

17:9A-8.1 to 17:9A-8.17

LEGISLATIVE HISTORY CHECKLIST

(Stock savings banks-permit-and provide for conversion from mutual to stock form)

NJSA 17:9A-8.1 to 17:9A-8.17

LAWS 1982

CHAPTER 9

Bill No. S1077

Sponsor(s) Saxton and others

Date Introduced Feb. 25, 1982

Committee: Assembly _____

Senate Labor, Industry and Professions

Amended during passage Yes

No Substituted for A1041 (not attached since identical to S1077)

Date of Passage: Assembly March 1, 1982

Senate Feb. 25, 1982

Date of approval March 4, 1982

Following statements are attached if available:

Sponsor statement Yes ~~No~~

Committee Statement: Assembly ~~Yes~~ No

Senate Yes ~~No~~

Fiscal Note ~~Yes~~ No

Veto Message ~~Yes~~ No

Message on signing Yes ~~No~~

Following were printed:

Reports ~~Yes~~ No

Hearings ~~Yes~~ No

Federal law, mentioned in sponsors' statement:

12 USC 1725

6/22/81

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RECEIVED
LEGISLATIVE HISTORY
SECTION
MAY 10 1982

SENATE, No. 1077

STATE OF NEW JERSEY

INTRODUCED FEBRUARY 25, 1982

By Senators SAXTON, GREGORIO, ORECHIO, PERSKIE, DiFRANCESCO, BORNHEIMER, O'CONNOR and CARDINALE

Referred to Committee on Labor, Industry and Professions

AN ACT to provide for the establishment of capital stock savings banks and for the conversion of mutual savings banks to capital stock savings banks, and supplementing P. L. 1948, c. 67 (C. 17:9A-1 et seq.).

1 BE IT ENACTED *by the Senate and General Assembly of the State*
2 *of New Jersey:*

1 1. For the purposes of this act:

2 a. "Capital stock savings bank" means a savings bank organized
3 or converted pursuant to this act;

4 b. "Commissioner" means the Commissioner of Banking;

5 c. "Department" means the Department of Banking.

1 2. Nine or more persons, over the age of 18 years, may incorpo-
2 rate a capital stock savings bank in this State on the terms and
3 provisions prescribed by this act. They shall execute and acknowl-
4 edge a certificate of incorporation stating:

5 a. The name by which the capital stock savings bank shall be
6 known;

7 b. The street, street number, if any, and municipality in which
8 the principal office of the capital stock savings bank is to be located;

9 c. The amount of the capital stock, the number of shares into
10 which it is divided, and the par value of each share;

11 d. The amount of surplus with which the capital stock savings
12 bank will commence business;

13 e. The names and addresses of the incorporators;

14 f. The number of directors, or that the number of directors shall

15 be not less than a stated minimum or more than a stated maximum;

16 g. The names of the persons who will serve as directors until
17 their successors are elected and qualify;

18 h. Any fiduciary powers that the capital stock savings bank shall
19 be authorized to exercise; and

20 i. Any other provisions, not inconsistent with this act, which the
21 incorporators choose to insert for the regulation of the business
22 and affairs of the capital stock savings bank.

1 3. The capital stock for every capital stock savings bank here-
2 after organized shall be the amount required for banks pursuant
3 to the provisions of section 4 of P. L. 1948, c. 67 (C. 17:9A-4).
4 Every capital stock savings bank shall, on its organization, estab-
5 lish a fund at least equal to 5% of its capital stock as a reserve
6 fund for organization expense. Organization expense shall mean
7 all lawful expense incurred prior to the commencement of business.
8 Any unexpended balance in the fund shall be credited to undivided
9 profits. The par value of the shares of the capital stock issued by
10 any savings bank shall not be less than \$2.00 per share. Every
11 capital stock savings bank shall commence business with a surplus
12 at least equal to 20% of its capital stock.

1 4. Application for a charter, a hearing thereon, and approval by
2 the commissioner shall be governed by the provisions of Article 4
3 of P. L. 1948, c. 67 (C. 17:9A-9 et seq.).

1 5. a. A capital stock savings bank may, in its original or amended
2 certificate of incorporation, make provision for authorized but
3 unissued stock. This stock may, with the approval of the commis-
4 sioner, be issued for those purposes, in addition to the purposes
5 expressly authorized by law, and for any consideration which the
6 board of directors may determine. So long as this stock remains
7 unissued, it shall not constitute capital stock for the purposes of
8 the act to which this act is a supplement.

