

Approved: February 4, 1997
Date

MINUTES OF THE Senate Committee on Financial Institutions and Insurance.

The meeting was called to order by Chairperson Don Steffes at 9:00 a.m. on January 23, 1997 in Room 529-S of the Capitol.

All members were present except:

Committee staff present: Dr. William Wolff, Legislative Research Department
Fred Carman, Revisor of Statutes
Nikki Feuerborn, Committee Secretary

Conferees appearing before the committee: Matt Goddard, Heartland Bankers
Patrick Morris, KAIA
Bill Sneed, AmVestors
Chuck Stones, Kansas Bankers Association
Tom Wilder, Insurance Department
Dave Hanson, Kansas Insurance Association

Others attending: See attached list

Matt Goddard, Heartland Banking, requested the introduction of legislation which would permit the establishment of a mutual and stock savings bank in Kansas (Attachment 1). They are a combination of thrift and commercial banks. The concept was begun in New England in the 1930's and now 30 states have legislation which permits their establishment.

Senator Feliciano moved that the request be introduced into legislation. Motion was seconded by Senator Clark. Motion carried.

Patrick Morris, Kansas Association of Insurance Agents, requested introduction of legislation which would prohibit the Insurance Commissioner from disclosing personal information on either licensed insurance agents or those applying for such a license without their expressed permission. (Attachment 2). This would apply to non-resident and as well as resident agents. Information which would not be disclosed without permission would be the social security number, birth date, home address, and telephone number. This would not apply to other government agencies who need this information to carry out their functions.

Senator Praeger moved that the proposed bill be introduced into legislation. Motion was seconded by Senator Clark. Motion carried.

Hearing on SB 31 -- Exemption of interest in contracts of annuity

Bill Sneed, representing AmVestors, explained that their amendment to K.S.A. 40-414 would provide an exemption of interest in contracts of annuity just like the exemption for life insurance (Attachment 3). This would mean that the annuity's reserves or its present value would be free from the claims of creditors, annuity's creditors, or the beneficiary's creditors (especially in cases of bankruptcy). Mr. Sneed explained the similarities in annuities and life insurance policies. Bankruptcy court cases in Kansas have not treated annuities as life insurance policies (see Stutterheim 109 B.R. 1006, 1988) but the similarities developed since 1988 have been recognized in taxation and securities arenas. Twenty states, including Nebraska and Oklahoma, now have statutes similar to those proposed which would allow annuities to be treated in a bankruptcy just as insurance policies are.

Mr. Sneed further explained that annuities are a form of savings. AmVestors and Security Benefit Group are the only domestic companies operating in Kansas. He reviewed the procedural difference in taking money out of an annuity versus that of a life insurance policy. Committee members recalled the incident which precipitated statutes requiring there to be a one year lapse between the time of buying an insurance policy (cash value) and claiming bankruptcy. Mr. Sneed suggested that either the playing field be leveled for both annuities and

CONTINUATION SHEET

MINUTES OF THE Senate Committee on Financial Institutions & Insurance, Room 529-S Statehouse, on January 23, 1997.

life insurance policies or the alternative might be to remove life insurance policies from the list of sacred items that cannot be touched by creditors.

Chuck Stones, Kansas Bankers Association, reminded the Committee that even in a bankruptcy the debt still exists and is ultimately written off someone's books (Attachment 4). Would the addition of contracts of annuity to the list of items that cannot be touched by creditors only assist the one claiming bankruptcy? Annuities are sold as an investment in the marketplace and would adding them to the list of exemptions lead to wealthy people being more irresponsible for their debts? Tax liens would not attach to annuities of life insurance in bankruptcies.

The hearing on SB 31 was closed.

Hearing on SB 49 -- Annual Reports of Insurance Commissioner

Tom Wilder, Kansas Insurance Department, informed the Committee of the detailed information Kansas statutes require the Insurance Commissioner to furnish the Governor each year in their Annual Report (Attachment 5). Much of this information is useless unless an individual needs it for preparing a detailed economic analysis of the insurance industry. All of the statistical data would remain available to the public. Their goal is to make the Annual Report more of an educational tool for consumers. Copies of the report are very expensive to publish and costs would be markedly reduced by limiting the types of information contained. (Copies of previous publications were made available to Committee members and are on file in the Senate Financial Institutions and Insurance Office in 128-South).

The hearing on SB 49 was closed.

Senator Praeger moved that the bill be reported favorably for passage. Senator Feliciano seconded the motion. Motion carried.

Hearing on SB 55 -- Risk based capital requirements in insurance

Tom Wilder, Kansas Insurance Department, explained that solvency of insurance companies is determined through an analysis of its risk based capital based on the kinds of insurance products it is selling, i.e. hail insurance (Attachment 6). This updating of the formula was developed by the NAIC and our statutes should refer to the RBC instructions as of "December 21, 1996."

Dave Hanson of Kansas Insurance Association asked that the Committee delay any decisions until their Board of Directors had an opportunity to meet and review the recommended updates of the NAIC (Attachment 7). Each year the recommended changes must be reviewed rather than adopting language such as "according to the NAIC latest standards" as that would be turning over the authority to an agency outside Kansas. The Insurance Department is willing to comply with the request.

The hearing on SB 55 was continued.

Senator Praeger moved for the adoption of the minutes of January 16, 1997. Motion was seconded by Senator Brownlee. Motion carried.

The meeting adjourned at 9:52 a.m. The next meeting is scheduled for January 27, 1997.

SENATE FINANCIAL INSTITUTIONS & INSURANCE COMMITTEE GUEST LIST

DATE: 1/23/97

NAME	REPRESENTING
Pat Morris	K.A.I.A.
David Hanson	Ks Insur Assocs.
Kevin DAVIS	American Family
Lori Callahan	Kammco
Bill SNEED	Am Investors
Roger Fraude	BK IV
Meggen Griggs	CIGWA
June Brown	State Treasurer's office
Trish Copeland	Security Benefit Group
Nancy Munn	State Farm
Callie Lill Denton	Prudential Ins.
Kathy Taylor	KBA
JOHN C. BOTTENBERG	AMVESTORS
Rich Guthrie	Health Midwest
Patrick Mulvihill	Kansas Insurance Dept.
Jim	DOB
Chuck Stones	KBA
Lee WRIGHT	FARMERS Ins. Group
Rick Wilborn	Farmers Alliance Mutual



**HEARTLAND
COMMUNITY
BANKERS
ASSOCIATION**

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To: Senate Financial Institutions and Insurance Committee

From: Matthew Goddard
Heartland Community Bankers Association

Date: January 23, 1997

Re: Bill Introduction Request

The Heartland Community Bankers Association appreciates the opportunity to appear before the Senate Committee on Financial Institutions and Insurance and to request introduction of legislation creating a state savings bank charter.

The Heartland Community Bankers Association represents thrifts in Kansas, Colorado, Nebraska and Oklahoma. Our membership includes savings and loans, federal savings banks and savings associations. As an industry, Kansas thrifts have more than \$7.6 billion in assets, with over \$4 billion in mortgage loans. The 21 Kansas savings institutions employ over 1500 people.

The bill would create a new financial institution charter, a state-chartered savings bank. Thirty other states already offer savings institutions a savings bank charter option and at least six others, including the four HCBA states, will introduce legislation creating the charter this year. This bill is modeled after the Michigan charter that passed last year.

We respectfully request the savings bank charter legislation be introduced and referred back to the committee for hearings and deliberations. Thank you.

*Senate F.I.S.I.
Attachment 1
1/23/97*

KANSAS SAVINGS BANK ACT

AN ACT to codify the laws relating to savings banks; to provide for incorporation, regulation, supervision, and internal administration of savings banks; to prescribe the rights, powers, and immunities of savings banks; to prescribe the powers and duties of certain state agencies and officials; to provide for remedies; and to prescribe penalties.

Be it enacted by the Legislature of the State of Kansas:

Section 1. This act shall be known and may be cited as the savings bank act.

Sec. 2. As used in this act:

(a) "Agency office" means a place at which the business of a savings bank is conducted other than by regularly employed personnel of the savings bank, as provided under section 82(f).

(b) "Articles" means articles of incorporation, all amendments to articles of incorporation, and agreements of consolidation and merger.

(c) "Approved by the members", for a mutual savings bank, means approved by a majority of all votes cast at a duly held regular meeting or special meeting.

(d) "Affiliate" means a corporation, business trust, association, or an organization to which one or more of the following apply:

(1) A savings bank, directly or indirectly, owns or controls either a majority of its voting shares or more than 50% of the number of shares voted for the election of its directors, trustees, or other persons exercising similar functions at the preceding election, or controls in any manner the election of a majority of its directors, trustees, or other persons exercising similar functions.

(2) Control of the organization is held, directly or indirectly, through stock ownership or in any other manner, by the shareholders of a savings bank who own or control either a majority of the shares of that savings bank or more than 50% of the number of shares voted for the election of directors of that savings bank at the preceding election, or by trustees for the benefit of the shareholders of that savings bank, or by members of the savings bank if it is a mutual savings bank.

(3) A majority of its directors, trustees, or other persons holding similar positions are directors of any one savings bank.

(4) Owns or controls, directly or indirectly, either a majority of the shares of capital stock of any one savings bank or more than 50% of the number of shares voted for the election of directors of that savings bank at the preceding election, or controls in any manner the election of a

majority of the directors of that savings bank, or for the benefit of whose shareholders all or substantially all the capital stock of that savings bank is held by trustees.

(e) "Association" means a federal savings association organized under section 5 of the home owners' loan act, or a savings and loan association, building and loan association, or homestead association, that is organized under the laws of a state or the District of Columbia and whose deposits are insured by the federal deposit insurance corporation.

(f) "Bank" means a state banking corporation organized or reorganized under the laws of Kansas.

(g) "Bank holding company" means a company as defined a bank holding company under the laws of Kansas that is not a savings bank, national banking association, or association.

(h) "Branch" means a place of business, other than the principal office of a savings bank, at which the savings bank transacts business that may be conducted at its principal office. Branch does not include a subsidiary, service entity, agency office, loan production office, place where only records are made, posted, or kept, place of business of a financial institution with which the savings bank has an agency relationship under section 67, or an automated teller machine if it is made available to two or more federal or state chartered financial institutions under a state statute which regulates electronic funds transfer facilities. The acceptance of deposits in furtherance of a school thrift or savings plan by an officer, employee, or agent of a savings bank at any school is not the establishment or operation of a branch. The receipt of deposits by a messenger service or the delivery by messenger service of items representing deposit account withdrawals or of loan proceeds is not the establishment or operation of a branch, whether or not the messenger service is owned or operated by the savings bank.

(i) "Capital" means the stated par value of issued and outstanding unimpaired common stock and the stated par value of issued and outstanding unimpaired preferred stock.

(j) "Commissioner" means the Kansas State Bank commissioner.

(k) "Compliance review committee" means both of the following:

(1) One or more persons assigned by management or appointed by the board of directors or other governing body of a depository institution, or of a subsidiary of a depository institution, or of a service corporation or other service entity of a depository institution, for the purposes set forth in section 66.

(2) Any other person to the extent the person acts in an investigatory capacity at the direction of a compliance review committee.

(l) "Compliance review documents" means documents prepared in connection with a review or evaluation conducted by or for a compliance review committee.

(m) "Consolidate", "consolidated", "consolidating", and "consolidation" mean the consolidation or merger of two or more depository institutions.

(n) "Consolidated savings bank" means a savings bank that results from a consolidation between a savings bank and one or more banks, out-of-state banks, national banks, associations, or savings banks.

(o) "Consolidated organization" means an organization that results from a consolidation of consolidating organizations.

(p) "Consolidating organizations" means any combination of banks, out-of-state banks, national banks, associations, savings banks, or state or federal credit unions that have consolidated or are in the process of consolidation as provided in section 120 or 121.

(q) "Depository institution" means a bank, out-of-state bank, national bank, association, savings bank, cooperative bank, industrial bank, or credit union organized under the laws of this state, another state, the District of Columbia, the United States, or a territory or protectorate of the United States.

(r) "Director" means a director, trustee, or other person holding a similar position with respect to an organization whether incorporated or unincorporated. Director does not include an advisory director, honorary director, director emeritus, or similar person, unless the person is otherwise performing functions similar to those of a director.

(s) "Fiduciary" means a trustee, executor, administrator, guardian, conservator, agent, receiver, trustee in bankruptcy, assignee for creditors, or any holder of a similar position of trust. It also describes the relationship of a director to a savings bank as stipulated in section 50 of this act.

(t) "Foreign country" means a country other than the United States and includes a colony, dependency, or possession of a country other than the United States.

(u) "Impairment" means a condition in which the value of the savings bank's assets is less than the aggregate amount of the savings bank's liabilities to creditors and depositors, less its capital, if the savings bank is a stock savings bank, or a condition in which the value of the savings bank's assets is less than the aggregate amount of the savings bank's liabilities to creditors, and members, if the savings bank is a mutual savings bank.

(v) "Incorporator" means a person who signed the original articles of incorporation.

(w) "Loan production office" means an office of the savings bank at which only activities related to money lending are conducted, which is not the principal office or a branch or an agency office or an office of an affiliated depository institution.

(x) "Member" means a person holding a savings account of a mutual savings bank.

(y) "Messenger service" means a service such as a courier service or an armored car service that picks up from or delivers to customers of one or more depository institutions or one or more affiliates of a depository institution cash, currency, checks, drafts, securities, or other items relating to transactions between or involving a depository institution or affiliate of a depository institution and those customers, or that transfers cash, currency, checks, drafts, securities, or other items or documents between depository institutions or affiliates of depository institutions. The messenger service may be owned and operated by one or more depository institutions or affiliates or by a third party.

(z) "Mobile branch" means a branch in which the location of the physical structure of the branch is moved from time to time.

(aa) "Mutual savings bank" means a savings bank for which the articles of incorporation do not authorize the issuance of common or preferred stock.

(bb) "National bank" means a bank chartered by the federal government under the national bank act.

(cc) "Net profits" means the remainder of all earnings from operations plus actual recoveries on loans and investments and other assets, after deducting from the total all operating expenses, actual losses, accrued dividends on preferred stock, if any, and all taxes.

(dd) "Out-of-state bank" means a banking corporation or savings bank organized under the laws of another state, the District of Columbia, or a territory of the United States whose principal office is located in a state other than this state, the District of Columbia, a territory or a protectorate of the United States, and whose deposits are insured by the federal deposit insurance corporation.

(ee) "Person" means an individual, corporation, limited liability company, governmental entity, partnership, limited liability partnership, or other legal entity.

(ff) "Publication", "published", and "publish" mean publication in a newspaper printed in the English language and published and circulated in the county where the depository institution is located or, if there is no newspaper published and circulated in the county where the depository institution is located, in any newspaper having general circulation in the county.

(gg) "Residential real estate" means improved real property that is used or intended to be used as a residence or residences and contains not more than four dwelling units.

(hh) "Savings bank" means a state banking corporation organized or reorganized under this act.

(ii) "Savings liability" or "deposit liability" means the aggregate amount of accounts of depositors, including interest accrued or credited to the accounts, less redemptions and withdrawals.

(jj) "Service entity" means a stock corporation, mutual company, limited liability company, limited liability partnership, or limited partnership in which a savings bank has invested under section 75. Upon written approval of the commissioner, a service entity may be a general partnership.

(kk) "Shareholder" means the registered owner of any share or shares of capital stock of a savings bank.

(ll) "Stock savings bank" means a savings bank for which the articles of incorporation authorize the issuance of capital stock.

(mm) "Subsidiary" means a stock corporation, mutual company, limited liability company, limited liability partnership, or limited partnership, the controlling interests of which are more than 50% owned by one or more federally insured depository institutions, and in which a savings bank has an ownership interest, membership interest, or other legally enforceable interest which has the indicia of ownership. Upon written approval of the commissioner, and subject to the ownership requirements set forth in this subsection, a subsidiary may be a general partnership.

(nn) "Surplus" means the amount paid for issued and outstanding common and preferred stock in excess of the stated par value, plus any amount of transferred undivided profits, and any additional amounts paid in or contributed to increase total capital.

(oo) "Total capital" means an amount equal to any capital, plus any surplus, undivided profits, and instruments of indebtedness authorized under section 37.

(pp) "Undivided profits" means the amount of retained earnings and any additional amounts held in capital reserve accounts of the savings bank.

(qq) "Value" means the present worth of all rights to future benefits arising from ownership.

(rr) "Withdrawal value of a deposit account" means the amount invested in a deposit account, plus earnings, less lawful deductions.

Sec. 3 (a) The commissioner shall have jurisdiction over and execute the laws relating to savings banks transacting business in this state.

(b) The commissioner shall maximize the capacity of savings banks in this state to offer convenient and efficient financial services, to promote home ownership and economic development, and to ensure that savings banks remain competitive with other types of financial institutions and providers of financial services.

(c) This act shall be liberally construed except for those provisions that relate to safety and soundness of operations, investments, and management.

Sec. 4 Unless the person is organized under this act, a person shall not transact business under this act, do business under any name or title, circulate, advertise, make representations or give information that indicates or implies the operation of a business under this act.

Sec. 5 Unless the commissioner, for good cause shown, waives the requirement, a savings bank shall secure insurance of its deposit accounts backed by the full faith and credit of the United States government prior to commencing business.

Sec. 6 (a) A savings bank shall satisfy one of the following asset tests:

(b) An asset test requiring that not less than 50% of the total assets of the savings bank, as measured by monthly averages calculated at the close of each calendar month, in at least 9 months of the immediately preceding 12-month period, consist of one or more of the following:

(i) Loans that were made to purchase, refinance, construct, improve, or repair domestic residential housing, including single and multifamily dwellings, or manufactured housing.

(ii) Home equity loans.

(iii) Real property acquired as a result of foreclosure or deed-in-lieu of foreclosure with respect to loans described in this section.

(iv) Securities backed by or representing an interest in mortgages on domestic residential housing, including single or multifamily dwellings, or manufactured housing.

(v) Shares of stock issued by any federal home loan bank.

