 21 certificate. Service of process on that agent is valid 22 service on the association."

Section 11. Section 32-2-224, MCA, is amended to read:
 "32-2-224. Shares of stock and savings accounts
 subject to attachment. The stock or shares savings accounts

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1 of such foreign associations doing business in this state 2 shall be subject to attachment in the same manner as now 3 provided by law in the case of domestic associations." 4 Section 12. Section 32-2-231. MCA. is amended to read: 5 "32-2-231. Consolidation and transfer --- branching ő prohibited. (1) Only building and loan associations 7 organized and chartered under the laws of the state of 8 Montana may, with the approval of the department. 9 consolidate and become incorporated in one body, with or without any dissolution or division of the funds or property 10 11 of any of them. Any association may transfer its 12 engagements, funds, and property to any other association 13 upon terms agreed upon by a majority vote of the respective 14 board of directors and ratified by a two-thirds vote of the 15 shares or members owning at least two-thirds of the withdrawable deposits in the association, present and voting 16 17 in person or by proxy at a special meeting or meetings of 18 the stockholders or sembers of the respective associations 19 convened for that purpose, upon notice given as provided by 20 lawy; the notice to state the object of the meeting. A 21 transfer may not prejudice any right of any creditor of the 22 association.

(2) Branching by merger or branching otherwise between
a building and loan association organized and chartered
under the laws of Montana and a building and loan

association organized and chartered under the laws of any

2 other state is prohibited. Branching de novo in Montana by a 3 foreign-chartered building and loan association is 4 prohibited.

5 (3) Insofar as this section limits or reduces the 6 rights, powers, or privileges of building and loan 7 associations previously granted by law, it shall apply only 8 to proposed consolidations or mergers of associations which 9 are initiated by action taken by their board of directors 10 and shareholders subsequent to April 14, 1977.*

11 Section 13. Section 32-2-301, MCA, is amended to read: 12 #32-2-301. Examinations by department. The department 13 shall examine all building and loan associations doing 14 business in this state at least once a year. Also, when the 15 holders of 10% of the subscribed stock or members holding 16 10% of the withdrawable deposits of an association file a 17 written application with the department requesting it to 18 make a special examination of an association, it shall make 19 the examination immediately. The expense of the examiner making the examination shall be paid by the association 20 21 examined, and the examiner's finding shall be available to 22 the petitioners and the board of directors of the 23 association notwithstanding any provisions to the contrary 24 contained in this chapter."

25 Section 14. Section 32-2-309, MCA, is amended to read:

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1 #32-2-309. Insolvency or impairment of association --2 powers of department. (1) When it appears to the department 3 that the affairs of a building and loan association are in an unsound condition or that it is conducting its business 4 5 in an unsafe or unlawful manner, the department may take 6 possession of all books, records, and assets of every 7 description of the association and retain possession of them 8 pending the further proceedings specified in this section. 9 (2) If the board of directors, secretary, or person in 10 charge of the association refuses to permit the department 11 to take possession, the department shall communicate that fact to the attorney general. The attorney general shall at 12 13 once institute the proceedings necessary to place the 14 department in immediate possession of the property of the 15 association.

16 (3) Upon taking possession of the effects of the 17 association, the department shall prepare a full and true 18 statement of the affairs and condition of the association, 19 including an itemized statement of its assets and 20 liabilities, and shall receive and collect all debts, dues, 21 and claims belonging to it and pay the immediate and 22 reasonable expenses of the department's trust.

(4) When the condition of the association has been
fully ascertained and it appears that the affairs of the
association are in fact in an unsound condition, the

department shall at once notify, in writing, the board of
 directors of the association of its decision, giving them 20
 days in which to restore the affairs of the association to
 sound condition.

5 (5) Meanwhile, the department shall remain in charge 6 of the books, records, and assets of every description of 7 the association, shall attend or be represented at all 8 directors and stockholders <u>or members</u> meetings held, and 9 shall suggest those steps it considers necessary to restore 10 the association to a sound condition.

11 (6) If the association is not restored to a sound 12 condition within 20 days, the department shall report the 13 facts to the attorney general. The attorney general shall 14 institute proceedings in the district court of the county in 15 which the association has its principal place of business 16 for the appointment of the department as receiver.

17 (7) As receiver, the department may collect all moneys 18 due the association and may do those other acts which are 19 necessary to conserve its assets and business, and it shall liquidate the association's affairs. The department may, 20 21 except as otherwise limited by the terms of this chaptery do 22 any acts necessary or, in its discretion, desirable for the 23 protection of the property and assets of the association and 24 the speedy and economical liquidation of its assets and 25 affairs and the payment of its creditors or for the

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resumption of business of the association where that is
 practicable or desirable. The department may institute in
 its own name or in the name of the association those legal
 proceedings it considers expedient for those purposes.

5 (8) By applying to the district court of the county in 6 which the association is located, or to the judge thereof in 7 chambers, the department may, upon sufficient showing of 8 cause, obtain an order to sell, compromise, or compound any 9 bad or doubtful debt or claim and to sell any of the assets. 10 The sale may be made to stockholders, members, officers, 11 directors, or others interested in the association; on consent of the court. On the proceedings the association 12 13 shall be made a party by notice issued on order of the court 14 or judge. in place of summons but served in like manner. 15 The hearing of the application or petition by the department gay be had at any time, either in term or vacation in court 16 in chambers, as the court may order, after the 17 or 18 association has had 5 days' notice of the application." 19 Section 15. Section 32-2-401, MCA, is amended to read: 20 "32-2-401. Powers and duties of building and loan associations. A building and loan association may: 21 22 (1) have continual succession by its corporate name;

(2) sue and be sued in any court;

24 (3) make and use a common seal and alter it at25 pleasure;

1 (4) appoint those officers or agents the business of 2 the corporation requires and pay them suitable compensation: 3 (5) enter into obligations or contracts essential to 4 the transaction of its ordinary affairs or for the purposes 5 of the corporation; (6) issue stock to stockholders and savings 6 7 certificates to members on the terms and conditions the 8 constitution articles of incorporation and bylaws provider 9 but-an-association-may-not-issue-proferred-stock; 10 (7) assess and collect from members dues-on-stock and 11 interest on loans at the times and in the amount provided 12 for in the constitution articles of incorporation and 13 bylaws; 14 (8) permit members to withdraw all or part of their 15 stock-credits savings at the times and upon the terms as the 16 constitution articles of incorporation and bylaws may 17 provide; 18 (9) cancel shares-of-stock savings certificates upon which all credits have been withdrawn or upon which loans 19 have been canceled or stock <u>savings</u> upon which no payments 20 21 have been made for a period of 6 months, by returning to the 22 stockholders members all credits, if any, and reissue the

23 shares certificates as new stock savings certificates;

24 (10) issue stock savings certificates to minors and
 25 permit it them to be withdrawn as other stock savings

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1 certificates. The receipt by the minor is a valid
2 acquittance if his rights have been fully secured to him.
3 (11) acquire, hold, encumber, and convey that real
4 estate and personal property necessary for the transaction
5 of its business or necessary to enforce or protect its
6 securities;

7 (12) borrow money, only when necessary and not
8 exceeding 20% of its assets, except when borrowing from the
9 federal home loan bank as provided in 32-2-405, and issue
10 its promissory note for the loan;

11 (13) make loans to members on the security of the 12 shares savings accounts of the association and also on their 13 notes secured by first mortgages on improved real estate. 14 including suburban homes but not on farm lands or mining 15 property, for not to exceed 75% of the actual value of the 16 real estate and upon the terms and conditions which may be 17 provided in the constitution articles of incorporation and 18 bylaws:

19 (14) cancel those loans and release the securities on20 those terms the board of directors may provide;

21 (15) invest the money of the association in accordance 22 with 32-2-406;

23 (16) loan money to other building and loan
24 associations;

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(17) make a-semiannual distribution of all the-earnings

interest and dividends earned after payment of expenses and
 setting aside a sum for the contingent funds as provided in
 this chapter:

4 (18) amend its articles of incorporation by changing 5 the name, place of business, the number of directors, and 6 increase or decrease the capital stock, and provide for its 7 own continual succession by a majority vote of its 8 directors. However, those amendments are of no effect until 9 approved by the department.

10 (19) dissolve the corporation in accordance with the 11 provisions of this chapter;

(20) provide, by constitution articles of incorporation
and bylaws adopted or amended by its board of directors, for
the proper exercise of the powers granted in this section
and the conduct and management of its affairs;

16 (21) exercise those other powers which are necessary
17 and proper to enable the corporation to carry out the
18 purpose of its organization.*

19 Section 16. Section 32-2-404, MCA, is amended to read: 20 "32-2-404. Stock Savings account withdrawal. (1) No 21 charge or fee, except as provided in this section, may be 22 made against a member who withdraws his stock savings, after 23 having given 30 days, notice of the withdrawal. No fine of 24 any description may be made upon the per value of that stock 25 or upon-the declared dividends savings account because of

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1 the withdrawal. A member who withdraws his stock savings or Z whose stock savings account is matured is entitled to 3 receive all dues sums paid in and all dividends interest 4 declared, less interest, if any, as provided in 32-2-402. 5 less a reasonable membership fee not exceeding 2% of the par 6 value amount of each-share of stock his deposit, and less a 7 pro rata share of all losses, if any, which have occurred. 8 No other fine or assessments may be made against the stock 9 savings.

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10 (2) Applications for withdrawal shall be registered on 11 the books of the association in the order received, and one-half of all cash collections not required to meet 12 13 outstanding contracts must be used for the payment of the matured stock savings and of the withdrawals in the order 14 15 registered. The other half of those collections each month 16 may be used for the payment of withdrawals other than in the order registered, but no member may receive more than \$100 17 in any one month other than by payment of an application for 18 withdrawal in the order registered. The term "outstanding 19 contracts" includes the costs and expenses of operation, 20 21 completion of loans, payment of taxes and assessments and 22 necessary remodeling and repairs on properties owned by or mortgaged to the association, repayment of all borrowed 23 24 money, and all fixed charges."

25 Section 17. Section 32-2-410, MCA, is amended to read:

1 "32-2-410. Fund for contingent losses. The amount to 2 be set aside to the fund for contingent losses shall be 3 determined by the board of directors, but in all permanent 4 or serial associations at least 5% of the net earnings shall be set aside each year for such fund until it reaches at 5 least 5% of the book value of the stock savings deposits. 6 All losses shall be paid out of such fund until the same is 7 8 exhausted, and whenever the amount in said fund falls below 9 5% of the book--value-of--the--stock savings deposits as 10 aforesaid, it shall be replenished by annual appropriations 11 of at least 5% of the earnings, as hereinbefore provided, 12 until it again reaches said amount."

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13 Section 18. Section 32-2-416, MCA, is amended to read: 14 "32-2-416. Joint ownership. Any building and loan 15 association may issue savings certificates and shares to or in the name of two or more persons, whether husband and wife 16 17 or otherwise; withdrawal by any one of such persons and the 18 receipt or acquittance of any one of such persons shall be 19 valid and sufficient release and discharge to the association for such withdrawals, regardless of the death or 20 21 disability of any other such joint shareholder or 22 certificate_holder.*

23 Section 19. Section 32-2-417, MCA, is amended to read:
 24 #32-2-417. Trust -- payment. Whenever any shares of
 25 stock shall be purchased or savings deposits made in any

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1 building and loan association by any person in trust for 2 another and no other or further notice of the existence and 3 terms of a legal and valid trust shall have been given in writing to the association, in the event of the death of the 4 5 trustee, the same, or any part thereof, together with the 6 interest or dividends thereon, may be paid to the person for 7 whom said shares were purchased or savings deposits made." 8 Section 20. Section 32-2-418, MCA, is amended to read: 9 #32-2-418. Shares Savinos held by minor. Whenever any 10 shares-of-stock savings accounts in any building and loan 11 association shall be purchased by or in the name of any 12 minor, the same shall be held for the exclusive right and 13 benefit of such minor and free from the control or lien of all persons whatsoever, except creditors, and shall be paid, 14 15 with any interest due thereon, to the person in whose name 16 the shores--of--stock savings_accounts_shall have been 17 purchased, and the receipt of such minor shall be sufficient 16 release or discharge for such shares-of-stock <u>savin</u>as 19 accounts to the association." 20 Section 21. Section 32-2-431, MCA, is amended to read:

20 Section 21 Section 52-2-431, Hux, is amended to read.
21 "32-2-431. Voluntary liquidation and settlement. (1)
22 With the consent of the department, an association organized
23 under the laws of and doing business in this state, may, if
24 the members or stockholders consider it advisable, go into
25 liquidation. For the purpose of so doing it may, at any

1 regular or called meeting of the members or stockholders, 2 adopt a resolution declaring that the association intends to do into liquidation and discontinue business as a building 3 4 and loan association. A copy of the resolution, duly 5 certified by the president and secretary of the association, 6 under the seal thereof, shall be transmitted to the 7 department within 10 days after its passage. The department 8 shall then issue its certificate reciting that the 9 resolution has been filed in its office and that the 10 association is in liquidation. 11 (2) After the filing of the notice, it is unlawful for 12 the association to issue stock or to loan or advance its 13 money to members, shareholders, or to any other person-

(3) All of the income and receipts of the association in excess of the actual expense of managing it shall be applied to pay off first the indebtedness and then the stock savings accounts in the association upon which no loans have been made, the same to be paid pro ratas then to pay off the

19 capital stock in the association, pro rata.

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20 (4) The board of directors of the association in 21 liquidation may adopt those rules and make those orders 22 which are just and equitable for the sale and disposition of 23 all property held by the association and for the division of 24 the assets of the association.

(5) The association in liquidation may be examined by

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1 and shall be under the supervision of the department." 2 Section 22. Section 32-2-432. MCA, is amended to read: 3 #32-2-432. Reorganization of associations under liquidation. Any association under voluntary liquidation as 4 5 provided in 32-2-431 or which may be under the possession of 6 the department as specified in 32-2-309 may resume business 7 as an active building and loan association in the following 8 manner:

9 (1) The directors of such building and loan 10 association, by and with the approval of the department, 11 may, upon such terms as may be agreed upon and ratified by 12 the members or stockholders of such association, reorganize 13 such association and resume business as an active building 14 and loan association.

15 (2) Ratification by members <u>or stockholders</u> thereof 16 shall be expressed at a regular or special meeting of 17 members duly called for that purpose, at which meeting a 18 majority of the outstanding stock <u>in a capital stock</u> 19 <u>association or withdrawable deposits in a mutual association</u> 20 voting, either in person or by proxy, shall be sufficient to 21 adopt such proposal.

22 (3) Notice of such meeting shall clearly indicate the
 23 purpose of the meeting.^m

24Section 23.Section 32-2-441, MCA, is amended to read:25#32-2-441.Conversion into federal savings and loan

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1 associations. Any building and loan association or other 2 home financing organization, by whatever name or style it 3 may be designated, eligible to become a federal savings and 4 loan association may convert itself into a federal savings 5 and loan association by following the procedure hereinafter 6 outlined:

7 (1) At any regular meeting of the shareholders or 8 members of any such association or at any special meeting of 9 the shareholders or members of such association, in either 10 case called to consider such action and held in accordance 11 with the laws governing such association, such shareholders 12 or members, by an affirmative vote of the majority of the 13 shareholders or members, in person or by proxy, may declare 14 by resolution the determination to convert the association 15 into a federal savings and loan association.

16 (2) A copy of the minutes of the meeting of the 17 shareholders <u>or members</u> verified by the affidavit of the 18 president or vice-president and the secretary of the meeting 19 shall be filed with the department within 10 days after the 20 meeting. The verified copy of the minutes of such meeting 21 when so filed shall be presumptive evidence of the holding 22 and of the action of such meeting.

23 (3) Within a reasonable time and without any
24 unnecessary delay after the adjournment of such meeting of
25 shareholders or members, such association shall take any

1 action necessary to make it a federal savings and loan 2 association, and within 10 days after receipt of the federal 3 charter there shall be filed with the department a copy of 4 the charter issued to such association by the federal home 5 loan bank board or a certificate showing the organization of 6 such association as a federal savings and loan association 7 certified by or on behalf of the federal home loan bank 8 board. Upon the filing of such instrument such association 9 shall cease to be a state association and shall thereafter 10 be a federal savings and loan association."

11 Section 24. Section 32-2-501, MCA, is amended to read: 12 "32-2-501. Associations empowered to make loans on securities authorized by National Housing Act. Subject to 13 14 such regulations as may be prescribed by the federal housing 15 administrator, pursuant to an act of congress cited as the 16 "National Housing Act", approved by the president on June 17 27, 1934, and all amendments thereto as well as any 18 amendments hereafter duly passed and approved, building and 19 loan associations qualified to do business in this state are 20 hereby empowered to make such loans, secured by mortgages 21 upon real estate, and other advances of credit to members or 22 others, charges, investments, purchases, sales, contracts 23 for insurance of mortgages and advances of credit and 24 stockholders* members* accounts, and other contracts as are 25 now, or may hereafter be, authorized or provided for by said 1 National Housing Act and any amendments thereof duly passed 2 and approved.*

3 Section 25. Section 32-2-502. MCA, is amended to read: *32-2-502. Transactions exempt from operation of state 4 5 laws. All loans, charges, investments, advances of credit, 6 purchases, sales, contracts for insurance of mortgages and 7 stockholders* members! accounts, and other contracts made pursuant to the powers granted in 32-2-501 through 32-2-503 8 shall be exempt from the operation and application of the 9 10 general statutes of this state in conflict with said 11 National Housing Act and the regulations issued thereunder." 12 Section 26. Section 32-2-503, HCA, is amended to read: 13 #32-2-503. Application of sections. The provisions of 32-2-501 through 32-2-503 shall apply only to loans, 14 advances of credit, charges, investments, purchases, sales, 15 contracts for insurance of mortgages and advances of credit 16 and accounts of stockholders members, and other contracts 17 made in connection with and incidental to loans secured by 18 mortgages and to advances of credity insured or to be 19 insured, and accounts, insured or to be insured, under the 20 provisions of said National Housing Act and amendments 21 22 thereof duly passed and approved."

23 NEW SECTION. Section 27. Organization of feu: ua 24 associations. The incorporators of a mutual association 25 shall appoint one of their number as chairman of the

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1 incorporators, and he shall procure from a surety company or 2 other surety acceptable to the department a surety bond in 3 an amount no less than the sum of the amount subscribed by 4 the incorporators and the amount of the expense fund 5 described in [section 28]. The bond shall name the 6 department as obligge and shall be delivered to it. The bond 7 shall assure the safekeeping of the funds described and 8 their delivery to the association after the issuance of a 9 certificate of incorporation and after bonding of the 10 officers of the corporation. In the event of failure to 11 complete organization, the bond shall assure the return of 12 the amounts collected to the respective subscribers or their 13 assigns, less reasonable expenses which shall be deducted from the expense fund. The incorporators, before a 14 15 certificate of incorporation is issued, shall pay to the chairman in cash, labor, or services actually performed an 16 17 aggregate amount of at least \$500,000, including that part 18 of the original subscription paid by the chairman, as 19 subscriptions to the savings accounts of the proposed 20 association.

21 <u>NEW SECTION</u> Section 28. Expense fund for mutual 22 association. (1) In addition to their subscriptions to 23 savings accounts, the incorporators shall create an expense 24 fund of not less than one-half of the minimum amount of 25 savings account subscriptions required to be paid in under 1 this chapter. The expense fund shall be used to pay the expenses of organizing the association, and its operating 2 3 expenses may be paid from the fund until such time as its 4 net income is sufficient to pay such earnings as may be 5 declared and paid or credited to its savings account holders 6 from sources available for payment of earnings. Before a 7 certificate of incorporation is issued, the incorporators B sha11 deposit to the credit of the chairman of the incorporators the amount of the expense fund, in cash. The 9 10 amounts contributed to the expense fund by the incorporators 11 shall not constitute a liability of the association except 12 as otherwise provided.

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13 (2) Contributions made by the incorporators and others 14 to the expense fund may be repaid prograta from the net 15 income of the association after provision for statutory reserves and declaration of earnings of not less than 2% on 16 17 savings accounts. If the association is liquidated before 18 contributions to the expense fund have been repaid, any 19 contributions to the expense fund remaining unexpended shall 20 be repaid to the contributors pro rata, after the payment of 21 the expenses of liquidation, creditors, and withdrawal value 22 of all savings accounts. The books of the association shall 23 reflect the expense fund. The contributors to the expense 24 fund shall be paid earnings on the amounts paid in by them 25 at the times earnings are regularly distributed to savings

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account holders; and for this purpose, the contributions
 shall in all respects be considered as savings accounts of
 the association.

4 NEW SECTION. Section 29. Droanizational meeting. 5 Within 30 days after the corporate existence of an 6 association begins, the directors of the association shall 7 hold an organizational meeting and shall elect officers 8 pursuant to the provisions of this chapter and the bylaws. At the organizational meeting the directors shall take such 9 other action as is appropriate in connection with beginning 10 11 the transaction of business by the association. The department may extend, by order, the time within which the 12 organizational meeting must be held. 13

NEW SECTION. Section 30. Organization of capital 14 15 stock associations. The incorporators of a capital stock 16 association shall appoint one of their number as chairman of 17 the incorporators, and the chairman shall procure from a surety company or other surety acceptable to the department 18 a surety bond in an amount at least equal to the sum of the 19 amount of capital stock contributions and the additional 20 21 amounts described in [section 31]. The bond shall name the 22 department as obligee and shall be delivered to it. The 23 bond shall assure the safekeeping of the funds described and their delivery to the association after the issuance of the 24 25 certificate of incorporation and the bonding of the

1 officers. In the event of the failure to complete 2 organization, the bond shall assure the return of the amounts collected to the respective subscribers or their 3 assigns. less reasonable expenses which shall be deducted 4 5 from the paid-in surplus. Before a certificate of 6 incorporation is issued, the subscribers shall pay to the 7 chairman, in cash, labor, or services actually performed, the capital of such association. The capital shall be the 8 sum of the par or initially stated value of all shares of 9 10 voting capital stock. Each share of capital stock shall 11 entitle the holder of the share to one vote. The minimum 12 required capital is \$500,000.