9 b. Prior to the time when authorized but unissued shares are
10 issued by a capital stock savings bank, a certificate made by two
11 officers of the savings bank, one of whom shall be the president or
12 a vice-president, shall be filed with the department. The certificate
13 shall state: (1) the amount of the authorized but unissued stock
14 which will be issued; (2) the consideration which will be received
15 by the capital stock savings bank on the issuance of the stock; (3)
16 the date the stock will be issued; (4) the amount of the capital stock
17 which will be outstanding; and (5) the amount of surplus after
18 giving effect to the issue. If the commissioner finds that the original
19 or amended certificate of incorporation provides for authorized
20 but unissued stock, and if he finds that the issuance of this stock

21 will not be in violation of law or contrary to the public interest, he
 22 shall endorse his approval upon the certificate and file it with the
 23 department. A certificate filed with the department pursuant to
 24 this section shall be deemed for all purposes to be an amendment
 25 of the certificate of incorporation.

26 c. A capital stock savings bank may issue preferred stock in
 27 accordance with the provisions of Article 20 of P. L. 1948, c. 67
 28 (C. 17:9A-124 to 17:9A-130).

1 6. Amendments to the certificate of incorporation of a capital
 2 stock savings bank shall be effected pursuant to the provisions of
 3 Article 19 of P. L. 1948, c. 67 (C. 17:9A-116 to 17:9A-123).

1 7. The stockholders of a capital stock savings bank shall have
 2 the power to make, alter and repeal bylaws pursuant to the pro-
 3 visions of Article 16 of P. L. 1948, c. 67 (C. 17:9A-76 to 17:9A-78).

1 8. The annual meetings, voting rights of stockholders, liability
 2 of stockholders, and the maintenance of a capital stock savings
 3 bank's books and records shall be governed by the provisions of
 4 Article 17 of P. L. 1948, c. 67 (C. 17:9A-79 to 17:9A-100).

1 9. A capital stock savings bank may declare dividends on its
 2 capital stock pursuant to the provisions of section 52 of P. L. 1948,
 3 c. 67 (C. 17:9A-52).

1 10. A capital stock savings bank shall have the authority to grant
 2 stock options to officers and employees pursuant to the provisions
 3 of P. L. 1964, c. 202 (C. 17:9A-27.50 to 17:9A-27.54).

1 11. A capital stock savings bank may merge with another savings
 2 bank, whether mutual or capital stock, pursuant to the provisions
 3 of Article 21 of P. L. 1948, c. 67 (C. 17:9A-132 to 17:9A-148).

1 12. All other powers, rights, and privileges not expressly pro-
 2 vided for in this act shall be governed by the laws of this State
 3 relating to savings banks; but in any case where any power or in-
 4 vestment of a mutual savings bank is limited to a percentage of
 5 its capital deposits or surplus, any limitation upon a stock savings
 6 bank shall be expressed in terms of total capital funds, as defined
 7 by the commissioner by regulation.

1 13. a. A savings bank which is organized pursuant to the provi-
 2 sions of P. L. 1948, c. 67 (C. 17:9A-1 et seq.) may convert itself
 3 into a capital stock savings bank with the same effect as though
 4 originally incorporated as a capital stock savings bank pursuant
 5 to the provisions of this act.

6 b. When, in the judgment of two-thirds of the members of the
 7 board of the savings bank, it is deemed advisable and in the best
 8 interests of its depositors that the savings bank shall be converted
 9 into a capital stock savings bank, the board shall adopt a resolution

10 to that effect, and follow procedures prescribed by the commissioner.
11 A copy of the minutes of the proceedings of the board shall be filed
12 in the office of the commissioner within the time and in the form
13 and manner prescribed by the commissioner.

14 c. The managers of the savings bank shall be deemed the incor-
15 porators of the capital stock savings bank and shall execute a cer-
16 tificate of incorporation as provided for in section 1 of this act,
17 together with an application for conversion which shall contain
18 the plan of conversion established pursuant to this act. Upon find-
19 ing by the commissioner that:

20 (1) the plan of conversion has been adopted and approved by
21 the board of managers as provided herein; and

22 (2) the plan of conversion is fair and equitable to all depositors;
23 and

24 (3) sufficient provision has been made to protect the interest of
25 the depositors of the prospective capital stock savings bank;

26 he shall issue a certificate of approval of the conversion which shall
27 be endorsed upon or annexed to the certificate of incorporation.