(vi) 50% of the dollar amount of the domestic residential housing mortgage loans, including single or multifamily dwellings, originated by the savings bank and sold within 90 days of origination.

(vii) Investments both debt and equity in the capital stock or obligations of and any other security issued by any service entity or subsidiary of the savings bank, if the service entity or subsidiary derives at least 80% of its annual gross revenues from activities directly related to purchasing, financing, refinancing, constructing, improving, or repairing domestic residential housing, including single or multifamily dwellings, or manufactured housing.

(viii) 200% of the dollar amount of loans and investments to purchase, construct, or develop one to four family residences the purchase price of which is, or is guaranteed to be, not greater than 60% of the median value of comparable newly-constructed 1 to 4 family residences within the savings bank's local community.

(ix) 200% of the dollar amount of loans for the purchase, construction, development, or improvement of domestic residential housing, churches or other places of worship, schools, nursing homes, hospitals, and facilities serving similar functions within a community, located within a geographic region or neighborhood in which the credit needs of low and moderate income residents are not being adequately met at the time the relevant loan is made.

(x) Loans to small businesses.

(xi) Loans for the purchase, construction, development, or improvement of churches or other places of worship, schools, nursing homes, hospitals, and other facilities utilized for similar functions or services within a community.

(xii) Loans for the purchase, construction, development, or improvement of facilities and residential developments dedicated to public use or property used on a nonprofit basis for residents.

(xiii) Loans for personal, family, household, or education purposes.

(xiv) Shares of stock issued by the federal home loan mortgage corporation and the federal national mortgage association.

(xv) Loans secured by an interest in churches or other places of worship, schools, nursing homes, hospitals, educational, health, or welfare institutions or facilities, facilities designed or used primarily for residential purposes for students, residents, and persons under care, employees, or members of the staff of the institutions or facilities, and other facilities utilized for similar functions or services within a community.

(xvi) Cash and other highly liquid assets.

(xvii) Obligations of the United States or of a state or political subdivision thereof, and stock or obligations of a corporation that is an instrumentality of the United States or of a state

or political subdivision thereof, but not including obligations the interest on which is excludable from gross income under section 415 of the internal revenue code of 1986, as amended.

(xviii) Property acquired through the liquidation of defaulted loans described in this section.

(xix) Loans made for the payment of expenses of college or university education or vocational training, in accordance with order or declaratory ruling of the commissioner.

(xx) Property used by the savings bank in the conduct of its business of acquiring the savings of the public and investing in loans.

(xxi) Loans or extensions of credit for agricultural purposes.

(2) An asset test prescribed by order or declaratory ruling of the commissioner.

(b) If a multifamily dwelling securing a loan is used in part for nonresidential purposes, the entire loan is deemed a loan for domestic residential housing if the planned residential use exceeds 80% of the property's planned use, determined as of the time the loan is made. Loans made to finance the acquisition or development of land shall be considered loans for domestic residential housing if there is reasonable assurance that the property will become residential real property within a period of 3 years from the date of acquisition of the land.

(c) In the event a savings bank does not satisfy either of the asset tests of subsection (9), the savings bank shall promptly notify the commissioner in writing of the failure.

(d) A savings bank which fails to satisfy either of the asset tests of subsection (9) may requalify as a savings bank by meeting the percentage of total assets test in subsection (a)(1) for 9 of the 12 months following notice to the commissioner, including the month the notice is given, or a savings bank may requalify as a savings bank by meeting a requalification test prescribed by order or declaratory ruling of the commissioner. The savings bank shall promptly give notice to the commissioner as soon as the savings bank requalifies or fails to requalify as a savings bank under this subsection.

(e) If the savings bank fails to requalify as a savings bank under subsection (d), the savings bank shall make application with the appropriate governmental agency to convert its charter, or liquidate, but may continue to operate as a savings bank under an order of the commissioner for the period of time stated in the order. If the savings bank fails to comply with the order for continued operation, or upon expiration of the time prescribed in the order without conversion of charter or liquidation, the commissioner may appoint a conservator under section 116 or apply to the district court for the county in which the savings bank is located for the appointment of a receiver for the

savings bank. The activities of the conservator or receiver shall otherwise be governed by the provisions of this act.

Sec. 7 The commissioner may appoint examiners and other employees for the carrying out of this act.

Sec. 8 **[This section intentionally left blank.]**

Sec. 9 (a) The commissioner may promulgate rules in addition to those specifically provided for by this act as he or she may consider necessary to effectuate and enforce this act.

(b) The commissioner may also issue orders and declaratory rulings as he or she considers necessary to effectuate the purposes and to execute and enforce the provisions of this act.

Sec. 10 (a) A savings bank together with its subsidiaries, service entities, and entities the controlling interests of which are more than 50% owned by subsidiaries or service entities or association service corporations, are subject to examination of the commissioner, with or without prior notice, one or more times in each calendar year concerning the conditions and affairs of the savings bank. The commissioner shall also examine a savings bank under the commissioner's jurisdiction when requested by its board of directors. In connection with an examination, the commissioner, or the commissioner's authorized agent, may examine on oath a director, officer, agent, employee, or shareholder of a savings bank concerning the affairs and business of the savings bank. The commissioner shall ascertain whether the savings bank transacts its business in the manner prescribed by law and the rules promulgated pursuant to law. The commissioner, or the commissioner's authorized agent, may make an examination of an affiliate, subsidiary, or service entity necessary to disclose fully the relationship between a savings bank and the affiliate, subsidiary, or service entity and the effect of the relationship upon the savings bank.

(b) The commissioner may examine the branch or branches located in this state of an out-of-state bank under the federal deposit insurance act.

(c) In fulfilling the requirements of subsections (a) and (b), the commissioner may use an examination made under the federal deposit insurance act, or the law of another state governing the activities of out-of-state banks in that state. The commissioner may require the savings bank to furnish a copy of any report required by a federal or state bank regulatory agency.

(d) An examination required by this section shall include the fiduciary activities of the savings bank.

(e) The commissioner may contract with other savings bank regulatory agencies to assist in the conduct of examinations of savings banks with one or more branches located in other states and in examination of out-of-state banks with one or more branches located in this state.

Sec. 11 (a) The commissioner shall periodically establish a schedule of annual supervisory fees to be paid by savings banks. Annual supervisory fees shall be based on the estimated cost of supervision of savings banks.

(b) Each savings bank shall pay an annual supervisory fee each calendar year as determined by the commissioner.

(c) The commissioner shall provide an invoice of the annual supervisory fee to each savings bank by July 1 of each year. The annual supervisory fee shall be paid by August 15 of that year.

(d) If a savings bank does not receive a supervisory examination during a calendar year for which a supervisory fee has been paid, it shall receive a credit of not less than 30% or more than 70% of the fee against its next annual supervisory fee. The supervisory fee credit shall be determined annually by the commissioner and shall be the same for all savings banks.

(e) The initial supervisory fee for a savings bank that obtained a charter as a result of a conversion shall be based on the total assets as reported in its report of condition as of December 31 of the previous year under the prior charter.

(f) The initial supervisory fee of a savings bank newly organized and chartered under this act, during the initial supervisory year, shall be the minimum supervisory fee established by the commissioner.

(f) The commissioner shall periodically establish a schedule of fees, beyond those charged for normal supervision, to be paid for applications, special evaluations and analyses, and examinations, including examinations of trust services and safe deposit and collateral deposit companies.

(h) The fees established under subsection (g) shall be equal to the estimated cost to the office of state bank commissioner for conducting the activity for which the fee is imposed.

(i) The commissioner may charge reasonable fees for furnishing and certifying copies of documents or serving notices required by this act.

(j) To the extent any fees assessed under this act are unpaid when due, the commissioner may, upon proper notice, maintain an action against the savings bank for the recovery of the fees plus interest and costs.

(k) The fees collected under this section are not refundable and shall be paid into the state treasury to the credit of the office of state bank commissioner and used only for the operation of the office of state bank commissioner.

Sec. 12 The commissioner may petition the district court for the county in which the examination is being carried on to issue a subpoena requiring a person to appear before the commissioner and be examined under oath with reference to any matter within the scope of an examination of a savings bank under this act, and to produce books, records, or papers.

Sec. 13 **[This section intentionally left blank.]**

Sec. 14 (a) The commissioner and all deputies, agents, and employees of the office of state bank commissioner shall be bound by oath to keep secret all facts and information obtained in the course of their duties, except if the person is required under law to report upon, take official action, or testify in any proceedings regarding the affairs of a savings bank.

(b) Notwithstanding subsection (a), the commissioner may make disclosure to persons at such times as is in the public interest within the purposes of this act.

(c) The provisions of this section are not applicable to, and do not prohibit the furnishing of information or documents to, federal, out-of-state bank, or association regulatory agencies.

Sec. 15 (a) Except with respect to rules promulgated under section 9, a cease and desist order made under sections 16 to 26, and an order made on an application seeking approval of the commissioner under section 29, 30, 39, 63, 77, 120, 128, or 134 or an objection issued by the commissioner under section 82, a savings bank or an interested party who is dissatisfied with an order, ruling, objection, or finding issued by the commissioner may request a reconsideration of the order, ruling, objection, or finding within 10 days after the issuance of the order, ruling, objection, or finding. Within 30 days after the receipt of a written request for reconsideration, the commissioner shall set the matter for a formal hearing unless a formal hearing has been held before the issuance of the order, ruling, objection, or finding. The commissioner may conduct a formal hearing before the issuance of an order, ruling, objection, or finding.

(b) A hearing held under subsection (a) shall be conducted under the administrative procedures act.

(c) The commissioner shall require an entity making an application under section 29, 30, 39, 63, 77, 120, 128, or 134 to give notice of the application by publication. The applicant, within 10 days after the acceptance of an application, shall publish notice in the community or communities in which the savings bank, or bank holding company, involved in the subject application is located. Publication shall be one time per week for 2 consecutive weeks in the form prescribed by the commissioner. The interval between publications shall not be less than 5 days. Proof of publication shall be filed with the commissioner within 10 days after the date of the second publication of notice.

(d) An interested party who desires to protest the application shall file a written notice of protest with the commissioner and with the applicant within 10 days after the date of the second

publication of notice. Within 30 days after the date of the second publication of notice, an interested party who has filed a written notice of protest shall file with the commissioner and with the applicant a written statement setting forth all of the following:

(1) A list of specific items in the application that are the basis for the protest and an explanation of the reasons for the protest.

(2) A statement of the facts supporting the reasons for the protest including economic and financial data.

(3) A request for oral argument if desired.

(e) Within 40 days after the date of the second publication of notice, the applicant may file with the commissioner and with the parties that have filed written notice of protest written material in response to the written statement and may request oral argument before the commissioner if oral argument has not been requested by an interested party who has filed a written notice of protest.

(f) Oral argument may be held at the commissioner's discretion if neither the applicant nor an interested party requests oral argument.

(g) An oral argument, if scheduled as provided in this section, shall be held within 55 days after the date of the second publication of notice.

(h) Only the applicant and those interested parties who have filed written statements under subsection (d) may participate in the oral argument. Oral argument may be made by each party or by an authorized representative. Oral argument shall be limited to issues raised in the materials submitted in connection with the application and the protest. One hour shall be permitted to each participant other than the applicant for oral argument. The applicant shall have as much time as all other participants have been permitted. The commissioner shall have a stenographic record made of the oral argument, with costs to be allocated equally among the parties requesting oral argument unless otherwise provided by order of the commissioner.

(i) The commissioner shall issue an order within 100 days after the filing of the application. If an application is denied, or if a protested application is approved, the commissioner shall provide a detailed written explanation of the basis of the commissioner's decision. Appeal of an order shall not be made by a party without first requesting a reconsideration of the order under subsection (j).

(j) The applicant or an interested party who filed written statements under subsection (d) and who participated in the oral argument, if held, who is dissatisfied with an order of the commissioner or an institution which is dissatisfied with an objection issued by the commissioner

under section 82, may within 5 days after the issuance of the order or objection, file with the commissioner a written request for reconsideration of the order stating the reasons for the request. The commissioner, within 10 days of receiving the request for consideration, shall render a decision on the request for reconsideration. If a petition for reconsideration is granted, the commissioner shall grant the applicant and all interested parties 10 days to file written arguments or briefs. The commissioner may conduct an oral argument after granting a petition for reconsideration. The argument shall be held within 10 days after granting the petition. The commissioner shall issue a final order or objection or withdraw an objection within 20 days after granting the petition for reconsideration.

Sec. 16 (a) If in the opinion of the commissioner a savings bank is engaging, has engaged, or is about to engage in an unsafe or unsound practice in conducting the business of the savings bank or is violating, has violated, or is about to violate a law or rule, the commissioner may issue and serve upon the savings bank a notice of charges in respect to the practice or violation. The notice shall contain a statement of the facts constituting the alleged unsafe or unsound practice or violation, and shall fix a time and place at which a hearing will be held to determine whether an order to cease and desist should issue against the savings bank.

(b) The hearing shall be not earlier than 30 days or later than 60 days after service of the notice unless another date is set by the commissioner at the request of the savings bank. Unless the savings bank appears at the hearing by a duly authorized representative, it shall be deemed to have consented to the issuance of the cease and desist order.

(c) In the event of a consent, or if upon the record made at the hearing, the commissioner finds that an unsafe or unsound practice or violation specified in the notice of charges has been established, the commissioner may issue and serve upon the savings bank an order to cease and desist from the practice or violation. The order may require the savings bank and its directors, officers, employees, and agents to cease and desist from the practice or violation and to take affirmative action to correct the conditions resulting from the practice or violation.

(d) A cease and desist order becomes effective at the expiration of 30 days after the service of the order upon the savings bank, except in the case of an order issued upon consent which shall become effective at the time specified in the order, and shall remain effective and enforceable as provided in the order, except to the extent it is stayed, modified, terminated, or set aside by action of the commissioner or a reviewing court.

(e) If the commissioner determines that an out-of-state bank branch located in this state is acting in violation of the laws of this state or that the activities of the branch are being conducted in an unsafe and unsound manner, the commissioner may undertake enforcement actions and proceedings as would be permitted if the branch were a savings bank.

Sec. 17 (a) If the commissioner determines that the violation or unsafe or unsound practice specified in the notice of charges served upon the savings bank under section 16 is likely to cause insolvency or substantial dissipation of assets or earnings of the savings bank, or is likely to otherwise seriously prejudice the interests of its depositors, the commissioner may issue a temporary order requiring the savings bank to cease and desist from the violation or practice. The order shall become effective upon service upon the savings bank, unless set aside, limited, or suspended by a court in proceedings authorized by subsection (b), and shall remain effective and enforceable pending the completion of the administrative proceedings under the notice and until such time as the commissioner shall dismiss the charges specified in the notice or if a cease and desist order is issued against the savings bank, until the effective date of such order.

(b) No later than 10 days after the savings bank has been served with a temporary cease and desist order, the savings bank may apply to the district court for the county in which the home office of the savings bank is located for an injunction setting aside, limiting, or suspending the enforcement, operation, or effectiveness of the order pending the completion of the administrative proceedings pursuant to the notice of charges served upon the savings bank under section 15 and the court shall have jurisdiction to issue the injunction.

Sec. 18 (a) If in the opinion of the commissioner, a director or officer of a savings bank has committed a violation of law or rule or of a cease and desist order that has become final, or has engaged or participated in an unsafe or unsound practice in connection with the savings bank, or has committed or engaged in an act, omission, or practice that constitutes a breach of his or her fiduciary duty as a director or officer and the commissioner determines that the savings bank has suffered or will probably suffer substantial financial loss or other damage or that the interest of its depositors could be seriously prejudiced by reason of the violation, practice, or breach of fiduciary duty, the commissioner may serve upon the director or officer a written notice of his or her intention to remove him or her from office.

(b) If in the opinion of the commissioner a director or officer of a savings bank, by conduct or practice with respect to another savings bank or other business organization which resulted in substantial financial loss or other damage, has evidenced his or her personal unfitness to continue as a director or officer and if in the opinion of the commissioner, any other person participating in the conduct of the affairs of any savings bank, by conduct or practice with respect to such savings bank or other business organization which resulted in substantial financial loss or other damage, has evidenced his or her personal unfitness to participate in the conduct of the affairs of the savings bank, the commissioner may serve upon the director, officer, or other person a written notice of his or her intention to remove him or her from office or to prohibit his or her further participation in any manner in the conduct of the affairs of the savings bank.

(c) In addition to a notice sent under subsections (a) or (b), if the commissioner deems it necessary for the protection of the savings bank or the interests of its depositors that the director, officer, or other person be immediately suspended from office or prohibited from further participation

in any manner in the conduct of the affairs of the savings bank, the commissioner may serve upon the director, officer, or other person a written notice suspending him or her from office or prohibiting him or her from further participation in any manner in the conduct of affairs of the savings bank. The suspension or prohibition shall become effective upon service of the notice and, unless stayed by a court in proceedings authorized by section 19, shall remain in effect pending the completion of the administrative proceedings under the notice served under subsections (a) or (b) and until such time as the commissioner may dismiss the charges specified in the notice or, if an order of removal or prohibition is issued against the director, officer, or other person, until the effective date of the order. Copies of the notice shall also be served upon the savings bank of the director or officer or in the conduct of whose affairs he or she has participated.

(d) A notice of intention to remove a director, officer, or other person from office or to prohibit his or her participation in the conduct of the affairs of any savings bank shall contain a statement of the facts constituting grounds for the notice, and shall fix a time and place at which a hearing will be held. The hearing shall be held not earlier than 30 days nor later than 60 days after the date of service of the notice, unless another date is set by the commissioner at the request of the director, officer, or other person and for good cause shown.

(e) Unless the director, officer, or other person appears at the hearing in person or by a duly authorized representative, he or she shall be considered to have consented to the issuance of an order of removal or prohibition. In the event of consent, or if upon the record made at the hearing the commissioner finds that any of the grounds specified in the notice have been established, the commissioner may issue an order of suspension or removal from office, or prohibition from participation in the conduct of the affairs of the savings bank. The order shall become effective at the expiration of 30 days after service upon the savings bank and the director, officer, or other person, except in the case of an order issued upon consent, which shall become effective at the time specified in the order. The order shall remain effective and enforceable unless it is stayed, modified, terminated, or set aside by action of the commissioner or a reviewing court.