13 NEW_SECTION. Section 31. Capital stock association --14 surplus fund -- verification statement. (1) In addition to 15 the minimum capital required, the subscribers shall pay an 16 amount equal to not less than 25% of the par or initially 17 stated value of the stock subscribed, which shall be 18 credited to pald-in surplus and may be used to offset 19 losses. The minimum capital and surplus may be used for the **Z**0 reserves required by law and as may be permitted by the 21 board of directors.

22 (2) Prior to the issuance of a certificate by the 23 department, the incorporators of a proposed association 24 shall file with the department a statement in the form and 25 containing supporting data and proof as the department may

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require. The statement shall verify that the entire capital
 and paid-in surplus has been unconditionally paid in and
 that the funds representing the capital and paid-in surplus.
 less amounts of the paid-in surplus expended for land.
 building, supplies, fixtures, equipment, and organization.
 are on hand.

7 NEW SECTION. Section 32. Issuance of capital stock. 8 (1) As of the date the corporate existence of a capital 9 stock association begins, the association shall issue such 10 capital stock as necessary to satisfy the minimum capital 11 requirements of [section 30] and such additional capital 12 stock as may be approved for issuance by the board of 13 directors up to the amount authorized in the certificate of 14 incorporation. Once the amount of stock authorized in the 15 certificate of incorporation has been issued, no other 16 shares may be issued except as otherwise authorized in this 17 chapter. The capita) stock of an association, when issued, 18 shall constitute permanent capital and may not be retired or withdrawn, except as otherwise provided, until all 19 20 liabilities of the association, including the withdrawal 21 value of all savings accounts, have been satisfied in full 22 and until outstanding capital certificates have been 23 retired.

24 (2) An association may issue shares of common stock
 25 and preferred stock, with or without par value, and such

common and preferred stock may be divided into classes and
 the classes into series.

3 <u>NEW SECTION.</u> Section 33. Restrictions on capital
4 stock. (1) The consideration for the issuance of capital
5 stock shall be paid in cash except for stock issued pursuant
6 to:

7 (a) the incorporation of the association;

(b) an employee stock option plan;

8

9 (c) a plan of merger, consolidation, or conversion
10 from a mutual to a stock association; or

(d) any other type of reorganization that has been
 approved by the department.

13 (2) The par value or stated value of stock issued 14 pursuant to subsections (1)(a) through (1)(d) shall be 15 maintained as the permanent capital of the association, and 16 any additional amount paid in shall be credited to paid-in 17 surplus.

18 (3) The aggregate par value or stated value of all 19 outstanding shares of capital stock shall be the permanent 20 capital of the association, and except as otherwise provided by this chapter, such capital stock may not be retired until 21 22 final liquidation of the association. An association may not 23 reduce the par or stated value of its outstanding capital 24 stock without first obtaining the written approval of the department. The department shall withhold its approval if 25

1 the reduction will cause the par or stated value of 2 outstanding capital ock to be less than the minimum 3 required by this chapter or will result in less than 4 adequate net worth, as the department in its discretion may 5 determine. An association may not retire any part of its 6 capital stock without the approval of the department.

7 NEW SECTION. Section 34. Purchase of stock of 8 deceased stockholder. An association way purchase its 9 capital stock from the personal representative of a deceased 10 stockholder upon the written approval of the department. 11 Upon obtaining written approval, an association may contract 12 with a living stockholder for a purchase of his stock upon 13 his death. Any such purchase shall be for a price and upon 14 such terms and conditions as may be agreed upon by the 15 association and the stockholder or personal representative. The purchase of a deceased stockholder's stock may not 16 17 reduce the net worth accounts of the association to an 18 amount less than required by law or by any approved insurer 19 of the association's savings accounts. An association 20 agreeing with a stockholder to purchase his capital stock upon his death may purchase insurance on the life of the 21 22 stockholder to fund or partially fund such purchase. Any 23 stock purchased under this section may be resold by the 24 association at a price and upon such terms and conditions as 25 the board of directors may approve, or may be retired. If the stock is to be resold, the association shall file notice
 with the department disclosing the price, terms, and
 conditions of the proposed resale.

4 <u>NEW_SECTION</u> Section 35. Mutual and capital stock 5 conversions. (1) Any mutual association may convert to a 6 capital stock association and any capital stock association 7 may convert to a mutual association in accordance with the 8 provisions of [sections 35 through 41].

9 (2) Any applicant seeking to convert its corporate 10 form pursuant to [sections 35 through 41] shall first obtain 11 approval of a plan of conversion by a resolution adopted by 12 a two-thirds majority vote of the total number of directors 13 authorized for the association.

14 <u>NEW_SECTION</u> Section 36. Department approval. (1) 15 Upon approval of a plan of conversion by the board of 16 directors, the plan and the resolution approving it shall be 17 submitted to the department. The department shall approve 18 the plan of conversion after appropriate examination, if it 19 finds that:

20 (a) the plan of conversion is fair and equitable;

(b) the interests of the applicant, members or
stockholders, savings account holders, and public are
adequately protected; and

24 (c) the converting applicant has complied with the
25 provisions of [sections 35 through 41].

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1 (2) If the department approves the plan of conversion, 2 the approval, which shall be in writing, shall be sent to 3 the home office of the applicant. To cause the applicant to 4 conform with the requirements of this chapter, the approval 5 may prescribe terms and conditions, to be fulfilled either 6 before or after the conversion.

7 (3) If the department disapproves the plan of 8 conversion. its objections shall be sent in writing to the 9 home office of the applicant. The applicant shall be 10 afforded an opportunity to amend and resubmit the plan within a reasonable time as prescribed by the department. If 11 12 the department disapproves the resubmitted plan, written 13 notice of the final disapproval shall be sent by certified mail to the applicant's home office. 14

NEW SECTION. Section 37. Submission to members or stockholders. (1) If the department has approved a plan of conversion pursuant to [section 36], the plan shall be submitted for adoption to the members or stockholders of the association for a vote at a meeting called for that purpose. The plan must be approved by:

(a) members of a mutual association representing
two-thirds of the withdrawable deposits, present in person
or by proxy at the meeting; or

24 (b) stockholders of a capital stock association
25 holding two-thirds of the capital stock, represented in

1 person or by proxy at the meeting.

(2) If the plan is approved, action shall be taken to
amend the articles of incorporation and bylaws as necessary,
elect directors and officers, and take any other action as
is required or appropriate for the type of association into
which the applicant will be converted. A certified report of
the proceedings shall be filed promptly with the department.
NEW SECTION. Section 38. Conversion of mutual to

9 capital stock association. The following requirements are
10 mandatory in any plan of conversion from the mutual form to
11 a capital stock form of organization:

12 (1) Each savings account holder shall receive a 13 withdrawable account of the same general class in the 14 converted association equal in amount and time tenure to his 15 withdrawable account in the converting association. No 16 payment may be required from the account holder for this 17 change of accounts.

18 (2) The plan shall specify the aggregate dollar amount
of voting capital stock and the total number of shares to be
20 issued to accomplish the conversion. The distribution of
21 the stock shall be in accordance with subsection (3).

(3) All voting capital stock issued by the association
to accomplish a conversion shall be subscribed and fully
paid for in cash, labor, or services actually performed in
the conversion process and may not be eligible, either

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directly or indirectly, as security for a loan or other I 2 credit advance to facilitate its own purchase. Each account 3 holder must have the right for a period of 60 days to 4 purchase a proportionate share of the stock at a price equal 5 to the initial stated value thereof. Any stock remaining 6 unsubscribed shall, during the succeeding 60-day period, be 7 offered for sale to those savings account holders of record who have purchased their proportionate share during the 8 initial period. Any stock remaining unsubscribed may be 9 offered for sale to others or transferred to others in 10 11 consideration for labor or services actually performed in 12 the conversion process.

13 (4) The record date for determining savings account
14 holders* rights to distribution under subsection (3) shall
15 be set by the converting association*s board of directors
16 but may not be less than 120 days prior to the date of
17 approval of the conversion plan by the directors.

(5) The conversion plan shall make specific provision
with respect to the surplus, reserves, undivided profits,
and capital stock of the converted association, specifying
types of accounts, amounts, priorities, any voting rights,
and how such accounts are to be disposed of or retained.

23 (6) The plan shall contain such other information and
24 be in the form required by the department to enable it to
25 make a determination of whether:

(a) the plan is fair and equitable;

1

(b) the interests of the applicant, members or
stockholders, savings account holders, and the public are
adequately protected; and

5 (c) the converting applicant has complied with the 6 requirements of [sections 35 through 41].

7 <u>NEW_SECTION</u> Section 39. Conversion of capital stock 8 to mutual association. The following requirements are 9 mandatory in any plan of conversion from the capital stock 10 form to a mutual form of association:

(1) Each savings account holder shall receive a withdrawable account of the same general class in the converted association equal in amount and time tenure to his withdrawable account in the converting association. No payment may be required from the account holder for this change of accounts.

17 (2) The conversion plan shall specify how and in what 18 amount the return of capital to each class of stockholder in 19 the form of an exchange of stock for savings accounts shall 20 be effectuated.

(3) The plan shall provide for the allocation of
voting rights to the holders of savings accounts and the
manner in which such rights may be exercised.

24 {4} The plan shall make specific provision with
25 respect to the surplus, reserves, undivided profits, and

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capital stock of the converted association, specifying types
 of accounts, amounts, priorities, any voting rights, and how
 such accounts shall be disposed of or retained,

4 (5) The plan shall contain such other information and 5 be in the form required by the department to enable it to 6 make a determination of whether:

(a) the plan is fair and equitable;

7

(b) the interests of the applicant, members or
 stockholders, savings account holders, and the public are
 adequately protected; and

11 (c) the converting applicant has complied with the 12 requirements of [sections 35 through 41].

13 NEW_SECTION: Section 40. Issuance of certificate ---14 continuance of entity. (1) If the department determines that 15 a conversion proceeding has been completed in accordance 16 with the requirements of [sections 35 through 41], it shall 17 issue to the applicant a certificate of conversion. The 18 conversion does not become effective until the issuance of 19 the certificate.

20 (2) Upon the issuance to the applicant of a 21 certificate of conversion, the corporate existence of the 22 converting applicant does not terminate but shall be treated 23 as a continuation of the entity so converted. All property 24 of the converted applicant, of whatever kind, and any 25 benefit pertaining to it vest in the converted applicant without any further action, to the same extent as possessed
 by the converting applicant.

3 NEW SECTION. Section 41. Continuance of rights and 4 obligations. A converted applicant, upon issuance of the 5 certificate of conversion, continues to have and succeeds to 6 all the rights, obligations, and relations of the converting 7 applicant. All pending actions and other judicial 8 proceedings to which the converting applicant was a party may not be abated or discontinued by reason of the 9 10 conversion and may be prosecuted to final indoment. order. or decree in the same manner as if the conversion had not 11 12 been made, and the converted applicant may continue the actions in its new corporate name. Any judgment, order, or 13 14 decree that might have been rendered for or against the 15 converted applicant prior to the conversion may be rendered 16 for or against it after the conversion.

17NEW SECTION.Section 42. Codification instruction.18Sections 27 through 41 are intended to be codified as an19integral part of Title 32, chapter 2, and the provisions of20Title 32, chapter 2, apply to sections 27 through 41.

21 <u>NEW_SECTION.</u> Section 43. Effective date. This act is
 22 effective on passage and approval.

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48th Legislature

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Approved by Committee on <u>Business and Industry</u>

1	HOUSE BILL NO. 20	1	
2	INTRODUCED BY FABREGA	2	
3		3	1
4	A BILL FOR AN ACT ENTITLED: "AN ACT TO GENERALLY REVISE THE	4	
5	LAWS RELATING TO BUILDING AND LOAN ASSOCIATIONS; AUTHORIZING	5	:
6	THE FORMATION OF CAPITAL STOCK ASSOCIATIONS; PROVIDING FOR	6	
7	CONVERSION BETWEEN CAPITAL STOCK AND MUTUAL ASSOCIATIONS;	7	I
8	AMENDING SECTIONS 32-2-101, 32-2-201, 32-2-205, 32-2-207	8	
9	THROUGH 32-2-212, 32-2-221, 32-2-224, 32-2-231, 32-2-301,	9	÷
10	32-2-309, 32-2-401, 32-2-404, 32-2-410, 32-2-416 THROUGH	10	
11	32-2-418, 32-2-431, 32-2-432, 32-2-441, AND 32-2-501 THROUGH	11	ł
12	32-2-503, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE."	12	
13	·	13	-
14	BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:	14	
15	Section 1. Section 32-2-101, MCA, is amended to read:	15	
16	#32-2-101. Purpose definitions. (1) A corporation	16	
17	mutually operated for the purpose of encouraging home	17	
18	ownership and thrift swongitswembers and waking	18	
19	substantially all of its loans to ~them on real estate	19	. î
20	mortgage security shall be known in this chapter as a	20	
21	building and loan association or a savings and loan	21	-
22	association and is under the supervision of the department,	22	
23	which shall enforce all laws with respect to it.	23	
24	{2}The-ownersofsharesino-buildingandloan	24	ŝ
		25	

building--and--loan--association---are---its----ahoreholdersstockholdersy----borrowersy-or-purchasers-of-real-estate-under contract. 131(21) The associations have continual succession and shall be organized under the provisions of this chapter. (4)(3) When used in this chapter, the following definitions apply: (a) "Building and loan association" includes savings and loan associations organized under this chapter. (b) "Department" means the department of commerce provided for in Title 2, chapter 15, part 18. (c) "Capital stock" means the apprenate of shares of nonvithdrawable capital issues by a capital stock association. (d) "Hember" means: (i) a person holding a savings account of a mutual association: (iii) a person borrowing from or assuming or obligated upon a loan or an interest therein held by the association: lilil a person purchasing property securing a loan or

interest therein held by such association: or (iv) any other person obligated to the association. (e) "Mutual association" means a building and loan association formed without authority to issue stock. (f) "Savings account" means that part of the savings

-z- SECOND READING

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1	liability of the association which is credited to the	1	corporation established under the laws of this state. The
2	account of the holder thereof and includes any form of	2	words building and loan association or savings and loan
3	withdrawable_deposit.	3	association shall form a part of the name, and a corporation
4	[0] "Stock association" means a building and loan	4	not organized under this chapter may not use a name
5	association formed with authority to issue stock.	5	embodying that combination of words, provided that the
6	(b) "Stockholder" means the holder of one or more	6	associations existing as of May 1, 1927, may continue their
7	shares of any class of capital stock of a capital stock	7	present names.
8	association organized and operating pursuant to the	8	(2) the principal office or place of business of the
9	provisions of this chapter.	9	association <u>a</u> which shall be within this state;
10	[4] For the purposes of subsection [3](d), a joint,	10	(3) if a capital stock association, the emount of its
11	survivorshipe or any other multiple owner or borrower	11	e spital-stock-and-the aggregate number of shares into which
12	relationship constitutes a single membership."	12	the same-shall-be-dividedThe-copitalstock-shall-be
13	Section 2. Section 32-2-201, MCA, is amended to read:	13	divided-into-shares-having-a-par-volue-of-\$190. <u>corporation</u>
14	=32-2-201. Articles of incorporation contents.	14	will have authority to issue:
15	Whenever any number of persons, not less than five, desire	15	(4) a provision that such association is organized
16	to incorporate a building and loan association, having for	16	under this chapter for the purposes herein expressed;
17	its object the conduct and operation of such an association	17	(5) the names and residences of the persons who
18	as defined in this chapter, they shall prepare and file	18	subscribed and acknowledged the declaration, a majority of
19	articles of incorporation to that effect in the manner	19	whom shall be citizens of this state and shall thereafter be
20	specified in this chapter. Such articles shall be signed.	20	called incorporators."
21	sealed, and acknowledged in the form now provided by the	21	Section 3. Section 32-2-205, HCA, is amended to read:
22	statutes of this state for the conveyance of real estate and	22	#32-2-205. Gapits7-stock requirementsinvestigation
23	shall include the following:	23	Investigation certificate of incorporation, how issued.
24	(1) the name of the association, which may not be the	24	{}};~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~
25	same as or too closely resemble that in use by any existing	25	refers to the outhorized capital stocks

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 (2)--The-organization-may-be-completed and business

 2
 commenced when-5%-of-the-capital-stock-is-subscribed and-not

 3
 less-than-\$2,500-poid-iny-in-cash, That-amount-must

 4
 thercofter-be-maintained.

5 (3)(1) (a) when the articles of incorporation are in 6 proper form and regularly executed and the bylaws have been 7 duly approved as required in 32-2-204 and it-appears to the 8 setisfaction-of--the-department--that-51-of-the-authorized capital-has-actually-been-paid-in-cash upon-the-subscription 9 10 of shares and, in the case of a mutual association, the 11 requirements of (section 27) have been complied with ore in 12 the case of a capital stock association, the regulrements of 13 fsection 301 have been complied with. the department shall 14 then ascertain from the best sources of information at its 15 command the responsibility, character, and general fitness of the incorporators. The department shall also determine 16 17 whether there is a reasonable need for the existence of the 18 association and whether the public convenience and advantage 19 will be promoted by its existence.

20 (b) If the department is not satisfied with the result 21 of its investigations of the matters specified in this 22 section, it shall, within 60 days after the articles of 23 incorporation and bylaws have been presented to it, refuse 24 to issue the certificate described in this section. 25 (c) If it is satisfied with the result of its investigations, it shall, within 60 days after the articles
 of incorporation and bylaws have been presented to it, issue
 under its official seal a certificate reciting in substance
 the filing in its office of the articles of incorporation
 and bylaws.

6 (4)[2] (a) The certificate shall also state that the 7 articles and bylaws conform to all the requirements of this 8 chapter, that the department has approved them and that it 9 believes that the incorporators are fit and proper persons 10 to conduct the business of a building and loan association 11 as defined in this chapter and the bylaws, that there is a 12 reasonable need for the existence of the building and loan 13 association, and that the public convenience and advantage will be promoted thereby. 14

- 15 (b) The certificate shall be made in guadruplicate and 16 attached to each copy of the articles of incorporation, one 17 of which shall be retained by the department. The other 18 three shall be returned to the incorporators, who shall 19 immediately file one copy with the secretary of state and 20 one with the clerk and recorder of the county in which the 21 principal place of business of the association is located. 22 The other copy shall be retained by the association.

(c) Immediately upon the receipt of the certified
 copy, the secretary of state shall issue a certificate of
 Incorporation, at which time the incorporation of the

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1	association is complete."	1	(a) members of a mutual association representing at
2	Section 4. Section 32-2-207, MCA, is amended to read:	2	<u>least 25% of the withdrawable deposits of the association:</u>
3	#32-2-207. Removal of directors. No director shall be	3	<u>or</u>
4	removed from office except as herein provided or by a vote	4	<u>(b)</u> stockholders owning at least 25% of the issued
5	of the members of a mutual association representing	5	stock.
6	two-thirds of the withdrawable deposits in the association	6	[3] The secretary shall call special meetings in the
7	or the stockholders of a capital stock corporation holding	7	same manner as provided in 32-2-209."
8	two-thirds of the capital stock, at a general meeting held	8	Section 6. Section 32-2-209, MCA, is amended to read:
9	after provious notice given in the manner provided in	9	"32-2-209. Notice of meetings. (1) At least 30 days
10	32-2-209. Meetings of the <u>members or</u> stockholders for this	10	prior to any annual or special meeting of any such
11	purpose may be called by the president or by a majority of	11	association; a notice stating the time and place of such the
12	the directors or by stockholders holding not less than 25%	12	meeting shall be deposited in the post office at the
13	of the capital stock."	13	principal place of business of such associations directed to
14	Section 5. Section 32-2-208, NCA, is amended to read:	14	each member <u>or stockholder</u> at his address, as the same
15	"32-2-208. Heatings of stockholders and directors. (1)	15	appears at the time on the books of the association, and
16	The meetings of the <u>members or</u> stockholders of a Montana	16	when so deposited, postage prepaid, shall be deemed a legal
17	building and loan association must be held at its office or	17	and sufficient notice of any such meeting.
18	principal place of business in this state.	18	(2) In addition thereto notice may be given by four
19	(2) In its bylaws, such association shall provide for	19	consecutive weekly publications in a newspaper published in
20	at least one regular meeting of <u>members or</u> stockholders	20	the county where the association has its principal place of
21	annually. Notice of any meeting, whether regular or special,	21	business. Such publication shall be complete on the day of
22	shall be given by the secretary in accordance with 32-2-209.	22	the fourth publication.
23	The board of directors shall have the right to call a	23	(3) In notices of special meetings there shall be
24	special meeting at any time. The board of directors must	24	attached to and accompanying such notice a statement of any
25	also call a special menting whenever petitioned to do so by:	25	matter or matters to be considered at said meeting.

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1 (4) All members or stockholders of such the 2 association shall be entitled to vote at such the meetings 3 in person or by proxy."

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Section 7. Section 32-2-210, MCA, is awended to read: 4 5 #32-2-210. Proxies. At least once every year the board of directors of every building and loan association shall, 6 7 by resolution, cause the secretary of such association to 8 mail to every member or stockholder of such association a 9 blank form of proxy, and the member or stockholder may 10 withdraw his former proxy and substitute another in its 11 stead. Every proxy shall continue in force and be binding 12 upon the member or stockholder until such proxy is revoked or another substituted." 13

14 Section 8. Section 32-2-211, MCA, is amended to read: 15 #32-2-211. Transfer of stock or account -- effect. (1) The delivery of a <u>capital</u> stock certificate of a building 16 17 and loan association to a bona fide purchaser or pledgee for 18 value, together with a written transfer of the same or a 19 written power of attorney to sell, assign, or transfer the 20 same, signed by the owner of the certificate, shall be a 21 sufficient delivery to transfer the title as against the 22 creditors of the transferor and subsequent purchasers; but no such transfer shall affect the right of the building and 23 24 loan association to pay any dividend due upon the stock or 25 treat the holder of record as the holder in fact until such 1 transfer is recorded upon the books of the building and loan 2 association or a new certificate is issued to the person to 3 whom it has been transferred.

