

17:12B-292 to 319

LEGISLATIVE HISTORY CHECKLIST

NJSA: 17:12B-292 to 17:12B-319 (Mutual state association holding companies--permit)

LAWS OF: 1989 **CHAPTER:** 165

Bill No: A4026

Sponsor(s): Penn, Kavanaugh and Kelly

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Senate: Labor Industry and Professions

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Following statements are attached if available:

Sponsor statement: Yes

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[FIRST REPRINT]
ASSEMBLY, No. 4026

STATE OF NEW JERSEY

INTRODUCED DECEMBER 12, 1988

By Assemblymen PENN, KAVANAUGH and Kelly

2 AN ACT permitting the formation and operation of mutual State
association holding companies and supplementing Title 17 of
the Revised Statutes.

4

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

1. As used in this act:

8

a. "Beneficial owner"

10 (1) Includes any person who, directly or indirectly through any
contract, arrangement, understanding, relationship or otherwise,
has or shares:

12 (a) Voting power which includes the power to vote, or to direct
the voting of shares; or

14 (b) Investment power which includes the power to dispose, or
to direct the disposition of shares;

16 (2) Includes any person who directly or indirectly creates or
uses a trust, proxy, power of attorney, pooling arrangement or
18 any other contract, arrangement or device with the purpose or
effect of divesting the person of beneficial ownership of shares or
20 preventing the vesting of such beneficial ownership as part of a
plan or scheme to evade this act;

22 (3) Includes any person who has the right to acquire beneficial
ownership of the shares as defined herein within 60 days,
24 including, but not limited to, any right to acquire:

(a) Through the exercise of any option, warrant or right;

26 (b) Through the conversion of a security;

28 (c) Pursuant to the power to revoke a trust, discretionary
account, or similar arrangement; or

30 (d) Pursuant to the automatic termination of a trust,
discretionary account or similar arrangement; except that, any
person who acquires a security or power specified in

EXPLANATION--Matter enclosed in bold-faced brackets [thus] in the
above bill is not enacted and is intended to be omitted in the law.

Matter underlined thus is new matter.

Matter enclosed in superscript numerals has been adopted as follows:
1 Assembly AFI committee amendments adopted January 23, 1989.

2 subparagraphs (a), (b), or (c) above, with the purpose or effect of
changing or influencing the control of the issuer, or in connection
4 with or as a participation in any transaction having such effect or
purpose, immediately upon the acquisition shall be deemed to be
6 the beneficial owner of the shares which may be acquired through
the exercise or conversion of such security or power. Any
8 securities not outstanding which are subject to these options,
warrants, rights, or conversion privileges shall be deemed to be
10 outstanding for the purpose of computing the percentage of
outstanding securities of the class owned by the person but shall
12 not be deemed to be outstanding for the purpose of computing the
percentage of the class by any other person;

(4) Does not include:

14 (a) Any member of a national securities exchange who holds
shares directly or indirectly on behalf of another person solely
16 because the member is the record holder of the securities and,
pursuant to the rules of the exchange, may direct the vote of the
18 shares without instruction on other than contested matters or
matters that may affect substantially the rights or privileges of
20 the holders of these shares to be voted, but is otherwise
precluded by the rules of the exchange from voting without
22 instruction; or

(b) Any person who in the ordinary course of business is
24 pledgee of securities under a written pledge agreement until the
pledgee had taken all formal steps necessary which are required
26 to declare a default and determines that the power to vote or
direct a vote or to dispose or to direct the disposition of pledged
28 shares will be exercised, provided that (i) the pledge agreement is
bonafide and not entered into with the purpose or the effect of
30 changing or influencing the control of the issuer, or in connection
with any transaction having any such purpose or effect including
32 any transaction subject to this act; and (ii) the pledge agreement
prior to default does not grant to the pledgee: (A) the power to
34 vote or to direct the vote of the pledged securities; or (B) the
power to dispose or to direct the disposition of the pledged
36 securities other than the grant of this power pursuant to a
pledged agreement under which credit is extended subject to
38 Regulation T of the Federal Reserve System, 12 C.F.R.220 et
seq., and in which the pledgee is a broker or dealer registered

2 under section 15 of the "Securities Exchange Act of 1934," 15
U.S.C. §780; or

4 (c) Any person engaged in business as an underwriter of
securities who acquires shares through participation in good faith
6 in a firm commitment underwriting of shares registered under the
"Securities Act of 1933," 15 U.S.C. §77a et seq., or under the
"Securities Exchange Act of 1934," 15 U.S.C. §78a et seq., until
8 the expiration of 40 days after the date of the acquisition;

All securities of the same class beneficially owned by a person,
10 regardless of the forms the beneficial ownership takes, shall be
aggregated in calculating the number of shares beneficially
12 owned by the person.

14 b. "Capital stock state association" means any state
association chartered pursuant to the provisions of P.L.1974,
c.137 (C.17:12B-244 et seq.).

16 c. "Capital stock state association holding company" means a
state association holding company that has issued or intends to
18 issue voting capital stock; and which controls one or more state
associations located in this State or any other state.

20 d. "Commissioner" means the Commissioner of Banking.

e. "Control of a capital stock state association" includes:

22 (1) Owning, beneficially or otherwise, controlling, or having
power to vote 25% or more of the outstanding shares (not
24 including shares owned by a mutual state association holding
company) of any class of voting securities of a capital stock state
26 association, directly or indirectly, or acting through one or more
persons;

28 (2) Controlling in any manner the election of a majority of the
directors of a capital stock state association;

30 (3) Exercising or having the power to exercise directly or
indirectly a controlling influence over the management or
32 policies of a capital stock state association; or

(4) Conditioning in any manner the transfer of 25% or more of
34 any class of voting securities (not including shares owned by a
mutual state association holding company) of a capital stock
36 state association;

"Control of a capital stock state association" does not include
38 a director or officer of a capital stock state association acting in
the capacity of performing his duties or responsibilities of office.

2 f. "Converted state association" means an organizing mutual
state association which has converted to a capital stock state
association pursuant to the provisions of P.L.1974, c.137
4 (C.17:12B-244 et seq.) subsequent to the formation of a mutual
state association holding company.

6 g. "Department" means the Department of Banking.