Sec. 19 No later than 10 days after a director, officer, or other person has been suspended from office or prohibited from participation in the conduct of the affairs of a savings bank under section 18, the director, officer, or other person may apply to the district court for the county in which the home office of the savings bank is located for a stay of the suspension or prohibition pending the completion of the administrative proceedings under the notice served upon the director, officer, or other person under section 18.

Sec. 20 (a) If a director or officer of a savings bank or other person participating in the conduct of the affairs of a savings bank is charged in any information, indictment, warrant, or complaint authorized by a county, state, or United States authority with the commission of or participation in a felony involving dishonesty or breach of trust, the commissioner, by written notice served upon the director, officer, or other person, may suspend him or her from office or prohibit him

or her from further participation in any manner in the conduct of the affairs of the savings bank. A copy of the notice shall also be served upon the savings bank.

(b) The suspension or prohibition shall remain in effect until the information, indictment, warrant, or complaint is finally disposed of or until terminated by the commissioner. If a judgment of conviction with respect to the offense is entered against the director, officer, or other person, and the judgment is not subject to further appellate review, the commissioner may issue and serve upon the director, officer, or other person an order removing him or her from office or prohibiting him or her from further participation in any manner in the conduct of the affairs of the savings bank.

(c) A copy of the order shall also be served upon the savings bank, whereupon the director or officer shall cease to be a director or officer of the savings bank.

(d) A finding of not guilty or other disposition of the charge shall not preclude the commissioner from instituting proceedings to suspend or remove the director, officer, or other person from office or to prohibit further participation in savings bank affairs, under section 18.

Sec. 21 If, because of the suspension or removal of one or more directors under this act, the board of directors of a savings bank has less than a quorum of directors, all powers and functions vested in or exercisable by the board shall vest in and be exercisable by the remaining directors on the board. If all of the directors of a savings bank are suspended or removed under this act, the commissioner shall appoint persons to serve temporarily as directors pending the termination of the suspensions or removals, or until such time as their successors are duly elected and take office.

Sec. 22 **[This section intentionally left blank.]**

Sec. 23 The commissioner may apply to the district court of the county in which the home office of the savings bank is located, or in the district court for Shawnee County, for the enforcement of an effective and outstanding notice or order issued under sections 16 to 26, including any temporary cease and desist order issued under section 17(a), and the court shall have jurisdiction to order and require compliance with the notice or order. Except as otherwise provided in this act, a court shall not have jurisdiction to review, modify, suspend, terminate, or set aside a notice or order under this section.

Sec. 24 **[This section intentionally left blank.]**

Sec. 25 A service required or authorized to be made by the commissioner under sections 16 to 26 may be made by registered or certified mail, or in any other manner reasonably calculated to give actual notice as the commissioner may provide. Copies of a notice or order served by the commissioner upon a savings bank, any director or officer, or any other person participating in the conduct of the savings bank's affairs shall also be sent to the appropriate federal supervisory authorities.

Sec. 26 In connection with a proceeding under section 16, 17(a), or 18, the commissioner shall provide the appropriate federal supervisory authorities with notice of intent to institute a proceeding and the grounds for the proceeding. An institution or other party who is the subject of a notice or order issued by the commissioner under sections 16 to 26 shall not have standing to raise the requirements of section 25 or this section with respect to notifying federal supervisory authorities as ground for attacking the validity of a notice or order.

Sec. 27 As used in sections 16 to 26:

(a) "Cease and desist order which has become final" and "order which has become final" mean a cease and desist order or an order issued by the commissioner with the consent of the institution or the director or officer or other person concerned or with respect to which no petition for review of the action of the commissioner has been filed in a district court or with respect to which the action of the court in which the petition is filed is not subject to further review by the courts of the state.

(b) "Violation" includes any action, alone or with others, for or toward causing, bringing about, participating in, counseling, or aiding or abetting a violation under sections 16 to 25.

Sec. 28 A corporation may be formed by one or more persons in accordance with the laws of this state for the purpose of conducting a savings bank business.

Sec. 29 (a) A person shall apply to the commissioner for permission to organize a savings bank under this act. The application shall be on forms prescribed by the commissioner and set forth such information as the commissioner may require.

(b) After making application, the incorporators shall publish notice twice and in consecutive weeks that the application has been made. The notice shall set forth the names and addresses of the incorporators and the proposed name and location of the savings bank to be organized. Proof of the notice shall be furnished to the commissioner within 30 days after the date of the application. The commissioner may waive the publication requirements, if in his or her opinion, the waiver is necessary or appropriate in the public interest.

(c) The commissioner shall examine the information and statements contained in the application as well as make any investigation as to the conditions and circumstances surrounding or in any manner affecting or pertaining to the organization of the savings bank sufficient to satisfy him or her as to all of the following:

(1) Whether the character, responsibility, and fitness of the incorporators and of the proposed directors and officers, and their motives in seeking to organize the savings bank are such

as to command the confidence of the community and to warrant the belief that the business of the proposed savings bank will be honestly and efficiently conducted.

(2) Whether the convenience and needs of the public will be served by the proposed savings bank.

(3) The likelihood of successful operation of the proposed savings bank, giving consideration to, but not by way of limitation, all of the following:

(i) Population density.

(ii) Economic characteristics of the area primarily to be served.

(iii) The competition offered by existing savings banks, other financial institutions, and other providers of financial services.

(4) Whether the capital structure of the proposed savings bank meets the requirements of section 34.

(d) The commissioner shall approve or disapprove the application in writing within 100 days of the receipt of the application or the last amendment or supplement to the application, except that in the case of an application to organize a new bank under section 125 for the sole purpose of consolidating or merging the new bank with or into an existing bank, the commissioner shall approve or disapprove the application in writing within 30 days of the receipt of the application or the last amendment or supplement to the application. If the commissioner disapproves the application, the applicants may appeal in the manner provided in section 15.

Sec. 30 (a) Any number of depository institutions may apply to incorporate a savings bank exclusively to serve depository institutions or their officers, directors, and employees.

(b) The commissioner shall examine the information contained in the application and make any other investigation the commissioner considers necessary pertaining to the organization of the new savings bank. The commissioner shall issue to the applicants, within the time period provided in section 15, written notice of approval or disapproval of the application.

(c) Except as otherwise provided by rule, a savings bank organized under this section is not subject to the provisions of section 29, but shall comply with all other provisions of this act.

(d) The shares of stock of a stock savings bank organized under this section shall be owned exclusively by depository institutions.

(e) As used in this section, "applicant" means the depository institutions making an application under this section.

(f) The commissioner may promulgate rules and regulations to implement and enforce this section.

Sec. 31 (a) Following the date authorized by the commissioner for the savings bank to commence business, the savings bank may reimburse the organizers for reasonable and necessary organizational expenses. Any reimbursement under this section shall be predicated upon an accounting of the organizational expenses by an independent certified public accountant which shall be prepared in accordance with generally accepted accounting principles.

(b) The commissioner may review the accounting of the organizational expenses and may order the organizers to restore any sums that were reimbursed for other than reasonable and necessary expenses.

Sec. 32 (a) Upon approval of the application, at least two original articles of incorporation executed by a majority of the applicants shall be submitted to the commissioner. If the commissioner finds that the articles conform to law and that all fees and charges have been paid as required by law, he or she shall approve and file one of the original articles in his or her office and certify and forward one of the original articles to the incorporators.

(b) As a condition for approving, certifying, and distributing the articles of incorporation, the incorporators shall furnish evidence that a firm commitment to insure deposit accounts up to the maximum permitted by federal law has been issued by the federal deposit insurance corporation, unless the commissioner, for good cause shown, waives the requirement to furnish the evidence.

(c) The articles of incorporation shall provide all of the following information:

(1) The name of the savings bank. The name shall not be similar to the name of any other savings bank transacting business in this state that would cause confusion.

(2) The county, city, or township where the principal office of the savings bank is to be located and conduct its business.

(3) The purpose or purposes of incorporation as provided in this act.

(4) The authorized number of shares of common and preferred stock for a stock savings bank and one of the following:

(i) If the savings bank is to be authorized to issue only one class of stock, the par value of the shares.

(ii) If the savings bank is to be authorized to issue more than one class of stock, the number of shares of each class, the par value of each class, and a statement of all designations, powers, preferences, rights, qualifications, limitations, and restrictions of each class.

(5) The names, places of residence, and addresses of the incorporators and the number of shares subscribed for each incorporator.

(6) The period for which the savings bank is organized, which may be in perpetuity.

(7) Any other provisions consistent with the business of banking and for the conduct of the affairs of the savings bank.

(d) If the commissioner approves and files the articles of incorporation under this act, the savings bank shall become a body corporate. A savings bank shall not transact any business, except as is incidental and necessary to its organization, until it has been authorized by the commissioner to commence business.

(e) Except shareholders, members, officers, and directors of a savings bank, a person dealing with a savings bank organized under this act shall not be charged with constructive notice of the contents of any articles or papers by reason of a filing required under this act.

Sec. 33 (a) Within 30 days after the approval and filing of its articles of incorporation, or such later time not to exceed one year as approved by the commissioner, the savings bank shall notify the commissioner that all of its capital and surplus has been fully paid in and that it has complied with all the provisions of this act required to be complied with before a savings bank shall be authorized to commence business.

(b) The commissioner shall make such examinations as he or she deems necessary to verify the same and if it appears that the savings bank is lawfully entitled to commence business, the commissioner, within 30 days after receiving the notice under this section, shall give to the savings bank a certificate that the savings bank has complied with all of the required provisions and is authorized to commence business.

(c) The application shall be deemed abandoned and of no further effect if the savings bank fails to furnish the notice required by this section within the specified time or fails to comply with the required provisions within such period of time as the commissioner determines.

(d) The first meeting of every savings bank shall be called by a notice signed by any incorporator designating the time and place of the meeting and stating the purpose for which the meeting is called. The notice shall be served on all the incorporators at least 5 days before the date

set for the meeting. If all the incorporators are present at the meeting or in writing waive notice, then no notice shall be required for the first meeting.

Sec. 34 (a) A stock savings bank organized under this act shall have capital in an amount as the commissioner considers adequate on the basis of the population of the area to be served and the anticipated nature of the stock savings bank's business but not less than \$250,000.00.

(b) This section does not apply if the new stock savings bank is organized under section 125 for the sole purpose of effecting its consolidation or merger with an existing bank or association having its principal office in the same city or village as the new stock savings bank and if upon completion of the consolidation or merger a bank holding company becomes the owner of all of the outstanding voting shares of the consolidated organization. This section does apply to the consolidated organization.

(c) A stock savings bank shall not be authorized to commence business until it has surplus of at least 20% of its capital.

(d) A mutual savings bank shall not be authorized to commence business until an aggregate minimum dollar amount and number of savings accounts shall be subscribed for and paid in cash, as determined by the commissioner.

(e) After organization each savings bank shall maintain adequate total capital for the conduct of its business and the protection of its depositors. The total capital of a savings bank shall be analyzed and appraised in relation to the character of its management, the liquidity of assets, history of earnings and of the retention of earnings, the potential volatility of the deposit structure, and the savings bank's capacity to furnish the broadest service to the public.

(f) At all times a stock savings bank shall maintain surplus in an amount which is equal to at least the amount of its capital, except as provided in subsection (3) as to the initial surplus and except as provided in section 43 and shall not reduce surplus without the approval of the commissioner:

Sec. 35 A stock savings bank may issue shares of common stock and preferred stock that may be divided into classes and the classes into series.

Sec. 36 The membership of a mutual savings bank shall consist solely of every depositor or holder of a deposit account issued by the savings bank.

Sec. 37 (a) A savings bank, with the approval of shareholders owning 2/3 of the stock of a stock savings bank who are entitled to vote, or with the approval of 2/3 of the members of a mutual savings bank who are entitled to vote, may issue capital notes, debentures, and any other instrument of indebtedness, with or without warrants for preferred or common stock, convertible and

nonconvertible, subordinated on insolvency, liquidation, or dissolution to all obligations except obligations to shareholders or members, in such amounts and under such terms and conditions as are approved by the commissioner on the basis of normal business considerations.

(b) In connection with the issuance of convertible capital notes, debentures, or any other instrument of indebtedness, the commissioner may grant approval for the savings bank to reserve a number of authorized and unissued shares of capital stock as required for issuance in exchange for capital notes and debentures with respect to which conversion privileges exist.

(c) If capital notes, debentures, or any other instrument of indebtedness are converted into shares of common or preferred stock, a verified certificate executed by the president of the savings bank stating the amount of the conversion, and any other information with respect to the conversion as the commissioner may require, shall be filed in the office of the state bank commissioner.

(d) Outstanding capital notes, debentures, and any other instrument of indebtedness issued under this section shall be added to "capital" and "capital stock" as the terms are used in sections 94, and 96 to 99, for the purpose of computing the limitations contained in those sections based on amounts of capital and capital stock.

Sec. 38 Whenever a vote of the holders of shares of stock is required by this act, those provisions shall apply only to the voting stock of the savings bank, bank, out-of-state bank, national bank, or association.

Sec. 39 Upon application and approval of the commissioner, a mutual savings bank may amend its articles of incorporation to authorize the issuance of stock and may issue stock. Conversion shall be accomplished in accordance with section 134.

Sec. 40 (a) There shall be issued to every shareholder in a savings bank, certificates of stock which shall be transferable on the books of the savings bank in a manner as provided in the bylaws or articles of incorporation. A transfer of stock shall not be valid against the savings bank, except with the consent of the board of directors, unless the registered holder of the stock is liable as principal debtor, surety, or otherwise to the savings bank for any debt which is due and unpaid.

(b) If the registered holder of stock of a savings bank is liable to it as principal debtor, surety, or otherwise for a debt that is due and unpaid, the directors of the bank may sell a sufficient amount of the stock of the delinquent shareholder in the same manner and with the same effect as provided in section 100 in the case of an unpaid assessment on the stock of the savings bank. This section does not prevent the savings bank from bringing proceedings to recover the entire amount of the indebtedness at any time before the sale or to recover the balance of the debt and costs after the proceeds of sale have been applied against the debt and costs or to recover the balance of the debt after the cancellation of the stock.

(c) The rights of a savings bank in its stock under this section shall be subject to any pledge, sale, or other transfer of the stock that is made prior to the maturity of any indebtedness of the registered holder of the stock to the savings bank and of that the savings bank has knowledge prior to the maturity, whether or not the stock was transferred on the books of the savings bank. Any stock of a savings bank that is pledged, sold, or otherwise transferred prior to the maturity of any indebtedness of the registered holder of the stock to the savings bank and of which pledge, sale, or other transfer the savings bank has knowledge prior to the maturity, may be transferred on the books of the savings bank after the maturity without the consent of the board of directors of the savings bank.

(d) The rights of a savings bank in its stock under this section, including the limitation on transferability if the registered holder is liable to the savings bank for any debt that is due and unpaid, shall not be applicable with respect to any stock duly listed on any stock exchange.

(e) Certificates issued shall state all of the following:

(1) The name and location of the savings bank.

(2) The name of the holder of record of the stock.

(3) The number, par value, and class of shares that the certificates represent.

(4) If the savings bank issues stock of more than one class, the respective rights, preferences, privileges, voting rights, powers, restrictions, limitations, and qualifications of each class of stock issued shall be stated in full or in summary upon the front or back of the certificates or be incorporated by a reference to the articles of incorporation set forth on the front of the certificates.

(5) If the stock is not listed on an exchange, that no transfer shall be valid against the savings bank so long as the registered holder is liable as principal debtor, surety, or otherwise to the savings bank, except with the approval of the board of directors or except as otherwise provided in this act.

(f) Every certificate issued shall be signed by the president or vice president and cashier or assistant cashier of the savings bank or by other officers as the bylaws of the savings bank shall provide.

(g) Notwithstanding any law, if a share certificate is signed by a transfer agent or by a transfer agent and a registrar, the signature of any officers of the savings bank required on the stock may be made by facsimile. If an officer who has signed a share certificate or whose facsimile signature is used ceases to be an officer, whether because of death, resignation, or otherwise, before the certificate has been delivered by the savings bank, the certificate may be adopted by the savings bank and delivered as though the person who signed it had not ceased to be an officer.

Sec. 41 (a) With the approval of the commissioner, and by a vote of shareholders owning 2/3 of each class of the stock entitled to vote, a savings bank may increase its capital stock to any sum approved by the commissioner, either by an increase in the par value of the existing stock or by the issuance of new stock, including preferred stock.

(2) An increase in capital is not valid until the whole amount of the increase is paid in and notice has been transmitted to the commissioner specifying the amount of the increase in capital stock and that it has been duly paid in as a part of the capital of the savings bank.

(3) The certificate shall be conclusive evidence that the stock has been duly and validly issued. In the case of the issuance of new stock, in voting upon the increase of capital stock, the shareholders entitled to vote shall have power, by the same statutory majority, to fix the value of, and the price at which the increase of the capital stock shall be subscribed and paid for by the shareholders, but not less than par, as well as the time and manner of the subscription and payment, and to authorize the directors to sell the capital stock.

(4) Notwithstanding the provisions of this section, a savings bank, with the approval of the commissioner and by a vote of shareholders owning 2/3 of each class of the stock entitled to vote, for the stated purpose of providing stock options for one or more employees, may increase its capital stock in an aggregate par value amount not to exceed at any one time 5% of the par value of its then outstanding common capital stock. The additional capital stock, when duly authorized, may be issued by the savings bank from time to time for such purpose but for no other purpose, as options are exercised and payment for the stock is received, free from any preemptive rights to subscribe for stock.

Sec. 42 (a) By a vote of shareholders owning 2/3 of the stock entitled to vote of the savings bank, a savings bank may reduce its capital stock to an amount not less than that required by this act to authorize the formation of the savings bank. The reduction may be accomplished by a reduction in the par value of the existing stock or by a reduction in the number of the shares of the stock. A reduction shall not be made until the amount of the proposed reduction has been reported to and approved by the commissioner.