4 12) A savings account or any interest therein is 5 transferable on the books of the association only upon 6 proper written application and acceptance by the association 7 of the transferce as a member, subject to terms approved by 8 the board of directors. The association may treat the holder 9 of record of a savings account as the owner thereof without 10 being affected by any notice to the contrary unless the 11 association has acknowledged in writing the receipt of 12 notice of a pledge of the savings account."

13 Section 9. Section 32-2-212, MCA, is amended to read: 14 "32-2-212. Requirements of transfer in certain cases. 15 When a certificate of stock or a savings account in a building and loan association is owned by persons residing 16 17 out of the state or is lost, the president, secretary, or 18 directors of such association, before entering any transfer of such stock or account on its books or before issuing a 19 20 new certificate therefor to the transferee or owner, may 21 require from the attorney or agent of the owner or from the 22 person claiming under the transfer an affidavit or other 23 evidence that the owner was alive at the date of the 24 transfer or that the original certificate is lost and has 25 not been assigned or transferred and may also require from

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the attorney, agent, or claimant a bond of indemnity, with a 1 surety or sureties satisfactory to the officers of such z 3 association. to protect such association against any 4 liability to the owner, assignee, or transferee of such 5 shares or account or the legal representatives of the owners of such shares or account, in case of his or her death 6 before the transfer, and also to protect such the 7 association against any liability accruing or resulting by 8 9 reason of said lost or original certificate being thereafter 10 presented to it. If such the affidavit or other evidence or 11 bond be is not furnished when required as herein provided, 12 neither such the association nor any officer thereof shall 13 be liable for refusing to enter the transfer on the books of 14 the association."

Section 10. Section 32-2-221. MCA, is amended to read: 15 #32-2-221. Foreign associations -- requirements. (1) 16 17 An association, as defined in 32-2-103, organized under the 18 laws of any other state, of the United States, or of any 19 foreign government shall, before doing business in this state, file with the secretary of state and the department a 20 duly authenticated copy of their charter, articles of 21 22 incorporation, or articles of agreement and also a statement, verified by oath of the president and secretary 23 of the corporation or managing officials if other than a 24 25 corporation and duly verified, showing:

(a) the name of the association and the location of its principal office or place of business outside this state and the location of the place of business or principal office in this state;
(b) the names and residences of the officers, trustees, or directors;
(c) the amount of capital stock, if any, and savings liability;
(d) the amount of capital invested in the state of Montana.
(2) The association shall also file, at the same time and in the same offices, a certificate, signed by its president, vice-president, or other acting head and by its secretary, if there is one, certifying that the association has consented to all the license laws and other laws of this

16 state relative to foreign associations and has consented to 17 be sued in the courts of this state upon all causes of 18 action arising against it in this state and that service of 19 process may be made upon a citizen of this state, whose name 20 and place of residence shall be designated in the 21 certificate. Service of process on that agent is valid 22 service on the association."

23 Section 11. Section 32-2-224, MCA, is amended to read#
 24 #32-2-224. Shares of stock and savings accounts
 25 subject to attachment. The stock or shares savings accounts

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1 of such foreign associations doing business in this state 2 shall be subject to attachment in the same manner as now 3 provided by law in the case of domestic associations." 4 Section 12. Section 32-2-231, MCA, is amended to read: 5 "32-2-231. Consolidation and transfer --- branching 6 prohibited. (1) Only building and loan associations 7 organized and chartered under the laws of the state of 8 Montana may, with the approval of the department. 9 consolidate and become incorporated in one body, with or 10 without any dissolution or division of the funds or property of any of them. Any association may transfer its 11 engagements, funds, and property to any other association 12 13 upon terms agreed upon by a majority vote of the respective board of directors and ratified by a two-thirds vote of the 14 shares or members owning at least two-thirds of the 15 withdrawable deposits in the association, present and voting 16 in person or by proxy at a special meeting or meetings of 17 the stockholders or members of the respective associations 18 convened for that purpose, upon notice given as provided by 19 lawy; the notice to state the object of the meeting. A 20 21 transfer may not prejudice any right of any creditor of the 22 association.

(2) Branching by merger or branching otherwise between
a building and loan association organized and chartered
under the laws of Montana and a building and loan

association organized and chartered under the laws of any
 other state is prohibited. Branching de novo in Montana by a
 foreign-chartered building and loan association is
 prohibited.

5 (3) Insofar as this section limits or reduces the 6 rights, powers, or privileges of building and loan 7 associations previously granted by law, it shall apply only 8 to proposed consolidations or mergers of associations which 9 are initiated by action taken by their board of directors 10 and shareholders subsequent to April 14, 1977."

11 Section 13. Section 32-2-301. MCA. is amended to read: 12 #32-2-301. Examinations by department. The department 13 shall examine all building and loan associations doing 14 business in this state at least once a year. Also, when the 15 holders of 10% of the subscribed stock or members holding 16 10% of the withdrawable deposits of an association file a 17 written application with the department requesting it to 18 make a special examination of an association; it shall make 19 the examination immediately. The expense of the examiner 20 making the examination shall be paid by the association examined, and the examiner's finding shall be available to 21 22 the petitioners and the board of directors of the 23 association notwithstanding any provisions to the contrary 24 contained in this chapter."

25 Section 14. Section 32-2-309, NCA, is amended to read:

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1 #32-2-309. Insolvency or impairment of association --2 powers of department. (1) When it appears to the department 3 that the affairs of a building and loan association are in 4 an unsound condition or that it is conducting its business 5 in an unsafe or unlawful manner, the department may take 6 possession of all books, records, and assets of every 7 description of the association and retain possession of them 8 pending the further proceedings specified in this section. 9 (2) If the board of directors, secretary, or person in 10 charge of the association refuses to permit the department 11 to take possession, the department shall communicate that fact to the attorney general. The attorney general shall at 12 once institute the proceedings necessary to place the 13 14 department in immediate possession of the property of the 15 association.

16 (3) Upon taking possession of the effects of the 17 association, the department shall prepare a full and true 18 statement of the affairs and condition of the association, 19 including an itemized statement of its assets and 20 liabilities, and shall receive and collect all debts, dues, 21 and claims belonging to it and pay the immediate and 22 reasonable expenses of the department's trust.

23 (4) When the condition of the association has been
24 fully ascertained and it appears that the affairs of the
25 association are in fact in an unsound condition, the

department shall at once notify, in writing, the board of
 directors of the association of its decision, giving them 20
 days in which to restore the affairs of the association to
 sound condition.

5 (5) Meanwhile, the department shall remain in charge 6 of the books, records, and assets of every description of 7 the association, shall attend or be represented at all 8 directors and stockholders <u>or members</u> meetings held, and 9 shall suggest those steps it considers necessary to restore 10 the association to a sound condition.

11 (6) If the association is not restored to a sound 12 condition within 20 days, the department shall report the 13 facts to the attorney general. The attorney general shall 14 institute proceedings in the district court of the county in 15 which the association has its principal place of business 16 for the appointment of the department as receiver.

17 (7) As receiver, the department may collect all moneys 18 due the association and may do those other acts which are 19 necessary to conserve its assets and business, and it shall liquidate the association's affairs. The department may, 20 except as otherwise limited by the terms of this chapter, do 21 22 any acts necessary or, in its discretion, desirable for the 23 protection of the property and assets of the association and Z4 the speedy and economical liquidation of its assets and 25 affairs and the payment of its creditors or for the

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resumption of business of the association where that is
 practicable or desirable. The department may institute in
 its own name or in the name of the association those legal
 proceedings it considers expedient for those purposes.

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pleasure:

5 (8) By applying to the district court of the county in 6 which the association is located, or to the judge thereof in 7 chambers, the department may, upon sufficient showing of 8 cause, obtain an order to sell, compromise, or compound any 9 bad or doubtful debt or claim and to sell any of the assets. 10 The sale may be made to stockholders, members, officers, 11 directors, or others interested in the association; on 12 consent of the court. On the proceedings the association shall be made a party by notice issued on order of the court 13 14 or judge, in place of summons but served in like manner. 15 The hearing of the application or petition by the department 16 may be had at any time, either in term or vacation in court 17 or in chambers, as the court may order, after the 18 association has had 5 days' notice of the application." 19 Section 15. Section 32-2-401, NCA, is amended to read: 20 *32-2-401. Powers and duties of building and loan 21 associations. A building and loan association may: 22 (1) have continual succession by its corporate name; 23 (2) sue and be sued in any court; 24 (3) make and use a common seal and alter it at

1 (4) appoint those officers or agents the business of the corporation requires and pay them suitable compensation; 2 3 (5) enter into obligations or contracts essential to 4 the transaction of its ordinary affairs or for the purposes of the corporation; 5 6 (6) issue stock to stockholders and savings 7 certificates to members on the terms and conditions the 8 constitution articles of incorporation and bylaws provide-9 but-an-association-may-not-issue-preferred-stock; 10 (7) assess and collect from members dues on-stock and 11 interest on loans at the times and in the amount provided 12 for in the constitution articles of incorporation and 13 bylaws: (8) permit members to withdraw all or part of their 14 15 stock credits savings at the times and upon the terms as the 16 constitution articles of incorporation and bylaws may 17 provide; 18 (9) cancel shares-of-stock savings certificates upon which all credits have been withdrawn or upon which loans 19 20 have been canceled or stock savings upon which no payments 21 have been made for a period of 6 months, by returning to the 22 stockholders members all credits, if any, and reissue the 23 shares certificates as new stock savings certificates; 24 (10) issue stock savings certificates to minors and 25 permit it them to be withdrawn as other stock savings

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<u>certificates</u>. The receipt by the minor is a valid
 acquittance if his rights have been fully secured to him.

3 (11) acquire, hold, encumber, and convey that real 4 estate and personal property necessary for the transaction 5 of its business or necessary to enforce or protect its 6 securities;

7 (12) borrow money, only when necessary and not
8 exceeding 20% of its assets, except when borrowing from the
9 federal home loan bank as provided in 32-2-405, and issue
10 its promissory note for the loan;

11 (13) make loans to members on the security of the 12 shares savings accounts of the association and also on their 13 notes secured by first mortgages on improved real estate. 14 including suburban homes but not on farm lands or mining 15 property, for not to exceed 75% of the actual value of the 16 real estate and upon the terms and conditions which may be 17 provided in the constitution articles of incorporation and 18 bylaws;

19 (14) cancel those loans and release the securities on20 those terms the board of directors may provide;

21 (15) invest the money of the association in accordance 22 with 32-2-406;

23 (16) toan money to other building and toan 24 associations;

25 (17) make a-semiannual distribution of all the-cornings

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1 interest and dividends earned after payment of expenses and setting aside a sum for the contingent funds as provided in 2 з this cnapter: 4 (18) amend its articles of incorporation by changing 5 the name, place of business, the number of directors, and increase or decrease the capital stock; and provide for its 6 7 own continual succession by a majority vote of its directors. However, those amendments are of no effect until 8 approved by the department. 9 10 (19) dissolve the corporation in accordance with the 11 provisions of this chapter: 12 (20) provide, by constitution articles of incorporation 13 and bylaws adopted or amended by its board of directors, for 14 the proper exercise of the powers granted in this section and the conduct and management of its affairs; 15 16 (21) exercise those other powers which are necessary and proper to enable the corporation to carry out the 17 18 purpose of its organization." Section 16. Section 32-2-404, MCA, is amended to read: 19 #32-2-404. Stock Savings account withdrawal. (1) No 20 21 charge or fee, except as provided in this section, may be 22 made against a member who withdraws his stock savings, after 23 having given 30 days" notice of the withdrawal. No fine of 24 any description may be made upon the per value of that stock 25 or-upon-the-declared-dividends savings account because of

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the withdrawal. A member who withdraws his stock savings or 1 whose stock savings account is matured is entitled to 2 receive all dues sums baid in and all dividends interest 3 declared, less interest, if any, as provided in 32-2-402, 5 less a reasonable membership fee not exceeding 2% of the per value amount of each shore of stock his deposit, and less a 6 7 pro rata share of all losses, if any, which have occurred. No other fine or assessments may be made against the stock я 9 savings.

(2) Applications for withdrawal shall be registered on 10 the books of the association in the order receiveds and 11 12 one-half of all cash collections not required to meet 13 outstanding contracts must be used for the payment of the matured stock savings and of the withdrawals in the order 14 registered. The other half of those collections each month 15 may be used for the payment of withdrawals other than in the 16 order registered, but no member may receive more than \$100 17 in any one month other than by payment of an application for 18 withdrawal in the order registered. The term "outstanding 19 contracts" includes the costs and expenses of operation, 20 completion of loans, payment of taxes and assessments and 21 necessary remodeling and repairs on properties owned by or 22 mortgaged to the association, repayment of all borrowed 23 money, and all fixed charges." 24

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Section 17. Section 32-2-410, MCA, is amended to read:

1 "32-2-410. Fund for contingent losses. The amount to be set aside to the fund for contingent losses shall be 2 determined by the board of directors, but in all permanent 3 or serial associations at least 5% of the net earnings shall 4 5 be set aside each year for such fund until it reaches at 6 least 5% of the book value of the stock savings deposits. 7 All losses shall be paid out of such fund until the same is exhausted, and whenever the amount in said fund falls below 8 Q. 5% of the book-value-of-the-stock savings deposits es 10 aforementd, it shall be replenished by annual appropriations 11 of at least 5% of the earnings, as hereinbefore provided, 12 until it again reaches said amount."

13 Section 18. Section 32-2-416. MCA, is amended to read: 14 "32-2-416, Joint ownership, Any building and loan 15 association may issue savings certificates and shares to or in the name of two or more persons, whether husband and wife 16 or otherwise; withdrawal by any one of such persons and the 17 receipt or acquittance of any one of such persons shall be 16 19 valid and sufficient release and discharge to the association for such withdrawals, regardless of the death or 20 disability of any other such joint shareholder or 21 certificate_holder.* 22

Section 19. Section 32-2-417, MCA, is amended to read:
 #32-2-417. Trust --- payment. Whenever any shares of
 stock shall be purchased or savings deposits made in any

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building and loan association by any person in trust for 1 2 another and no other or further notice of the existence and 3 terms of a legal and valid trust shall have been given in writing to the association, in the event of the death of the 4 5 trustee, the same, or any part thereof, together with the interest or dividends thereon, may be paid to the person for 6 7 whom said shares were purchased or savings deposits made." 8 Section 20. Section 32-2-418, MCA, is amended to read: 9 "32~2-418. Shores Sayings held by minor. Whenever any 10 shares-of-stock savings accounts in any building and loan 11 association shall be purchased by or in the name of any 12 minor, the same shall be held for the exclusive right and 13 benefit of such minor and free from the control or lien of 14 all persons whatsoever, except creditors, and shall be paid. 15 with any interest due thereon, to the person in whose name 16 the shares of stock savings accounts shall have been 17 purchased, and the receipt of such minor shall be sufficient 18 release or discharge for such shares-of-stock savings 19 accounts to the association." 20 Section 21. Section 32-2-431, MCA, is amended to read:

21 "32-2-431. Voluntary liquidation and settlement. (1)
22 With the consent of the department, an association organized
23 under the laws of and doing business in this state, may, if
24 the members or stockholders consider it advisable, go into
25 liquidation. For the purpose of so doing it may, at any

regular or called meeting of the members or stockholders, 1 2 adopt a resolution declaring that the association intends to 3 an into liquidation and discontinue business as a building 4 and loan association. A copy of the resolution, duly certified by the president and secretary of the association, 5 under the seal thereof, shall be transmitted to the 6 department within 10 days after its passage. The department 7 8 shall then issue its certificate reciting that the 9 resolution has been filed in its office and that the 10 association is in liquidation. 11 (2) After the filing of the notice, it is unlawful for 12 the association to issue stock or to loan or advance its 13 money to members, shareholders, or to any other person. 14 (3) All of the income and receipts of the association 15 in excess of the actual expense of managing it shall be applied to pay off first the indebtedness and then the stock 16 17 savings accounts in the association upon which no loans have 18 been made, the same to be paid pro rata, then to pay off the 19 capital stock in the association, oro rata. 20 (4) The board of directors of the association in liguidation may adopt those rules and make those orders 21 22 which are just and equitable for the sale and disposition of 23 all property held by the association and for the division of 24 the assets of the association.

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(5) The association in liquidation may be examined by

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1 and shall be under the supervision of the department." Section 22. Section 32-2-432, MCA, is amended to read: 2 3 "32-2-432, Reorganization of associations under 4 liquidation. Any association under voluntary liquidation as 5 provided in 32-2-431 or which may be under the possession of the department as specified in 32-2-309 may resume business 6 as an active building and loan association in the following 7 8 samer:

9 (1) The directors of such building and loan 10 association, by and with the approval of the department, 11 may, upon such terms as may be agreed upon and ratified by 12 the members <u>or stockholders</u> of such association, reorganize 13 such association and resume business as an active building 14 and loan association.

15 (2) Ratification by members or stockholders thereof 16 shall be expressed at a regular or special meeting of 17 members duly called for that purpose, at which meeting a 18 majority of the outstanding stock in a capital stock 19 association or withdrawable deposits in a mutual association 20 voting, either in person or by proxy, shall be sufficient to 21 adopt such proposal.

22 (3) Notice of such meeting shall clearly indicate the
 23 purpose of the meeting."

24Section 23. Section 32-2-441, MCA, is amended to read:25#32-2-441, Conversion into federal savings and loan

associations. Any building and loan association or other
 home financing organization, by whatever name or style it
 may be designated, eligible to become a federal savings and
 loan association may convert itself into a federal savings
 and loan association by following the procedure hereinafter
 outlined:

(1) At any regular meeting of the shareholders or 7 members of any such association or at any special meeting of R the shareholders or members of such association, in either 9 10 case called to consider such action and held in accordance 11 with the laws governing such association, such shareholders 12 or members, by an affirmative vote of the majority of the 13 shareholders or members, in person or by proxy, may declare by resolution the determination to convert the association 14 15 into a federal savings and loan association.

16 (2) A copy of the minutes of the meeting of the 17 shareholders <u>or immembers</u> werified by the affidavit of the 18 president or vice-president and the secretary of the meeting 19 shall be filed with the department within 10 days after the 20 meeting. The verified copy of the minutes of such meeting 21 when so filed shall be presumptive evidence of the holding 22 and of the action of such meeting.

(3) Within a reasonable time and without any
unnecessary delay after the adjournment of such meeting of
shareholders <u>or members</u>, such association shall take any

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action necessary to make it a federal savings and loan 1 2 association. and within 10 days after receipt of the federal 3 charter there shall be filed with the department a copy of the charter issued to such association by the federal home 4 5 loan bank board or a certificate showing the organization of 6 such association as a federal savings and loan association certified by or on behalf of the federal home loan bank 7 board. Upon the filing of such instrument such association 8 shall cease to be a state association and shall thereafter 9 be a federal savings and loan association." 10

11 Section 24. Section 32-2-501. MCA. is amended to read: *32-2-501. Associations empowered to make loans on 12 securities authorized by National Housing Act. Subject to 13 such regulations as may be prescribed by the federal housing 14 administrator, pursuant to an act of congress cited as the 15 "National Housing Act", approved by the president on June 16 17 27. 1934, and all amendments thereto as well as any 18 amendments hereafter duly passed and approved, building and loan associations qualified to do business in this state are 19 hereby empowered to make such loans, secured by mortgages 20 upon real estate, and other advances of credit to members or 21 others, charges, investments, purchases, sales, contracts 22 23 for insurance of mortgages and advances of credit and stockholders* members! accounts, and other contracts as are 24 now, or may hereafter be, authorized or provided for by said 25

National Housing Act and any amendments thereof duly passed
 and approved."

Section 25. Section 32-2-502. MCA. is amended to read: 3 4 #32-2-502. Transactions exempt from operation of state 5 laws. All loans, charges, investments, advances of credit, 6 purchases, sales, contracts for insurance of mortgages and 7 stockholders' members! accounts, and other contracts made я pursuant to the powers granted in 32-2-501 through 32-2-503 9 shall be exempt from the operation and application of the ceneral statutes of this state in conflict with said 10 11 National Housing Act and the regulations issued thereunder." 12 Section 26. Section 32-2-503, MCA, is amended to read: 13 "32-2-503. Application of sections. The provisions of 32-2-501 through 32-2-503 shall apply only to loans. 14 15 advances of credit, charges, investments, purchases, sales, contracts for insurance of mortgages and advances of credit 16 17 and accounts of stockholders members, and other contracts 18 made in connection with and incidental to loans secured by 19 mortgages and to advances of credit, insured or to be 20 insured, and accounts, insured or to be insured, under the 21 provisions of said National Housing Act and amendments 22 thereof duly passed and approved." 23 NEW SECTION. Section 27. Organization of **mut**ual

24 associations. The incorporators of a mutual association 25 shall appoint one of their number as chairman of the

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1 incorporators, and he shall procure from a surety company or other surety acceptable to the department a surety bond in 2 an amount no less than the sum of the amount subscribed by 3 the incorporators and the amount of the expense fund 4 5 described in [section 28]. The bond shall name the 6 department as obligee and shall be delivered to it. The bond shall assure the safekeeping of the funds described and 7 their delivery to the association after the issuance of a 8 9 certificate of incorporation and after bonding of the officers of the corporation. In the event of failure to 10 11 complete organization, the bond shall assure the return of 12 the amounts collected to the respective subscribers or their assigns, less reasonable expenses which shall be deducted 13 from the expense fund. The incorporators, before a 14 15 certificate of incorporation is issued, shall pay to the 16 chairman in cash, labor, or services actually performed an 17 aggregate amount of at least \$500,000, including that part 18 of the original subscription paid by the chairman, as 19 subscriptions to the savings accounts of the proposed 20 association.