8 h. "Insured institution" and "savings and loan holding
company" shall have the respective meanings set forth in section
408(a) of the "National Housing Act," 12 U.S.C. 1730a., except
10 that the terms shall not include any institution that is insured by
the Federal Deposit Insurance Corporation (FDIC). "Insured
12 institutions" shall include federal savings banks, whose accounts
are insured by the Federal Savings and Loan Insurance
14 Corporation (FSLIC).

16 i. "Market maker" means any dealer acting in the capacity of
a block positioner and any dealer who, with respect to the voting
stock of a capital stock state association, holds himself on as
18 being willing to buy and sell such stock for his own account on a
regular and continuous basis.

20 j. "Mutual state association holding company" means a mutual
state association holding company which has its principal office
22 of business in this State and which has been formed by an
organizing mutual state association pursuant to sections 7
24 through 27 of this act.

26 k. "Organizing mutual state association" means a mutual state
association which has its principal office of business in this State,
the board of directors of which propose to form a mutual state
28 association holding company pursuant to the provisions of this act.

30 l. "Person" means an individual, bank, corporation, savings
bank, state association, partnership, trust, association, joint
venture, pool, syndicate, sole proprietorship, unincorporated
32 organization, or any form of entity.

34 m. "State association" shall mean any savings and loan
association, building and loan association, or any corporation,
however named, now or hereafter chartered pursuant to P.L.
36 1963, c. 144 (C. 17:12B-1 et seq.).

38 n. "Subsidiary capital stock state association" means a capital
stock state association which has been incorporated by the
directors of a mutual state association holding company, a

majority of the stock of which subsidiary capital stock state
2 association is held by a mutual state association holding company.

o. "Voting power" means that a person has or shares, directly
4 or indirectly, through any option, contract, arrangement,
understanding, conversion right or relationship, or by acting
6 jointly or in concert or otherwise, the power to vote, or to direct
the voting of voting shares.

8 2. No person shall, without the prior approval of the
commissioner, acting directly or indirectly or through or in
10 concert with one or more persons:

a. Obtain or exercise control of a capital stock state
12 association; or

b. Acquire beneficial ownership or control of any voting shares
14 of a capital stock state association, if, after the acquisition, the
person would beneficially own or control more than 25% of the
16 then-outstanding voting share of the capital stock state
association.

18 3. a. An application by a person for the approval of the
commissioner to obtain control of a capital stock state
20 association, or to acquire beneficial ownership or control of more
than 25% of the voting shares of a capital stock state association
22 shall be made on a form provided by the commissioner. The
commissioner shall give notice to the capital stock state
24 association involved in the proposed transaction and shall send a
copy of the application to the capital stock state association
26 within five business days of receiving the application. The notice
shall include the hearing date established pursuant to subsection
28 b. of this section.

No later than 10 days after the date upon which a completed
30 application is filed with the commissioner, the applicant shall
cause to be published a notice of application for control of a
32 capital stock state association. This publication shall be made in
a newspaper of general circulation in the county in which the
34 capital stock state association has its principal office. The
notice shall include whatever information the commissioner, by
36 regulation, deems to be necessary and appropriate.

b. The commissioner shall hold a hearing on the application
38 within 60 days of receipt of the completed application, and shall
notify the applicant as to the date of the hearing at the time the

2 application is filed. The hearing shall be held in accordance with
rules and regulations promulgated by the commissioner.

4 c. A person who has acquired beneficial ownership, or control
or power to vote 25% or more of the voting shares of a capital
6 stock state association is not subject to the prior approval
requirements of subsections a. and b. of this section provided that:

8 (1) The person is a broker or dealer registered under section 15
of the "Securities Exchange Act of 1934" 15 U.S.C. §78o; and

10 (2) The person has acquired beneficial ownership, or control or
power to vote 25% or more of the stock in the ordinary course of
12 his business as a market maker for the sole purpose of making a
market in that stock. This exemption limitation is reduced by the
14 person's beneficial ownership or control of outstanding voting
shares of the capital stock state association which are held under
16 the conditions of subsection a. of this section except that they
represent less than 25% of the outstanding voting shares of the
capital stock state associations; or

18 (3) The person has acquired beneficial ownership or control or
power to vote shares in excess of those percentage amounts
20 approved under the condition of subsection a. of this section but
less than 25% of the stock in the ordinary course of his business
22 as a market maker in that stock. This exemption limitation is
reduced by the person's beneficial ownership or control of
24 outstanding voting shares of the capital stock state association
which are held under the condition of subsection a. of this section.

26 d. Notwithstanding subsection c. of this section, a person shall
within 10 days file an application with the commissioner for
28 approval to retain beneficial ownership or control of the stock if:

30 (1) The person at the time has beneficial ownership, control or
power to vote 25% or more of the outstanding shares of the
capital stock state association; and

32 (2) The person has determined that he no longer has acquired
or holds the stock in the ordinary course of his business as a
34 market maker for the sole purpose of making a market in that
stock.

36 e. For the period beginning with the date on which a person
becomes obligated to file an application pursuant to subsection d.
38 of this section and ending on the date after the commissioner's
approval is obtained, the person shall not:

2 (1) Vote or direct the voting of the securities which are no
longer exempt under subsection c. of this section; or

4 (2) Acquire an additional beneficial ownership interest in
voting stock of the capital stock state association nor of any
person controlling the capital stock state association.

6 4. In determining whether to approve an acquisition of shares
pursuant to section 2 of this act, the commissioner shall consider
8 the following factors:

a. With respect to the applicant:

10 (1) The financial condition and the resources of the applicant;

12 (2) The competence, character, and banking experience of the
applicant, including the applicant's record of compliance with
laws and regulations;

14 (3) Whether the applicant has (i) employed any device, scheme
or artifice to defraud; or (ii) obtained or will obtain any money or
16 property by means of any untrue statement of a material fact or
any omission of a material fact; or (iii) engaged in any act,
18 transaction, practice or course of business which operates or
would operate as a fraud or deceit upon the capital stock state
20 association, the shareholders of the capital stock state
association, the depositors thereof, or the public at large; and

22 (4) The applicant's plans and intentions with respect to the
operation of the capital stock state association.

24 b. With respect to the capital stock state association:

26 (1) The financial condition and prospects of the capital stock
state association, which shall include consideration as to the
sufficiency of current or projected capital positions, as well as
28 the level of indebtedness of the capital stock state association
before and after the acquisition;

30 (2) The convenience and needs of the depositors and the
communities served by the capital stock state association; and

32 (3) The effect of the proposed acquisition on the safety and
soundness of the capital stock state association.