(b) The approval of the commissioner shall be based upon a finding by him or her that the security of existing creditors of the savings bank will not be impaired by the proposed reduction. This section does not discharge a savings bank that has decreased its capital stock from an obligation or demand that is due from the savings bank.

(c) Retirement of preferred stock under the articles of incorporation is not considered to be a reduction of capital under this section.

(4) A shareholder is not entitled to a distribution of cash or other assets by reason of a reduction of the capital of a savings bank unless the distribution has been approved by the

commissioner and by the affirmative vote of at least 2/3 of the shares of each class of stock outstanding, voting as classes.

Sec. 43 (a) The board of directors of a savings bank may declare and pay dividends on the common stock of the savings bank subject to the following restrictions:

(1) A cash dividend or dividend in kind shall not be declared or paid unless the savings bank will have a surplus amounting to not less than 20% of its capital after the payment of the dividend.

(2) A cash dividend or dividend in kind shall not be declared by any savings bank except out of net profits then on hand after deducting all bad debts. Unless the debts are well secured and in process of collection or the debts constitute claims against solvent estates in probate, debts due the savings bank on which interest is past due and unpaid for a period of six months shall be considered bad debts under this section.

(3) A cash dividend or dividend in kind shall not be declared or paid until the cumulative dividends on preferred stock, if any, have been paid in full or preferred shareholders have waived their right to receive dividends.

(4) If the surplus of a savings bank is less than the amount of its capital, before the declaration of a cash dividend or dividend in kind, it shall transfer to surplus not less than 10% of its net profits of the preceding half-year in the case of quarterly or semiannual dividends, or not less than 10% of its net profits of the preceding two consecutive half-year periods in the case of annual dividends. For the purpose of this section, an amount transferred to a reserve account for the retirement of preferred stock of any bank out of its net profits for the periods is considered to be additions to its surplus, if upon the retirement of the preferred stock the amounts credited into the retirement reserve may then properly be carried to surplus. The savings bank is obligated to credit to surplus the amounts transferred into the retirement reserve on account of the preferred stock as the stock is retired.

(5) Notwithstanding the limitations of this section, a savings bank with the approval of the commissioner and by vote of shareholders owning 2/3 of the stock entitled to vote may increase its capital stock by declaration of a stock dividend on the capital stock. After the increase the surplus of the bank shall be at least equal to 20% of the capital stock as increased. The increase shall not be effective until a certificate of the declaration of the dividend, signed by the president, vice president, cashier, or assistant cashier of the savings bank, has been transmitted to and approved by the commissioner.

(b) A savings bank may pay dividends on its preferred stock at a rate as may be applicable without regard to the limitations of this section.

(c) A holding company that owns common or preferred stock of a savings bank may waive its right to receive dividends and any payment in lieu of dividends.

Sec. 44 (a) An annual meeting of the members of a mutual savings bank shall be held at a time and place designated by or in the manner provided in the bylaws.

(b) Special meetings of the members of a mutual savings bank may be called at any time by the president or board of directors or by the president, a vice president, or the secretary upon the written request of members holding of record in the aggregate at least 10% of the savings deposits of the savings bank. The written request shall show the purposes of the meeting and shall be delivered to the principal office of the mutual savings bank addressed to the president.

(c) In the consideration of all questions requiring action by the members of a mutual savings bank, each member shall be entitled to cast one vote for each \$100.00, or fraction of each \$100.00, of the withdrawal value of his or her deposit account. A member is not entitled to cast more than 1,000 votes, and votes shall not be cumulated for the election of directors.

(d) In order that a mutual savings bank may determine the members entitled to notice of any meeting to vote, or entitled to receive a distribution or to exercise any rights in respect of any other lawful action, the board of directors of the savings bank may fix, in advance, a record date that is not more than 9 months or less than 6 months prior to the date of the meeting or more than 9 months prior to any other action.

Sec. 45 (a) Each savings bank shall keep correct and complete books and records of accounts.

(b) Each mutual savings bank shall maintain membership records which shall show the name and address of the member and date of membership.

Sec. 46 (a) The annual meeting of the shareholders of every stock savings bank shall be held at a time and place designated by or in the manner provided in the bylaws. Special meetings of shareholders shall be called and held as provided in the bylaws of the savings bank. At any meeting, each shareholder entitled to vote shall be entitled to one vote for each share held by him or her. A shareholder may vote at any meeting of the savings bank by written proxy.

(b) Persons holding shares of stock of a savings bank in a fiduciary capacity are entitled to vote the shares so held, unless the trust instrument contains a provision to the contrary. Persons whose shares are pledged are entitled to vote unless in the transfer by the pledgor on the books of the savings bank he or she has expressly empowered the pledgee to vote the shares, in which case only the pledgee or his or her proxy may vote the shares.

(c) A shareholder shall not vote his or her stock in any manner except in person or by proxy. This prohibition shall not be construed to apply to any voting trust agreement of shareholders with respect to the voting of stock, which agreement has been approved by the commissioner.

Sec. 47 The commissioner may call a meeting of the members or shareholders of a savings bank for any purpose by giving a notice of the time, place, and purposes of this meeting at least 3 days prior to the meeting to the members or shareholders either by personal service, registered mail sent to their last known addresses as shown by the books of the savings bank, or by publication at least once a week for 4 consecutive weeks prior to the meeting.

Sec. 48 (a) A stock savings bank shall keep and maintain a stock ledger in which shall be correctly entered the name and address of each shareholder of the savings bank, the number of shares held by each, the date when the shareholder acquired the shares, and the name of the transferor. The board of directors of a savings bank may designate any corporation authorized by law to act as transfer agent or registrar of shares of corporations, to act as transfer agent or transfer agent and registrar of the shares of the savings bank, but a corporation shall not be designated to act in both capacities at the same time.

(b) Within two calendar weeks of a demand made by the commissioner, a savings bank shall file with the commissioner a list containing the name and address of each shareholder of the savings bank together with the number of shares held by each according to its records as of the close of business on the date of issuance of the demand. Within 2 calendar weeks of a demand made for proper cause by any shareholder being the record owner of at least 5% of the issued shares of the savings bank or on the demand for proper cause of any person representing any group who are the record owners of at least 5% of the issued shares of the savings bank, the savings bank shall prepare and furnish the requestor a list containing the name and address of each shareholder of the savings bank together with the number of shares held by each according to its records as of the close of business on the date of receipt of the demand.

Sec. 49 (a) A savings bank shall be managed by a board of not less than 5 nor more than 25 directors who shall be elected in the first instance by the incorporators at a meeting held before the savings bank is authorized to commence business and afterwards at the annual meeting of the members or shareholders. If for any reason an election is not held at the annual meeting, then the election shall be held at any subsequent meeting called for that purpose of which notice is given as provided in the bylaws of the savings bank. The board of directors may fill a vacancy that occurs in the board by death, resignation, or otherwise for the current year. Subject to limitations as to numbers, the shareholders or members may elect directors not to exceed 2 less than the full board and the unfilled directorships shall be considered as vacancies and filled by the board of directors. Directors shall hold office until their successors are elected and have qualified.

(b) The board of directors shall meet not less than 6 times per year for the purpose of carrying out their duties under this act. The directors shall designate the savings bank's chief executive

officer at the first board of directors meeting of each fiscal year. The board shall keep and record minutes of each meeting. The minutes shall be signed by the presiding officer and the secretary of the meeting. A majority of the board of directors constitutes a quorum for the transaction of business.

(c) The commissioner may call a meeting of the board of directors of a savings bank by giving a notice of the time, place, and purpose of the meeting at least 3 days prior to the meeting to the directors either by personal service, registered mail sent to their last known addresses as shown by the books of the savings bank, or publication at least once in each week for four consecutive weeks prior to the meeting.

Sec. 50 Each director prior to taking office shall take and subscribe an oath that he or she will diligently and honestly perform his or her duties and will not knowingly violate, or permit to be violated, any provisions of this act. The signed oath shall be transmitted to the commissioner.

Sec. 51 (a) A savings bank may contract for or purchase from a director, or from a firm of which the director is a member, securities or other property when the purchase is made in the regular course of business upon terms not less favorable to the savings bank than those offered by others, or when the purchase is authorized by a majority of the board of directors not interested in the sale of the securities or property. If a director, or firm of which the director is a member, acting for or on behalf of others, sells securities or other property to a savings bank, the commissioner may require a full disclosure to be made on forms prescribed by the commissioner of all commissions or other considerations received. Whenever a director or firm sells securities or other property to the savings bank, the commissioner may require full disclosure of all profits realized from the sale.

(b) A savings bank may sell securities or other property to a director, or to a firm of which the director is a member, in the regular course of business on terms not more favorable to the director or firm than those offered to others, when the sale is authorized by a majority of the board of directors of a savings bank. This section shall not be construed as authorizing a savings bank to purchase or sell securities or other property that the savings bank is not otherwise authorized by law to purchase or sell.

Sec. 52 (a) A director or an officer of a savings bank shall discharge the duties of his or her position in good faith and with that degree of diligence, care, and skill that an ordinarily prudent person would exercise under similar circumstances in a like position.

(b) In discharging his or her duties, a director or an officer when acting in good faith may rely upon the opinion of legal counsel for the savings bank, upon the report of an independent appraiser selected with reasonable care by the board or by an officer of the savings bank, or upon financial statements of the savings bank represented to him or her to be correct by the president or the officer of the savings bank having charge of its books of account, or as stated in a written report by an independent public or certified public accountant or firm of accountants fairly to reflect the financial condition of the savings bank.

(c) The articles of incorporation of a savings bank may contain a provision providing that a director is not personally liable to the savings bank or its shareholders or members for monetary damages for a breach of the director's fiduciary duty. The provision does not eliminate or limit the liability of a director for any of the following:

(1) A breach of the director's duty of loyalty to the savings bank or its shareholders or members.

(2) Acts or omissions not in good faith or that involve intentional misconduct or knowing violation of law.

(3) A violation of section 24.

(4) A transaction from which the director derived an improper personal benefit.

(d) An action against a director or officer for failure to perform the duties imposed by this section shall be commenced within 3 years after the cause of action has accrued, or within two years after the time when the cause of action is discovered, or should reasonably have been discovered, by the complainant, whichever occurs first.

Sec. 53 (a) A savings bank may indemnify a person who was or is a party or is threatened to be made a party to a threatened, pending, or completed action, suit, or proceeding, whether civil, criminal, administrative, or investigative and whether formal or informal, other than an action by or in the right of the savings bank, or by reason of the fact that he or she is or was a director, officer, employee, or agent of the savings bank or is or was serving at the request of the savings bank as a director, officer, partner, trustee, employee, or agent of another financial institution, foreign or domestic corporation, partnership, joint venture, trust, or other enterprise, whether for profit or not, against expenses, including attorneys' fees, judgments, penalties, fines, and amounts paid in settlement actually and reasonably incurred by him or her in connection with the action, suit, or proceeding if the person acted in good faith and in a manner he or she reasonably believed to be in and not opposed to the best interests of the savings bank or its members or shareholders, and in a criminal action or proceeding, if the person had no reasonable cause to believe his or her conduct was unlawful. The termination of an action, suit, or proceeding by judgment, order, settlement, or conviction, or upon a plea of nolo contendere or its equivalent, does not create a presumption that the person did not act in good faith and in a manner that he or she reasonably believed to be in and not opposed to the best interests of the savings bank or its members or shareholders, and in a criminal action or proceeding create a presumption that the person had reasonable cause to believe that his or her conduct was unlawful.

(b) A savings bank may indemnify a person who was or is a party to or is threatened to be made a party to any threatened, pending, or completed action or suit by or in the right of the savings bank to procure a judgment in its favor or by reason of the fact that he or she is or was a

director, officer, employee, or agent of the savings bank or is or was serving at the request of the savings bank as a director, officer, partner, trustee, employee, or agent of another financial institution, foreign or domestic corporation, partnership, joint venture, trust, or other enterprise, whether for profit or not, against expenses, including actual and reasonable attorneys' fees and amounts paid in settlement incurred by the person in connection with the action or suit if the person acted in good faith and in a manner the person reasonably believed to be in and not opposed to the best interests of the savings bank or its shareholders or members. Indemnification shall not be made for a claim, issue, or matter in which the person has been found liable to the savings bank unless the court in which the action or suit was brought has determined upon application that the person is fairly and reasonably entitled to indemnification for the expenses that the court considers proper.

Sec. 54 (a) To the extent that a director, officer, employee, or agent of a savings bank has been successful on the merits or otherwise in defense of an action, suit, or proceeding described in section 53, or in defense of any claim, issue, or matter in the action, suit, or proceeding, he or she shall be indemnified against expenses, including actual and reasonable attorneys' fees, incurred by him or her in connection with the action, suit, or proceeding and an action, suit, or proceeding brought to enforce the mandatory indemnification provided by this act.

(b) An indemnification under section 53, unless ordered by a court, shall be made by the savings bank only as authorized in the specific case upon a determination that indemnification of the director, officer, employee, or agent is proper in the circumstances because he or she has met the applicable standard of conduct set forth in section 53. This determination shall be made by any of the following:

(1) A majority vote of a quorum of the board consisting of directors who were not parties to the action, suit, or proceeding.

(2) If the quorum described in subdivision (a) is not obtainable, then by a majority vote of a committee of directors who are not parties to the action. The committee shall consist of not less than two disinterested directors.

(3) Independent legal counsel in a written opinion.

(4) The shareholders or members.

(c) If a person is entitled to indemnification under section 53 for a portion of expenses, including attorneys' fees, judgments, penalties, fines, and amounts paid in settlement, but not for the total amount of the expenses, the savings bank may indemnify the person for the portion of the expenses, judgments, penalties, fines, or amounts paid in settlement for which the person is entitled to be indemnified.

Sec. 55 Expenses incurred in defending a civil or criminal action, suit, or proceeding described in section 53 may be paid by the savings bank in advance of the final disposition of the action, suit, or proceeding upon receipt of an undertaking by or on behalf of the director, officer, employee, or agent to repay the expenses if it is ultimately determined that the person is not entitled to be indemnified by the savings bank. The undertaking shall be by unlimited general obligation of the person on whose behalf advances are made but need not be secured.

Sec. 56 (a) The indemnification or advancement of expenses provided by or granted under this act is not exclusive of other rights to which a person seeking indemnification or advancement of expenses may be entitled under the articles of incorporation, the bylaws, or a contractual agreement. The total amount of expenses advanced or indemnified from all sources combined shall not exceed the amount of actual expenses incurred by the person seeking indemnification or advancement of expenses.

(b) The right to indemnification provided for under this act continues for a person who ceases to be a director, officer, employee, or agent and shall inure to the benefit of the heirs, executors, and administrators of the person.

Sec. 57 (a) A savings bank has the power to purchase and maintain insurance, including insurance issued by an affiliated insurer and insurance for which premiums may be adjusted retroactively, in whole or in part, based upon claims experience, or similar arrangements.

(b) A savings bank may also create a trust fund or other form of funded arrangement on behalf of any person who is or was a director, officer, employee, or agent of the savings bank or is or was serving at the request of the savings bank as a director, officer, partner, trustee, employee, or agent of another foreign or domestic corporation, partnership, joint venture, trust, or other enterprise, whether for profit or not, against any liability asserted against him or her and incurred by him or her in any capacity or arising out of his or her status in that capacity, whether or not the savings bank has the power to indemnify him or her against the liability under sections 53 to 56.

Sec. 58 (a) With the approval of the commissioner and by vote of a majority of members or voting shares of the savings bank, a savings bank may amend its articles of incorporation in any manner not inconsistent with this act.

(b) An amendment is effective when certified copies of the amendment in a form as the commissioner may require signed by the president or a vice president and the cashier or an assistant cashier, have been submitted to the commissioner and have been approved and filed by the commissioner as with the original articles of incorporation.

(3) Notwithstanding subsection (b), an amendment that provides solely for a change in the name of the savings bank is not subject to the approval of the commissioner and shall be effective on the date it is filed with the commissioner or at a later date specified in the amendment.

Sec. 59 (a) As used in sections 52 to 58:

(1) "Fines" shall include any excise taxes assessed on a person with respect to an employee benefit plan.

(2) "Other enterprise" shall include employee benefit plans.

(3) "Savings bank" includes all savings banks, banks, out-of-state banks, national banks, and associations, absorbed in a consolidation or merger and the consolidated savings bank, so that a person who is or was a director, officer, employee, or agent of the savings bank, bank, out-of-state bank, national bank, or association or is or was serving at the request of the savings bank, bank, out-of-state bank, national bank, or association as a director, officer, partner, trustee, employee, or agent of another savings bank, bank, out-of-state bank, national bank, or association, foreign or domestic corporation, partnership, joint venture, trust, or other enterprise, whether for profit or not, shall hold the same position with respect to the consolidated savings bank as he or she would if he or she had served the consolidated savings bank in that capacity.

(4) "Serving at the request of the savings bank" shall include any service as a director, officer, employee, or agent of the savings bank which imposes duties on, or involves services by, the director, officer, employee, or agent with respect to an employee benefit plan, its participants or beneficiaries.

(b) A person who acted in good faith and in a manner he or she reasonably believed to be in the interest of the participants and beneficiaries of an employee benefit plan shall be considered to have acted in a manner not opposed to the best interests of the savings bank or its shareholders or members as referred to in section 53.

Sec. 60 (a) A solvent savings bank may go into liquidation and be closed upon expiration of its corporate charter or by the vote of a 2/3 majority of members or voting shares. In the event of a termination, the last board of directors immediately upon expiration of its corporate charter or adoption of the resolution by the members or shareholders shall notify the commissioner of the action by filing with him or her in quadruplicate a certificate of termination signed by a majority of the remaining members of the board of directors. The certificate shall be in a form as the commissioner may require.

(b) The members or shareholders shall designate one or more persons to act as a liquidating agent or committee and the agent or committee shall conduct the liquidation in accordance with the law and under the supervision of the commissioner and the board of directors.

(c) The agent or committee shall furnish to the savings bank a bond satisfactory to the commissioner in form and amount.