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21 <u>NEW SECTION</u> Section 28. Expense fund for mutual 22 association. (1) In addition to their subscriptions to 23 savings accounts, the incorporators shall create an expense 24 fund of not less than one-half of the minimum amount of 25 savings account subscriptions required to be paid in under LC 0162/01

this chapter. The expense fund shall be used to pay the 1 1 2 expenses of organizing the association, and its operating 3 expenses may be paid from the fund until such time as its 4 net income is sufficient to pay such earnings as may be 5 declared and paid or credited to its savings account holders 6 from sources available for payment of earnings. Before a 7 certificate of incorporation is issued, the incorporators R shall deposit to the credit of the chairman of the incorporators the amount of the expense fund, in cash. The 9 amounts contributed to the expense fund by the incorporators 10 shall not constitute a liability of the association except 11 12 as otherwise provided.

13 (2) Contributions made by the incorporators and others 14 to the expense fund may be repaid pro rata from the net income of the association after provision for statutory 15 16 reserves and declaration of earnings of not less than 2% on 17 savings accounts. If the association is liquidated before 18 contributions to the expense fund have been repaid, any 19 contributions to the expense fund remaining unexpended shall 20 be repaid to the contributors pro rata, after the payment of 21 the expenses of liquidation, creditors, and withdrawal value 22 of all savings accounts. The books of the association shall. 23 reflect the expense fund. The contributors to the expense 24 fund shall be paid earnings on the amounts paid in by them 25 at the times earnings are regularly distributed to savings

account holders; and for this purpose, the contributions
 shall in all respects be considered as savings accounts of
 the association.

4 NEW SECTION: Section 29. Organizational meeting. 5 Within 30 days after the corporate existence of an 6 association begins, the directors of the association shall 7 hold an organizational meeting and shall elect officers pursuant to the provisions of this chapter and the bylaws. 8 9 At the organizational meeting the directors shall take such 10 other action as is appropriate in connection with beginning 11 the transaction of business by the association. The 12 department may extend, by order, the time within which the 13 organizational meeting must be held.

14 NEW SECTION, Section 30, Organization of capital 15 stock associations. The incorporators of a capital stock 16 association shall appoint one of their number as chairman of 17 the incorporators, and the chairman shall procure from a 18 surety company or other surety acceptable to the department 19 a surety bond in an amount at least equal to the sum of the 20 amount of capital stock contributions and the additional 21 amounts described in [section 31]. The bond shall name the 22 department as obligee and shall be delivered to it. The bond shall assure the safekeeping of the funds described and 23 their delivery to the association after the issuance of the 24 25 certificate of incorporation and the bonding of the

1 officers. In the event of the failure to complete Z organization, the bond shall assure the return of the 3 amounts collected to the respective subscribers or their assigns, less reasonable expenses which shall be deducted 4 from the paid-in surplus. Before a certificate of 5 incorporation is issued, the subscribers shall pay to the 6 chairman, in cash, labor, or services actually performed, 7 the capital of such association. The capital shall be the 8 9 sum of the par or initially stated value of all shares of voting capital stock. Each share of capital stock shall 10 11 entitle the holder of the share to one vote. The minimum 12 required capital is \$500.000.

13 NEW SECTION. Section 31. Capital stock association -surplus fund --- verification statement. (1) In addition to 14 15 the minimum capital required, the subscribers shall pay an 16 amount equal to not less than 25% of the par or initially 17 stated value of the stock subscribed, which shall be 18 credited to paid-in surplus and may be used to offset 19 losses. The minimum capital and surplus may be used for the 20 reserves reduired by law and as may be permitted by the 21 board of directors.

22 (2) Prior to the issuance of a certificate by the 23 department, the incorporators of a proposed association 24 shall file with the department a statement in the form and 25 containing supporting data and proof as the department may

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require. The statement shall verify that the entire capital
 and paid~in surplus has been unconditionally paid in and
 that the funds representing the capital and paid~in surplus,
 less amounts of the paid~in surplus expended for land,
 building, supplies, fixtures, equipment, and organization;
 are on hand.

7 NEW SECTION. Section 32. Issuance of capital stock. 8 (1) As of the date the corporate existence of a canital 9 stock association begins, the association shall issue such 10 capital stock as necessary to satisfy the minimum capital 11 requirements of [section 30] and such additional capital stock as may be approved for issuance by the board of 12 13 directors up to the amount authorized in the certificate of 14 incorporation. Once the amount of stock authorized in the 15 certificate of incorporation has been issued, no other 16 shares may be issued except as otherwise authorized in this 17 chapter. The capital stock of an association, when issued, 18 shall constitute permanent capital and may not be retired or 19 withdrawn, except as otherwise provided, until all 20 liabilities of the association, including the withdrawal 21 value of all savings accounts, have been satisfied in full 22 and until outstanding capital certificates have been 23 retired.

24 (2) An association may issue shares of common stock
25 and preferred stock, with or without par value, and such

1 common and preferred stock may be divided into classes and 2 the classes into series.

3 <u>NEW SECTION</u> Section 33. Restrictions on capital 4 stock. (1) The consideration for the issuance of capital 5 stock shall be paid in cash except for stock issued pursuant 6 to:

(a) the incorporation of the association;

8 (b) an employee stock option plan;

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9 (c) a plan of merger, consolidation, or conversion
10 from a mutual to a stock association; or

11 (d) any other type of reorganization that has been
12 approved by the department.

13 (2) The par value or stated value of stock issued 14 pursuant to subsections (1)(a) through (1)(d) shall be 15 maintained as the permanent capital of the association, and 16 any additional amount paid in shall be credited to paid-in 17 surplus.

18 (3) The appregate par value or stated value of all outstanding shares of capital stock shall be the permanent 19 20 capital of the association, and except as otherwise provided 21 by this chapter, such capital stock may not be retired until 22 final liquidation of the association. An association may not 23 reduce the par or stated value of its outstanding capital 24 stock without first obtaining the written approval of the 25 department. The department shall withhold its approval if

1 the reduction will cause the par or stated value of 2 outstanding capital stock to be less than the minimum 3 required by this chapter or will result in less than 4 adequate net worth, as the department in its discretion may 5 determine. An association may not retire any part of its 6 capital stock without the approval of the department.

7 NEW SECTION. Section 34. Purchase of stock of 8 deceased stockholder. An association may purchase its 9 capital stock from the personal representative of a deceased 10 stockholder upon the written approval of the department. 11 Upon obtaining written approval, an association may contract 12 with a living stockholder for a purchase of his stock upon 13 his death. Any such purchase shall be for a price and upon 14 such terms and conditions as may be agreed upon by the 15 association and the stockholder or personal representative. 16 The purchase of a deceased stockholder's stock may not 17 reduce the net worth accounts of the association to an amount less than required by law or by any approved insurer 18 of the association's savings accounts. An association 19 Z0 agreeing with a stockholder to purchase his capital stock 21 upon his death may purchase insurance on the life of the 22 stockholder to fund or partially fund such purchase. Any 23 stock purchased under this section may be resold by the 24 association at a price and upon such terms and conditions as 25 the board of directors may approve, or may be retired. If

the stock is to be resold, the association shall file notice
 with the department disclosing the price, terms, and
 conditions of the proposed resale.

MEM_SECIION_Section 35. Mutual and capital stock conversions. (1) Any mutual association may convert to a capital stock association and any capital stock association may convert to a mutual association in accordance with the provisions of [sections 35 through 41].

9 (2) Any applicant seeking to convert its corporate 10 form pursuant to [sections 35 through 41] shall first obtain 11 approval of a plan of conversion by a resolution adopted by 12 a two-thirds majority vote of the total number of directors 13 authorized for the association.

14 <u>NEW SECTION</u> Section 36. Department approval. (1) 15 Upon approval of a plan of conversion by the board of 16 directors, the plan and the resolution approving it shall be 17 submitted to the department. The department shall approve 18 the plan of conversion after appropriate examination, if it 19 finds that:

20 (a) the plan of conversion is fair and equitable;

(b) the interests of the applicant, members or
 stockholders, savings account holders, and public are
 adequately protected; and

24 (c) the converting applicant has complied with the 25 provisions of [sections 35 through 41].

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1 (2) If the department approves the plan of conversion, 2 the approval, which shall be in writing, shall be sent to 3 the home office of the applicant. To cause the applicant to 4 conform with the requirements of this chapter, the approval 5 may prescribe terms and conditions, to be fulfilled either 6 before or after the conversion.

7 (3) If the department disapproves the plan of 8 conversion, its objections shall be sent in writing to the home office of the applicant. The applicant shall be 9 10 afforded an opportunity to amend and resubmit the plan 11 within a reasonable time as prescribed by the department. If 12 the department disapproves the resubmitted plan, written 13 notice of the final disapproval shall be sent by certified 14 mail to the applicant's home office.

15 <u>NEW SECTION</u> Section 37. Submission to members or 16 stockholders. (1) If the department has approved a plan of 17 conversion pursuant to [section 36], the plan shall be 18 submitted for adoption to the members or stockholders of the 19 association for a vote at a meeting called for that purpose. 20 The plan must be approved by:

(a) members of a mutual association representing
 two-thirds of the withdrawable deposits, present in person
 or by proxy at the meeting; or

(b) stockholders of a capital stock association
holding two-thirds of the capital stock, represented in

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1 person or by proxy at the meeting.

2 (2) If the plan is approved, action shall be taken to 3 amend the articles of incorporation and bylaws as necessary, elect directors and officers, and take any other action as 4 5 is required or appropriate for the type of association into 6 which the applicant will be converted. A certified report of 7 the proceedings shall be filed promptly with the department. 8 NEW SECTION. Section 38. Conversion of mutual to capital stock association. The following requirements are 9 mandatory in any olan of conversion from the mutual form to 10 11 a capital stock form of organization: 12 (1) Each savings account holder shall receive a 13 withdrawable account of the same general class in the 14 converted association equal in amount and time tenure to his 15 withdrawable account in the converting association. No payment may be required from the account holder for this 16 17 change of accounts. (2) The plan shall specify the aggregate dollar amount 18 of voting capital stock and the total number of shares to be 19 20 issued to accomplish the conversion. The distribution of 21 the stock shall be in accordance with subsection (3). 22 (3) All voting capital stock issued by the association 23 to accomplish a conversion shall be subscribed and fully 24 paid for in cash, labor, or services actually performed in

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the conversion process and may not be eligible, either

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1 directly or indirectly, as security for a loan or other 2 credit advance to facilitate its own purchase. Each account з holder must have the right for a period of 60 days to 4 purchase a proportionate share of the stock at a price equal 5 to the initial stated value thereof. Any stock remaining 6 unsubscribed shall, during the succeeding 60-day period, be 7 offered for sale to those savings account holders of record 8 who have purchased their proportionate share during the 9 initial period. Any stock remaining unsubscribed may be 10 offered for sale to others or transferred to others in 11 consideration for labor or services actually performed in the conversion process. 12

13 (4) The record date for determining savings account 14 holders* rights to distribution under subsection (3) shall 15 be set by the converting association*s board of directors 16 but may not be less than 120 days prior to the date of 17 approval of the conversion plan by the directors.

(5) The conversion plan shall make specific provision
with respect to the surplus, reserves, undivided profits,
and capital stock of the converted association, specifying
types of accounts, amounts, priorities, any voting rights,
and how such accounts are to be disposed of or retained.

23 (6) The plan shall contain such other information and 24 be in the form required by the department to enable it to 25 make a determination of whether: (a) the plan is fair and equitable;

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2 (b) the interests of the applicant, members or
3 stockholders, savings account holders, and the public are
4 adequately protected; and

5 (c) the converting applicant has complied with the
6 requirements of [sections 35 through 41].

NEW_SECTION: Section 39. Conversion of capital stock
 to mutual association. The following requirements are
 mandatory in any plan of conversion from the capital stock
 form to a mutual form of association:

11 (1) Each savings account holder shall receive a 12 withdrawable account of the same general class in the 13 converted association equal in amount and time tenure to his 14 withdrawable account in the converting association. No 15 payment may be required from the account holder for this 16 change of accounts.

17 (2) The conversion plan shall specify how and in what 18 amount the return of capital to each class of stockholder in 19 the form of an exchange of stock for savings accounts shall 20 be effectuated.

(3) The plan shall provide for the allocation of
voting rights to the holders of savings accounts and the
manner in which such rights may be exercised.

24 (4) The plan shall make specific provision with
25 respect to the surplus, reserves, undivided profits, and

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capital stock of the converted association, specifying types
 of accounts, amounts, priorities, any voting rights, and how
 such accounts shall be disposed of or retained.

4 (5) The plan shall contain such other information and 5 be in the form required by the department to enable it to 6 make a determination of whether:

(a) the plan is fair and equitable;

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(b) the interests of the applicant, members or
 stockholders, savings account holders, and the public are
 adequately protected; and

(c) the converting applicant has complied with the
 requirements of [sections 35 through 41].

13 <u>NEW SECTIONs</u> Section 40. Issuance of certificate ---14 continuance of entity. (1) If the department determines that 15 a conversion proceeding has been completed in accordance 16 with the requirements of [sections 35 through 41], it shall 17 issue to the applicant a certificate of conversion. The 18 conversion does not become effective until the issuance of 19 the certificate.

20 (2) Upon the issuance to the applicant of a 21 certificate of conversion, the corporate existence of the 22 converting applicant does not terminate but shall be treated 23 as a continuation of the entity so converted. All property 24 of the converted applicant, of whatever kind, and any 25 benefit pertaining to it vest in the converted applicant. without any further action, to the same extent as possessed
 by the converting applicant.

NEW_SECTION. Section 41. Continuance of rights and 3 obligations. A converted applicant, upon issuance of the 4 5 certificate of conversion, continues to have and succeeds to all the rights, obligations, and relations of the converting 6 7 applicant. All pending actions and other judicial 8 proceedings to which the converting applicant was a party may not be abated or discontinued by reason of the 9 10 conversion and may be prosecuted to final judgment, order, 11 or decree in the same manner as if the conversion had not 12 been made, and the converted applicant may continue the 13 actions in its new corporate name. Any judgment, order, or 14 decree that might have been rendered for or against the 15 converted applicant prior to the conversion may be rendered 16 for or against it after the conversion.

17NEW SECTION: Section 42. Codification instruction.18Sections 27 through 41 are intended to be codified as an19integral part of Title 32. chapter 2. and the provisions of20Title 32. chapter 2. apply to sections 27 through 41.21NEW SECTION: Section 43. Effective date. This act is

22 effective on passage and approval.

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3 4 A BILL FOR AN ACT ENTITLED: "AN ACT TO GENERALLY REVISE THE LAWS RELATING TO BUILDING AND LOAN ASSOCIATIONS; AUTHORIZING 5 6 THE FORMATION OF CAPITAL STOCK ASSOCIATIONS: PROVIDING FOR 7 CONVERSION BETWEEN CAPITAL STOCK AND MUTUAL ASSOCIATIONS: 8 AMENDING SECTIONS 32-2-101, 32-2-201, 32-2-205, 32-2-207 9 THROUGH 32-2-212. 32-2-221. 32-2-224. 32-2-231. 32-2-301. 10 32-2-309, 32-2-401, 32-2-404, 32-2-410, 32-2-416 THROUGH 11 32-2-418, 32-2-431, 32-2-432, 32-2-441, AND 32-2-501 THROUGH 32-2-503, MCA: AND PROVIDING AN IMMEDIATE EFFECTIVE DATE." 12 13 14 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA: Section 1. Section 32-2-101, MCA, is amended to read: 15 #32-2-101. Purpose --- definitions. (1) A corporation 16 17 autually operated for the purpose of encouraging home 18 ownership and thrift among---its--members and making 19 substantially all of its loans to them on real estate 20 mortgage security shall be known in this chapter as a 21 building and loan association or a savings and loan association and is under the supervision of the department, 22 23 which shall enforce all laws with respect to it. 24 tz--The-owners--of--shares--in-a--building--and-loan 25

HOUSE BILL NO. 20

INTRODUCED BY FABREGA

1 building--and--loon--association--are---its----aharehoidera-2 stockholdersy-borrowersy-or-purchasers-of-real-estate-under 3 contracts 4 (3)(2) The associations have continual succession and 5 shall be organized under the provisions of this chapter. 6 141(3) When used in this chapter, the following 7 definitions apply: 8 (a) "Building and loan association" includes savings 9 and loan associations organized under this chapter. 10 (b) "Department" means the department of commerce 11 provided for in Title 2, chapter 15, part 18. 12 (c) "Capital stock" means the appreciate of shares of 13 nonwithdrawable capital issues by a capital stock association. 14 15 fd1 "Hember" meansa 16 (i) a person holding a savings account of a mutual 17 association: 18 till a person borrowing from or assuming or obligated 19 upon a loan or an interest therein held by the association; 20 (iii) a person purchasing property securing a loan or 21 interest therein held by such association: or 22 (iv) any other person obligated to the association. 23 (e) "Mutual association" means a building and loan 24 association formed without authority to issue stock. 25 (f) "Savings account" means that part of the savings THIRD READING

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1	liability of the association which is credited to the
2	account of the holder thereof and includes any form of
3	withdrawable_deposit.
4	(g) "Stock association" means a building and loan
5	association formed with authority to issue stock.
6	th) "Stockholder" means the bolder of one or more
7	shares of any class of capital stock of a capital stock
8	association organized and operating pursuant to the
9	provisions of this chapter.
10	[4] For the purposes of subsection (3)(dia a jointa
11	survivorship. or any other multiple owner or borrower
12	relationship constitutes a single membership."
13	Section 2. Section 32-2-201, MCA, is amended to read:
14	=32-2-201. Articles of incorporation contents.
15	Whenever any number of persons, not less than five, desire
16	to incorporate a building and loan association, having for
17	its object the conduct and operation of such an association
18	as defined in this chapter, they shall prepare and file
19	articles of incorporation to that effect in the manner
20	specified in this chapter. Such articles shall be signed,
21	sealed, and acknowledged in the form now provided by the
Z 2	statutes of this state for the conveyance of real estate and
23	shall include the following:
24	(1) the name of the association, which may not be the

1 corporation established under the laws of this state. The Z words building and loan association or savings and loan association shall form a part of the name, and a corporation 3 4 not organized under this chapter may not use a name 5 embodying that combination of words, provided that the 6 associations existing as of May 1, 1927, may continue their 7 present names. 8 (2) the principal office or place of business of the 9 association, which shall be within this state; 10 (3) if a capital stock association, the amount of its 11 conital stock and the appreciate number of shares into which 12 the sens-shell-be-divided----The---eepital---stock-shell-be divided into shores having a per value of \$200. corporation 13

14 will have authority to issue:

15 (4) a provision that such association is organized 16 under this chapter for the purposes herein expressed;

17 (5) the names and residences of the persons who 18 subscribed and acknowledged the declarations a majority of 19 whom shall be citizens of this state and shall thereafter be 20 called incorporators."

21 Section 3. Section 32-2-205, MCA; is amended to read:

- 23 <u>Investigation</u> certificate of incorporation, how issued.
- 24 **117-The-copies-nemod-in-the-prive-of-incorporation**

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25 refers to the sutherized capital stocks

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same as or too closely resemble that in use by any existing

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 (2)--The-organization-may-be-completed-and-business

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 commenced-when-54-of-the-completed-stock-is-subscribed and-not

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 less-than--f2;500-psid-iny--in--cosh--That--amount--must

 4
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5 (3)(1) (a) when the articles of incorporation are in 6 proper form and regularly executed and the bylaws have been 7 duly approved as required in 32-2-204 and it-septements-the 8 seti sfection--of---the---depertment---that-54-of-the-author7zed 9 capital has actually been poid in cash upon the subseription 10 of shores and, in the case of a mutual association, the 11 requirements of (section 27) have been complied with or. in 12 the case of a capital stock association, the repuirements of isection 301 have been complied with, the department shall 13 then ascertain from the best sources of information at its 14 15 command the responsibility, character, and general fitness of the incorporators. The department shall also determine 16 17 whether there is a reasonable need for the existence of the 18 association and whether the public convenience and advantage 19 will be promoted by its existence.

(b) If the department is not satisfied with the result of its investigations of the matters specified in this section: it shall: within 60 days after the articles of incorporation and bylaws have been presented to it; refuse to issue the certificate described in this section.

25 (c) If it is satisfied with the result of its

investigations, it shall, within 60 days after the articles
 of incorporation and bylaws have been presented to it, issue
 under its official seal a certificate reciting in substance
 the filing in its office of the articles of incorporation
 and bylaws.

6 (4)(2) (a) The certificate shall also state that the 7 articles and bylaws conform to all the requirements of this 8 chapter, that the department has approved them and that it 9 believes that the incorporators are fit and proper persons to conduct the business of a building and loan association 10 11 as defined in this chapter and the bylaws, that there is a 12 reasonable need for the existence of the building and loan 13 association, and that the public convenience and advantage will be promoted thereby. 14

15 (b) The certificate shall be made in guadruplicate and attached to each copy of the articles of incorporation, one 16 17 of which shall be retained by the department. The other 18 three shall be returned to the incorporators, who shall 19 immediately file one copy with the secretary of state and 20 one with the clerk and recorder of the county in which the **Z**1 principal place of business of the association is located. 22 The other copy shall be retained by the association-23

(c) Immediately upon the receipt of the certified
 copy, the secretary of state shall issue a certificate of
 incorporation, at which time the incorporation of the

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1 association is complete."