34 c. Whether approval of the application would result in a person
owning more shares than are permitted by the capital stock state
36 association's charter or bylaws, in which case the commissioner
shall not approve the application; except that this subsection
38 shall not apply to an application for the acquisition of shares of a
capital stock state association that the commissioner determines

is in an unsafe or unsound condition.

2 In the event the commissioner grants approval of an acquisition
of shares as described in subsection a. of this section, the
4 approval shall apply only to the specific transaction set forth by
the applicant in his application, and any subsequent acquisition
6 which would further increase the applicant's beneficial ownership
or control of the then-outstanding voting shares of the capital
8 stock state association shall require the commissioner's prior
approval in the same manner required under this act.

10 5. a. Any shares in excess of 25% of the outstanding voting
shares of a capital stock state association which are acquired in
12 violation of sections 2 through 4 of this act shall not be eligible
to be voted and shall not be counted in determining the number of
14 shares outstanding for the purpose of determining the number or
percent of shares required for shareholder action.

16 b. All shares of stock in a capital stock state association shall
be registered in the name of the true owner of the shares, and if
18 held as nominee or in trust or otherwise for the benefit of any
other person, the person listed as registered owner shall disclose
20 to the capital stock state association the names and addresses of
all persons who hold a beneficial interest in the shares on written
22 demand by the capital stock state association.

24 6. a. Whenever it appears to the commissioner that any person
has engaged in or is about to engage in any act or practice which
constitutes a violation of sections 2 through 5 of this act or any
26 regulations promulgated pursuant thereto, the commissioner may
conduct an investigation and issue cease and desist orders if he
28 deems it necessary. In addition to all other remedies, the
commissioner may bring an action in the Superior Court, Law
30 Division, on behalf of the State against any person or persons
participating in or about to participate in a violation. In any
32 court proceeding, the commissioner may apply for and shall be
entitled to have issued the court's subpoena requiring the
34 appearance of any defendant and defendant's employees or
agents, and the production of documents, books and records as
36 may be necessary for the hearing of the action. Upon a proper
showing, the court may grant a permanent or preliminary
38 injunction or temporary restraining order or may order the
rescission of any sale, tender for sale, purchase or tender for

2 purchase of equity securities determined to be unlawful under
sections 2 through 5 of this act.

4 b. Whenever any person has engaged in or is about to engage in
any act or practice which constitutes a violation of sections 2
6 through 5 of this act or any regulation or order issued thereunder,
the capital stock state association or any record or beneficial
8 owner of an equity security of the capital stock state association
may bring an action to enjoin the person from continuing or doing
10 any act in violation of this act. Upon a proper showing, the court
may grant a permanent or preliminary injunction or temporary
12 restraining order or may order the rescission of any sale, tender
for sale, purchase or tender for purchase of equity securities
14 determined to be unlawful under this act or under any regulation
or order of the commissioner.

16 c. (1) In addition to any other penalties herein or otherwise
provided by law, the commissioner may, upon notice and hearing,
impose a penalty not exceeding \$10,000 for any violation of
18 sections 2 through 5 of this act or of any rule or regulation
promulgated thereto. The penalty shall be recovered by and in
20 the name of the commissioner in a civil action by a summary
proceeding under the "penalty enforcement law," N.J.S. 2A:58-1
22 et seq., in the Superior Court, Law Division. Where any violation
of section 2 through 5 of this act or of any regulation hereunder
24 is of a continuing nature, each day during which the violation
continues shall constitute an additional, separate and distinct
26 offense, except during the time an appeal from the order or
notice may be taken or is pending.

28 (2) Sections 2 through 6 of this act shall apply to all capital
stock state associations organized pursuant to P.L.1974, c.137
30 (C.17:12B-244 et seq.) whether chartered prior to or after the
enactment of this act. Any person who prior to the effective
32 date of this act directly or indirectly, beneficially owned or
controlled more than 25% of the outstanding voting shares of a
34 capital stock state association may continue such ownership after
the effective date of this act without approval of the
36 commissioner. This act shall not be construed to limit the
applicability of any law governing the acquisition of securities.

38 (3) Sections 2 through 6 of this act shall not apply to any
merger of a capital stock state association with another capital

2 stock state association or mutual state association. The
3 provisions of P.L.1974, c.137 (C.17:12B-244 et seq.) and Article
4 XIII of P.L.1963, c.144 (C.17:12B-198 et seq.) shall be the
5 exclusive governing provisions.

6 (4) Notwithstanding any other law of this State, the provisions
7 contained in sections 2 through 6 of this act shall also apply to
8 any acquisition of voting shares of a state association or company
9 which controls a state association by a state association or a
10 state association holding company if, after the acquisition, the
11 state association or state association holding company would
12 beneficially own or control more than 25% of the outstanding
13 voting shares of the state association or company which controls
14 a state association. For the purpose of this paragraph (4), "state
15 association" means any federally or State chartered capital stock
16 association or mutual association having its principal office in
17 this State; "State association holding company" means any
18 company located in this State which controls a state association.

19 7. ¹[The] a. After the board of directors of an organizing
20 mutual state association has approved the formation of a mutual
21 holding company by a 2/3 vote and adopted a resolution to that
22 effect, the board of directors shall hold a meeting of the
23 members of the mutual state association upon not less than 30
24 days' written notice to each member by a mailing, postage
25 prepaid, directed to the last address of each member as shown on
26 the books of the association, which notice shall contain a
27 statement of the time, place and purpose for which the meeting
28 is called. The notice shall be accompanied by a proxy statement
29 and proxy form in accordance with regulations promulgated by
30 the commissioner;

31 b. At the meeting of the members of the organizing mutual
32 state association as provided in subsection a. of this section, the
33 members may, by the affirmative vote of at least a majority of
34 the votes of the members of the organizing mutual state
35 association present, either in person or by proxy, declare by
36 resolution the determination to form a mutual state association
37 holding company. A copy of the minutes of the proceedings of
38 the meeting of the members shall be filed in the office of the
commissioner within the time and in the form and manner as set
forth in regulations promulgated by the commissioner.

2 c. After compliance with subsections a. and b. of this section,
3 the¹ board of directors of an organizing mutual state association
4 [, by 2/3 vote of the board,]¹ may apply to the commissioner to
5 form a mutual state association holding company which may be
6 formed in accordance with either ¹[subsection a., b., or c.]
7 paragraph (1), (2), or (3)]¹ of this ¹[section] subsection¹.