(d) The liquidating agent or committee shall render to the commissioner reports in a form and at such times as the commissioner may require. The liquidating agent or committee shall make periodic reports not less frequently than annually to the members or shareholders.

(e) At any lawfully convened meeting, by vote of a majority of members or voting shares, the members or shareholders may remove the liquidating agent or committee and appoint a new agent or a new committee.

(f) The commissioner may examine the affairs of a liquidating savings bank at any time for the purpose of determining that the rights of the depositors and creditors are being properly served. The expenses of the examination shall be paid by the savings bank but shall not exceed \$100.00 per day for each examiner and actual expenses incurred while making the examination, to be credited to the general fund.

(g) The liquidating agent or committee shall publish a notice once each week for 8 consecutive weeks informing depositors and creditors to present their claims against the savings bank for payment. Proof of the publication shall be filed with the commissioner by the liquidating agent or committee. The provisions of this section with respect to publication of notice shall not apply to a savings bank in voluntary liquidation which disposes of sufficient assets to a state or national bank to pay its depositors and creditors in full or if all of its liabilities are assumed by the state or national bank.

(h) If the commissioner finds that a liquidation has been completed in conformity to law and when all fees and charges have been paid as required by law, he or she shall file one copy of the certificate of termination in the office of the state bank commissioner and shall certify and forward by mail one copy to the county clerk in the county in which the bank is located and one copy to the liquidating agent or committee, and the existence of the savings bank shall cease, subject to section 61.

Sec. 61 (a) A savings bank that commences voluntary liquidation proceedings under section 60 shall continue to be a body corporate for the further term of 3 years from the commencement of the proceedings for the purpose of prosecuting and defending actions for or against the savings bank and to enable it gradually to settle and close its affairs, to dispose of and convey its property, and to divide its assets but not for the purpose of continuing the business for which it was organized.

(b) With respect to an action, suit, or proceeding begun or commenced by or against the savings bank prior to the commencement of voluntary liquidation proceedings, and with respect to any action, suit, or proceeding begun or commenced by the savings bank within three years after the commencement of voluntary liquidation proceedings, the savings bank shall be continued as a body corporate beyond the 3-year period and until any judgments, orders, or decrees are fully executed.

(c) If the number of directors of a savings bank that has commenced voluntary liquidation proceedings is less than the full number of directors required or authorized by statute or by the bylaws of the savings bank for any reason, a majority of the remaining surviving directors or the sole surviving director, during the period of 3 years, shall possess the same powers in acting for the savings bank under this section as the duly authorized board of directors of the savings bank possessed before the commencement of voluntary liquidation proceedings or during the term of three years.

(d) A savings bank in liquidation under the laws of this state may continue to be a body corporate for further terms upon application to the commissioner. Extensions shall be from year to year at the discretion of the commissioner until the liquidation is completed.

Sec. 62 (a) A savings bank whose term will expire by limitation, at any time preceding the expiration of such term, by amendment of its articles, may extend its corporate term for a limited period of time or in perpetuity.

(b) A savings bank whose term has expired, but which has not been wound up or dissolved and which has nevertheless inadvertently continued its active business beyond such term, may renew its corporate existence by amendment of its articles with the consent of at least 4/5 of its members or the holders of at least 4/5 of its capital stock. The officers and directors de facto shall do and perform all things required of officers and directors de jure as respects calling a special meeting of the shareholders and submitting to them the question of renewing the corporate existence.

(c) No savings bank de facto shall be permitted to renew its corporate life unless the action is taken within three years after its term has expired and renewal does not relieve the savings bank from any penalties that may have accrued against it under any law of this state.

(d) A savings bank whose term has been extended or renewed shall be the same savings bank and have the same members, shareholders, directors, and officers, enjoy all the rights, privileges, immunities, and powers, and be subject to all the liabilities that it respectively possessed and was subject to before the extension or renewal of its existence.

Sec. 63 (a) With the approval of the commissioner based upon an examination of either the buying or selling organization, or both, and upon the affirmative vote of a majority of the members of its board of directors and 2/3 of its members or the holders of 2/3 of its stock entitled to vote, a savings bank may do either or both of the following:

(1) Sell all or substantially all of its assets of every kind, character, and description, including, but not limited to, its goodwill and corporate franchises to another savings bank, bank, out-of-state bank, national bank, or association.

(2) Purchase all or substantially all of the assets of every kind, character, and description, including, but not limited to, the goodwill and corporate franchises and assume the liabilities of another savings bank, bank, out-of-state bank, national bank, or association.

(b) The consideration for a purchase and sale under this section may include shares of stock of the purchasing savings bank, bank, out-of-state bank, national bank, or association. A purchase and sale shall not be made to defeat or defraud any of the creditors of the organizations.

(c) Certified copies of all members', shareholders', and directors' proceedings under this section shall be filed with the commissioner and contain in detail the particulars relating to the sale and purchase, including a copy of the agreement of sale and purchase.

Sec. 64 (a) A savings bank may sell one or more of its branches to a bank, out-of-state bank, national bank, association, or savings bank located in a state whose laws would permit a savings bank to purchase one or more branches in that state of the purchasing depository institution.

(b) A savings bank may purchase one or more branches, without purchasing all or substantially all of the depository institution, from a bank, out-of-state bank, national bank, association, or savings bank.

(c) A savings bank that purchases one or more branches under subsection (b) shall provide notice as required under section 82 before operating the purchased branch or branches.

Sec. 65 There shall be no limit upon the amount or share of deposits held or controlled in this state by any savings bank or holding company on a consolidated basis.

Sec. 66 (a) A compliance review committee shall evaluate and seek to improve all of the following:

- (1) Loan policies or underwriting standards.
- (2) Asset quality.
- (3) Financial reporting to federal or state government or regulatory agencies.
- (d) Compliance with federal or state statutory or regulatory requirements.

(b) Except as provided in subsection (c), all of the following apply to a compliance review committee:

(1) Compliance review documents are confidential and are not subject to discovery or admissible in evidence in a civil action.

(2) Individuals serving on a compliance review committee or acting under the direction of a compliance review committee shall not be required to testify in a civil action about the contents of a compliance review document or conclusions of a compliance review committee or about the actions taken by a compliance review committee.

(3) Compliance review documents delivered to individuals who are not members of the compliance review committee, or to other entities including state, federal, or foreign governmental or regulatory agencies, shall remain confidential and are not discoverable or admissible in evidence in a civil action.

(c) This section does not apply to any civil action initiated by a federal or state regulatory agency.

(d) This section shall not be construed to limit the testimony that can be required about matters other than the contents of a compliance review document or conclusions or actions of a compliance review committee. This section does not limit the discovery or admissibility in a civil action of any documents other than compliance review documents.

Sec. 67 (a) Except as otherwise provided by this act, a savings bank may engage in the business of banking and exercise all powers incidental to the business of banking or which further or facilitate the purposes of a savings bank. A savings bank has all the powers conferred by this act and granted by rule, order, or declaratory ruling of the commissioner, including, but not limited to, all of the following powers:

(1) To have a corporate seal, that may be altered, and to use the seal, or a facsimile of it, by having it impressed, affixed, or reproduced in any manner.

(2) To have succession in perpetuity or for a limited period of time, as fixed by its articles or until its affairs are finally wound up by liquidation, forfeiture, or dissolution as provided by this act.

(3) To make contracts.

(4) To sue and be sued, complain, and defend in its corporate name as fully as a natural person.

(5) To elect or appoint directors who shall appoint from their members a president who shall perform duties as may be designated by the board, and who shall serve as the chairperson of the board, unless the board designates another director to be chairperson in lieu of the president. The board may appoint officers as the board considers necessary, who need not be members of the board, define their duties, dismiss at pleasure, and appoint other officers to fill vacancies.

(6) To make, alter, amend, and repeal bylaws not inconsistent with its articles or with law for the administration and regulation of the affairs of the savings bank.

(7) To have and exercise the powers and means appropriate to effect the purpose for which the savings bank is incorporated.

(8) To make investments permitted by this act and those investments permitted by order or declaratory ruling of the commissioner.

(9) To make contributions and donations for the public welfare or for religious, charitable, scientific, or educational purposes, and, in connection with the contributions and donations, establish and operate charitable trusts.

(10) To purchase, take, lease as lessee, or otherwise acquire and to own, hold, and use, to sell, lease as lessor, pledge, grant a security interest in, convey, or otherwise dispose of personal property in connection with the exercise of a power granted by this act.

(11) To act as agent of the United States or of an instrumentality or agency of the United States, or of a state, for the sale or issue of bonds, notes, or other obligations of the United States, or of a state and to act as a fiscal agent of the United States, a state, or as a treasury tax and loan depository and perform all reasonable duties in those capacities as may be prescribed or required by regulation of the secretary of the treasury of the United States, or of the treasurer of a state, and to take other action as may be necessary or proper to enable the savings bank to act under this subdivision.

(12) To become a member of the federal reserve system, to hold shares of stock in a federal reserve bank, to take all actions incident to its membership, and to exercise all powers, not inconsistent with the provisions of this act, conferred on member banks by the federal reserve act.

(13) To become an insured bank under the federal deposit insurance act, and to take actions incident to an insured status under that act.

(14) To become a member and buy and hold stock of the federal home loan bank as defined in section 2 of the federal home loan bank act, and to exercise those powers conferred upon a federal home loan bank member by the federal home loan bank that are consistent with this act.

(15) To sell mortgage loans to the federal national mortgage association, the federal home loan mortgage corporation, and the government national mortgage association, or successors of the associations, or any other secondary market loan purchaser and, in connection with these associations, to make payments of capital contributions, required by law, in the nature of

subscriptions for stock of an association or successor of the association, to receive stock evidencing the capital contributions, and to hold or dispose of the stock.

(16) To conduct its business through subsidiaries, at the same location or a location different from the savings bank. A subsidiary may engage in all activities and make all investments permitted for a savings bank by this act or by rule, order, or declaratory ruling of the commissioner, except that a subsidiary may not accept deposits or engage in trust activities unless specifically authorized by the commissioner or by another statute of this state. In addition, a subsidiary may engage in activities specifically permitted for subsidiaries by order or declaratory ruling of the commissioner. Except upon written approval of the commissioner, a savings bank shall not be a general partner in a subsidiary.

(17) To engage in any aspect of the insurance and surety business as an agent, or broker, as provided under the insurance code for the state of Kansas, and to own an insurance agency in whole or in part as provided therein.

(18) To give its bond in a proceeding in any court in which it is a party or upon an appeal in a proceeding, and to pledge assets as security for the bond.

(19) Notwithstanding any provision of this act, to acquire and hold property, or a security interest in property, as protection against loss on an evidence of indebtedness, on an agreement for the payment of money, or on an investment security previously acquired lawfully and in good faith, subject to disposition of property within a period of 60 months after the date of acquisition, or a longer period as the commissioner may approve.

(20) To service loans for others and to receive a fee for the service.

(21) To execute and deliver guarantees as may be incidental or usual in carrying on the business of banking.

(22) To make, sell, purchase, arrange, participate in, invest in, or otherwise deal in loans or extensions of credit for consumer purposes, which are unsecured or secured by liens or interests in personal property or real estate.

(23) To make, sell, purchase, arrange, participate in, invest in, or otherwise deal in loans or extensions of credit for agricultural, business, corporate, or commercial purposes, which are unsecured or secured by liens or interests in personal property or real estate.

(24) To borrow money from any source, assign or pledge any of its assets or properties as collateral security subject to limitations stated in section 107, and issue its notes, bonds, and other obligations.

(25) To make deposits in a bank organized solely for the purpose of providing banking services to financial institutions.

(26) To own and operate a messenger service or to own or invest in an entity that operates a messenger service.

(27) To conduct business using electronic information processing, including the electronic processing and execution of transactions between a savings bank and its customers and a savings bank and other depository institutions.

(28) To establish and operate a loan production office or loan production offices within this state and outside this state as permitted by section 83.

(29) To contract with a person or entity to act as an agent in an agency office, as permitted by section 82(f).

(30) To enter into principal and agent relationships with affiliated depository institutions. A savings bank or an affiliated depository institution in its capacity as an agent under this subsection may do all of the following:

(i) Receive deposits.

(ii) Permit withdrawals of deposits.

(iii) Renew time deposits.

(iv) Close loans.

(v) Service loans.

(vi) Receive loan payments.

(vii) Engage in any activity specifically authorized by this act or by order or declaratory ruling of the commissioner.

(31) To sell money orders, travel checks, cashier's checks, and similar instruments drawn by it on its accounts or as agent for any organization empowered to sell the instruments through agents within this state.

(32) To guarantee the signatures of customers and others.

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- (33) To operate a safe and collateral deposit company or department under section
 - (34) To engage directly in the real estate brokerage business.
 - (35) To own in whole or in part a real estate brokerage business.
 - (36) To issue securities in the form of bonds, notes, debentures, and other evidence of indebtedness.

(b) The commissioner may promulgate rules under section 9, or issue declaratory rulings, or issue orders, permitting savings banks to exercise powers not authorized by this act. It is intended that this subsection shall vest in the commissioner the discretion and authority to authorize savings banks to exercise all powers appropriate and necessary to compete with other depository financial institutions and other providers of financial services. In the exercise of the discretion permitted by this subsection, the commissioner shall consider the ability of savings banks to exercise any additional power in a safe and sound manner, the authority of state and national banks, associations, and state and federal credit unions, operating under state or federal law or regulation; the powers of other competing entities providing financial services in this state, and any specific limitations on powers contained in this act or in any other state law. On at least a quarterly basis, the commissioner shall give notice to all savings banks of rules promulgated, or declaratory ruling or determinations, or orders, issued under this subsection.

Sec. 68 A savings bank that makes a loan the proceeds of which are used or may be used by the borrower to finance the purchase, design, manufacture, construction, repair, modification, or improvement of real property shall not be liable for any defect in the real property purchased, designed, manufactured, constructed, repaired, modified, or improved or for any loss or damage resulting from the failure of the borrower or any agent or other person employed by the borrower to use due care in the examination, design, manufacture, construction, repair, modification, or improvement of the real property.

Sec. 69 Except as otherwise provided by this act, with the approval of the commissioner, a savings bank may purchase the shares of stock of any corporation whose primary purpose is to provide capital to banks largely owned or controlled by individuals classified as racial minorities. All such investments in the aggregate shall not exceed an amount equal to 2% of the capital and surplus of the savings bank.

Sec. 70 (a) Except as otherwise provided by this act and in its articles of incorporation, a savings bank may make venture capital investments, or may invest in equity securities of a professional investor a majority of whose assets consist of venture capital investments.

(b) If a savings bank makes a venture capital investment under subsection (a), an officer or director of the savings bank shall not hold an equity position in the financed company, and the savings bank shall not invest more than 50% of the company.

(c) A savings bank's investment under subsection (a) in any one entity shall not exceed an amount equal to 5% of the capital and surplus of the savings bank, and all investments under subsection (1) shall not exceed an amount equal to 10% of the capital and surplus of the savings bank.

(d) This section does not limit the authority of a savings bank to exercise lending or investment powers which are otherwise authorized by law.

(e) As used in this section:

(1) "Professional investor" means an investment company registered under the investment company act of 1940, a pension or profit sharing trust or other institutional buyer, or a person, partnership, or other entity a majority of whose resources are dedicated to investing in equity or debt securities and whose net worth exceeds \$500,000.00 prior to the savings bank's investment.

(2) "Venture capital" means equity financing that is provided for starting up or expanding a company, or related purposes such as financing for seed capital, research and development, introduction of a product or process into the marketplace, or similar needs requiring risk capital. A venture capital investment shall not include the purchase of a share of stock in a company if, on the date on which the share of stock is purchased, the company has securities outstanding that are registered on a national securities exchange under section 12(b) of title I of the securities exchange act of 1934, that are registered or required to be registered under section 12(g) of that act, or which would be required to be so registered except for the exemptions in section 12(g)(2) of that act.

Sec. 71 (a) As used in this section:

(1) "Investment security" means a marketable obligation in the form of a bond, note, or debenture, commonly regarded as an investment security and which is salable under ordinary circumstances with reasonable promptness at a fair value.

(2) "Secretary" means the secretary of the United States department of housing and urban development.

(b) A savings bank may purchase investment securities for its own account when in its prudent banking judgment, which may be based in part upon estimates that it believes to be reliable, it determines that there is adequate evidence that the obligor will be able to perform all it undertakes to perform in connection with the securities, including all debt service requirements, and that the securities may be sold with reasonable promptness at a price which corresponds to their fair value.

The purchase of investment securities in which the investment characteristics are considered distinctly or predominantly speculative, or the purchase of investment securities that are in default, whether as to principal or interest, is prohibited.

(c) A savings bank may purchase without limit one or more of the following:

(1) Obligations of the United States, or obligations that are guaranteed fully as to principal and interest by the United States, or any general obligations of any state or of any political subdivision of a state.

(2) Obligations issued under authority of the federal farm credit act of 1971.

(3) Obligations issued by banks for cooperatives.

(4) Obligations issued by the federal home loan banks.

(5) Obligations insured by the secretary under title XI of the national housing act.

(6) Obligations insured by the secretary under section 207 of title II of the national housing act, if the debentures to be issued in payment of the insured obligations are guaranteed as to principal and interest by the United States.

(7) Obligations, participations, or other instruments of or issued by the federal national mortgage association or the government national mortgage association.

(8) Mortgages, obligations, or other securities that are or ever have been sold by the federal home loan mortgage corporation pursuant to section 305 or 306 of the federal home loan mortgage act, title III of the emergency home finance act of 1970.

(9) Obligations of a public housing agency, as defined in the United States housing act of 1937, secured by any of the following:

(i) An agreement between the public housing agency and the secretary in which the public housing agency agrees to borrow from the secretary, and the secretary agrees to lend to the public housing agency, before the maturity of the obligations, money in an amount which together with any other money irrevocably committed to the payment of interest on such obligations will suffice to pay the principal of the obligations with interest to maturity on the obligations which money under the terms of the agreement is required to be used for the purpose of paying the principal of and the interest on the obligations at their maturity.