2 Section 4. Section 32-2-207, MCA, is amended to read: 3 "32-2-207, Removal of directors, No director shall be 4 removed from office except as herein provided or by a vote 5 of the performance of a sutual association representing two-thirds of the withdrawable deposits in the association õ 7 or the stockholders of a conital stock corporation holding 8 two-thirds of the capital stocks at a general meeting held 9 after previous notice given in the manner provided in 10 32-2-209. Meetings of the members of stockholders for this 11 purpose may be called by the president or by a majority of 12 the directors or by stockholders holding not less than 25% 13 of the capital stock."

 14
 Section 5. Section 32-2-208, MCAy is amended to read:

 15
 *32-2-208. Heetings of stockholders and directors. (1)

 16
 The meetings of the <u>sembers or</u> stockholders of a Montana

 17
 building and loan association must be held at its office or

 18
 principal place of business in this state.

19 (2) In its bylaws, such association shall provide for 20 at least one regular meeting of <u>members</u> or stockholders 21 annually. Notice of any meeting, whether regular or special; 22 shall be given by the secretary in accordance with 32-2-209. 23 The board of directors shall have the right to call a 24 special meeting at any time. The board of directors must 25 also call a special meeting whenever petitioned to do so by:

1 (a) members of a sutual association representing at least 25% of the withdrawable deposits of the association: 2 3 OF. (b) stockholders owning at least 25% of the issued 4 5 stock. 6 [3] The secretary shall call special meetings in the 7 same manner as provided in 32-2-209." Section 6. Section 32-2-209, MCA, is amended to read: 8 "32-2-209. Notice of meetings. (1) At least 30 days 9 prior to any annual or special meeting of any such 10 association, a notice stating the time and place of such the 11 12 meeting shall be deposited in the post office at the 13 principal place of business of such associations directed to each weaper or stockholder at his address, as the same 14 appears at the time on the books of the association, and 15 when so deposited, postage prepaid, shall be deemed a legal 16 17 and sufficient notice of any wwwh meeting. 18 (2) In addition thereto notice may be given by four 19 consecutive weekly publications in a newspaper published in the county where the association has its principal place of 20 business. Such publication shall be complete on the day of 21 22 the fourth publication. (3) In notices of special meetings there shall be 23 24 attached to and accompanying such notice a statement of any

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matter or matters to be considered at said meeting-

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1 (4) All members <u>or stockholders</u> of such the 2 association shall be entitled to vote at such the meetings 3 in person or by proxy."

4 Section 7. Section 32-2-210. MCA, is amended to read: 5 "32-2-210. Proxies. At least once every year the board 6 of directors of every building and loan association shalls 7 by resolution, cause the secretary of such association to 8 mail to every member or stockholder of such association a blank form of proxy, and the mamber or stockholder may 9 10 withdraw his former proxy and substitute another in its stead. Every proxy shall continue in force and be binding 11 upon the member or stockholder until such proxy is revoked 12 13 or another substituted."

Section 8. Section 32-2-211, MCA, is amended to read: 14 15 #32-2-211. Transfer of stock or account -- effect. (1) 16 The delivery of a capital stock certificate of a building 17 and loan association to a bona fide purchaser or pledgee for value, together with a written transfer of the same or a 18 written power of attorney to sell, assign, or transfer the 19 20 same, signed by the owner of the certificate, shall be a sufficient delivery to transfer the title as against the 21 creditors of the transferor and subsequent purchasers; but 22 no such transfer shall affect the right of the building and 23 24 loan association to pay any dividend due upon the stock or 25 treat the holder of record as the holder in fact until such transfer is recorded upon the books of the building and loan
 association or a new certificate is issued to the person to
 whom it has been transferred.

4 121 A savious account or any interest therein is transferable on the books of the association only upon 5 6 proper written apolication and acceptance by the association 7 of the transferre as a members subject to terms approved by 8 the board of directors. The association may treat the bolder 9 of record of a savings account as the owner thereof without 10 belog affacted by any motice to the contrary unless the 11 association has acknowledged, in writing the receipt of 12 notice of a pledge of the savings account."

13 Section 9. Section 32-2-212, NCA, is amended to read: 14 #32-2-212. Requirements of transfer in certain cases. 15 When a certificate of stock or a savings account in a 16 building and loan association is owned by persons residing out of the state or is lost, the president, secretary, or 17 18 directors of such association, before entering any transfer 19 of such stock or account on its books or before issuing a new certificate therefor to the transferee or owner, may 20 21 require from the attorney or agent of the owner or from the 22 person claiming under the transfer an affidavit or other 23 evidence that the owner was alive at the date of the 24 transfer or that the original certificate is lost and has 25 not been assigned or transferred and may also require from

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1 the attorney, agent, or claimant a bond of indemnity, with a 2 surety or sureties satisfactory to the officers of such 3 association, to protect such association against any liability to the owner, assignee, or transferee of such 4 5 shares or account or the legal representatives of the owners 6 of such shares or account. In case of his or her death 7 before the transfer, and also to protect such the 8 association against any liability accruing or resulting by 9 reason of said lost or original certificate being thereafter 10 presented to it. If such the affidavit or other evidence or 11 bond be is not furnished when required as herein provided. 12 neither such the association nor any officer thereof shall 13 be liable for refusing to enter the transfer on the books of 14 the association."

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15 Section 10. Section 32-2-221, NCA, is amended to read: 16 "32-2-221. Foreign associations -- requirements. (1) 17 An association, as defined in 32-2-103, organized under the 18 laws of any other state, of the United States, or of any 19 foreign government shally before doing business in this 20 state, file with the secretary of state and the department a duly authenticated copy of their charter, articles of 21 22 incorporation, or articles of agreement and also a 23 statement, verified by oath of the president and secretary **Z**4 of the corporation or managing officials if other than a 25 corporation and duty verified, showing:

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1 (a) the name of the association and the location of 2 its principal office or place of business outside this state 3 and the location of the place of business or principal 4 office in this state: 5 (b) the names and residences of the officers, 6 trustees, or directors: 7 (c) the amount of capital stocks if any, and savings liability; 8 9 (d) the amount of capita) invested in the state of 10 Nontana 11 (2) The association shall also file, at the same time 12 and in the same offices, a certificate, signed by its 13 president, vice-president, or other acting head and by its secretary, if there is one, certifying that the association 14 15 has consented to all the license laws and other laws of this 16 state relative to foreign associations and has consented to 17 be sued in the courts of this state upon all causes of 18 action arising against it in this state and that service of process may be made upon a citizen of this state, whose name 19 20 and place of residence shall be designated in the 21 certificate. Service of process on that agent is valid 22 service on the association." 23 Section 11. Section 32-2-224, MCA, is amended to read: 24 *32-2-224. Shares of stock and savings accounts 25 subject to attachment. The stock or shares savings accounts

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1 of such foreign associations doing business in this state 2 shall be subject to attachment in the same manner as now 3 provided by law in the case of domestic associations." Section 12. Section 32-2-231, MCAy is amended to read: 4 5 #32-2-231. Conselidation and transfer -- branching 6 prohibited. (1) Only building and loan associations organized and chartered under the laws of the state of 7 8 Nontana may, with the approval of the department, 9 consolidate and become incorporated in one body, with or 10 without any dissolution or division of the funds or property 11 of any of them. Any association may transfer its 12 engagements, funds, and property to any other association 13 upon terms agreed upon by a majority vote of the respective 14 board of directors and ratified by a two-thirds vote of the 15 shares or members owning at least two-thirds of the 16 withdrawable deposits in the association, present and voting 17 in person or by proxy at a special meeting or meetings of the stockholders or members of the respective associations 18 19 convened for that purpose, upon notice given as provided by 20 lawy: the notice to state the object of the meeting. A 21 transfer may not prejudice any right of any creditor of the 22 association.

(2) Branching by merger or branching otherwise between
 a building and loan association organized and chartered
 under the laws of Montana and a building and loan

association organized and chartered under the laws of any
 other state is prohibited. Branching de novo in Montana by a
 foreign-chartered building and loan association is
 prohibited.

5 (3) Insufar as this section Timits or reduces the 6 rights, powers, or privileges of building and loan 7 associations previously granted by law, it shall apply only 8 to proposed consolidations or mergers of associations which 9 are initiated by action taken by their board of directors 10 and shareholders subsequent to April 14, 1977."

11 Section 13. Section 32-2-301, HCA, is amended to read: 12 "32-2-301. Examinations by department. The department 13 shall examine all building and loan associations doing 14 business in this state at least once a year. Also, when the holders of 10% of the subscribed stock or members holding 15 log of the withdrawable deposits of an association file a 16 17 written application with the department requesting it to make a special examination of an association, it shall make 18 19 the examination immediately. The expense of the examiner 20 making the examination shall be paid by the association 21 examined, and the examiner's finding shall be available to 22 the petitioners and the board of directors of the association notwithstanding any provisions to the contrary 23 24 contained in this chapter."

25 Section 14. Section 32-2-309, MCA, is amended to read:

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#32-2-309. Insolvency or impairment of association ---1 Z powers of department. (1) When it appears to the department that the affairs of a building and loan association are in 3 4 an unsound condition or that it is conducting its business 5 in an unsafe or unlawful manner, the department may take possession of all books, records, and assets of every 6 description of the association and retain possession of them 7 pending the further proceedings specified in this section. 8

9 {2} If the board of directors, secretary, or person in 10 charge of the association refuses to permit the department 11 to take possession, the department shall communicate that 12 fact to the attorney general. The attorney general shall at 13 once institute the proceedings necessary to place the 14 department in Immediate possession of the property of the 15 association.

16 (3) Upon taking possession of the effects of the association, the department shall prepare a full and true statement of the affairs and condition of the association; including an itemized statement of its assets and Diabilities, and shall receive and collect all debts; dues, and claims belonging to it and pay the immediate and reasonable expenses of the department*s trust.

(4) When the condition of the association has been
fully ascertained and it appears that the affairs of the
association are in fact in an unsound condition, the

department shall at once notify; in writing: the board of
 directors of the association of its decision; giving them 20
 days in which to restore the affairs of the association to
 sound condition.

5 (5) Neanwhile, the department shall remain in charge 6 of the books, records, and assets of every description of 7 the association, shall attend or be represented at all 8 directors and stockholders or members meetings held, and 9 shall suggest those steps it considers necessary to restore 10 the association to a sound condition.

11 (6) If the association is not restored to a sound 12 condition within 20 days, the department shall report the 13 facts to the attorney general. The attorney general shall 14 institute proceedings in the district court of the county in 15 which the association has its principal place of business 16 for the appointment of the department as receiver.

17 (7) As receiver, the department may collect all moneys. 18 due the association and may do those other acts which are necessary to conserve its assets and business, and it shall 19 liquidate the association's affairs. The department mays 20 except as otherwise limited by the terms of this chapter, do 21 22 any acts necessary or, in its discretion, desirable for the 23 protection of the property and assets of the association and 24 the speedy and economical liguidation of its assets and 25 affairs and the payment of its creditors or for the

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resumption of business of the association where that is
 practicable or desirable. The department may institute in
 its own name or in the name of the association those legal
 proceedings it considers expedient for those purposes.

(8) By applying to the district court of the county in 5 6 which the association is located, or to the indoe thereof in 7 chambers, the department may, upon sufficient showing of 8 cause, obtain an order to sell, compromise, or compound any 9 bad or doubtful debt or claim and to sell any of the assets. 10 The sale may be made to stockholders, <u>members</u>, officers, 11 directors, or others interested in the association, on 12 consent of the court. On the proceedings the association 13 shall be made a party by notice issued on order of the court 14 or judge. in place of summons but served in like manner. 15 The hearing of the application or petition by the department 16 may be had at any time, either in term or vacation in court in chambers, as the court may order, after the 17 or 18 association has had 5 days* notice of the application.* 19 Section 15. Section 32-2-401, MCA, is amended to read: 20 #32-2-401. Powers and duties of building and loan associations. A building and loan association may: 21 ZZ (1) have continual succession by its corporate name; (2) sue and be sued in any court; 23

24 (3) make and use a common seal and miter it at 25 pleasure; 1 (4) appoint those officers or agents the business of 2 the corporation requires and pay them suitable compensation; 3 (5) enter into obligations or contracts essential to 4 the transaction of its ordinary affairs or for the purposes 5 of the corporation;

6 (6) issue stock to <u>stockholders</u> and <u>savings</u>
7 <u>certificates</u> to members on the terms and conditions the
8 constitution articles of incorporation and bylaws providey
9 <u>but on-association may not issue preferred stock</u>;

10 (7) assess and collect from members dues on stock and 11 interest on loans at the times and in the amount provided 12 for in the constitution <u>articles</u> of incorporation and 13 bylaws;

14 (8) permit members to withdraw all or part of their ' 15 stock credits savings at the times and upon the terms as the 16 censtitution articles of incorporation and bylaws may 17 provide:

18 (9) cancel shares of stock <u>savings</u> certificates upon 19 which all credits have been withdrawn or upon which loans 20 have been canceled or stock <u>savings</u> upon which no payments 21 have been made for a period of 6 months, by returning to the 22 stockholders <u>members</u> all credits, if any, and reissue the 23 shares certificates as new stock <u>savings</u> certificates;

(10) issue wheek savings certificates to minors and
 permit it them to be withdrawn as other stock savings

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<u>certificates</u>. The receipt by the minor is a valid
 acquittance if his rights have been fully secured to him.
 (11) acquire, hold, encumber, and convey that real
 estate and personal property necessary for the transaction
 of its business or necessary to enforce or protect its
 securities;

7 (12) borrow money, only when necessary and not
8 exceeding 20% of its assets, except when borrowing from the
9 federal home loan bank as provided in 32-2-405, and issue
10 its promissory note for the loan;

11 (13) make loans to members on the security of the 12 shares sayings accounts of the association and also on their 13 notes secured by first cortgages on improved real estate. 14 including suburban homes but not on farm lands or mining 15 property, for not to exceed 75% of the actual value of the 16 real "estate" and upon the terms and conditions which may be 17 provided in the constitution articles of incorporation and 18 bylaws:

19 (14) cancel those loans and release the securities on
20 those terms the board of directors may provide:

21 (15) invest the money of the association in accordance 22 with 32-2-406;

23 (16) Yoan money to other building and Yoan 24 associations;

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(17) make e-seminanual distribution of all the earnings

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1 interest and dividends earned after payment of expenses and Z setting aside a sum for the contingent funds as provided in 3 this chapter: (18) amend its articles of incorporation by changing 4 5 the name, place of business, the number of directors, and 6 increase or decrease the capital stock, and provide for its 7 OWR continual succession by a majority vote of its 8 directors. However, those amendments are of no effect until 9 approved by the department. (19) dissolve the corporation in accordance with the 10 11 provisions of this chapter: 12 (20) provide, by constitution articles of incorporation 13 and bylaws adopted or amended by its board of directors, for .14 the proper exercise of the powers granted in this section 15 and the conduct and management of its affairs: 16 (21) exercise those other powers which are necessary and proper to enable the corporation to carry out the 17 purpose of its organization.* 18 Section 16. Section 32-2-404, MCA, is amended to read: 19 20 "32-2-404. Stock Savinds account withdrawal. (1) No 21 charge or fee, except as provided in this section, may be 22 made against a member who withdraws his stock savings, after 23 having given 30 days' notice of the withdrawal. No fine of 24 any description may be made upon the per value of that stock 25 or upon the deglared dividends savings _account because of

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the withdrawal. A member who withdraws his stock savings or 1 whose stock sayings account is matured is entitled to 2 receive all dues sums paid in and all dividends interest 3 declared, less interest, if any, as provided in 32-2-402, less a reasonable membership fee not exceeding 2% of the per 5 velve andunt of each shore of stock his deposit, and less a 6 pro rata share of all losses, if any, which have occurred. 7 No other fine or assessments may be made against the stock 8 9 saviegs.

(2) Applications for withdrawal shall be registered on 10 the books of the association in the order received, and 11 one-half of all cash collections not required to meet 12 outstanding contracts must be used for the payment of the 13 matured stock savings and of the withdrawals in the order 14 registered. The other half of those collections each month 15 may be used for the payment of withdrawals other than in the 16 order registered, but no member may receive more than \$100 17 in any one wonth other than by payment of an application for 18 withdrawal in the order registered. The term "outstanding 19 contracts" includes the costs and expenses of operation, 20 completion of loans, payment of taxes and assessments and 21 necessary remodeling and repairs on properties owned by or 22 mortgaged to the association, repayment of all borrowed 23 money, and all fixed charges." 24

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Section 17. Section 32-2-410, MCA, is amended to read:

1 . #32-2-410. Fund for contingent losses. The amount to be set aside to the fund for contingent losses shall be 2 determined by the board of directors, but in all permanent 3 or serial associations at least 5% of the net earnings shall 4 5 be set aside each year for such fund "until "it" reaches at 6 least 5% of the book value of the stock savings deposits. 7 All losses shall be paid out of such fund until the same is 8 exhausted. and whenever the amount in said fund falls below 52 of the book-weive of the stock sayings deposits as 9 aforesaid, it shall be replenished by annual appropriations 10 11 of at least 5% of the earnings, as hereinbefore provided. 12 until "it again reaches said amount."

13 Section 18. Section 32-2-416. MCA. Is amended to read: 14 =32-2-416. Joint ownership. Any building and loan 15 association may issue savings certificates and shares to or in the name of two or more persons, whether husband and wife 16 or otherwise: withdrawal by any one of such persons and the 17 18 receipt or acquittance of any one of such persons shall be 19 valid and sufficient release and discharge to the 20 association for such withdrawals, regardless of the death or 21 disability of any other such joint shareholder or 22 certificate holder.*

Section 19. Section 32-2-417, MCA, is amended to read:
 "32-2-417. Trust — payment. Whenever any shares of
 stock shall be purchased or savings deposits made in any

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1	building and loan association by any person in trust for
z	another and no other or further notice of the existence and
3	terms of a legal and valid trust shall have been given in
4	writing to the association, in the event of the death of the
5	trustee, the same, or any part thereof, together with the
6	interest or dividends thereon, may be paid to the person for
7	whom said shares were purchased <u>or ≲avings deposits made</u> ."
8	Section 20. Section 32-2-418, MCA: is amended to read:
9	#32-2-418. Sheres <u>Savings</u> held by minor- Whenever any
10	shares of stock sayings accounts in any building and loan
11	association shall be purchased by or in the name of any
12	
13	benefit of such minor and free from the control or lien of
14	all persons whatsoever+ except creditors+ and shall be paid+
15	with any interest due thereon, to the person in whose name
16	the shares of stock savings accounts shall have been
17	purchased, and the receipt of such minor shall be sufficient
18	release or discharge for such sheres of stock savings
19	accounts to the association."
20	Section 21. Section 32-2-431, NCAy is amended to read:

21 "32-2-431. Voluntary liquidation and settlement. (1)
22 With the consent of the department, an association organized
23 under the laws of and doing business in this state, may, if
24 the <u>members or</u> stockholders consider it advisable; go into
25 liquidation. For the purpose of so doing it may, at any

regular or called meeting of the members or stockholders, · 1 2 adopt a resolution declaring that the association intends to go into liquidation and discontinue business as a building 3 4 and loan association. A copy of the resolution, duly certified by the president and secretary of the association. S under the seal thereof, shall be transmitted to the 6 department within 10 days after its passage. The department 7 8 shall then issue its certificate rediting that the resolution has been filed in its office and that the 9 10 association is in liquidation. (2) After the filing of the notice, it is unlawful for 11 12 the association to issue stock or to loan or advance its 13 money to members, shareholders, or to any other person-· 14 (3) All of the income and receipts of the association in excess of the actual expense of managing it shall be 15 applied to pay off first the indebtedness and then the stock 16 17 savings accounts in the association upon which no loans have 18 been made, the same to be paid pro rata, then to pay off the 19 capital stock in the associations pro rata. 20 (4) The board of directors of the association in liquidation may adopt those rules and make those orders 21 22 which are just and equitable for the sale and disposition of 23 all property held by the association and for the division of **Z4** the assets of the association.

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(5) The association in liquidation may be examined by

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1 and shall be under the supervision of the department." 2 Section 22. Section 32-2-492, MCA, is amended to read: 3 *32-2-432. Reorganization of associations under 4 liquidation, any association under voluntary liquidation as 5 provided in 32-2-431 or which may be under the possession of 6 the department as specified in 32-2-309 may resume business 7 as an active building and loan association in the following 8 manner: 9 (1) The directors of such building and loan

10 association, by and with the approval of the department. 11 may, upon such terms as may be agreed upon and ratified by 12 the members or stockholders of such association, reorganize 13 such association and resume business as an active building 14 and loan association.

15 (2) Ratification by members or <u>stockholders</u> thereof 16 shall be expressed at a regular or special meeting of 17 members duly called for that purpose, at which meeting a 18 majority of the outstanding stock in a <u>capital</u> stock 19 <u>association or withdrawable deposits in a mutual association</u> 20 voting, either in person or by proxy, shall be sufficient to 21 adopt such proposal.

(3) Notice of such meeting shall clearly indicate the
 purpose of the meeting."

24Section 23. Section 32-2-441, MCA, is amended to read:25#32-2-441. Conversion into federal savings and loan

1 associations. Any building and loan association or other 2 home financing organization, by whatever name or style it 3 may be designated, eligible to become a federal savings and 4 loan association may convert itself into a federal savings 5 and loan association by following the procedure hereinafter 6 outlined:

7 (1) At any regular meeting of the shareholders or 8 performs of any such association or at any special meeting of 9 the shareholders or members of such association, in either 10 case called to consider such action and held in accordance 11 with the laws governing such association, such shareholders 12 or members, by an affirmative vote of the majority of the 13 shareholders or members, in person or by proxy, may declare by resolution the determination to convert the association 14 15 into a federal savings and loan association.