8 ¹[a.] (1)¹ The board of directors of an organizing mutual state
9 association may incorporate a mutual state association holding
10 company pursuant to the provisions of section 8 of this act, and
11 subsequently:

12 ¹[(1)] (a)¹ Convert to a capital stock state association pursuant
13 to section 26 of this act; or

14 ¹[(2)] (b)¹ If the mutual state association holding company has
15 formed a subsidiary capital stock state association pursuant to
16 ¹[section] sections¹ 16 through 24 of this act, either (i) merge
17 with the subsidiary capital stock state association pursuant to
18 section 25 of this act or (ii) sell or transfer its assets and
19 liabilities to the subsidiary capital stock state association and
20 dissolve pursuant to Article XVIII of P.L.1963, c.144
(C.17:12B-228 et seq.); or

21 ¹[b.] (2)¹ The board of directors of an organizing mutual state
22 association may form a mutual state association holding company
23 by:

24 ¹[(1)] (a)¹ Incorporating a subsidiary capital stock state
25 association pursuant to sections 16 through 24 of this act; and

26 ¹[(2)] (b)¹ Transferring the substantial part of the organizing
27 mutual state association's assets and liabilities, including all of
28 its deposit liabilities, to the subsidiary capital stock state
29 association in return for a majority of the capital stock of the
30 subsidiary capital stock state association in accordance with
31 section 17 of this act. Capital deposits and surplus in an amount
32 approved by the commissioner may be retained by the organizing
33 mutual state association, which shall be deemed a mutual state
34 association holding company, if it follows the procedures set
35 forth in section 27 of this act; or

36 ¹[c.] (3)¹ The board of directors of an organizing mutual state
37 association may form a mutual state association holding company
38 by any other method of reorganization approved by the
39 commissioner.

2 8. a. The board of directors of the organizing mutual state
association shall execute a certificate of incorporation for the
mutual state association holding company stating:

4 (1) The name by which the mutual state association holding
company shall be known;

6 (2) The street, street number, and municipality where the
principal office of the mutual state association holding company
8 is to be located;

(3) The names and addresses of the directors of the organizing
10 mutual state association;

(4) The number of directors of the mutual state association
12 holding company;

(5) The names of persons who are to act as directors of the
14 mutual state association holding company, until their successors
are elected and qualified;

16 (6) The amount of capital deposits and surplus which are to be
transferred from the organizing mutual state association to the
18 mutual state association holding company; and

(7) Any other provisions as the incorporators of the mutual
20 state association holding company deem necessary, or as are
required by the commissioner by regulation.

22 b. The certificate of incorporation of a mutual state
association holding company shall provide for the retention of any
24 interests of the respective members of the organizing mutual
state association in the assets of the organizing mutual state
26 association, according to a fair valuation, including assets which
are proposed to be transferred from the organizing mutual state
28 association to the mutual state association holding company.

c. The certificate of incorporation of the mutual state
30 association holding company shall also provide that a liquidation
account shall be established, on terms established or approved by
32 the commissioner.

34 9. If the commissioner determines that the establishment of a
mutual state association holding company is in the best interests
of the members of the organizing mutual state association, that
36 the qualifications, experience and character of the proposed
officers and directors of the mutual state association holding
38 company are sufficient to result in the successful operation of
the mutual state association holding company, and that the

2 interest of the public will be served by the establishment of a
mutual state association holding company, that the mutual state
association holding company is adequately capitalized, and that
4 the establishment of the mutual state association holding
company otherwise meets the requirements of law, the
6 commissioner may approve the charter.

8 10. a. The general powers of the mutual state association
holding company shall be those powers conferred on corporations
pursuant to the provisions of N.J.S.14A:3-1, N.J.S.14A:3-2,
10 N.J.S.14A:3-4, and N.J.S.14A:3-5. Mutual state association
holding companies shall be subject to the requirements of chapter
12 4 of Title 14A of the New Jersey Statutes and Article V of
P.L.1963, c.144 (C.17:12B-62 et seq.), to the extent that those
14 requirements do not conflict with the provisions of this act.

b. In addition to other activities authorized by law for a
16 mutual state association holding company, a mutual state
association holding company may:

18 (1) With the prior approval of the commissioner, merge with or
into, or consolidate with, another mutual state association
20 holding company or capital stock state association holding
company ¹pursuant to this act¹;

22 (2) With the prior approval of the commissioner, incorporate a
new subsidiary capital stock state association pursuant to the
24 provisions of sections 16 through 24 of this act; except that
paragraph (4) of subsection (a) of section 17 of this act shall not
26 apply to such subsidiary capital stock state association;

28 (3) With the prior approval of the commissioner, convert itself
into a capital stock state association holding company, pursuant
to applicable provisions of this act;

30 (4) Issue capital debentures, which shall be legal investments
for banks, savings banks, savings and loan associations; and

32 (5) Exercise the powers or engage in the activities authorized
for a bank holding company or state association holding company
34 as the commissioner shall by regulation permit.

c. The commissioner may exercise any of the powers vested in
36 him by Article XII of P.L.1963, c.144 (C.17:12B-177 et seq.) with
respect to the affairs of the mutual state association holding
38 company. The mutual state association holding company or
capital stock state association holding company shall be subject

2 to the requirements of subsection a. of section 2, section 3, and
section 5 of P.L.1987, c.225 (C.17:12B-282, 17:12B-283, and
17:12B-285).

4 11. Every mutual state association holding company shall be
managed by a board of not less than six nor more than 21
6 directors. Directors shall be elected by a plurality of the
members of the board of directors of the mutual state association
8 holding company at the annual meeting, for a term of up to three
years, as provided in the bylaws. Each director shall serve for
10 the term for which he is elected and until his successor is elected
and has qualified. A vacancy on the board of directors may be
12 filled by a plurality of the members of the board of directors for
the remainder of the unexpired term. If the board fails to fill the
14 vacancy within one year, the commissioner may do so. Elections
of directors shall be certified by the board and shall be filed with
16 the department within 15 days.

The board of directors shall hold an annual meeting within the
18 first four months of each fiscal year, and other meetings at such
times and so often as they shall deem necessary. The annual
20 meeting shall be held at a location within the State. A majority
of a quorum of the board of directors shall be necessary to
22 transact the business of the board.