(ii) A pledge of annual contributions under an annual contributions contract between the public housing agency and the secretary if the contract contains the covenant by the

secretary that is authorized by section 6(g) of title I of the United States housing act of 1937, and if the maximum sum and the maximum period specified in the contract under section 6(g) of the United States housing act of 1937 is not less than the annual amount and the period for payment that are requisite to provide for the payment when due of all installments of principal and interest on such obligations.

(iii) A pledge of both annual contributions under an annual contributions contract containing the covenant by the secretary that is authorized by section 6(g) of the United States housing act of 1937 and a loan under an agreement between the local public housing agency and the secretary in which the public housing agency agrees to borrow from the secretary and the secretary agrees to lend to the public housing agency, prior to the maturity of the obligations involved, money in an amount which, together with any other money irrevocably committed under the annual contributions contract to the payment of principal and interest on the obligations, will suffice to provide for the payment when due of all installments of principal and interest on the obligations, which money under the terms of the agreement is required to be used for the purpose of paying the principal and interest on the obligations at their maturity.

(10) Obligations of a local public agency, as defined in former section 110(h) of part A of title I of the housing act of 1949, secured by an agreement between the local public agency and the secretary in which the local public agency agrees to borrow from the secretary and the secretary agrees to lend to the local public agency, money in an aggregate amount which, together with any other money irrevocably committed to the payment of interest on the obligations, will suffice to pay, when due, the interest on all installments, including the final installment, of the principal of the obligations, which money under the terms of the agreement is required to be used for the payments.

(11) Any other investment security authorized by order or declaratory ruling of the commissioner.

(d) The total amount of investment securities of any one obligor or maker, held by a savings bank for its own account under this subsection, shall not exceed at any time 20% of its capital, surplus, and subordinated notes and debentures. This limitation shall not require a savings bank to dispose of any securities lawfully held by it on the effective date of this act. The statutory limitation on the amount of investment securities of any one obligor or maker which may be held by a savings bank shall be determined on the basis of the par or face value of the securities. For purposes of this section, capital notes or debentures shall not include capital notes or debentures issued to or held by the federal deposit insurance corporation.

(e) A savings bank shall maintain in its credit files information adequate to demonstrate that it has exercised prudence in making the determinations and carrying out the transactions described in subsection (b).

(f) If a savings bank purchases investment securities convertible into stock or with stock purchase warrants attached, entries shall be made by the savings bank at the time of purchase to write down the cost of the securities to an amount that represents the investment value of the securities considered independently of the conversion feature or attached stock purchase warrants. A savings bank shall not purchase investment securities that are convertible into stock at the option of the issuer.

(g) Subject to the exercise of prudent banking judgment, a savings bank may engage in the underwriting of any of the following investment securities:

- (1) Obligations of the United States.
- (2) General obligations of any state of the United States or a political subdivision of the United States.
- (3) Obligations of the international bank for reconstruction and development.
- (4) Obligations of the inter-American development bank.
- (5) Obligations of the Asian development bank.
- (6) Obligations of the Tennessee valley authority.
- (7) Obligations issued by any state or political subdivision or agency of a state or political subdivision for housing, university, or dormitory purposes.
- (8) Obligations of the African development bank.
- (9) Obligations of the international finance corporation.
- (10) Other obligations listed in subsection (c).
- (11) Other obligations authorized by order or declaratory ruling of the commissioner.

(h) For the purposes of underwriting under subsection (g), prudence shall require a consideration of the resources and obligations of the obligor and a determination that the obligor possesses resources sufficient to provide for all required payments in connection with the obligation.

(i) For the purposes of underwriting under subsection (g), a savings bank shall not underwrite any investment securities of a foreign country that has been identified by the United States state department as engaging in or sponsoring terrorism.

(j) The restrictions and limitations of this section do not apply to securities acquired through foreclosure on collateral, or acquired in good faith by way of compromise of a doubtful claim or to avoid a loss in connection with a debt previously contracted. This section does not limit the investment authority of a savings bank granted by any other section of this act.

(k) A savings bank may invest in other assets authorized by order or declaratory ruling of the commissioner.

Sec. 72 A savings bank may invest not more than 10% of its total assets in the acquisition and development of real estate for sale, or for the improvement of real estate by construction or rehabilitation of residential or commercial units for sale or rental purposes. For purposes of this section, a savings bank may purchase, take, lease as lessee, or otherwise acquire, and own, hold, use, sell, lease as lessor, pledge, grant a security interest in, convey, or otherwise dispose of real estate. The investment by a savings bank may be direct or indirect as a stockholder in a corporation, member of a limited liability company, or limited partner in a partnership or limited liability partnership.

Sec. 73 A savings bank may perform one or more of the following services, and any other services permitted by order or declaratory ruling of the commissioner:

(a) Provide life, health, and casualty insurance for officers and employees of financial institutions and operate bonus plans and retirement benefit plans for those officers and employees.

(b) Service mortgages and land contracts.

(c) Originate and service mortgage loans, mortgages, and land contracts, on behalf of financial institutions, corporations, and state or federal agencies or instrumentalities.

(d) Act as escrow agent or depository for other escrow agents or fiduciaries.

(e) Credit analysis, appraising, construction loan inspection, and abstracting.

(f) Research, studies, and surveys.

(g) Develop and operate storage facilities for microfilm or other duplicate records.

(h) Advertising, brokerage, and other services to procure and retain both deposits and loans, but not pooling deposits or soliciting or promoting pooled deposits.

(i) Liquidity management, investment, advisory, and consulting services.

(j) Establish, own, lease, operate, or maintain electronic funds transfer terminals.

- (k) Purchase office supplies, furniture, and equipment.
- (l) Prepare local, state, and federal tax returns for individuals or organizations that are not corporations operated for profit.
- (m) Data processing services.
- (n) Subject to applicable state or federal law, provide brokerage services for the offer, sale, or purchase of a security or commodity contract.

Sec. 74 (a) A savings bank that engages directly in the real estate brokerage business or owns in whole or in part a real estate brokerage business shall provide written notice of its licensure as a real estate broker or its ownership of a real estate brokerage business to the commissioner within 10 days of licensure or ownership. The notice required by this subsection shall include the name and business address of the real estate brokerage.

(b) A savings bank that engages directly in the real estate brokerage business or owns in whole or in part a real estate brokerage business shall not do any of the following:

(1) Impose a requirement, verbally or in writing, that a borrower must contract for or enter into any other arrangement for real estate brokerage services with a particular real estate broker.

(2) Impose a requirement, verbally or in writing, that as a condition of approving a loan a borrower shall contract or enter into any other arrangement for real estate brokerage services.

(3) Impose a requirement, verbally or in writing, that a real estate brokerage customer shall make application for a loan or any other service or services of a particular savings bank or any of its subsidiaries, agencies, or service entities.

(4) Impose a requirement, verbally or in writing, that a condition of providing real estate brokerage services is that the customer shall make an application for a loan or any other arrangement for other services of the savings bank or any of its subsidiaries, agencies, or services entities.

(5) Offer or provide more favorable consideration, terms, or conditions for any financial products or services to induce or attempt to induce a person to enter into any arrangement for real estate brokerage services with any particular real estate broker.

(6) Offer or provide more favorable terms or conditions for any real estate brokerage services to induce or attempt to induce a person to apply for a loan or obtain any other services of a particular savings bank or any of its subsidiaries, agencies, or service entities.

(7) Any other activity prohibited by order or declaratory ruling of the commissioner.

(c) A savings bank that engages directly in the real estate brokerage business or owns in whole or in part a real estate brokerage business under this section shall clearly disclose in writing to any person who applies for credit related to a real estate transaction or applies for prequalification or preapproval for credit related to a real estate transaction, that the person is not required to contract for or enter into an arrangement for real estate brokerage services with a particular real estate broker. Compliance with the disclosure requirements of this subsection shall not be necessary when a person applies for credit or prequalification for credit solely for the purpose of refinancing an existing indebtedness.

(d) A real estate brokerage that is affiliated with a savings bank shall clearly disclose in writing, before the time an agency agreement for real estate brokerage services is executed, that the person is not required to apply, contract for, or enter into any other arrangement for services of a particular savings bank or any of its subsidiaries, agencies, or service entities.

(e) The requirements of subsections (c) and (d) do not apply when the person has been given the controlled business arrangement disclosure statement required by the real estate settlement procedures act of 1974.

(f) If the commissioner finds that a savings bank has violated this section, the commissioner may issue an order requiring the savings bank to cease and desist the activity that violates this section. If the commissioner additionally finds that the violation was knowingly committed, the commissioner may order any of the following:

(1) A civil fine of not more than \$500.00 for each violation but not to exceed an aggregate civil penalty of \$10,000.00.

(b) That restitution be made to a customer for actual damages directly attributable to the acts that are found to be a violation of this section.

(g) An action under this section shall not be brought more than three years after the occurrence of the violation that is the basis of the action.

Sec. 75 (a) Upon 30 days' notice to the commissioner, a savings bank may invest in service entities that engage in activities described in subsections (d) and (e). The maximum aggregate investment by a savings bank in service entities shall be the lesser of 5% of the savings bank's total

assets or 75% of its capital and surplus, if it is a stock savings bank, or the lesser of 5% of the savings bank's total assets or 75% of its total capital, if it is a mutual savings bank.

(b) Except upon written approval of the commissioner, a savings bank shall not invest as a general partner in a service entity. For purposes of this section, investment in a service entity shall include loans by a savings bank or its subsidiary to a service entity.

(c) Subject to the investment limit in subsection (1), a savings bank or its subsidiary that has made an initial investment in a service entity may make additional investments in that service entity without notice to the commissioner.

(d) A service entity that directly, or through its wholly owned subsidiary, engages in any of the following activities or investments is a service entity in which a savings bank may invest:

(1) Services primarily for financial institutions that include any of the following:

(i) Credit analysis, appraising, construction loan inspection, and abstracting.

(ii) Developing and administering personnel benefit programs, including life insurance, health insurance, and pension or retirement plans.

(iii) Research, studies, and surveys.

(iv) Developing and operating storage facilities for microfilm or other duplicate records.

(v) Advertising, brokerage, and other services to procure and retain both savings accounts and loans, but not pooling savings accounts or soliciting or promoting pooled savings accounts.

(vi) Serving as escrow agent, including executing and delivering conveyances, reconveyances, and transfers of title.

(vii) Providing liquidity management, investment, advisory, and consulting services.

(viii) Providing clerical, accounting, and internal auditing services.

(ix) Establishing, owning, leasing, operating, or maintaining remote service units.

- (x) Purchasing office supplies, furniture, and equipment.
- (2) Real estate services that include any of the following:
 - (i) Maintaining and managing real estate, including real estate used for agricultural purposes.
 - (ii) Managing owners' associations for condominium, cooperative, planned unit development, or other rental real estate projects.
 - (iii) Providing home ownership and financial counseling.
 - (iv) Providing relocation services.
 - (v) Providing real estate brokerage services for property owned by a person that owns an interest in the service entity, the service entity or its wholly owned subsidiary, or a joint venture in which the service entity or its wholly owned subsidiary participates.
 - (vi) Acquiring real estate for development or subdivision, for construction of improvements, for resale or leasing to others for construction, or for use as manufactured home sites.
 - (vii) Acquiring improved real estate or manufactured homes to be held for rental or resale, or for remodeling, renovating, or demolishing and rebuilding for sale or rental.
 - (viii) Acquiring, maintaining, and managing real estate, improved or unimproved, to be used for offices and related facilities of a savings bank, subsidiary, or service entity, or of a person that owns an interest in the savings bank, subsidiary, or service entity, or for offices and related facilities and for rental or sale, if the acquisition, maintenance, and management is performed under a prudent program of property acquisition to meet either the present needs or reasonable future needs for office and related facilities of the savings bank, subsidiary, or service entity, or of the person that owns an interest in the savings bank, subsidiary, or service entity.
 - (ix) Real estate brokerage.
- (3) Securities brokerage and investment advisory services that include execution of securities transactions on an agency or riskless principal basis, and the provision of standardized and individualized investment advice to individuals or entities.

- (4) Other investments that include any of the following:

(i) Investing in adjustable rate preferred stock and money market preferred stock.

(ii) Investing in an entity that provides insurance in connection with loans, and investing in an entity which reinsures a provider of the insurance.

(iii) Making voting and nonvoting investments in corporations and in partnerships, whether as a general or limited partner, limited liability companies, and limited liability partnerships provided such other corporation or partnership or limited liability company engages only in activities permissible for a savings bank or a service entity.

(5) Other services that include any of the following:

(i) Preparing state and federal tax returns for individuals or organizations that are not corporations operated for profit.

(ii) Acting as an insurance broker or agent.

(iii) Providing data processing services.

(6) Offering credit card programs, debit card programs, and similar arrangements.

(7) Offering mutual fund investment products.

(e) A savings bank may also invest in service entities that engage directly or through a wholly owned subsidiary in activities determined by order or declaratory ruling of the commissioner to be incidental to the conduct of the business of a financial services provider, activities that further or facilitate the purposes of a financial services provider, or which provide services to a financial services provider. The commissioner shall consider the ability of service entities to exercise any additional power in a safe and sound manner. The commissioner shall also consider the ability of service entities to compete with, or offer the same or similar services as offered by, service corporations or service organizations of other providers of financial services. The commissioner shall give notice to all savings banks of rules promulgated, or declaratory rulings or determinations, or orders issued pursuant to this subsection.

Sec. 76 The powers granted in sections 67 and 69 shall not be construed as limiting any grant of authority made elsewhere by this act except as provided in section 67. Except as otherwise provided in this act or in the articles or in the bylaws, such powers shall be exercised by the board of directors of the savings bank.

Sec. 77 Upon written notice to the commissioner, a savings bank may change the location of its main office to any existing branch location of the savings bank within the limits of the city, or

township in which the savings bank is located. With the prior written approval of the commissioner, a savings bank may change the location of its principal office to any other location within this state.

Sec. 78 (a) A savings bank shall not engage in any transaction with respect to shares of the capital stock of any corporation unless specifically authorized by this act or by the commissioner under section 67 or 75.

(b) A savings bank may purchase and sell securities and stock upon the order of and for the account of a customer without recourse.

(c) A savings bank shall not make any loan or discount on the security of the shares of its own capital stock, unless the security is necessary to prevent loss upon a debt previously contracted in good faith.

(d) A savings bank may purchase or hold shares of its own stock if all of the following apply:

(1) The savings bank is holding shares previously purchased until disposed of in compliance with an existing stock option plan.

(2) The purchase or holding of the shares is necessary to prevent loss upon a debt previously contracted in good faith.

(3) The commissioner gives written approval to the savings bank to purchase or hold shares for its own account.

Sec. 79 (a) A savings bank possessing a capital and surplus of \$1,000,000.00 or more may file application with the commissioner for permission to exercise, upon conditions and under such rules, orders, or declaratory rulings as may be prescribed by the commissioner, any of the following powers:

(1) To establish branches in foreign countries for the furtherance of foreign commerce of the United States and to act, if required to do so, as fiscal agents of the United States.

(2) To invest an amount not exceeding in the aggregate 10% of its capital and surplus if it is a stock savings bank, or 10% of its total capital if it is a mutual savings bank in the stock of one or more banking organizations or corporations chartered or incorporated under the laws of the United States or of any state, territory, or protectorate of the United States, and principally engaged in international or foreign banking, or banking either directly or through the agency, ownership, or control of foreign banks.

(3) To acquire and hold, directly or indirectly, stock or other evidences of ownership in one or more foreign banks that are not engaged, directly or indirectly, in any activity in the United States except as, in the judgment of the commissioner, is incidental to the international or foreign business of the foreign bank, and to make loans or extensions of credit to or for the account of the foreign bank in the manner and within the limits prescribed by the commissioner by order or declaratory ruling.

(b) An application under this section shall specify the name and capital and surplus of the bank filing it, the powers applied for and the places where the banking operations are to be carried on. The commissioner may approve or reject the application in whole or in part if for any reason the granting of the application is considered inexpedient and from time to time may increase or decrease the number of places where the banking operations may be carried on.

(c) Every savings bank operating foreign branches under this section shall furnish information concerning the condition of the branches to the commissioner upon demand, and every savings bank investing in capital stock of banking organizations or corporations as provided under this section shall furnish information concerning the condition of the banking organizations or corporations to the commissioner upon demand. The commissioner may order special examinations of the branches, banking organizations, or corporations at such times as he or she deems best.

(d) Before a savings bank is permitted to purchase stock in a banking organization or corporation under this section the banking organization or corporation shall enter into an agreement or undertaking with the commissioner to restrict their operations or conduct their businesses in a manner or under such limitations and restrictions as the commissioner may prescribe. If at any time the commissioner has ascertained that the orders or rulings prescribed by him or her are not being complied with, the commissioner may institute an investigation of the matter and subpoena witnesses and documents and administer oaths. If the investigation results in establishing the failure of the banking organization or corporation in question, or of the savings bank which is a stockholder, to comply with the rules of the commissioner, the commissioner may order the savings bank to dispose of stockholdings in the banking organization or corporation.

(e) Orders or rulings issued by the commissioner, in addition to regulating powers which a foreign branch may exercise under other provisions of law, may authorize a foreign branch, subject to such conditions and requirements as the orders or rulings prescribe, to exercise any further powers as may be usual in connection with the transaction of the business of banking in the places where the foreign branch transacts business. The orders or rulings shall not authorize a foreign branch to engage in the general business of producing, distributing, buying, or selling goods, wares, or merchandise. Except to such limited extent as the commissioner may deem to be necessary with respect to securities issued by any foreign government or any department, district, province, county, possession, or other similar governmental organization or subdivision of a foreign government, and any agency or instrumentality of any foreign government or of any organization or subdivision, the orders or

rulings shall not authorize a foreign branch to engage or participate, directly or indirectly, in the business of underwriting, selling, or distributing securities.