16 (2) A copy of the minutes of the meeting of the 17 shareholders <u>or members</u> verified by the affidavit of the 18 president or vice-president and the secretary of the meeting 19 shall be filed with the department within 10 days after the 20 meeting. The verified copy of the minutes of such meeting 21 when so filed shall be presumptive evidence of the holding 22 and of the action of such meeting.

(3) Within a reasonable time and without any
 unnecessary delay after the adjournment of such meeting of
 shareholders or members, such association shall take any

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1 action necessary to make it a federal savings and loan 2 association, and within 10 days after receipt of the federal 3 charter there shall be filed with the department a copy of the charter issued to such association by the federal home 4 5 loan bank board or a certificate showing the organization of such association as a federal savings and loan association 6 7 certified by or on behalf of the federal home loan bank board. Upon the filing of such instrument such association 8 9 shall cease to be a state association and shall thereafter 10 be a federal savings and loan association.* 11 Section 24. Section 32-2-501. NCA. is amended to read:

12 "32-2-501. Associations empowered to make loans on 13 securities authorized by National Housing Act. Subject to 14 such regulations as may be prescribed by the federal housing 15 administrator, pursuant to an act of congress cited as the 16 "National Housing Act", approved by the president on June 17 27, 1934, and all amendments thereto as well as any 18 amendments hereafter duly passed and approved, building and 19 loan associations qualified to do business in this state are 20 hereby empowered to make such loans, secured by mortgages 21 upon real estate, and other advances of credit to members or 22 others, charges, investments, purchases, sales, contracts 23 for insurance of mortgages and advances of credit and 24 stockholders' members' accounts, and other contracts as are 25 now, or may hereafter bey authorized or provided for by said

National Housing Act and any amendments thereof duly passed
 and approved."

3 Section 25. Section 32-2-502. MCA. is amended to read: *32→2-502. Transactions exempt from operation of state 4 5 laws, All loans, charges, investments, advances of credit, 6 purchases, sales, contracts for insurance of mortgages and 7 steckholders makers! accounts, and other contracts made 8 pursuant to the powers granted in 32-2-501 through 32-2-503 9 shall be exempt from the operation and application of the 10 general statutes of this state in conflict with said 11 National Howsing Act and the regulations issued thereunder." 12 Section 26. Section 32-2-503, NCA, is amended to read: 13 "32-2-503. Application of sections. The provisions of 14 32-2-501 through 32-2-503 shall apply only to loans, 15 advances of credity charges, investments, purchases, sales, 16 contracts for insurance of sortgages and advances of credit 17 and accounts of stackholders sambers, and other contracts 18 made in connection with and incidental to loans secured by 19 mortgages and to advances of credity insured or to be insured. and accounts, insured or to be insured, under the 20 21 provisions of said National Housing Act and amendments thereof duly passed and approved." 22 23 NEW SECTION. Section 27. Organization of mutua] 24 associations. The incorporators of a mutual association

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shall appoint one of their number as chairman of the

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1 incorporators, and he shall arocure from a surety company or 2 other surety acceptable to the department a surety bond in 3 an amount no less than the sum of the amount subscribed by the incorporators and the amount of the expense fund 4 described in [section 28]. The bond shall name the 5 6 department as obligge and shall be delivered to it. The bond 7 shall assure the safekeeping of the funds described and 8 their delivery to the association after the issuance of a 9 certificate of incorporation and after bonding of the 10 officers of the corporation. In the event of failure to 11 complete organization. the bond shall assure the return of 12 the amounts collected to the respective subscribers or their assigns, less reasonable expenses which shall be deducted 13 from the expense fund. The incorporators, before a 14 certificate of incorporation is issued, shall pay to the 15 chairman in cash. labor, or services actually performed an 16 aggregate amount of at least \$500,000, including that part 17 18 of the original subscription paid by the chairwan, as subscriptions to the savings accounts of the proposed 19 20 association.

21 <u>NEW SECTIONs</u> Section 28. Expense fund for mutual 22 association. (1) In addition to their subscriptions to 23 savings accounts, the incorporators shall create an expense 24 fund of not less than one-half of the minimum amount of 25 savings account subscriptions required to be paid in under LC 0162/01

1 this chapter. The expense fund shall be used to not the 2 expenses of ordenizing the association, and its operating expenses may be paid from the fund until such time as its 3 4 net income is sufficient to pay such earnings as may be 5 declared and paid or credited to its savings account holders from sources available for payment of earnings, Before a * 7 certificate of incorporation is issued, the incorporators shall deposit to the credit of the chairman of the 8 incorporators the amount of the expense fund, in cash. The 9 10 amounts contributed to the expense fund by the incorporators 11 shall not constitute a liability of the association except 12 as otherwise provided.

13 [2] Contributions made by the incorporators and others 14 to the expense fund may be repaid prograta from the net income of the association after provision for statutory 15 16 reserves and declaration of earnings of not less than 2% on 17 savings accounts. If the association is liquidated before 18 contributions to the expense fund have been repaids any 19 contributions to the expense fund remaining unexpended shall 20 be repaid to the contributors pro rata, after the payment of the expenses of liquidation, creditors, and withdrawal value 21 22 of all savings accounts. The books of the association shall reflect the expense fund. The contributors to the expense 23 24 fund shall be paid earnings on the amounts paid in by them 25 at the times earnings are regularly distributed to savings

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account holders; and for this purpose, the contributions
 shall in all respects be considered as savings accounts of
 the association.

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4 NEW SECTION. Section 29. Organizational meeting_ Within 30 days after the corporate existence of an 5 6 association begins, the directors of the association shall 7 hold an organizational meeting and shall elect officers 8 pursuant to the provisions of this chapter and the bylaws. 9 At the organizational meeting the directors shall take such 10 other action as is appropriate in connection with beginning 11 the transaction of business by the association. The department may extends by proders the time within which the 12 organizational meeting must be held. 13

14 NEW SECTION, Section 30. Organization of capital 15 stock associations. The incorporators of a capital stock 16 association shall appoint one of their number as chairman of 17 the incorporators, and the chairman shall procure from a 18 surety company or other surety acceptable to the department 19 a surety bond in an amount at least equal to the sum of the 20 amount of capital stock contributions and the additional 21 amounts described in [section 31]. The bond shall name the 22 department as obligee and shall be delivered to it. The 23 bond shall assure the safekeeping of the funds described and 24 their delivery to the association after the issuance of the 25 certificate of incorporation and the bonding of the

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1 officers. In the event of the failure to complete organization, the bond shall assure the return of the 2 3 amounts collected to the respective subscribers or their assigns, less reasonable expenses which shall be deducted 4 from the paid-in surplus. Before a certificate of 5 incorporation is issued, the subscribers shall pay to the 6 chairman, in cash, labor, or services actually performed, 7 the capital of such association. The capital shall be the 8 9 sum of the par or initially stated value of all shares of 10 voting capital stock. Each share of capital stock shall 11 entitle the holder of the share to one vote. The minimum 12 required capital is \$500,000.

NEW SECTION. Section 31. Capital stock association ---13 14 surplus fund --- verification statement. (1) In addition to 15 the minimum capital required, the subscribers shall pay an 16 amount equal to not less than 25% of the par or initially 17 stated value of the stock subscribed, which shall be 18 credited to paid-in surplus and may be used to offset 19 losses. The minimum capital and surplus may be used for the reserves reduired by law and as may be permitted by the 20 21 board of directors.

22 (2) Prior to the issuance of a certificate by the 23 department, the incorporators of a proposed association 24 shall file with the department a statement in the form and 25 containing supporting data and proof as the department may

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require. The statement shall verify that the entire capital and paid—in surplus has been unconditionally paid in and that the funds representing the capital and paid—in surplus. less amounts of the paid—in "surplus" expended for landy building, "supplies," fixtures, equipment, and organization, are on hand.

NEW SECTION. Section 32. Issuance of capital stock. 7 8 (1) As of the date the corporate existence of a capital 9 stock association begins, the association shall issue such 10 capital stock as necessary to satisfy the minimum capital 11 requirements of [section 30] and such additional capital 12 stock as may be approved for issuance by the board of 13 directors up to the amount authorized in the certificate of -14 incorporation. Once the amount of stock authorized in the 15 certificate of incorporation has been issued, no other shares may be issued except as otherwise authorized in this 16 chapter. The capital stock of an association, when issued, 17 shall constitute permanent capital and may not be retired or 18 19 withdrawn, except as otherwise provided, until all liabilities of the association, including the withdrawal 20 value of all savings accounts, have been satisfied in full 21 and until outstanding capital certificates have been 22 23 retired.

24 (2) An association may issue shares of common stock
25 and preferred stock, with or without par value, and such

1 ** common ** and ** preferred stock may be divided into classes and 2 the classes into series.

3 <u>NEW SECTION</u>. Section 33. Restrictions on capital 4 stock. (1) The consideration for the issuance of capital 5 stock shall be paid in cash except for stock issued pursuant 6 to:

(a) the incorporation of the association;

(b) an employee stock option plan;

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9 (c) a plan of merger, consolidation, or conversion
10 from a mutual to a stock association; or

11 (d) any other type of reorganization that has been 12 approved by the department.

13 (2) The par value or stated value of stock issued 14 pursuant to subsections (1)(a) through (1)(d) shall be 15 maintained as the permanent capital of the association, and 16 any additional amount paid in shall be credited to paid-in 17 surplus.

18 (3) The aggregate par value or stated value of all outstanding shares of capital stock shall be the permanent 19 capital of the association, and except as otherwise provided **Z**0 **Z1** by this chapter, such capital stock may not be retired until 22 final liquidation of the association. An association may not 23 reduce the par or stated value of its outstanding capital 24 stock without first obtaining the written approval of the 25 department. The department shall withhold its approval if

1 the reduction will cause the par or stated value of 2 outstanding capital stock to be less than the minimum 3 required by this chapter or will result in less than 4 adequate net worth, as the department in its discretion may 5 determine. An association may not retire any part of its 6 capital stock without the approval of the department.

7 NEW_SECTION. Section 34. Purchase of stock of 8 deceased stockholder. An association may purchase its 9 capital stock from the personal representative of a deceased 10 stockholder upon the written approval of the department. 11 Upon obtaining written approval, an association may contract 12 with a living stockholder for a purchase of his stock upon 13 his death. Any such purchase shall be for a price and upon 14 such terms and conditions as may be agreed upon by the 15 association and the stockholder or personal representative. 16 The purchase of a deceased stockholder's stock may not 17 reduce the net worth accounts of the association to an amount less than required by law or by any approved insurer 18 19 of the association's savings accounts. An association 20 agreeing with a stockholder to purchase his capital stock 21 upon his death may purchase insurance on the life of the 22 stockholder to fund or partially fund such purchase. Any stock purchased under this section may be resold by the 23 24 association at a price and upon such terms and conditions as 25 the board of directors may approve, or may be retired. If

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the stock is to be resold, the association shall file notice
 with the department disclosing the price, terms, and
 conditions of the proposed resale.

4 <u>NEW_SECIION</u> Section 35. Mutual and capital stock 5 conversions. (1) Any mutual association may convert to a 6 capital stock association and any capital stock association 7 may convert to a mutual association in accordance with the 8 provisions of [sections 35 through 41].

9 (2) Any applicant seeking to convert its corporate 10 form pursuant to [sections 35 through 41] shall first obtain 11 approval of a plan of conversion by a resolution adopted by 12 a two-thirds majority vote of the total number of directors 13 authorized for the association.

14 <u>NEW SECTIONs</u> Section 36. Department approval. (1) 15 Upon approval of a plan of conversion by the board of 16 directors, the plan and the resolution approving it shall be 17 submitted to the department. The department shall approve 18 the plan of conversion after appropriate examination, if it 19 finds that:

20 (a) the plan of conversion is fair and equitable;

21 (b) the interests of the applicant, members or
22 stockholders, savings account holders, and public are
23 adequately protected; and

24 (c) the converting applicant has complied with the
25 provisions of [sections 35 through 41].

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1 (2) If the department approves the plan of conversion, 2 the approval, which shall be in writing, shall be sent to 3 the home office of the applicant. To cause the applicant to 4 conform with the requirements of this chapter, the approval 5 may prescribe terms and conditions, to be fulfilled either 6 before or after the conversion.

7 (3) If the department disapproves the plan of conversion. its objections shall be sent in writing to the я home office of the applicant. The applicant shall be 9 10 afforded an opportunity to amend and resubmit the plan 11 within a reasonable time as prescribed by the department. If 12 the department disapproves the resubmitted plan, written 13 notice of the final disapproval shall be sent by certified mail to the applicant's home office. 14

NEW_SECTION: Section 37. Submission to members or stockholders. (1) If the department has approved a plan of conversion pursuant to [section 36], the plan shall be submitted for adoption to the members or stockholders of the association for a vote at a meeting called for that purpose. The plan must be approved by:

(a) members of a mutual association representing
 two-thirds of the withdrawable deposits, present in person
 or by proxy at the meeting; or

(b) stockholders of a capital stock association
holding two-thirds of the capital stock, represented in

1 person or by proxy at the meeting.

2 (2) If the plan is approved, action shall be taken to 3 amend the articles of incorporation and bylaws as necessary. 4 elect directors and officers, and take any other action as 5 is required or appropriate for the type of association into 6 which the applicant will be converted. A certified report of 7 the proceedings shall be filed promptly with the department. 8 NEW SECTION. Section 38. Conversion of mutual to 9 capital stock association. The following requirements are 10 mandatory in any plan of conversion from the mutual form to a capital stock form of organization: 11

12 (1) Each savings account holder shall receive a 13 withdrawable account of the same general class in the 14 converted association equal in amount and time tenure to his 15 withdrawable account in the converting association. No 16 payment may be required from the account holder for this 17 change of accounts.

(2) The plan shall specify the aggregate dollar amount
of voting capital stock and the total number of shares to be
issued to accomplish the conversion. The distribution of
the stock shall be in accordance with subsection (3).

(3) All voting capital stock issued by the association
to accomplish a conversion shall be subscribed and fully
paid for in cash, labor, or services actually performed in
the conversion process and may not be eligible, either

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directly or indirectly, as security for a loan or other 1 2 credit advance to facilitate its own purchase. Each account з holder must have the right for a period of 60 days to purchase a proportionate share of the stock at a price equal 4 5 to the initial stated value thereof. Any stock remaining 6 unsubscribed shall, during the succeeding 60-day period, be 7 offered for sale to those savings account holders of record 8 who have purchased their proportionate share during the 9 initial period. Any stock remaining unsubscribed may be 10 offered for sale to others or transferred to others in consideration for labor or services actually performed in 11 the conversion process. 12

13 (4) The record date for determining savings account 14 holders* rights to distribution under subsection (3) shall 15 be set by the converting association's board of directors 16 but may not be less than 120 days prior to the date of 17 approval of the conversion plan by the directors.

18 (5) The conversion plan shall make specific provision 19 with respect to the surplus, reserves, undivided profits, 20 and capital stock of the converted association, specifying 21 types of accounts, amounts, priorities, any voting rights, 22 and how such accounts are to be disposed of or retained.

23 (6) The plan shall contain such other information and
24 be in the form required by the department to enable it to
25 make a determination of whether:

1	(a) the plan is fair and equitable;
2	(b) the interests of the applicant, members or
3	stockholders, savings account holders, and the public are
4	adequately protected; and
5	(c) the converting applicant has complied with the
6	requirements of [sections 35 through 41].
.7	<u>NEW SECTION</u> Section 39. Conversion of capital stock
8	to mutual association. The following requirements are
9	mandatory in any plan of conversion from the capital stock
10	form to a mutual form of association:
11	(1) Each savings account holder shall receive a
12	withdrawable account of the same general class in the
13	converted association equal in amount and time tenure to his
14	withdrawable account in the converting association. No
15	payment may be required from the account holder for this
16	change of accounts.
17	(2) The conversion plan shall specify how and in what
18	amount the return of capital to each class of stockholder in
19	the form of an exchange of stock for savings accounts shall
20	be effectuated.
21	(3) The plan shall provide for the allocation of
Z2	voting rights to the holders of savings accounts and the
23	manner in which such rights may be exercised.
24	(4) The plan shall make specific provision with
25	respect to the surplus, reserves, undivided profits, and

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and the second

capital stock of the converted association, spacifying types
 of accounts, amounts, priorities, any voting rights, and how
 such accounts shall be disposed of or retained.

4 (5) The plan shall contain such other information and 5 be in the form required by the department to enable it to 6 make a determination of whether:

(a) the plan is fair and equitable;

7

8 (b) the interests of the applicant, members or
9 stockholders, savings account holders, and the public are
10 adequately protected; and

11 (c) the converting applicant has complied with the 12 requirements of [sections 35 through 41].

NEW SECTION. Section 40. Issuance of certificate --continuance of entity. (1) If the department determines that a conversion proceeding has been completed in accordance with the requirements of [sections 35 through 41], it shall issue to the applicant a certificate of conversion. The conversion does not become effective until the issuance of the certificate.

20 (2) Upon the issuance to the applicant of a 21 certificate of conversion, the corporate existence of the 22 converting applicant does not terminate but shall be treated 23 as a continuation of the entity so converted. All property 24 of the converted applicant, of whatever kind, and any 25 benefit pertaining to it vest in the converted applicant 1 without any further action, to the same extent as possessed
2 by the converting applicant.

3 NEW SECTION. Section 41. Continuance of rights and 4 obligations. A converted applicant, upon issuance of the 5 certificate of conversion, continues to have and succeeds to 6 all the rights, obligations, and relations of the converting 7 applicant. All ponding actions and other judicial 8 proceedings to which the converting applicant was a party 9 way not be abated or discontinued by reason of the conversion and may be prosecuted to final ludgment, order, 10 or decree in the same manner as if the conversion had not 11 12 been made, and the converted applicant may continue the actions in its new corporate name. Any judgment, order, or 13 decree that might have been rendered for or against the 14 15 converted applicant prior to the conversion may be rendered 16 for or against it after the conversion.

17 <u>NEW SECTIONs</u> Section 42. Codification Instruction.
18 Sections 27 through 41 are intended to be codified as an
19 integral part of Title 32, chapter 2, and the provisions of
20 Title 32, chapter 2, apply to sections 27 through 41.

NEW SECTION. Section 43. Effective date. This act is
 effective on passage and approval.

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1	HOUSE BILL NO. 20	1	buildingandloanassociationareitsshareholdersy
Z	INTRODUCED BY FABREGA	z	stockholdersyborrowersy-or-purchasers-of-real-estate-under
3		3	contract.
4	A BILL FUR AN ACT ENTITLED: "AN ACT TO GENERALLY REVISE THE	4	(3)(2) The associations have continual succession and
5	LAWS RELATING TO BUILDING AND LOAN ASSOCIATIONS; AUTHORIZING	5	shall be organized under the provisions of this chapter.
6	THE FORMATION OF CAPITAL STOCK ASSOCIATIONS; PROVIDING FOR	6	(4)<u>(3)</u> When used in this chapter, the following
7	CONVERSION BETWEEN CAPITAL STOCK AND MUTUAL ASSOCIATIONS;	7	definitions apply:
8	AMENDING SECTIONS 32-2-101, 32-2-201, 32-2-205, 32-2-207	8	(a) "Building and loan association" includes savings
9	THROUGH 32-2-212, 32-2-221, 32-2-224, 32-2-231, 32-2-301,	9	and loan associations organized under this chapter.
10	32-2-309, 32-2-401, 32-2-404, 32-2-410, 32-2-416 THROUGH	10	(b) "Department" means the department of commerce
11	32-2-418, 32-2-431, 32-2-432, 32-2-441, AND 32-2-501 THROUGH	11	provided for in Title 2, chapter 15, part 18.
12	32-2-503, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE."	12	<pre>(c)"Capital_stock"_means_the_aggregate_ofsharesof</pre>
13		13	nonwithdrawablecapitalissuesbyacapital_stock
14	BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:	14	association.
15	Section 1. Section 32-2-101, MCA, is amended to read:	15	(d)member"_means:
16	*32-2-101. Purpose definitions. (1) A corporation	16	<u>(i)aperson_bolding_a_savings_account_of_a_mutual</u>
17	mutually operated for the purpose of encouraging home	17	association:
18	ownership and thrift amongitsmembers and making	18	(ii)_a_person_borrowing_from_or_assuming_or_obligated
19	substantially all of its loans tothem on real estate	19	upon_a_loan_or_an_interest_therein_held_by_theassociation:
20	mortgage security shall be known in this chapter as a	20	(iii)_a_person_purchasing_property_securing_a_loan_or
21	building and loan association or a savings and loan	21	interest_therein_beld_by_such_association:_or
22	association and is under the supervision of the department,	22	(iv) any other person obligated to the association.
23	which shall enforce all laws with respect to it.	23	<u>[e]"Mutual_association"_means_a_building_and_loan</u>
24	{2}The-ownersofsharesinabuildingandloan	24	association_formed_without_authority_to_issue_stock.
25	associationarecalledstockholdersThemembersofa	25	<u> If] "Savings account" means that part of the savings</u>
			•
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REFERENCE BILL

. . .

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1	<u>liability of the association which is credited to the</u>
2	account of the holder thereaf and includes any form of
3	withdrawable_deposit.
4	(g)Stock_associationmeansabuildingandloan
5	association formed with authority to issue stock.
6	(b) "Stockholder" means the bolder of one or more
ד	<u>sbares of any class of capital stock of a capital stock</u>
8	association_organized_and_operating_pursuant_to_the
9	provisions of this chapter.
10	14) For the purposes of subsection [3][d]; a joint:
11	survivorship.or_any_other_multiple_owner_or_borrower
12	<u>relationship_constitutes_a_single_membership.</u> "
13	Section 2. Section 32-2~201, MCA, is amended to read:
14	"32-2-201. Articles of incorporation contents.
15	Whenever any number of persons, not less than five, desire
16	to incorporate a building and loan association, having for
17	its object the conduct and operation of such an association
18	as defined in this chapter, they shall prepare and file
19	articles of incorporation to that effect in the manner
20	specified in this chapter. Such articles shall be signed.
21	sealed, and acknowledged in the form now provided by the
22	statutes of this state for the conveyance of real estate and
23	shall include the following:
24	(1) the name of the association, which may not be the

same as or too closely resemble that in use by any existing

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25

poration -- contents. 14 <u>will have authority to issue;</u> ess than five, desire 15 (4) a provision that such association is organized association, having for 16 under this chapter for the purposes herein expressed; of such an association 17 (5) the names and residences of the persons who

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present names.