24 12. a. The board of directors of every mutual state
association holding company shall have the power to make, amend
and repeal bylaws not inconsistent with this act, providing for:

- 26 (1) The management of its property;
(2) The regulation and government of its affairs;
28 (3) The terms of office, manner of appointment, and the duties
and powers of its officers and committees; and
30 (4) Such other matters as the board from time to time deems
advisable.

32 b. The bylaws may provide for and the board may elect an
executive committee of the board, and other committees as the
34 board may deem advisable. The executive committee may
exercise all of the powers of the board, except that the executive
36 committee may not:

- (1) Exercise its powers while a quorum of the board is actually
38 convened for the conduct of business;
(2) Declare a dividend or approve any other distribution to the

parties in interest;

- 2 (3) Make, alter, or repeal the bylaws of the holding company;
3 (4) Elect or appoint any officer or director; or
4 (5) Exercise any other power which this act specifically
5 provides shall be exercised by at least a majority of all the
6 directors.

7 The minutes of each meeting of the executive committee shall
8 be presented to the board of directors at its next meeting
9 following the meeting of the executive committee.

10 13. At the first meeting of the board of directors of the
11 mutual state association holding company following each annual
12 meeting, the board may elect a Chairman of the Board, and shall
13 elect a President, either of whom may be chief executive officer,
14 or another officer whom it may designate to be the chief
15 executive officer, all of whom shall be directors, and a Secretary
16 and a Treasurer, neither of whom need be directors. Other
17 officers of the mutual state association holding company may be
18 appointed from time to time by the directors, as provided in the
19 bylaws.

20 Reasonable compensation may be paid to directors of the
21 mutual state association holding company for attendance at
22 meetings of the board, or for service upon committees, or for
23 other service rendered, and shall be fixed from time to time by a
24 vote of a majority of the board. The commissioner may direct
25 that the amount of compensation paid to directors of any mutual
26 state association holding company be reduced if in his judgment it
27 is excessive.

28 A mutual state association holding company may pay its
29 officers any reasonable compensation as may be from time to
30 time fixed by the board of directors. The commissioner may
31 direct that the amount of compensation be reduced if in his
32 judgment it is excessive.

33 14. The board of directors of the mutual state association
34 holding company may, from time, to time, by a majority vote of
35 the directors, divide equitably any surplus which may be in excess
36 of the amount required for the operations of the mutual state
37 association holding company or to maintain the safety and
38 soundness of the mutual state association holding company, and
39 distribute the same to the respective members of its subsidiary

capital stock state association or associations, in the manner
2 prescribed by this act, and with the approval of the
commissioner. The commissioner may, if the commissioner
4 deems the surplus held by a mutual state association holding
company to be excessive, order such a distribution to be made by
6 the directors.

15. Upon the formation of a mutual state association holding
8 company pursuant to the provisions of this act, the members of
the organizing mutual state association shall retain the same
10 interests in the assets of the mutual state association holding
company as they had in the organizing mutual state association,
12 and upon the reorganization of an organizing mutual state
association into a mutual state association holding company and a
14 subsidiary capital stock state association pursuant to this act, the
members of the subsidiary capital stock state association shall
16 retain the same interests in the mutual state association holding
company. Any interest in the assets of the mutual state
18 association holding company which are placed in a liquidation
account as provided in section 8 of this act shall be for the
20 benefit of the members of the organizing mutual state
association, or the members of the subsidiary capital stock state
22 association, as the case may be. Upon the merger or
consolidation of a mutual state association holding company or
24 capital stock state association holding company with another
mutual state association holding company, the merger or
26 consolidation agreement shall provide for the retention of any
interests of the respective members of the subsidiary capital
28 stock state association or state associations in the assets of the
merged or consolidated mutual state association holding
30 companies according to a fair valuation, as approved by the
commissioner.

32 A mutual state association or capital stock state association
that is a subsidiary of a mutual holding company shall have the
34 power to issue to persons other than its parent holding company,
an amount of preferred stock, common stock and securities
36 convertible into common stock which in the aggregate does not
exceed 49% of the issued and outstanding stock of the
38 association. For purposes of this 49% limitation, outstanding
securities that are convertible into common stock shall be

considered as issued and outstanding common stock.

2 16. The directors of a mutual state association holding
4 company which has been established pursuant to sections 7
6 through 15 of this act may apply to the commissioner to
8 incorporate a capital stock state association in accordance with
this section through section 24 of this act, as a subsidiary of the
mutual state association holding company. They shall issue a
certificate of incorporation stating:

10 a. The name by which the subsidiary capital stock state
association shall be known;

12 b. The street, street number and municipality in which the
principal office of the subsidiary capital stock state association is
to be located;

14 c. The names and addresses of the directors of the mutual
state association holding company who will be the incorporators
16 of the subsidiary capital stock state association;

18 d. The number of directors on the board of directors;

20 e. The names of the persons who will serve as directors until
their successors are elected and qualified;

22 f. The amount of capital stock, the number of shares into
which it is divided, and the par value of each share, not less than
a majority of the total outstanding shares of which shall be held
in the name of the mutual state association holding company; and

24 g. The amount of surplus with which the subsidiary capital
stock state association will commence business.

26 17. ¹[a.]¹The certificate of incorporation of every subsidiary
capital stock state association established pursuant to this act
28 shall be submitted to the commissioner within 60 days after its
execution, together with an affidavit made by each of its
30 incorporators, setting forth:

32 ¹[(1)] a.¹ That no fee, commission, or other compensation has
been received, directly or indirectly, by the mutual state
34 association holding company incorporators or by the subsidiary
capital stock state association incorporators in the course of
organizing the subsidiary capital stock state association, and that
36 no promotion fees or charges have been provided or are
contemplated;

38 ¹[(2)] b.¹ A complete disclosure of all fees paid or agreed to be
paid in the matter of chartering and organizing the proposed

subsidiary capital stock state association;

2 ¹[(3)] c.¹ That at least a majority of the shares of the
authorized stock of the subsidiary capital stock state association
4 is held by the mutual state association holding company; and

6 ¹[(4)] d.¹ That the subsidiary capital stock state association
proposes to:

8 ¹[(a)] (1)¹ Merge with the organizing mutual state association
pursuant to section 25 of this act; or

10 ¹[(b)] (2)¹ Purchase the assets of the organizing mutual state
association pursuant to section 25 of this act; or

12 ¹[(c)] (3)¹ Receive the assets and liabilities of the organizing
mutual state association pursuant to subparagraph (b) of
paragraph (2) of subsection 1[b.] c.¹ of section 7 of this act.