Sec. 80 (a) Notwithstanding K.S.A. 84-1-105, a savings bank doing business in this state, that has 1 or more branch offices in any foreign country shall be liable for contracts to be performed at any branch offices and for deposits to be repaid at the branch offices to no greater extent than a savings bank, banking corporation, or other organization or association for banking purposes organized and existing under the laws of the foreign country would be liable under its laws. The laws of the foreign country for the purpose of this section shall be considered to include all acts, decrees, regulations, and orders promulgated or enforced by an authority asserting governmental, military, or police power of any kind at the place where any branch office is located, whether or not the dominant authority is recognized as a de facto or de jure government.

(b) If by action of a dominant authority that is not recognized by the United States as the de jure government of the foreign territory concerned, any property situated in or any amount to be received in the foreign territory and carried as an asset of any branch office of the savings bank in the foreign territory is seized, destroyed, or canceled, then the liability of the savings bank for any deposit received and to be repaid by it, and for any contract made and to be performed by it, at any branch office in the foreign territory shall be reduced pro tanto by the proportion that the value, as shown by the books or other records of the savings bank at the time of the seizure, destruction, or cancellation of the assets bears to the aggregate of all the deposit and contract liabilities of the branch offices of the savings bank in the foreign territory, as shown at such time by the books or other records of the savings bank.

Sec. 81 (a) A savings bank may become the owner or lessor of personal property for the purpose of leasing the property or obtaining an assignment of a lessor's interest in a lease of the property or permitting the use of the property, and may incur additional obligations as may be incident to becoming an owner or lessor of such property.

(b) Lease payments shall constitute rent rather than interest.

(c) This section shall not exempt from general property taxation any personal property of a savings bank which is leased, loaned, or otherwise made available to and used by a private individual, association, or corporation in connection with a business conducted for profit. The personal property shall be subject to taxation in the same amount and to the same extent as though the lessee or user were the owner of the property. Taxes shall be assessed to the lessees or users of the property and collected in the same manner as taxes assessed to owners of personal property, except that the taxes shall not become a lien against the property. When due, the taxes shall constitute a debt due from the lessee or user to the unit of government for which the taxes were assessed.

(d) A savings bank shall not acquire personal property under this section if the acquisition results in an inventory of personal property not leased in excess of 20% of the savings bank's capital and surplus.

Sec. 82 (a) Upon written notice to the commissioner, a savings bank may establish and operate one or more branches or mobile branches within any state, the District of Columbia, or a territory or protectorate of the United States, unless the commissioner objects in writing within 60 days after receipt of the written notice from the savings bank. The commissioner may issue to the savings bank a written statement of intent not to object. A savings bank may exercise at a branch in another state the powers consistent with the safe and sound conduct of the business of banking as authorized by order or declaratory ruling of the commissioner and granted by the laws of the state where the branch is located.

(b) A branch of a savings bank, except for a mobile branch, shall not be moved from one location to another without 30 days' advance written notice to the commissioner.

(c) Upon written notice to the commissioner, a savings bank may contract with one or more banks, out-of-state banks, national banks, associations, credit unions, or other savings banks to act as a branch of the savings bank, unless the commissioner objects in writing within 60 days after receipt of the written notice from the savings bank. The commissioner may issue to the savings bank a written statement of intent not to object that will have the same effect as a failure by the commissioner to object within the 60 days provided for under this subsection. This subsection shall not be construed to limit the powers granted to a savings bank under section 67(a)(29).

(d) Upon written notice to the commissioner, one or more banks, out-of-state banks, national banks, associations, credit unions, or other savings banks, may contract with a savings bank to act as a branch of the bank, out-of-state bank, national bank, association, credit union, or other savings bank, unless the commissioner objects in writing within 60 days after receipt of the written notice from the bank, out-of-state bank, national bank, association, credit union, or other savings bank. The commissioner may issue to the depository institution a written statement of intent not to object that will have the same effect as a failure by the commissioner to object within the 60 days provided for under this subsection. This subsection shall not be construed to limit the powers granted to a savings bank under section 67(a)(29).

(e) An out-of-state bank located in a state, the District of Columbia, or a territory or protectorate of the United States whose laws permit the establishment in that state, district, territory, or protectorate of a branch by a savings bank may establish and operate one or more branches in this state.

(f) Upon 30 days' advance written notice to the commissioner, a savings bank may contract with a person or entity to act as an agent in an agency office. The written notice shall include the name and address of the person or entity who will act as agent for the savings bank, the location

of the agency office, when the agency office will be operational, and the activities in which the agency office will initially be engaged. A savings bank may perform any of the following activities through an agency office:

(1) Accept a deposit to an existing account and record the addition to the account or give other evidence of receipt as prescribed by the savings bank.

(2) Accept a withdrawal form and such other evidence required by the savings bank from an account holder for transmission to the main office or a branch office of the savings bank.

(3) Solicit and accept a new account. Evidence of account ownership shall be issued only by authority of the main office or a branch office of the savings bank. An agent may obtain signature cards from the savings bank for the account holder.

(4) Solicit and accept an application for a loan or for a land contract purchase. The agent shall submit the application to the main office or a branch of the savings bank for processing and approval.

(5) Disburse withdrawn or loaned funds, upon approval of each disbursement by the savings bank.

(6) Accept payment on a loan or on a land contract and issue evidence of receipt as prescribed by the savings bank.

(7) Any other services as approved by order or declaratory ruling of the commissioner.

(g) An agent in an agency office shall not possess an unissued or blank authenticated savings account passbook or certificate or other evidence of account ownership.

Sec. 83 (a) Without notice to or approval of the commissioner, a savings bank may establish and operate a loan production office or loan production offices.

(b) A savings bank may perform any of the following activities through a loan production office:

(1) Receive loan applications.

(2) Process loans.

(3) Assemble information related to the approval of loans.

- (4) Close loans.
- (5) Disburse loan proceeds approved by the principal office or a branch.
- (6) Receive loan payments.
- (7) Any other activities as approved by rule, order, or declaratory ruling of the commissioner.

Sec. 84 Notwithstanding any other provision of this act, a savings bank that purchases or assumes all or substantially all of the assets or liabilities of an eligible insured national or state chartered bank, savings bank, or association may retain and maintain the main premises, branches, or agency offices of the former national bank, state chartered bank, or association as branches of the purchasing savings bank, provided it assumes the deposit liabilities of the eligible national bank, state chartered bank, savings bank, or association maintained at the main premises, branches, or agency offices. The notice required by section 82(a) shall be given for each main premises, branch, or agency office the purchasing savings bank intends to operate as a new branch.

Sec. 85 If a savings bank permanently discontinues the operations of any branch or agency office, all bills, checks, and notes otherwise presentable for acceptance or payment, all deposits to be made or withdrawn, all notices to stop payment of checks to be given, and similar functions, shall be deemed transferable to, and treated as a part of, the principal office of the savings bank. The savings bank shall give written notice to the commissioner before discontinuing operations of any branch or agency office.

Sec. 86 (a) Upon application, the commissioner may grant to a savings bank full trust powers, as provided in this section, but subject to the conditions, limitations, and restrictions in this section and sections 87 to 93.

(b) Upon approval of the application, the savings bank has the power to conduct a trust business including, but not limited to, any of the following:

(1) In and by its corporate name to take, receive, hold, repay, reconvey, and dispose of any effects and property, both real and personal, that may be granted, committed, transferred, or conveyed to it with its consent, upon any terms or upon any trust at any time, by any person, including minors, bodies corporate, or by any court, including the federal courts, in the state, and to administer, fulfill, and discharge the duties of the trust for the remuneration as agreed upon.

(2) To act generally as agent for the transaction of business, the management of estates, the collection of rents, interest, dividends, and money, and the collection of principal and interest on mortgages, bonds, notes, and securities for money and to enforce the payment thereof, and to act as agent for the purpose of issuing, negotiating, registering, transferring, or countersigning

the certificates of stock, bonds, or other obligations of any corporation, association, or municipality and to manage any sinking fund on the terms as agreed upon.

(3) To accept and to execute the offices of personal representative, trustee, receiver, conservator, liquidating agent, assignee, or guardian of any minor, incompetent person, legally incapacitated person, or person subject to guardianship, subject to the laws of this state applicable to those proceedings. In all cases when application is made to any court in this state for the appointment of any trustee, receiver, personal representative, conservator, or guardian of any minor, incompetent person, legally incapacitated person, or other person subject to conservatorship or guardianship, the court may appoint the savings bank, with its consent, to hold the office. The accounts of the savings bank as trustee, receiver, conservator, liquidating agent, assignee, personal representative, or guardian shall be regularly settled and adjusted by the proper office or tribunals. All proper, legal, usual, and customary charges, costs, and expenses shall be allowed to the savings bank for the care and management of the estate so committed to it. In case of appointment by any court, the savings bank shall not be required to give any security except in the discretion of the court, other than as provided in section 92 for deposit with the state treasurer. If the court orders the savings bank to give security, the security shall be a bond in an amount fixed by the court and with a surety company authorized to do business in this state as surety on the bond, or with personal surety or sureties on the bond satisfactory to the court. If any savings bank is required, in the course of the administration of any trust, to give a bond, whether as additional security, substituted security, or otherwise, the surety on the bond shall not be liable directly or indirectly for any act or default committed by the savings bank prior to the date of the filing and approval of the bond, or for the failure of the savings bank to pay over on final settlement if the failure to pay over is due to an act or default committed prior to the filing and approval of the bond, or for the failure of the savings bank to collect from itself or from any prior surety or sureties the amount of any loss due any act or default committed by the savings bank prior to the date of the filing and approval of the bond.

(4) To exercise by its board of directors or authorized officers or agents all incidental powers as are necessary to carry on a trust business.

Sec. 87 (a) As used in this section:

(1) "Banking office" means a main office or authorized branch of a bank, out-of-state bank, national bank, association, or savings bank.

(2) "Host savings bank" means a bank, national bank, association, or savings bank for which trust services are provided by any other bank, out-of-state bank, national bank, association, or savings bank.

(3) "Trust service provider" means a savings bank providing trust services to any other bank, out-of-state bank, national bank, association, or savings bank.

(b) A savings bank granted full trust powers may contract by written agreement with any bank, out-of-state bank, national bank, association, or other savings bank to carry on trust services in its name and for its account at one or more of the banking offices of the bank, out-of-state bank, national bank, association, or other savings bank.

(c) A savings bank may contract by written agreement with any bank, out-of-state bank, national bank, association, or other savings bank exercising full trust powers to carry on trust services at one or more of its banking offices but in the name and for the account of the bank, out-of-state bank, national bank, association, or other savings bank.

(d) An agreement provided for in this section, including a lease, or a modification or extension of an agreement, is not effective as to any savings bank until it is approved in writing by the commissioner. The commissioner may approve the agreement upon consideration of the sufficiency of the capital and surplus of the banks, out-of-state banks, national banks, associations, or savings banks, the need for trust services, and other facts or circumstances that the commissioner considers proper.

(e) Thirty days after a host savings bank mails a notice of substitution as provided in subsection (f), a trust service provider shall be substituted for a host savings bank as fiduciary or agent and succeed to the title of assets held by a host savings bank in a fiduciary capacity for each account in which the host savings bank, under the terms of a trust service agreement approved by the commissioner, will no longer serve as fiduciary or agent. A trust service provider shall not be substituted for the host savings bank for an account in which the recipient of a notice of substitution with respect to that account objects to the substitution under subsection (f).

(f) For an account in which a trust service provider is substituted for a host savings bank under the terms of a trust service agreement, a written notice of substitution shall be sent by the host savings bank by certified mail. The notice of substitution shall include the date the notice was mailed and explain that the trust service provider will not be substituted for the host savings bank for the account if the recipient of the notice sends a written objection to the host savings bank by first-class mail within 30 days after the date the notice was mailed. The notice of substitution shall be sent to all of the following:

- (1) For employee benefit plans, to the plan sponsors.
- (2) For individual retirement accounts and retirement accounts for the self-employed, to the account owners.
- (3) For agency and escrow accounts, to the principals.
- (4) For securities for which a host savings bank serves as trustee, registrar, transfer agent, or paying agent, to the issuers.

(5) For revocable trusts under agreement, to the settlors.

(6) For irrevocable trusts under agreement, to any co-fiduciary, to the settlor, to each current income beneficiary who is an adult, and, if a current income beneficiary is a minor, to a parent of the minor with whom the minor resides or to the conservator or guardian of the minor. The notice to the settlor shall not grant to the settlor any authority over the trust or trustee that the settlor did not have before the notice, including the authority to object to the substitution of a trust service provider for a host savings bank. For purposes of this subdivision, "current income beneficiary" means a person currently entitled to income or a person to whom the trustee, in the trustee's discretion, may pay principal or income.

(7) For testamentary trusts, to the persons notified under subdivision (6) and to the court that appointed the host savings bank as trustee.

(8) For conservatorships, to any co-fiduciary, to the protected person for whom the conservatorship was created or, if the conservatorship was created for a minor, to a parent of the minor with whom the minor resides or to the guardian of the minor, and to the court that appointed the host savings bank as conservator.

(9) For guardianships, to any co-fiduciary, to the minor or legally incapacitated person for whom the guardian was appointed if the ward is at least 14 years of age, and to the court that appointed the host savings bank as guardian.

(10) For probate estates, to any co-fiduciary, to any interested party, and to the court that appointed the host savings bank as personal representative.

(g) Subsections (a), (e), and (f) apply to trust service agreements in effect on or after the effective date of this act.

Sec. 88 (a) A savings bank exercising a trust power under sections 86 to 90 shall segregate all assets held in a fiduciary capacity from the general assets of the bank, keep a separate set of books and records showing in proper detail all transactions engaged under sections 86 to 90, and at all times keep the savings bank's trust department business separate and distinct from the savings bank's commercial banking business.

(b) Funds, at any time and from time to time, held in trust by the savings bank, awaiting investment or other disposition, may be commingled and consolidated, and may be deposited in other financial institutions not affiliated with the savings bank as designated by the board of directors or may be held at any time and from time to time by the savings bank under a deposit relationship and used by the savings bank in the conduct of the savings bank's individual corporate business but only to the extent and when the savings bank shall set aside for the protection of the owners of the funds obligations of the United States, obligations that are guaranteed fully as to principal and interest by

the United States, general obligations of this state or of any political subdivision of this state, or other securities approved by the commissioner equal at face value to the amount of the funds held, less the amounts of the funds which are insured by the federal deposit insurance corporation. If the savings bank fails, the owners of the funds held in trust, awaiting investment or other disposition, shall have a lien on the securities set apart in addition to any other claims against the savings bank.

Sec. 89 (a) In passing upon applications for permission to exercise full fiduciary powers under section 86, the commissioner shall take into consideration the following, and he or she may grant or refuse the application accordingly:

(1) The sufficiency of the capital and surplus of the applying savings bank.

(2) Any other facts or circumstances that he or she deems proper.

(3) Without regard to the capital and surplus requirements under subsection (a), the commissioner may grant to a savings bank the limited trust power to act as executor, administrator, custodian, conservator, guardian, or to serve as a testamentary trustee.

Sec. 90 [This section intentionally left blank.]

Sec. 91 (a) Funds or property held by a savings bank as fiduciary and available for investment shall be invested at the time and in the manner specified by the agreement, instrument, or order creating or defining the trust or other capacity in which the savings bank is acting or, where the savings bank holds the funds or property as agent, as directed or permitted by the savings bank's principal. In the absence of investment specifications or limitations in the agreement, instrument, or order, funds or property held by a savings bank as fiduciary shall within a reasonable time be invested in real or personal property, of whatever type or nature, as an ordinarily prudent person of intelligence and integrity who is a trustee of the money of others would purchase, in the exercise of reasonable care, judgment, and diligence under the conditions existing at the time of purchase, having due regard, in the case of a purchase of securities, for the management, reputation, and stability of the issuer and the character of the particular securities.

(b) Except as otherwise provided by law, a court order, or the agreement, instrument, or order creating or defining the trust, or other capacity in which the savings bank is acting or with the consent of all interested parties or their representatives, or where the savings bank holds the funds or property as agent, as directed or permitted by the savings bank's principal, funds or property held by a savings bank as fiduciary shall not be invested in any securities or other properties, real or personal, purchased from the savings bank in its individual capacity or from any affiliate of the bank.

(c) Notwithstanding a statutory or common law, except when the agreement, instrument, or order creating or defining the trust or other capacity in which the savings bank, or the savings bank and one or more co-fiduciaries, is acting, prohibits the investment, a savings bank, or a savings bank

and one or more co-fiduciaries, may invest in a registered investment company funds or property with respect to which the savings bank, or the savings bank and one or more co-fiduciaries, exercises investment discretion, even though either or both of the following apply:

(1) The savings bank or an affiliate of the savings bank provides services as investment adviser, sponsor, distributor, manager, custodian, transfer agent, registrar, or otherwise to the investment company and receives reasonable remuneration for those services.

(2) The savings bank as fiduciary owns or controls a majority of the voting shares of the investment company or a majority of the shares voted for the election of its directors or trustees or the savings bank as fiduciary otherwise controls the election of a majority of its directors or trustees.

(d) As used in subsection (c), "registered investment company" means an investment company that is registered under the investment company act of 1940.

(e) For purposes of this section, a savings bank is considered to be holding funds or property in a fiduciary capacity if it is holding the assets as trustee, personal representative, custodian, conservator, guardian, agent, or in any other fiduciary capacity.

Sec. 92 The commissioner may issue orders or declaratory rulings to enforce sections 86 to 91.

Sec. 93 (a) A savings bank may operate a safe deposit and storage department or invest an amount not exceeding in the aggregate 15% of its unimpaired capital and surplus, or 15% of its total capital in the case of a mutual savings bank, in the stock of not more than one safe and collateral deposit company organized under the laws of this state.

(b) If a savings bank operates a safe deposit and storage department, the legal liability of the savings bank on account of any loss to a customer shall not exceed the sum of \$10,000.00 for any 1 box or compartment, including all property accepted for storage outside of the box or compartment. The savings bank may contract with the renter to have the renter assume all risks arising from the use of the box, compartment, or storage.

(c) The savings bank shall have a lien for unpaid rental and storage charges on the contents of any box or compartment and any property accepted for storage outside of the box or compartment. If the charges are not paid within one year from the date of accrual, then the savings bank may sell the property at public auction upon like notice as is required by law for sales on execution.