18 subscribed and acknowledged the declaration, a majority of 19 whom shall be citizens of this state and shall thereafter be 20 called incorporators."

corporation established under the laws of this state. The

words building and loan association or savings and loan

association shall form a part of the name, and a corporation not organized under this chapter may not use a name

embodying that combination of words, provided that the

associations existing as of May 1, 1927, may continue their

association, which shall be within this state;

(2) the principal office or place of business of the

(3) if a capital stock association: the emount-of-its capital-stock-and-the aggregate number of shares into which

the same--shall--be--dividede--The--capital--stock-shall-be divided-into-shares-having-s-par-value-of-\$100* <u>corporation</u>

21 Section 3. Section 32-2-205, MCA, is amended to read:

22 *32-2-205. Capital-stock-requirements----investigation

23 Investigation -- certificate of incorporation, how issued.

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24 {{}}-The-espital-stock-named-in-the-sticles-of-incorporation

25 refers-to-the-authorized-capital-stock=

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t21--The-organization-may-be-completed-and-business
 commenced-when-5%-of-the-capital-stock-is-subscribed-and-not
 tess--than--\$2y500--paid--iny--in-cashs--That--amount--must
 thereafter-be-maintaineds

tation are in 5 proper form and regularly executed and the bylaws have been 6 duly approved as required in 32-2-204 and-it-appears-to--the 7 satisfaction--of--the--department--that-5%-of-the-authorized 8 9 eapital -has-actually-been-paid-in-cash-upon-the-subscription 10 of-shares and, in the case of a mutual association, the 11 requirements of fsection 27] have been complied with or in the case of a capital stock association, the requirements of 12 [section 30] have been complied with, the department shall 13 then ascertain from the best sources of information at its 14 15 command the responsibility, character, and general fitness of the incorporators. The department shall also determine 16 17 whether there is a reasonable need for the existence of the association and whether the public convenience and advantage 18 19 will be promoted by its existence.

(b) If the department is not satisfied with the result of its investigations of the matters specified in this section, it shall, within 60 days after the articles of incorporation and bylaws have been presented to it, refuse to issue the certificate described in this section.

25 (c) If it is satisfied with the result of its

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investigations, it shall, within 60 days after the articles
 of incorporation and bylaws have been presented to it, issue
 under its official seal a certificate reciting in substance
 the filing in its office of the articles of incorporation
 and bylaws.

6 ++++(2) (a) The certificate shall also state that the 7 articles and bylaws conform to all the requirements of this 8 chapter, that the department has approved them and that it 9 believes that the incorporators are fit and proper persons 10 to conduct the business of a building and loan association 11 as defined in this chapter and the bylaws, that there is a 12 reasonable need for the existence of the building and loan 13 association, and that the public convenience and advantage will be promoted thereby. 14

(b) The certificate shall be made in guadruplicate and 15 16 attached to each copy of the articles of incorporation, one of which shall be retained by the department. The other 17 18 three shall be returned to the incorporators, who shall 19 immediately file one copy with the secretary of state and 20 one with the clerk and recorder of the county in which the principal place of husiness of the association is located. 21 The other copy shall be retained by the association. 22

(c) Immediately upon the receipt of the certified
 copy, the secretary of state shall issue a certificate of
 incorporation, at which time the incorporation of the

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1 association is complete."

Section 4. Section 32-2-207, MCA, is amended to read: 2 "32-2-207. Removal of directors. No director shall be 3 removed from office except as herein provided or by a vote 4 of the members of a mutual association representing 5 two-thirds of the withdrawable deposits in the association 6 or the stockholders of a capital stock, corporation holding 7 8 two-thirds of the capital stocks at a general meeting held after previous notice given in the manner provided in 9 10 32-2-209. Meetings of the members or stockholders for this 11 purpose may be called by the president or by a majority of the directors or by stockholders holding not less than 25% 12 of the capital stock." 13

Section 5. Section 32-2-208, MCA, is amended to read: "32-2-208. Meetings of stockholders and directors. (1) The meetings of the <u>members or</u> stockholders of a Montana building and loan association must be held at its office or principal place of business in this state.

(2) In its bylaws, such association shall provide for
at least one regular meeting of <u>members_or</u> stockholders
annually. Notice of any meeting, whether regular or special,
shall be given by the secretary in accordance with 32-2-209.
The board of directors shall have the right to call a
special meeting at any time. The board of directors must
also call a special meeting whenever petitioned to do so by:

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1	(a) members of a mutual association representing at
z	<u>least 25% of the withdrawable deposits of the association:</u>
3	21
4	(b) stockholders owning at least 25% of the issued
5	stock.
6	(3) The secretary shall call special meetings in the
7	same manner as provided in 32-2-209."
8	Section 6. Section 32-2-209; MCA; is amended to read:
9	"32-2-209。 Notice of meetings。 (1) At least 30 days
10	prior to any annual or special meeting of any such
11	association, a notice stating the time and place of such the
12	meeting shall be deposited in the post office at the
13	principal place of business of such associations directed to
14	each member <u>or stockholder</u> at his address, as the same
15	appears at the time on the books of the association, and
16	when so deposited, postage prepaid, shall be deemed a legal
17	and sufficient notice of any such meeting.
18	(2) In addition thereto notice may be given by four
19	consecutive weekly publications in a newspaper published in
20	the county where the association has its principal place of
21	business. Such publication shall be complete on the day of
22	the fourth publication.
23	(3) In notices of special meetings there shall be
24	attached to and accompanying such notice a statement of any
25	matter or matters to be considered at said meeting.

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1 (4) All members <u>or___stockholders</u> of such the 2 association shall be entitled to vote at such the meetings 3 in person or by proxy."

Section 7. Section 32-2-210, MCA, is amended to read: 4 "32-2-210. Proxies. At least once every year the board 5 directors of every building and loan association shall, 6 of by resolution, cause the secretary of such association to 1 mail to every member or stockholder of such association a 8 blank form of proxy, and the member or stockholder may 9 withdraw his former proxy and substitute another in its 10 stead, Every proxy shall continue in force and be binding 11 12 upon the <u>member or</u> stockholder until such proxy is revoked 13 or another substituted."

Section 8. Section 32-2-211, MCA, is amended to read: 14 "32-2-211. Transfer of stock or account -- effect. (1) 15 The delivery of a capital stock certificate of a building 16 17 and loan association to a bona fide purchaser or pledgee for value, together with a written transfer of the same or a 18 19 written power of attorney to sell, assign, or transfer the same, signed by the owner of the certificate, shall be a 20 sufficient delivery to transfer the title as against the 21 22 creditors of the transferor and subsequent purchasers; but 23 no such transfer shall affect the right of the building and 24 loan association to pay any dividend due upon the stock or 25 treat the holder of record as the holder in fact until such

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transfer is recorded upon the books of the building and loan association or a new certificate is issued to the person to whom it has been transferred. (2) A sayings account or any interest therein is transferable on the books of the association only upon proper_written_application_and_acceptance_by_the_association of the transferge as a member: subject to terms approved by the board of directors. The association may treat the holder of record of a savings account as the owner thereof, without being affected by any notice to the contrary unless the association has acknowledged in writing the receipt of notice of a pledge of the savings account." Section 9. Section 32-2-212, MCA, is amended to read: #32-2-212. Requirements of transfer in certain cases. When a certificate of stock or a savings account in a building and loan association is owned by persons residing out of the state or is lost, the president, secretary, or directors of such association, before entering any transfer of such stock or account on its books or before issuing a new certificate therefor to the transferee or owner, may

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require from the attorney or agent of the owner or from the

person claiming under the transfer an affidavit or other

evidence that the owner was alive at the date of the

transfer or that the original certificate is lost and has

not been assigned or transferred and may also require from

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the attorney, agent, or claimant a bond of indemnity, with a 1 surety or sureties satisfactory to the officers of such 2 association, to protect such association against any 3 4 liability to the owner, assignee, or transferee of such shares or account or the legal representatives of the owners 5 of such shares or account, in case of his or her death 6 before the transfer, and also to protect such the 7 association against any liability accruing or resulting by 8 reason of said lost or original certificate being thereafter 9 10 presented to it. If such the affidavit or other evidence or 11 bond be is not furnished when required as herein provided, 12 neither such the association nor any officer thereof shall 13 be liable for refusing to enter the transfer on the books of the association.* 14

15 Section 10. Section 32-2-221, MCA, is amended to read: 16 "32-2-221. Foreign associations -- requirements. (1) 17 An association, as defined in 32-2-103, organized under the laws of any other state, of the United States, or of any 18 19 foreign government shall, before doing business in this 20 state, file with the secretary of state and the department a Z1 duly authenticated copy of their charter, articles of 22 incorporation, or articles of agreement and also a 23 statement, verified by eath of the president and secretary 24 of the corporation or managing officials if other than a 25 corporation and duly verified+ showing:

(a) the name of the association and the location of 1 its principal office or place of business outside this state 2 3 and the location of the place of business or principal office in this state; 4 and residences of the officers, 5 (b) the names trustees, or directors; 6 (c) the amount of capital stock, if any, and savings 7 8 liability; (d) the amount of capital invested in the state of 9 10 Montana. (2) The association shall also file, at the same time 11 and in the same offices, a certificate, signed by its 12 president, vice-president, or other acting head and by its 13 secretary, if there is one, certifying that the association 14 has consented to all the license laws and other laws of this 15 state relative to foreign associations and has consented to 16 be sued in the courts of this state upon all causes of 17 action arising against it in this state and that service of 18 process may be made upon a citizen of this state; whose name 19 place of residence shall be designated in the 20 ano certificate. Service of process on that agent is valid 21 22 service on the association." Section 11. Section 32-2-224, MCA, is amended to read: 23 #32-2-224. Shares of stock and savinus accounts 24 subject to attachment. The stock or shares savings_accounts 25

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of such foreign associations doing business in this state 1 shall be subject to attachment in the same manner as now 2 provided by law in the case of domestic associations." З Section 12. Section 32-2-231, MCA, is amended to read: 4 "32-2-231. Consolidation and transfer -- branching 5 prohibited. (1) Only building and loan associations 6 organized and chartered under the laws of the state of 7 B Aontana may, with the approval of the department, consolidate and become incorporated in one body, with or 9 10 without any dissolution or division of the funds or property 11 of any of them. Any association may transfer its engagements, funds, and property to any other association 12 13 upon terms agreed upon by a majority vote of the respective board of directors and ratified by a two-thirds vote of the 14 15 shares or members owning at least two-thirds of the withdrawable_deposits in the association, present and voting 16 17 in person or by proxy at a special meeting or meetings of 18 the stockholders or members of the respective associations convened for that purpose, upon notice given as provided by 19 20 lawy: the notice to state the object of the meeting. A transfer may not prejudice any right of any creditor of the 21 association. 22

(2) Branching by merger or branching otherwise between
 a building and loan association organized and chartered
 under the laws of Montana and a building and loan

association organized and chartered under the laws of any
 other state is prohibited. Branching de novo in Montana by a
 foreign-chartered building and loan association is
 prohibited.

5 (3) Insofar as this section limits or reduces the 6 rights, powers, or privileges of building and loan 7 associations previously granted by law, it shall apply only 8 to proposed consolidations or mergers of associations which 9 are initiated by action taken by their board of directors 10 and shareholders subsequent to April 14, 1977.**

11 Section 13. Section 32-2-301, MCA, is amended to read: 12 #32-2-301. Examinations by department. The department 13 shall examine all building and loan associations doing 14 business in this state at least once a year. Also, when the holders of 10% of the subscribed stock or members holding 15 10% of the withdrawable deposits of an association file a 16 17 written application with the department requesting it to 18 make a special examination of an association, it shall make 19 the examination immediately. The expense of the examiner 20 making the examination snall be paid by the association examined, and the examiner's finding shall be available to 21 the petitioners and the board of directors of the 22 23 association notwithstanding any provisions to the contrary 24 contained in this chapter."

25 Section 14. Section 32-2-309, MCA, is amended to read:

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1932-2-309. Insolvency or impairment of association ---1 powers of department. (1) When it appears to the department Z that the affairs of a building and loan association are in 3 an unsound condition or that it is conducting its business .4 in an unsafe or unlawful manner, the department may take 5 possession of all books, records, and assets of every 6 description of the association and retain possession of them 7 8 pending the further proceedings specified in this section.

9 (2) If the board of directors, secretary, or person in 10 charge of the association refuses to permit the department 11 to take possession, the department shall communicate that 12 fact to the attorney general. The attorney general shall at 13 once institute the proceedings necessary to place the 14 department in immediate possession of the property of the 15 association.

16 (3) Upon taking possession of the effects of the 17 association, the department shall prepare a full and true 18 statement of the affairs and condition of the association, 19 including an itemized statement of its assets and 10 liabilities, and shall receive and collect all debts, dues, 21 and claims belonging to it and pay the immediate and 22 reasonable expenses of the department's trust.

(4) When the condition of the association has been
 fully-ascertained_and it appears that the waffairs of the
 association are in fact in an unsound conditions the

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department shall at once notify, in writing, the board of
 directors of the association of its decision, giving them 20
 days in which to restore the affairs of the association to
 sound condition.

5 (5) Meanwhile, the department shall remain in charge 6 of the books, records, and assets of every description of 7 the association, shall attend or be represented at all 8 directors and stockholders <u>or members</u> meetings held, and 9 shall suggest those steps it considers necessary to restore 10 the association to a sound condition.

11 (6) If the association is not restored to a sound 12 condition within 20 days, the department shall report the 13 facts to the attorney general. The attorney general shall 14 institute proceedings in the district court of the county in 15 which the association has its principal place of business 16 for the appointment of the department as receiver.

(7) As receiver, the department may collect all moneys 17 due the association and may do those other acts which are 18 necessary to conserve its assets and business, and it shall 19 20 liquidate the association's affairs. The department may, except as otherwise limited by the terms of this chapter, do Z1 any acts necessary or, in its discretion, desirable for the 22 protection of the property and assets of the association and 23 the speedy and seconomical liquidation of its assets and 24 affairs and the payment of its creditors or for the 25

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resumption of business of the association where that is
 practicable or desirable. The department may institute in
 its own name or in the name of the association those legal
 proceedings it considers expedient for those purposes.

(8) by applying to the district court of the county in 5 which the association is located, or to the judge thereof in 6 7 chambers, the department may, upon sufficient showing of 8 cause, obtain an order to sell, compromise, or compound any 9 bad or doubtful debt or claim and to sell any of the assets. The sale may be made to stockholders, members, officers, 10 11 directors, or others interested in the association, on 12 consent of the court. On the proceedings the association shall be made a party by notice issued on order of the court 13 or judge, in place of summons but served in like manner. 14 15 The hearing of the application or petition by the department may be had at any time, either in term or vacation in court 16 in chambers, as the court may order, after the 17 or 18 association has had 5 days" notice of the application." 19 Section 15. Section 32-2-401, MCA, is amended to read:

20 "32-2-401. Powers and duties of building and loan
21 associations. A building and loan association may:

(1) have continual succession by its corporate name;(2) sue and be sued in any court;

24 (3) make and use a common seal and alter it at 25 pleasure; (4) appoint those officers or agents the business of
 the corporation requires and pay them suitable compensation;
 (5) enter into obligations or contracts essential to
 the transaction of its ordinary affairs or for the purposes
 of the corporation;

6 (6) issue stock to <u>stockholders_and__savings</u>
7 <u>certificates_to</u> members on the terms and conditions the
8 e-onstitution articles_of_incorporation and bylaws providey
9 but-an-association-may-not-issue-preferred-stock;

10 (7) assess and collect from members dues-on-stock-and 11 interest on loans at the times and in the amount provided 12 for in the constitution articles of incorporation and 13 bylaws:

14 (8) permit members to withdraw all or part of their 15 stock-credits sayings at the times and upon the terms as the 16 constitution articles of incorporation and bylaws may 17 provide;

18 (9) cancel shares-of-stock savings certificates upon 19 which all credits have been withdrawn or upon which loans 20 have been canceled or stock savings upon which no payments 21 have been made for a period of 6 months, by returning to the 22 stockholders members all credits, if any, and reissue the 23 shares certificates as new stock savings certificates;

24 (10) issue stock savings certificates to minors and
 25 permit it them to be withdrawn as other stock savings

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<u>certificates</u>. The receipt by the minor is a valid
 acquittance if his rights have been fully secured to him.

3. (11.) acquires, holid, encumber, and convey that real
4. estate and personal property necessary for the transaction
5 of its business or necessary to enforce or protect its
6 securities;

7 (12) borrow money, only when necessary and not
8 exceeding 20% of its assets, except when borrowing from the
9 federal home loan bank as provided in 32-2-405, and issue
10 its promissory note for the loan;

11 (13) make loans to members on the security of the shores savings accounts of the association and also on their 12 13 notes secured by first mortgages on improved real estatew 14 including suburban homes but not on farm lands or mining property, for not to exceed 75% of the actual value of the 15 16 real estate and upon the terms and conditions which may be 17 provided in the constitution articles of incorporation and 1:8 by)aws;

19 (14) cancel those loans and release the securities on
20 those terms the board of directors may provide;

21 (15) invest the money of the association in accordance 22 with 32-2-406;

23 (16) loan money to other building and loan 24 associations;

25. (17) make a-semi-annual distribution of all the-cornings

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1	interest and dividends carned after payment of expanses and
2	setting aside a sum for the contingent funds as provided in
3	this chapter:
4	(18) amend its articles of incorporation by changing
5	the name, place of business, the number of directors, and
6	increase or decrease the capital stock, and provide for its
7	own continual succession by a majority vote of its
8	directors. However, those amendments are of no effect until
9.	approved by the department.
10	(19) dissolve the corporation in accordance with the
11	provisions of this chapter;
12	(20) provide, by constitution <u>articles</u> of incorporation
13	and bylaws adapted or amended by its board of directors. for
14	the proper exercise of the powers granted in this section
15	and the conduct and management of its affairs;
16	(21) exercise those other powers which are necessary
17	and proper to enable the corporation to carry out the
18	purpose of its organization."
19	Section 16. Section 32-2-404, MCA, is amended to read:
20	"32-2-404. Stock <u>Savings</u> account withdrawal. (1) No
21	charge or fee, except as provided in this section, may be
22	made against a member who withdraws his stock <u>savings</u> , after
23	hawing given 30 dayst notice of the withdrawals he fine of
24	any description may be made upon the par value of that stock
25.	or-spon-the-dectared-dividends <u>savings_account</u> because of

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the withdrawal. A member who withdraws his stock savings or 1 whose stock savings account is matured is entitled to Z 3 receive all dues sums paid in and all dividends interest declared. less interest. if any, as provided in 32-2-402, 4 5 less a reasonable membership fee not exceeding 2% of the per volue amount of each-share-of-stock his deposit, and less a 6 pro rata share of all losses, if any, which have occurred. 7 No other fine or assessments may be made against the stock 8 9 savings.

10 (2) Applications for withdrawal shall be registered on 11 the books of the association in the order received, and one-half of all cash collections not required to meet 12 outstanding contracts must be used for the payment of the 13 14 matured stock savings and of the withdrawals in the order 15 registered. The other half of those collections each month 16 may be used for the payment of withdrawals other than in the order registered, but no member may receive more than \$100 17 18 in any one month other than by payment of an application for 19 withdrawal in the order registered. The term "outstanding 20 contracts" includes the costs and expenses of operation, 21 completion of loans, payment of taxes and assessments and 22 necessary remodeling and repairs on properties owned by or 23 mortgaged to the association, repayment of all borrowed 24 money, and all fixed charges."

25 Section 17. Section 32-2-410, MCA, is amended to read:

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#32-2-410. Fund for contingent losses. The amount to 1 2 be set aside to the fund for contingent losses shall be 3 determined by the board of directors, but in all permanent 4 or serial associations at least 5% of the net earnings shall be set aside each year for such fund until it reaches at 5 6 least 5% of the book value of the stock savings_deposits. 7 All losses shall be paid out of such fund until the same is 8 exhausted, and whenever the amount in said fund falls below 9 5% of the book--value--of--the--stock savings deposits as aforesaid, it shall be replenished by annual appropriations 10 11 of at least 5% of the earnings, as hereinbefore provided, 12 until it again reaches said amount."

13 Section 18. Section 32-2-416, MCA, is amended to read: 14 "32-2-416. Joint ownership. Any building and loan association may issue savings certificates and shares to or 15 16 in the name of two or more persons, whether husband and wife 17 or otherwise; withdrawal by any one of such persons and the receipt or acquittance of any one of such persons shall be 18 19 valid and sufficient release and discharge to the association for such withdrawals, regardless of the death or 20 21 disability of any other such joint shareholder or 22 certificate_holder."