14 ¹[b. The commissioner may grant a certificate of approval to a
subsidiary capital stock state association pursuant to the
16 provisions of section 20 of P.L.1974, c.137 (C.17:12B-249).]¹

18 18. If the commissioner determines that the qualifications,
experience and character of the proposed officers and directors
of the subsidiary capital stock state association are sufficient to
20 result in the successful operations of the subsidiary capital stock
state association, and that the interests of the public will be
22 served by the establishment of the subsidiary capital stock state
association, and that the capital stock of the subsidiary capital
24 stock state association is in accordance with the amount required
for state associations pursuant to section 19 of P.L.1974, c.137
26 (C.17:12B-248), the commissioner may approve the charter.

28 19. a. The stockholders of a subsidiary capital stock state
association shall have the power to make, alter, and repeal
30 bylaws. The directors of the mutual state association holding
company which holds stock in the subsidiary capital stock state
association shall vote the shares held by the mutual state
32 association holding company.

34 b. If the certificate of incorporation of the subsidiary capital
stock state association so provides, the directors of the subsidiary
capital stock state association may have the power to make, alter
36 and repeal bylaws, but any exercise of this power by the board of
directors shall be subject to alteration or repeal by the
38 stockholders. The bylaws may contain any provision not
inconsistent with law for the regulation of the affairs of the

subsidiary capital stock state association.

2 c. If a board of directors is empowered by the bylaws to make,
alter, and repeal bylaws it may not, however, exercise this power
4 with respect to bylaws:

(1) Fixing the number of directors of the subsidiary capital
6 stock state association or the manner and time of determining
this number;

8 (2) Establishing the requirement for calling a special meeting
of the stockholders; or

10 (3) Setting forth the manner in which the bylaws may be made,
altered, or repealed.

12 20. Bylaws shall not be made, altered, or repealed by the
stockholders of a subsidiary capital stock state association,
14 except at an annual or special meeting of the stockholders, and
by the affirmative vote of the holders of a majority of the capital
16 stock of the subsidiary capital stock state association eligible to
vote.

18 Bylaws shall not be made, altered or repealed by the board of
directors of the subsidiary capital stock state association except
20 by the affirmative vote of a majority of the whole board at any
regular or special meeting of the board, unless at least two days'
22 prior written notice of the intended action shall have been given
to the directors. This notice may be waived by a director at or
24 prior to the meeting.

26 21. Whenever the board of directors of a subsidiary capital
stock state association deems it advisable to amend the
certificate of incorporation, it shall adopt a resolution setting
28 forth the proposed amendment, which amendment shall be
approved, at a meeting of the stockholders entitled to vote, by at
30 least 2/3 of the capital stock entitled to vote. If the holders of
2/3 of the shares of capital stock entitled to vote approve the
32 amendment, a certificate of this approval shall be attested by
two officers of the state association, one of whom shall be the
34 president or vice president, and shall be submitted to the
commissioner for approval. If the commissioner finds that the
36 amendment is for a purpose authorized by law, and that all
requirements of law have been met regarding an amendment to a
38 certificate of incorporation, the commissioner shall approve it by
endorsing the certificate of amendment, and shall file it with the

2 department, and the certificate of incorporation shall thereupon
3 be deemed to be amended.

4 22. The annual meetings, voting rights of stockholders,
5 liability of stockholders and the maintenance of a subsidiary
6 capital stock state association's books and records shall be
7 governed by the provisions of Article XXI of P.L.1974, c.137
(C.17:12B-244 et seq.).

8 23. A subsidiary capital stock state association may declare
9 dividends on its capital stock pursuant to the provisions of section
10 259 of P.L.1974, c.137 (C.17:12B-259).

11 24. a. All other powers, rights, and privileges of a converted
12 state association or a subsidiary capital stock state association
13 not expressly provided for in this act shall be governed by the
14 laws of this State relating to state associations, including the
15 laws relating to capital stock state associations, but in any case
16 where any power of investment of a mutual state association is
17 limited to a percentage of its capital deposits or surplus, any
18 limitation upon a subsidiary capital stock state association shall
19 be expressed in terms of total capital funds, as defined by the
20 commissioner by regulations.

21 b. A subsidiary capital stock state association or a converted
22 state association may merge with a mutual state association or
23 with a capital stock state association pursuant to the provisions
24 of Article XIII of P.L.1963, c.144 (C.17:12B-198 et seq.) ¹and
25 section 37 of P.L.1974, c.137 (C.17:12B-266)¹. In the event of
26 the merger of a subsidiary capital stock state association or
27 converted state association with another state association, in
28 which the resulting state association shall be a subsidiary capital
29 stock state association or capital stock state association held by
30 a mutual state association holding company, the plan of merger
31 or consolidation shall provide for the retention of any interest of
32 the members of the merging or consolidating state association in
33 the assets of the resulting state association's parent mutual state
34 association holding company according to a fair valuation.

35 25. a. A subsidiary capital stock state association may,
36 pursuant to a plan of merger approved by the commissioner,
37 merge with the organizing mutual state association or, pursuant
38 to a plan of consolidation approved by the commissioner,
purchase or retain the assets and assume the liabilities of the

organizing mutual state association, whereupon the organizing
2 mutual state association shall dissolve pursuant to the provisions
of Article XVIII of P.L.1963, c.144 (C.17:12B-228 et seq.).

4 b. Upon the merger of the organizing mutual state association
with the subsidiary capital stock state association or the purchase
6 and assumption of the liabilities of the organizing mutual state
association:

8 (1) The corporate existence of the organizing mutual state
association shall be merged with that of the subsidiary capital
10 stock state association, and the property and rights of the
organizing mutual state association shall vest in the subsidiary
12 capital stock state association without further word or deed;

(2) The subsidiary capital stock state association may, upon
14 complying with the minimum surplus requirements established by
law or regulation, establish and maintain its principal office and
16 branch offices at the locations specified in the plan of merger or
consolidation;

18 (3) The rights and obligations of the organizing mutual state
association shall become the rights and obligations of the
20 subsidiary capital stock state association; and

(4) Any pending action by or against an organizing mutual
22 state association or a subsidiary capital stock state association
shall survive the merger or consolidation and the subsidiary
24 capital stock state association shall be substituted as a party for
the organizing mutual state association.