28 d. Upon the conversion of the savings bank, the legal existence
29 of the savings bank shall not terminate but the capital stock savings
30 bank shall be a continuation of the entity of the savings bank and
31 all property of the savings bank, including its right, title and in-
32 terest in and to all property of whatever kind and nature, whether
33 real, personal, or mixed and things, and choses in action, and every
34 right, privilege, interest and asset of every conceivable value or
35 benefit then existing or pertaining to it, or which would inure to
36 it, immediately by operation of law and without the necessity of
37 any conveyance or transfer and without any further act or deed
38 shall vest in the capital stock savings bank into which the savings
39 bank has converted itself. The capital stock savings bank shall
40 have, hold, and enjoy the same in its own right as fully and to the
41 same extent as the same was possessed, held and enjoyed by the
42 savings bank. The capital stock savings bank at the time and the
43 taking effect of the conversion shall continue to have and succeed
44 to all the rights, obligations and relations of the savings bank. All
45 pending actions and other judicial or administrative proceedings
46 to which the savings bank was a party shall not be discontinued
47 by reason of the conversion, but may be prosecuted to final judg-
48 ment or order in the same manner as if the conversion had not
49 been made and the capital stock savings bank resulting from the
50 conversion may continue the actions in its corporate name not-
51 withstanding the conversion. Any judgment or order may be ren-
52 dered for or against it which might have been rendered for or
53 against the savings bank involved in the judicial proceedings.

1 14. The conversion of a savings bank into a capital stock savings
2 bank shall be effected in accordance with the plan of conversion
3 adopted by two-thirds of the members of the board, and approved
4 by the commissioner, pursuant to the provisions of this act. The
5 plan shall provide:

6 a. That each depositor in the savings bank shall receive an equiv-
7 alent type of account in the capital stock savings bank equal in
8 amount to his account in the savings bank;

9 b. A record date for determining the respective interests of de-
10 positors in the savings bank, which date shall be established and
11 published by the commissioner from time to time in his discretion;

12 c. That participation in the initial issuance of capital stock by
13 officers, directors, and employees of the capital stock savings bank
14 and their associates shall be in accordance with regulations promul-
15 gated by the commissioner. For the purposes of this subsection,
16 the term "associate" of a person shall mean parents, spouse, sisters,
17 brothers, children or anyone married to one of the foregoing per-
18 sons; any corporation of which the person is an officer, director
19 or owner of more than 10% of the outstanding voting stock; any
20 trust of which the person is a trustee or substantial beneficiary;
21 and any partnership in which the person is a general or limited
22 partner;

23 d. That the interests of managers or directors, officers, employees
24 and associates, as that word is defined in subsection c. of this sec-
25 tion, shall be disclosed in the application for conversion filed with
26 the commissioner;

27 e. That each depositor as of the record date shall receive any
28 rights with respect to the capital stock of the capital stock savings
29 bank as may be prescribed by the commissioner;

30 f. A date upon which the savings bank shall advise qualified
31 depositors of their rights and elections with respect to conversion.
32 The form and content of the notice shall be prescribed by the com-
33 missioner;

34 g. A provision for a liquidation account on terms established
35 or approved by the commissioner.

1 15. After conversion pursuant to the provisions of this act, each
2 capital stock savings bank shall maintain an adequate capital struc-
3 ture appropriate for the conduct of its business and the protection
4 of its depositors. The adequacy of the capital of a capital stock
5 savings bank shall be determined by the commissioner after an
6 evaluation of the character of management, the liquidity of assets,
7 a history of earnings and the retention thereof, the potential vola-
8 tility of the deposit structure and the capital stock savings bank's
9 capacity to furnish the broadest services to the public.

1 16. No savings bank or capital stock savings bank shall convert
2 to a federal savings bank without the approval of the commissioner.
3 The commissioner shall approve the conversion if he finds it to be
4 in the public interest.

1 17. The commissioner may promulgate rules and regulations
2 necessary to effectuate the purposes of this act.

1 18. This act shall take effect immediately.

STATEMENT

This bill provides for the creation of stock savings banks and a procedure for converting existing mutual savings banks into stock savings banks. Savings and loans already have this right, and federal law now provides for creation of stock savings banks. Therefore, this bill would give parity to savings banks as well as facilitate cross industry mergers.

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51077 (1982)

SENATE LABOR, INDUSTRY AND
PROFESSIONS COMMITTEE

STATEMENT TO

SENATE, No. 1077

STATE OF NEW JERSEY

DATED: FEBRUARY 25, 1982

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3-4-82

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FROM THE OFFICE OF THE GOVERNOR

The second bill, S-1077, sponsored by Senator H. James Saxton (R-Burlington), amends technical requirements in the current banking laws in order to facilitate the mergers and acquisitions allowed by S-1076.

The bill sets a procedure for converting existing mutual savings banks into stock savings banks. Federal law currently provides for the creation of stock savings banks, and this bill grants State banks the same right. The bill would facilitate mergers and acquisitions by enabling the conversion of mutual to stock banks--necessary for cross industry mergers between stock and mutual banks.

Identical legislation was sponsored in the Assembly by Assemblyman Louis F. Kosco (R-Burlington) and was substituted by S-1077.

In addition to aiding the S&L industry, the bills are expected to increase the availability of home mortgage funds.

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