23 Section 19. Section 32-2-417, MCA, is amended to read:
24 "32-2-417. Trust -- payment. Whenever any shares of
25 stock shall be purchased or savings_deposits_made in any

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building and loan association by any person in trust for 1 2 another and no other or further notice of the existence and terms of a legal and valid trust shall have been given in 3 4 writing to the association, in the event of the death of the 5 trustee, the same, or any part thereof, together with the interest or dividends thereon, may be paid to the person for 6 7 whom said shares were purchased or savings depusits made." 8 Section 20. Section 32-2-418, MGA, is amended to read: "32-2-418. Snares Savings held by minor. Whenever any 9 10 shares--of--accek savings accounts in any building and loan 11 association shall be purchased by or in the name of any 12 minor, the same shall be held for the exclusive right and 13 benefit of such minor and free from the control or lien of all persons whatsoever, except creditors, and shall be paid, 14 15 with any interest due thereon, to the person in whose name 16 the shares--of--stock savings accounts shall have been 17 purchased, and the receipt of such minor shall be sufficient 18 release or discharge for such shares--of--stock savings 19 accounts to the association." 20 Section 21. Section 32-2-431. MCA. is amended to read: 21 #32-2-431. Voluntary liquidation and settlement. (1)

21 "32-2-431. Voluntary Hiquidation and settlement. (1) 22 With the consent of the department, an association organized 23 under the laws of end doing business in this state, may, if 24 the <u>members or</u> stockholders consider it advisable, go into 25 liquidation. For the purpose of so doing it may, at any

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regular or called meeting of the members or stockholders, 1 2 adopt a resolution declaring that the association intends to 3 go into liquidation and discontinue business as a building 4 and loan association. A copy of the resolution, duly certified by the president and secretary of the association. 5 6 under the soal thereofy shall be transmitted to the 7 department within 10 days after its passage. The department 8 shall then issue its certificate reciting that the 9 resolution has been filed in its office and that the 10 association is in liquidation. (2) After the filing of the notice, it is unlawful for 11 12 the association to issue stock or to loan or advance its 13 money to members, sharebolders, or to any other person-14 (3) All of the income and receipts of the association in excess of the actual expense of managing it shall be 15 applied to pay off first the indebtedness and then the stock 16 savings accounts in the association upon which no loans have 17 18 been made, the same to be paid pro ratas then to pay off the 19 capital stock in the association, pro cata. (4) The board of directors of the association in 20 21) iquidation way adopt those rules and make those orders which are just and equitable for the sale and disposition of 22 23 all property held by the association and for the division of the assets of the association. 24 (5) The association in liquidation may be examined by 25

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1 and shall be under the supervision of the department." 2 Section 22. Section 32-2-432, MCA, is amended to read: 3 #32-2-432. Reorganization of associations under liquidation. Any association under voluntary liquidation as 4 5 provided in 32-2-431 or which may be under the possession of the department as specified in 32-2-309 may resume business 6 7 as an active building and loan association in the following 8 manner:

9 (1) The directors of such building and loan 10 association, by and with the approval of the department, 11 may, upon such terms as may be agreed upon and ratified by 12 the members <u>or stockholders</u> of such association, reorganize 13 such association and resume business as an active building 14 and loan association.

15 (2) Ratification by members <u>or stockholders</u> thereof 16 shall be expressed at a regular or special meeting of 17 members duly called for that purpose, at which meeting a 18 majority of the outstanding stock <u>in a capital stock</u> 19 <u>association or withdrawable deposits in a mutual association</u> 20 voting, either in person or by proxy, shall be sufficient to 21 adopt such proposal.

22 (3) Notice of such meeting shall clearly indicate the23 purpose of the meeting."

24 Section 23. Section 32-2-441. MCA. is amended to read:
25 "32-2-441. Conversion into federal savings and loan

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1 associations. Any building and loan association or other
2 home financing organization, by whatever name or style it
3 may be designated, eligible to become a federal savings and
4 loan association may convert itself into a federal savings
5 and loan association by following the procedure hereinafter
6 outlined:

7 (1) At any regular meeting of the shareholders or 8 membars of any such association or at any special meeting of 9 the shareholders or members of such association, in either 10 case called to consider such action and held in accordance 11 with the laws governing such association, such shareholders 12 <u>or_members</u>, by an affirmative vote of the majority of the 13 shareholders or members, in person or by proxy, may declare by resolution the determination to convert the association 14 15 into a federal savings and loan association.

16 (2) A copy of the minutes of the meeting of the 17 shareholders <u>or members</u> verified by the affidavit of the 18 president or vice-president and the secretary of the meeting 19 shall be filed with the department within 10 days after the 20 meeting. The verified copy of the minutes of such meeting 21 when so filed shall be presumptive evidence of the holding 22 and of the action of such meeting.

(3) Within a reasonable time and without any
unnecessary delay after the adjournment of such meeting of
shareholders <u>or_members</u>, such association shall take any

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action mecessary to make it a federal savings and loan 1 association, and within 10 days after receipt of the federal 2 charter there shail be filed with the department a copy of 3 the charter issued to such association by the federal home 4 loan bank hoard or a certificate showing the organization of 5 such association as a federal savings and loan association 6 7 certified by or on behalf of the federal home loan bank board. Upon the filing of such instrument such association 8 9 shall cease to be a state association and shall thereafter 10 be a federal savings and loan association."

11 Section 24. Section 32-2-501, MCA, is amended to read: 12 "32-2-50%. Associations empowered to make loans on 13 securities authorized by National Housing Act. Subject to 14 such regulations as may be prescribed by the federal housing 15 administrator, pursuant to an act of congress cited as the 16 "National Housing Act", approved by the president on June 17 27, 1934, and all amendments thereto as well as any 18 amendments hereafter duly passed and approved, building and 19 loan associations qualified to do business in this state are 20 hereby empowered to make such loans, secured by mortgages 21 upon real estate, and other advances of credit to members or 22 others, charges, investments, purchases, sales, contracts 23 for insurance of mortgages and advances of credit and 24 steekholderst memberst accounts, and other contracts as are 25 now, or may hereafter bey authorized or provided for by said

National Housing Act and any amendments thereof duly passed
 and approved.

3 Section 25. Section 32-2-502, MCA, is amended to read: "32-2-502. Transactions exempt from operation of state 4 5 laws, All loans, charges, investments, advances of credity purchases, sales, contracts for insurance of mortgages and 6 7 stockholders: members! accounts, and other contracts made 8 pursuant to the powers granted in 32-2-501 through 32-2-503 9 shall be exempt from the operation and application of the general statutes of this state in conflict with said 10 National Housing Act and the regulations issued thereunder." 11 Section 26* Section 32-2-503, NEA; is amended to read: 12 *32-2-503. Application of sections. The provisions of 13 14 32-2-501 through 32-2-503 shall apply only to loansy advances of credit, charges, investments, purchases, sales, 15 contracts for insurance of mortgages and advances of credit 16 17 and accounts of stockholders members, and other contracts made in connection with and incidental to loans secured by 18 mortgages and to advances of credit, insured or to be 19 20 insured, and accounts, insured or to be insured, under the 21 provisions of said National Housing Act and amenuMents thereof duly passed and approved." 22 NEW SECTION. Section 27. Organization of mutual. 23

24 associations. The incorporators of a mutual association 25 shall appoint one of their number as chairman of the

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incorporators, and he shall procure from a surety company or 1 other surety acceptable to the department a surety bond in 2 an amount no less than the sum of the amount subscribed by 3 the incorporators and the amount of the expense fund 4 described in [section 28]. The bond shall name the 5 department as obligee and shall be delivered to it. The bond 6 shall assure the safekeeping of the funds described and 7 their delivery to the association after the issuance of a 8 9 certificate of incorporation and after bonding of the 10 officers of the corporation. In the event of failure to complete organization, the bond shall assure the return of 11 12 the amounts collected to the respective subscribers or their assigns. less reasonable expenses which shall be deducted 13 from the expense fund. The incorporators, before a 14 15 certificate of incorporation is issued, shall pay to the 16 chairman in cash, labor, or services actually performed an 17 aggregate amount of at least \$500,000, including that part of the original subscription paid by the chairman, as 18 19 subscriptions to the savings accounts of the proposed 20 association.

21 <u>NEW_SECTION</u> Section 28. Expense fund for mutual 22 association. (1) In addition to their subscriptions to 23 savings accounts, the incorporators shall create an expense 24 fund of not less than one-half of the minimum amount of 25 savings account subscriptions required to be paid in under

1 this chapter. The expense fund shall be used to pay the 2 expenses of organizing the association, and its operating 3 expenses may be paid from the fund until such time as its net income is sufficient to pay such earnings as may be 4 5 declared and paid or credited to its savings account holders from sources available for payment of earnings. Before a 6 7 certificate of incorporation is issued, the incorporators 8 shall deposit to the credit of the chairman of the 9 incorporators the amount of the expense fund, in cash. The 10 amounts contributed to the expense fund by the incorporators 11 shall not constitute a liability of the association except 12 as otherwise provided.

13 (2) Contributions made by the incorporators and others to the expense fund may be repaid pro rata from the net 14 15 income of the association after provision for statutory 16 reserves and declaration of earnings of not less than 2% on savings accounts. If the association is liquidated before 17 contributions to the expense fund have been repaid, any 18 contributions to the expense fund remaining unexpended shall 19 20 be repaid to the contributors pro rata, after the payment of 21 the expenses of liquidation, creditors, and withdrawal value 22 of all savings accounts. The books of the association shall reflect the expense fund. The contributors to the expense 23 24 fund shall be paid earnings on the amounts paid in by them 25 at the times earnings are regularly distributed to savings

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account holders; and for this purpose, the contributions
 shall in all respects be considered as savings accounts of
 the association.

NEW SECTION. Section 29. Organizational meeting. 4 Within 30 days after the corporate existence of an 5 association begins, the directors of the association shall 6 hold an organizational meeting and shall elect officers 7 pursuant to the provisions of this chapter and the bylaws. 8 9 At the organizational meeting the directors shall take such 10 other action as is appropriate in connection with beginning 11 the transaction of business by the association. The 12 department may extend, by order, the time within which the organizational meeting must be held. 13

14 NEW SECTION. Section 30. Organization of capital 15 stock associations. The incorporators of a capital stock 16 association shall appoint one of their number as chairman of 17 the incorporators, and the chairman shall procure from a surety company or other surety acceptable to the department 18 19 a survey bond in an amount at least equal to the sum of the 20 amount of capital stock contributions and the additional 21 amounts described in [section 31]. The bond shall name the department as obligee and shall be delivered to it. The 22 23 bond shall assure the safekeeping of the funds described and their delivery to the association after the issuance of the 24 25 certificate of incorporation and the bonding of the

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officers. In the event of the failure to complete 1 organization, the bond shall assure the return of the 2 amounts collected to the respective subscribers or their 3 assigns, less reasonable expenses which shall be deducted 4 from the paid-in surplus. Before a certificate of 5 incorporation is issued, the subscribers shall pay to the 6 chairman, in cash, labor, or services actually performed, 7 the capital of such association. The capital shall be the 8 sum of the par or initially stated value of all shares of 9 voting capital stock. Each share of capital stock shall 10 entitle the holder of the share to one vote. The minimum 11 required capital is \$500,000. 12

MEN SECTION. Section 31. Capital stock association --13 surplus fund -- verification statement. (1) In addition to 14 the minimum capital required, the subscribers shell pay an 15 amount equal to not less than 25% of the par or initially 16 17 stated value of the stock subscribed, which shall be credited to paid-in surplus and may be used to offset 18 losses. The minimum capital and surplus may be used for the 19 reserves required by law and as may be permitted by the 20 board of directors. 21

22 (2) Prior to the issuance of a certificate by the 23 department, the incorporators of a proposed association 24 shall file with the department a statement in the form and 25 containing supporting data and proof as the department may

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require. The statement shall verify that the entire capital
 and paid-in surplus has been unconditionally paid in and
 that the funds representing the capital and paid-in surplus,
 less amounts of the paid-in surplus expended for land,
 building, supplies, fixtures, equipment, and organization,
 are on hand.

7 NEW_SECTION. Section 32. Issuance of capital stock. (1) As of the date the corporate existence of a capital 8 9 stock association begins, the association shall issue such capital stock as necessary to satisfy the minimum capital 10 requirements of [section 30] and such additional capital 11 12 stock as may be approved for issuance by the board of 13 directors up to the amount authorized in the certificate of 14 incorporation. Once the amount of stock authorized in the 15 certificate of incorporation has been issued, no other shares may be issued except as otherwise authorized in this 16 17 chapter. The capital stock of an association, when issued. 16 shall constitute permanent capital and may not be retired or withdrawn, except as otherwise provided, until all 19 liabilities of the association, including the withdrawal 20 value of all savings accounts, have been satisfied in full 21 22 and until outstanding capital certificates have been 23 retired.

(2) An association may issue shares of common stock
and preferred stock, with or without par value, and such

1 common and preferred stock may be divided into classes and 2 the classes into series. NEW SECTION. Section 33. Restrictions on 3 capital stock. (1) The consideration for the issuance of capital 4 5 stock shall be paid in cash except for stock issued pursuant to: 6 7 (a) the incorporation of the association; (b) an employee stock option plan; 8 9 (c) a plan of merger, consolidation, or conversion 10 from a mutual to a stock association; or 11 (d) any other type of reorganization that has been 12 approved by the department. (2) The par value or stated value of stock issued 13 pursuant to subsections (1)(a) through (1)(d) shall be 14 maintained as the permanent capital of the association, and 15 16 any additional amount paid in shall be credited to paid-in surplus. 17

18 (3) The aggregate par value or stated value of all 19 outstanding shares of capital stock shall be the permanent 20 capital of the association, and except as otherwise provided 21 by this chapter, such capital stock may not be retired until 22 final liquidation of the association. An association may not 23 reduce the par or stated value of its outstanding capital 24 stock without first obtaining the written approval of the 25 department. The department shall withhold its approval if

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the reduction will cause the par or stated value of
 outstanding capital stock to be less than the minimum
 required by this chapter or will result in less than
 adequate net worth, as the department in its discretion may
 determine. An association may not retire any part of its
 capital stock without the approval of the department.

NEW SECTION. Section 34. Purchase of 7 stock of deceased stockholder. An association may purchase its 8 capital stock from the personal representative of a deceased 9 stockholder upon the written approval of the department. 10 11 Upon obtaining written approval, an association may contract with a living stockholder for a purchase of his stock upon 12 his death. Any such purchase shall be for a price and upon 13 14 such terms and conditions as may be agreed upon by the 15 association and the stockholder or personal representative. 16 The purchase of a deceased stockholder's stock may not 17 reduce the net worth accounts of the association to an 18 amount less than required by law or by any approved insurer of the association's savings accounts. An association 19 20 agreeing with a stockholder to purchase his capital stock upon his death may purchase insurance on the life of the 21 22 stockholder to fund or partially fund such purchase. Any stock purchased under this section may be resold by the 23 association at a price and upon such terms and conditions as 24 the board of directors may approve, or may be retired. If 25

the stock is to be resold, the association shall file notice
 with the department disclosing the price, terms, and
 conditions of the proposed resale.

<u>NEW_SECTIONs</u> Section 35. Mutual and capital stock
conversions. (1) Any mutual association may convert to a
capital stock association and any capital stock association
may convert to a mutual association in accordance with the
provisions of [sections 35 through 41].

9 (2) Any applicant seeking to convert its corporate 10 form pursuant to [sections 35 through 41] shall first obtain 11 approval of a plan of conversion by a resolution adopted by 12 a two-thirds majority vote of the total number of directors 13 authorized for the association.

14 <u>NEW_SECTION</u> Section 36. Department approval. (1)
15 Upon approval of a plan of conversion by the board of
16 directors, the plan and the resolution approving it shall be
17 submitted to the department. The department shall approve
18 the plan of conversion after appropriate examination, if it
19 finds that:

20 (a) the plan of conversion is fair and equitable;

(b) the interests of the applicant, members or
 stockholders, savings account holders, and public are
 adequately protected; and

24 (c) the converting applicant has complied with the25 provisions of [sections 35 through 41].

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1 (2) If the department approves the plan of conversion, 2 the approval, which shall be in writing, shall be sent to 3 the home office of the applicant. To cause the applicant to 4 conform with the requirements of this chapter, the approval 5 may prescribe terms and conditions, to be fulfilled either 6 before or after the conversion.

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(3) If the department disapproves the plan of 7 conversion, its objections shall be sent in writing to the 8 home office of the applicant. The applicant shall be 9 afforded an opportunity to amend and resubmit the plan 10 11 within a reasonable time as prescribed by the department. If the department disapproves the resubmitted plan, written 12 notice of the final disapproval shall be sent by certified 13 mail to the applicant's home office. 14

NEW_SECTION: Section 37. Submission to members or stockholders. (1) If the department has approved a plan of conversion pursuant to [section 36], the plan shall be submitted for adoption to the members or stockholders of the association for a vote at a meeting called for that purpose. The plan must be approved by:

(a) members of a mutual association representing
 two-thirds of the withdrawable deposits, present in person
 or by proxy at the meeting; or

(b) stockholders of a capital stock association
holding two-thirds of the capital stock, represented in

1 person or by proxy at the meeting.

Ζ (2) If the plan is approved, action shall be taken to amend the articles of incorporation and bylaws as necessary, 3 elect directors and officers, and take any other action as 4 is required or appropriate for the type of association into 5 which the applicant will be converted. A certified report of 6 the proceedings shall be filed promptly with the department. 7 8 NEW SECIION. Section 38. Conversion of mutual to 9 capital stock association. The following requirements are 10 mandatory in any plan of conversion from the mutual form to

11 a capital stock form of organization:

12 (1) Each savings account holder shall receive a 13 withdrawable account of the same general class in the 14 converted association equal in amount and time tenure to his 15 withdrawable account in the converting association. No 16 payment may be required from the account holder for this 17 change of accounts.

18 (2) The plan shall specify the aggregate dollar amount
19 of voting capital stock and the total number of shares to be
20 issued to accomplish the conversion. The distribution of
21 the stock shall be in accordance with subsection (3).

(3) All voting capital stock issued by the association
to accomplish a conversion shall be subscribed and fully
paid for in cash, labor, or services actually performed in
the conversion process and may not be eligible, either

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directly or indirectly, as security for a loan or other 1 credit advance to facilitate its own purchase. Each account 5 holder must have the right for a period of 60 days to 3 purchase a proportionate share of the stock at a price equal 4 5 to the initial stated value thereof. Any stock remaining unsubscribed shall, during the succeeding 60-day period, be 6 offered for sale to those savings account holders of record 7 who have purchased their proportionate share during the 8 9 initial period. Any stock remaining unsubscribed may be 10 offered for sale to others or transferred to others in 11 consideration for labor or services actually performed in 12 the conversion process.

13 (4) The record date for determining savings account
14 holders' rights to distribution under subsection (3) shall
15 be set by the converting association's board of directors
16 but may not be less than 120 days prior to the date of
17 approval of the conversion plan by the directors.

18 (5) The conversion plan shall make specific provision 19 with respect to the surplus, reserves, undivided profits, 20 and capital stock of the converted association, specifying 21 types of accounts, amounts, priorities, any voting rights, 22 and how such accounts are to be disposed of or retained.

23 (6) The plan shall contain such other information and
24 be in the form required by the department to enable it to
25 make a determination of whether: .

1 (a) the plan is fair and equitable; 2 (b) the interests of the applicant, members or stockholders, savings account holders, and the public are 3 4 adequately protected; and (c) the converting applicant has complied with the 5 requirements of [sections 35 through 41]. 6 NEW SECTION. Section 39. Conversion of capital stock 7 to mutual association. The following requirements are A mandatory in any plan of conversion from the capital stock 9 10 form to a mutual form of association: (1) Each savings account holder shall receive a 11 12 withdrawable account of the same general class in the converted association equal in amount and time tenure to his 13 withdrawable account in the converting association. No 14 payment may be required from the account holder for this 15 change of accounts. 16

17 (2) The conversion plan shall specify how and in what
18 amount the return of capital to each class of stockholder in
19 the form of an exchange of stock for savings accounts shall
20 be effectuated.

(3) The plan shall provide for the allocation of
voting rights to the holders of savings accounts and the
manner in which such rights may be exercised.

24 (4) The plan shall make specific provision with25 respect to the surplus, reserves, undivided profits, and

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capital stock of the converted association, specifying types
 of accounts, amounts, priorities, any voting rights, and how
 such accounts shall be disposed of or retained.

(5) The plan shall contain such other information and
be in the form required by the department to enable it to
make a determination of whether:

(a) the plan is fair and equitable;

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8 (b) the interests of the applicant, members or 9 stockholders, savings account holders, and the public are 10 adequately protected; and

11 (c) the converting applicant has complied with the 12 requirements of [sections 35 through 41].

13 <u>NEW_SECTION</u> Section 40. Issuance of certificate ---14 continuance of entity. (1) If the department determines that 15 a conversion proceeding has been completed in accordance 16 with the requirements of [sections 35 through 41], it shall 17 issue to the applicant a certificate of conversion. The 18 conversion does not become effective until the issuance of 19 the certificate.

20 {2} Upon the issuance to the applicant of a 21 certificate of conversion, the corporate existence of the 22 converting applicant does not terminate but shall be treated 23 as a continuation of the entity so converted. All property 24 of the converted applicant, of whatever kind, and any 25 benefit pertaining to it vest in the converted applicant 1 without any further action, to the same extent as possessed

2 by the converting applicant.

NEW_SECTION. Section 41. Continuance of rights and 3 obligations. A converted applicant, upon issuance of the 4 certificate of conversion, continues to have and succeeds to 5 6 all the rights, obligations, and relations of the converting 7 applicant. All pending actions and other judicial 8 proceedings to which the converting applicant was a party 9 may not be abated or discontinued by reason of the 10 conversion and may be prosecuted to final judgment, order, or decree in the same manner as if the conversion had not 11 12 been made, and the converted applicant may continue the 13 actions in its new corporate name. Any judgment, order, or 14 decree that might have been rendered for or against the 15 converted applicant prior to the conversion may be rendered for or against it after the conversion. 16

<u>NEW_SECTION</u>. Section 42. Codification instruction.
 Sections 27 through 41 are intended to be codified as an
 integral part of Title 32, chapter 2, and the provisions of
 Title 32, chapter 2, apply to sections 27 through 41.
 <u>NEW_SECTION</u>. Section 43. Effective date. This act is

effective on passage and approval.

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