26 c. The plan of merger or consolidation shall provide that each
depositor in the organizing mutual state association shall receive
28 an equivalent account in the subsidiary capital stock state
association.

30 26. As an alternative to the formation of a subsidiary capital
stock state association pursuant to the provisions of sections 16
32 through 24 of this act, an organizing mutual state association
which has established a mutual state association holding company
34 pursuant to sections 7 through 15 of this act may, in accordance
with a plan approved by the commissioner, convert to a capital
36 stock state association pursuant to the provisions of P.L.1974,
c.137 (C.17:12B-244 et seq.), except that:

38 a. Not less than a majority of the shares of the converted
state association shall be held in the name of the mutual state

association holding company; and

2 b. Any Department of Banking regulations promulgated
pursuant to P.L.1974, c.137 (C.17:12B-244 et seq.) regarding a
4 liquidation account shall not apply.

27. In the event that the board of directors elects to follow
6 the procedures provided in ¹[subsection b.] paragraph (2) of
subsection c.¹ of section 7 of this act, the directors shall, with
8 the approval of the commissioner:

a. Adopt an amended certificate of incorporation which
10 changes the name of the organizing mutual state association and
conforms its organization, governance and powers to those
12 prescribed for a mutual state association holding company by
section 8 and sections 10 through 15 of this act.

14 b. The amended certificate of incorporation adopted pursuant
to subsection a. of this section shall state:

16 (1) The amount of capital deposits and surplus which are to be
retained by the organizing mutual state association holding
18 company;

(2) The amount of assets and liabilities of the organizing
20 mutual state association that are to be transferred to the
subsidiary capital stock state association; and

22 (3) A means of retaining any interests of the respective
members of the organizing mutual state association in the assets
24 of the organizing mutual state association, according to a fair
valuation, including assets which are proposed to be retained by
26 the organizing mutual state association holding company.

28 28. The commissioner ¹[shall] may¹ promulgate rules and
regulations, pursuant to the "Administrative Procedures Act,"
P.L.1968, c.410 (C.52:14B-1 et seq.), as may be necessary to
30 effectuate the purposes of this act. ¹[The commissioner shall
publish the rules and regulations referred to in this act within 60
32 days of the effective date of this act.]¹

29. This act shall take effect immediately¹[, but the sections
34 which refer to regulations shall not become operative until
regulations relevant to those sections are adopted]¹.

36

BANKING AND FINANCIAL INSTITUTIONS

38

Commerce and Industry

40

Permits formation and operation of mutual state association
holding companies.

1 regulations referred to in this act within 60 days of the effective
date of this act.

3 29. This act shall take effect immediately, but the sections
which refer to regulations shall not become operative until
5 regulations relevant to those sections are adopted.

7 STATEMENT

This bill permits the formation and operation of mutual state
9 association holding companies by mutual state chartered savings
and loan associations which have their principal office of business
11 in New Jersey and the subsequent conversion of the state savings
and loan association into a capital stock association or merger
13 into a newly formed capital stock association with a majority of
the stock owned by the mutual state association holding
15 company. This bill further authorizes subsidiaries of mutual state
association holding companies to issue to persons other than its
17 parent holding company, an amount of preferred stock, common
stock and securities convertible into common stock which in the
19 aggregate does not exceed 49% of the issued and outstanding
stock of the association.

21

BANKING AND FINANCIAL INSTITUTIONS

23

Commerce and Industry

25 Permits formation and operation of mutual state association
holding companies.

ASSEMBLY FINANCIAL INSTITUTIONS COMMITTEE

STATEMENT TO

ASSEMBLY, No. 4026

with Assembly committee amendments

STATE OF NEW JERSEY

DATED: JANUARY 23, 1989

This bill, as amended, was favorably reported from the Assembly Financial Institutions Committee.

The purpose of sections 2 through 6 is to give the Commissioner of Banking supervisory control over those who control, or seek to control, capital stock state associations (savings and loans).

The bill requires approval by the commissioner for any person or persons: to acquire or control 25% or more of the voting shares of a capital stock state association; to control the election of a majority of the directors of a capital stock state association; to otherwise control the management and policies of a capital stock state association; or to condition in any manner the transfer of 25% or more of any class of the voting shares of a capital stock state association.

The commissioner is required to hold a hearing within 60 days of receiving the application for control of a capital stock state association, and the applicant must give public notice of his application. The standards for approving the application are very similar to those for granting a new charter and include a review of the applicant's financial condition, character and banking experience. In addition, the commissioner must consider the financial condition of the capital stock state association, the effect of the acquisition on the safety and soundness of the association and the convenience and needs of the depositors and the community served by the association.

In the event of noncompliance with the provisions of sections 2 through 5 of the bill, the commissioner may conduct an investigation and issue cease and desist orders. The target capital stock state association or a shareholder thereof may bring an action to enjoin a violation of the provisions of sections 2 through 5 of the bill. In addition to any other penalties provided by law, the commissioner, upon notice and hearing, may levy an administrative penalty of up to \$10,000.

This bill provides for the formation of mutual state association holding companies (sections 7 through 27). Once the board of directors of an organizing mutual state association has voted to apply for reorganization as a mutual state association holding company and before proceeding to the reorganization, the board of directors is required to: a. notify each member of the mutual state association of this intent; and b. hold a meeting of the members at which meeting the members may, by an affirmative vote of at least a majority of the mutual state association members present, either in person or by proxy, declare by resolution the determination to reorganize the mutual state association into a mutual state association holding company.

Once the board of directors has complied with the requirements for a meeting of the members and received the required affirmative vote, the bill provides for reorganization by the following methods:

1. The board of directors of the organizing mutual state association may form a mutual state association holding company by executing a certificate of incorporation containing certain provisions, gaining approval from the Commissioner of Banking for a charter and subsequently: a. converting the organizing mutual state association to a capital stock state association pursuant to P.L. 1974, c. 137 (C. 17:12B-244 et seq.) with certain exceptions, i.e., the majority of the shares of the converted capital stock state association are to be held in the name of the mutual state association holding company incorporated by the board of directors of the organizing mutual state association; or b. (1) merging the organizing mutual state association with the subsidiary capital stock state association, incorporated by the mutual state association holding company, pursuant to section 25 of the bill which includes the dissolution of the organizing mutual state association; or (2) selling or transferring the assets and liabilities of the organizing mutual state association to the subsidiary capital stock state association incorporated by the mutual state association holding company and dissolving.
2. The board of directors of an organizing mutual state association may form a mutual state association holding company by: a. incorporating a subsidiary capital stock state association pursuant to sections 16 through 24 of this bill (this

actually involves the formation of a mutual state association holding company first and then the board of directors of the mutual state association holding company taking the action to form the subsidiary capital stock state association); and b. transferring a substantial part of the organizing mutual state association's assets and liabilities, including all of its deposit liabilities, to the subsidiary capital stock state association in return for a majority of the capital stock of the subsidiary capital stock state association pursuant to section 17 of this act.

3. The board of directors of an organizing mutual state association may form a mutual state association holding company by any other method of reorganization approved by the commissioner.

The bill provides that the members of the organizing mutual state association are to retain the same interests in the assets of the mutual state association holding company as they had in the organizing mutual state association.

The bill also authorizes subsidiaries of a mutual state association holding company to issue to persons other than its parent holding company, an amount of preferred stock, common stock and securities convertible into common stock which in the aggregate does not exceed 49% of the issued and outstanding stock of the subsidiary.

The amendments to the bill: establish the requirement that the board of directors of an organizing mutual state association, prior to reorganization, is to notify the members of the mutual state association of the board's intent to reorganize the mutual state association into a mutual state association holding company and hold a meeting of the members in order to obtain a vote of the majority of the voting shares present, in person or by proxy, affirming the board of directors intent; removes the requirement that the commissioner have regulations promulgated within 60 days of the effective date of the act; and provide greater discretion to the commissioner in the promulgation of regulations.

SENATE LABOR, INDUSTRY AND PROFESSIONS COMMITTEE

STATEMENT TO

[FIRST REPRINT]

ASSEMBLY, No. 4026

STATE OF NEW JERSEY

DATED: APRIL 27, 1989

The Senate Labor, Industry and Professions Committee reports favorably Assembly, No. 4026 (1R).

This bill provides for supervisory control by the Commissioner of Banking over those who seek to control capital stock state associations (savings and loan associations) and for the establishment of mutual state association holding companies.

The bill requires the approval by the Commissioner of Banking for any person or persons: to acquire or control 25% or more of the outstanding voting shares of a capital stock state association; to own, control or have the power to vote 25% or more of the outstanding shares of a capital stock state association (not including shares owned by a mutual state association holding company); to control in any manner the election of a majority of the directors of a capital stock state association; to exercise a controlling influence over the management or policies of a capital stock state association; or to condition in any manner the transfer of 25% or more of any voting shares (not including shares owned by a mutual state association holding company) of a capital stock state association.

The commissioner is required to hold a hearing within 60 days of receiving a completed application to obtain control of a capital stock state association or to acquire or control more than 25% of the outstanding voting shares of a capital stock state association, and to give notice to the capital stock state association involved in the proposed transaction. An applicant must give public notice of his application in a newspaper of general circulation in the county in which the capital stock state association has its principal office. The standards for approving the application are very similar to those for granting a new charter and include a review of an applicant's financial condition, character, banking experience and plans and intentions for operating the association. In addition, the commissioner must consider the financial condition and prospects of the capital stock state association; the effect of the acquisition on the safety and soundness of the association, and the convenience and

needs of the depositors and the community served by the association. If approval of an application would result in a person owning more shares than permitted by the capital stock state association's charter or bylaws, the commissioner may only approve the application if the association is in an unsafe or unsound condition.

In the event of noncompliance with the above limitations and requirements, the commissioner may conduct an investigation and issue cease and desist orders if he deems it necessary. A target capital stock state association or a shareholder may bring an action to enjoin a violation of these provisions. The commissioner, upon notice and hearing, may levy an administrative penalty of up to \$10,000 for violations of these provisions.

The bill also provides for the formation of mutual state association holding companies which may, in turn, control subsidiary capital stock state associations. A mutual holding company, because of its mutual nature, must be created from an existing mutual state association. The board of directors of an organizing mutual state association must approve the formation of a mutual holding company by a 2/3 vote and the members of the organizing mutual state association must approve by an affirmative vote of at least a majority of the votes of the members of the organizing mutual state association present, either in person or by proxy, at an association meeting. The board must then apply to the commissioner to form a mutual state association holding company which may be formed by the following methods:

1. The board of an organizing mutual state association may incorporate a mutual holding company, then transfer a portion of its assets to the holding company, then convert the mutual state association to a capital stock state association. Not less than a majority of the shares of the converted state association must be held in the name of the mutual state association holding company;

2. The board of an organizing mutual state association may incorporate a mutual holding company, transfer a portion of its assets to the holding company, and then form a new capital stock state association as a subsidiary of the holding company. The original mutual state association, having created these two entities, may either: (a) merge with the subsidiary capital stock state association in a normal merger procedure; or (b) sell its assets to the subsidiary capital stock state association and dissolve;

3. The board of an organizing mutual state association may

incorporate a subsidiary capital stock state association and then transfer a substantial part of its assets and liabilities to the subsidiary capital stock state association in return for a majority of the capital stock of the subsidiary capital stock state association. The original mutual state association, having transferred its assets and liabilities to its subsidiary, would then be deemed a mutual holding company; or

4. The board of directors of an organizing mutual state association may form a mutual state association holding company by any other method of reorganization approved by the commissioner.

The bill provides that members of an organizing mutual state association must retain the same interest in the assets of the mutual state association holding company as they had in the organizing mutual state association, and upon the reorganization of an organizing mutual state association into a mutual state association holding company and a subsidiary capital stock state association pursuant to the bill, the members of the subsidiary capital stock state association must retain the same interest in the mutual state association holding company.

The bill also authorizes subsidiaries of a mutual state association holding company to issue to persons, other than its parent holding company, an amount of preferred stock, common stock and securities convertible into common stock which in the aggregate does not exceed 49% of the issued and outstanding stock of the subsidiary.

The bill establishes procedures for the incorporation of mutual state association holding companies and subsidiary capital stock state associations which are similar to those required for the incorporation of other depository institutions. It provides for the general powers and governance of mutual state association holding companies and subsidiary capital stock state associations.

These provisions of the bill allow mutual state associations to employ the holding company device to organize themselves under State law. The use of mutual holding companies will promote the expansion of these institutions, while allowing them to maintain their mutual characteristics, by permitting more diversified operations and flexibility in merging with and acquiring other institutions and by increasing their ability to raise capital.