(d) After retaining from the proceeds of sale the amount of all charges due and owing at the time of the sale and the reasonable expenses of the sale, the savings bank shall pay any balance

to the persons entitled to the proceeds. The savings bank may fairly and in good faith purchase all or part of the property at the sale.

Sec. 94 (a) A savings bank may lease, purchase, hold, and convey real estate for any of the following purposes:

(1) For the convenient transaction of its business, including with its banking offices other space in the same buildings to rent as lessor. Without the approval of the commissioner, a savings bank shall not invest in premises of the savings bank or in the stock, bonds, debentures, or other obligations of any corporation holding the premises of the savings bank or make loans to or upon the security of the stock, bonds, and debentures of any such corporation, if the aggregate of all investments and loans, together with the amount of any indebtedness incurred in connection with a bank premises real estate transaction by any such corporation which is an affiliate of the savings bank, exceeds $\frac{2}{3}$ of the capital and surplus of the stock savings bank or $\frac{2}{3}$ of the total capital of the mutual savings bank.

(2) As permitted under section 71.

(3) For all purposes with regard to real estate conveyed to it in satisfaction of debts previously contracted in the course of its business.

(4) For all purposes with regard to real estate purchased at sales under judgments, decrees, or mortgages held by the savings bank or purchased to secure debts due to it.

(5) For all purposes with regard to real estate legally owned by the savings bank on the effective date of this act.

(6) For all purposes with regard to real estate conveyed to it under sections 85 through 91.

(7) For all purposes with regard to real estate acquired in connection with the purchase by the savings bank of a land contract. At the termination of a land contract, the savings bank shall divest itself of the real estate within 1 year after termination or such additional period as the commissioner may approve.

(8) For all purposes with regard to real estate acquired upon the specific request and for the use of a customer by lease arrangement with the savings bank. At the termination of a lease, the savings bank shall divest itself of the real estate within 1 year after termination or such additional period as the commissioner may approve.

(9) Any other purposes as may be permitted by order or declaratory ruling of the commissioner.

(b) Real estate shall be conveyed under the signature of the officers authorized by its board to approve the conveyance.

(c) Real estate acquired under subsections (a)(e) and (4) shall not be held for a period longer than five years or such other period as approved by the commissioner.

Sec. 95 (a) Savings banks may collect interest and charges on loans, including open-end credit, as follows:

(1) As permitted by the uniform consumer credit code.

(2) On obligations purchased by the savings bank, the savings bank may charge a discount.

(3) On a loan not covered by subdivision (a)(1) or (2), a savings bank may charge, collect, and receive interest and other charges in the same manner and at up to maximum rate or amount permitted by law for the same type of loans made by national banking associations authorized to do business in this state.

(4) On a loan not covered by subdivision (a)(1), (2), or (3), as otherwise permitted by law.

(b) A savings bank or any officer or employee of the savings bank shall not, directly or indirectly, take or receive more than the rate of interest allowed by law in advance on its loans and discounts.

(c) Except as otherwise provided by law, an investigation fee or handling charge in connection with any transaction shall not be considered as interest.

(d) A savings bank may pay interest on any deposit that is payable on demand, unless the commissioner by rule, or order, or declaratory ruling restricts the right of the savings bank to pay interest on demand deposits or unless restricted by federal law.

Sec. 96 (a) A savings bank may accept drafts or bills of exchange drawn upon it having not more than six months' sight to run, exclusive of days of grace, if one or more of the following apply:

(1) The drafts or bills of exchange grow out of transactions involving the importation or exportation of goods.

(2) The drafts or bills of exchange grow out of transactions involving the domestic shipment of goods.

(3) The drafts or bills of exchange are secured at the time of acceptance by a warehouse receipt or other such document conveying or securing title covering readily marketable staples.

(b) Except as provided in subsection (c), a savings bank shall not accept bills of exchange, or be obligated for a participation share in such bills, in an amount equal at any time in the aggregate to more than 150% of the capital and surplus of a stock savings bank and more than 150% of the total capital of a mutual savings bank.

(c) Under conditions as the commissioner may prescribe, the commissioner may authorize, by rule, order, or declaratory ruling, a savings bank to accept bills of exchange, or be obligated for a participation share in such bills, in an amount not exceeding at any time in the aggregate 200% of the capital and surplus of a stock savings bank and more than 200% of the total capital of a mutual savings bank.

(d) Notwithstanding subsections (b) and (c), with respect to any savings bank, the aggregate acceptances, including obligations for a participation share in the acceptances, growing out of domestic transactions shall not exceed 50% of the aggregate of all acceptances, including obligations for a participation share in the acceptances, authorized for the savings bank under this section.

(e) A savings bank shall not accept bills of exchange, or be obligated for a participation share in such bills, whether in a foreign or domestic transaction, for any one person, partnership, corporation, association, or other entity in an amount equal at any time in the aggregate to more than 10% of the capital and surplus of a stock savings bank and more than 10% of the total capital of a mutual savings bank, unless the savings bank is secured either by attached documents or by some other actual security growing out of the same transaction as the acceptance.

(f) If a savings bank issues an acceptance, the limitations of this section do not apply to that portion of an acceptance that is issued by the savings bank and is covered by a participation agreement sold to a bank, out-of-state bank, national bank, association, or other savings bank.

Sec. 97 (a) The total loans and extensions of credit by a stock savings bank to a person at no time shall exceed 25% of the capital and surplus of the stock savings bank.

(b) The total loans and extensions of credit by a mutual savings bank to a person at no time shall exceed 25% of the total capital of the mutual savings bank.

(c) If the commissioner determines that the interests of a group of more than one person, copartnership, association, or corporation are so interrelated that they should be considered as a unit for the purpose for which credit was extended, the total loans and extensions of credit of that group

acquired at any time shall be combined and considered loans and extensions of credit acquired from one customer in applying the limitations of this section through section 98.

(d) A savings bank is not considered to have violated this section through section 98 solely by reason of the fact that the indebtedness of a group then held exceeds the limitations of this section through section 98 at the time of a determination by the commissioner that the indebtedness of that group shall be combined, but if required by the commissioner the savings bank shall make a reasonable attempt to dispose of indebtedness of the group in the amount in excess of the limitations within a reasonable time determined by the commissioner.

(e) The limitations under subsections (a) and (b) shall not apply to loans and extensions of credit described in sections 97 and 98.

(f) As used in this section and sections 98 and 99:

(1) "Loan and extension of credit" or "loan or extension of credit" includes all direct or indirect advances of funds to a person made on the basis of an obligation of that person to repay the funds or repayable from specific property pledged by or on behalf of the person. To the extent specified by the commissioner, loan and extension of credit or loan or extension of credit includes any liability of a savings bank to advance funds to or on behalf of a person under a contractual commitment. Such term also includes the cost of purchase of personal property for the purpose of leasing the property to a person. Loan and extension of credit or loan or extension of credit does not include investment securities held by a savings bank under section 75.

(2) "Person" means an individual, partnership, association, corporation, governmental entity, or any other legal entity.

Sec. 98 All of the following loans and extensions of credit are not subject to a limitation based upon capital and surplus, or total capital under section 96 or 97:

(a) A loan or extension of credit arising from the discount of commercial or business paper evidencing an obligation to the person negotiating it with recourse.

(b) The purchase of banker's acceptances of another bank of the kind described in paragraph 7 of section 13 of the federal reserve act.

(c) A loan or extension of credit to a financial institution or to a receiver, conservator, or any other agent or supervising authority in charge of the business and property of the financial institution, when the loan or extension of credit is approved by the commissioner.

(d) A loan or extension of credit to a customer, secured or covered by guarantees or by commitments or agreements to take over or to purchase the loan or extension of credit, made by a

federal reserve bank or by the United States, or a department, bureau, board, commission, or establishment of the United States, including a corporation wholly owned directly or indirectly by the United States.

(e) A loan or extension of credit from one business day to the next to a bank, out-of-state bank, national bank, association, or savings bank of excess reserve balances from time to time maintained under section 19 of the federal reserve act.

(f) A loan or extension of credit secured by bonds, notes, certificates of indebtedness, or treasury bills of the United States or by other obligations fully guaranteed as to principal and interest by the United States.

(g) A loan or extension of credit secured by a loan agreement between a local public agency or a public housing agency and an instrumentality of the United States pursuant to federal housing legislation under which funds will be provided for payment of the obligation secured by the loan agreement.

(h) A loan or extension of credit arising from securities purchased under an agreement to resell.

(i) A loan or extension of credit to the student loan marketing association.

(j) A loan or extension of credit fully secured by a segregated deposit account in the lending savings bank.

(k) A loan or extension of credit arising from the acceptance by a savings bank of drafts or bills of exchange drawn upon the savings bank, or a savings bank's participation in drafts or bills of exchange drawn upon and accepted by a bank, out-of-state bank, national bank, association, or savings bank under section 95.

Sec. 99 All of the following limitations based upon capital and surplus shall apply:

(a) Loans and extensions of credit to a customer secured by bills of lading, warehouse receipts, or similar documents transferring or securing title to readily marketable staples shall be subject to a limitation of 30% of capital and surplus of a stock savings bank, or 30% of total capital of a mutual savings bank, if the value of the staples securing the loans or extensions of credit at all times equals or exceeds 115% of the outstanding amount of the loans or extensions of credit. The staples shall be fully covered by insurance if it is customary to insure the staples.

(b) Loans or extensions of credit to a customer secured by shipping documents or instruments transferring or securing title covering livestock, or giving a lien on livestock, if the value of the livestock securing the obligation is not at any time less than 115% of the face amount of the

notes covered, shall be subject to a limitation of 30% of capital and surplus of a stock savings bank, or 30% of total capital of a mutual savings bank. Loans or extensions of credit arising from the discount by dealers in dairy cattle of paper given in payment for dairy cattle, which paper carries a full recourse indorsement or unconditional guarantee of the seller and which are secured by the cattle being sold, shall be subject to a limitation of 30% of capital and surplus.

(c) Loans or extensions of credit arising from the discount of negotiable or nonnegotiable installment consumer paper which carries a full recourse indorsement or unconditional guarantee by a person transferring the paper, shall be subject to a limitation of 30% of capital and surplus of a stock savings bank, or 30% of total capital of a mutual savings bank. If the savings bank's files or the knowledge of its officers of the financial condition of each maker of the consumer paper is reasonably adequate, and an officer of the savings bank designated for that purpose by the board of directors of the savings bank certifies in writing that the savings bank is relying primarily upon the responsibility of each maker for the payment of the loans or extensions of credit, the limitations of this section as to the loans and extensions of credit of each maker shall be the sole applicable loan limitation. The certification shall be retained as part of the records of the savings bank.

Sec. 100 (a) A stock savings bank whose capital, in the opinion of the commissioner, has become impaired by losses or otherwise, within 2 months after receiving notice of impairment from the commissioner, shall correct the deficiency in the capital by an assessment upon the shareholders pro rata on the amount of capital stock held by each. If a stock savings bank fails to restore its capital within 2 months after receiving notice from the commissioner or, within the same period, fails to take steps to liquidate its business and affairs a receiver may be appointed for the savings bank under this act. The commissioner, in his or her discretion, may grant extensions of time as he or she considers advisable in order to allow the savings bank to meet the deficiency in the capital.

(b) If any part of the capital of a savings bank consists of preferred stock, the determination of whether or not the capital of the savings bank is impaired and the amount of impairment shall be based upon the par value of its stock even though the amount which the holders of the preferred stock shall be entitled to receive in the event of retirement or liquidation shall be in excess of the par value of the preferred stock.

(c) The directors of a savings bank whose capital has become impaired by losses or otherwise shall levy within the 2 month period an assessment upon the stock of the savings bank to repair the deficiency, and give notice of the action of the commissioner and the amount of the assessment that each shareholder must pay for the purpose of making good the deficiency to each shareholder by written notice personally served or mailed to the shareholder at his or her last known address as appears from the records of the savings bank.

(d) If the assessment is levied by the directors and a shareholder refuses or neglects to pay the assessment under this section within 30 days from the date of the notice of the amount to be paid, the directors of the savings bank shall sell the stock of the shareholder to the highest bidder at either

public or private sale in the manner provided for the disposition of collateral under the uniform commercial code.

(e) A sale of stock under this section shall effect an absolute cancellation of the outstanding certificates evidencing the stock sold and make the certificates null and void and new certificates shall be issued by the savings bank to the new purchaser. Out of the proceeds of the stocks sold, the directors shall pay the necessary costs of sale and the amount of assessment levied on the stocks and any remaining balance shall be paid to the person whose stock has been sold.

(f) The holders of preferred stock shall not be liable for assessments to restore impairment in the capital of a savings bank.

Sec. 101 If the directors or officers of a savings bank knowingly violate or knowingly permit any of the agents, officers, or directors of a savings bank to violate this act or rules of the commissioner made under this act, those directors or officers shall be liable in his or her personal and individual capacity for all damages that the savings bank, any shareholder, or any other person sustains in consequence of the violation. Any action to recover damages shall be brought within 3 years from the time of the violation.

Sec. 102 An officer or employee of a savings bank, in his or her individual capacity, shall not act as agent in the sale of stock or other securities to another person, or receive directly or indirectly any consideration or commission resulting from the sale of stock or other securities by others to the savings bank of which he or she is employed, unless authorized by order or declaratory ruling of the commissioner.

Sec. 103 An officer, director, or employee of a savings bank shall not receive any consideration or gratuity from a borrower for procuring a loan from the savings bank.

Sec. 104 (a) The board of directors shall require every employee concerned in the handling of money, accounts, or securities of the savings bank, who can be bonded, to be bonded by a surety company authorized to do business in this state in an amount determined by the board. A surety bond may cover one or more employees. The savings bank shall pay for any surety bonds required of its employees.

(b) The commissioner shall require every savings bank to provide reasonable protection and indemnity against burglary, defalcation, and other reasonably required insurable losses. Whenever a savings bank refuses to comply with the requirements of this section, the commissioner may contract for the protection and indemnity and charge the costs to the savings bank. If the charge is not paid, the commissioner shall collect the costs in an action instituted by the attorney general.

Sec. 105 (a) The commissioner may require reports from a savings bank whenever, in the commissioner's judgment, they are necessary to inform the commissioner fully as to the condition of

the savings bank. The commissioner may require publication of reports and proof of publication by a date determined by the commissioner and in the manner and form as the commissioner may prescribe, except that the commissioner shall give a bank at least 30 days written notice of the date required for the publication of reports.

(b) A savings bank that does not make and transmit to the commissioner a report required by this section shall be subject to a penalty determined by the commissioner.

Sec. 106 Notwithstanding any other provision of law, the board of directors of a savings bank, with the approval of the commissioner, may regulate and prescribe the terms, conditions, bylaws, and rules under which deposits, other funds and assets may be received, conserved, paid out, withdrawn, or otherwise disposed of whenever in the opinion of the commissioner an emergency exists in the affairs of a savings bank and the action is advisable to conserve, safeguard, and protect depositors, borrowers, deposits, moneys, funds, assets, and the business of the savings bank and all parties in interest, including the public.

Sec. 107 (a) Except as otherwise provided in this section, a savings bank or savings bank officer shall not give preference to a depositor or creditor by pledging the assets of the savings bank as collateral security or otherwise.

(b) A savings bank, with the written consent of the commissioner, may pledge its assets in an amount not in excess of 10% of its total deposits for the purpose of securing the following:

(1) Funds belonging to the United States or belonging to or being administered by an officer, instrumentality, or agent of the United States, funds of estates being administered by a federal court under a federal bankruptcy law, and other funds when required or permitted to do so under the laws of the United States or an order of a federal court.

(2) Surplus funds of the state held by the state treasurer.

(c) A savings bank shall not pledge its assets for the purpose of securing funds belonging to any other political subdivision of this state.

(d) The requirements, restrictions, and limitations imposed by this section shall not apply to the pledging of an obligation of the United States, direct or fully guaranteed, or both, for the purpose of securing a deposit of the United States when the deposit is established coincidentally with the purchase of an obligation of the United States by or through an institution.

(e) A savings bank may pledge its assets to secure liabilities of all of the following types:

(1) In the case of member banks, liabilities incurred under the federal reserve act, chapter 6. In the case of nonmember banks, liabilities incurred through borrowing under the same

conditions as are imposed upon members of the federal reserve system by the federal reserve act, chapter 6.

(2) In the case of federal home loan bank members, liabilities incurred under the federal home loan bank act, chapter 522.

(3) Liabilities incurred under former section 202 of title II of the federal farm loan act.

(4) Liabilities incurred on account of a loan made with the express approval of the commissioner under section 433(c).

(5) Liabilities incurred on account of borrowings from one business day to the next under section 19 of the federal reserve act, chapter 6.

(6) Liabilities incurred on account of securities sold under a repurchase agreement.

Sec. 108 Except where required or permitted under the federal reserve act, or the federal home loan bank act, a savings bank shall not deposit an amount in excess of 10% of the capital and surplus of a stock savings bank, or 10% of the total capital of a mutual savings bank, with any other savings bank, state chartered bank, association, or national bank. A savings bank may deposit an amount not to exceed 15% of the capital and surplus of a stock savings bank, or 15% of the total capital of a mutual savings bank in any legal depository in a reserve city designated by the commissioner.

Sec. 109 A transfer of any assets of a savings bank to its shareholders or members, or to its creditors made after the commission of an act of insolvency or made in contemplation of insolvency, with a view to preventing the application of its assets in the manner prescribed by this act, or with a view to the preference of one creditor over another, is null and void.

Sec. 110 (a) Except as provided in subsection (b), a savings bank that requires a mortgagor to maintain property or casualty insurance as a condition to receiving a mortgage loan shall not require the amount of the property or casualty insurance to be greater than the replacement cost of the mortgaged building or buildings.

(b) A savings bank may require an amount of property or casualty insurance that is required of the savings bank as a condition of a sale, transfer, or assignment of all or part of the mortgage to a third party. This subsection does not require that the savings bank anticipate a sale, transfer, or assignment at the time the mortgage loan is made.

Sec. 111 (a) An overdraft existing for 90 days shall be charged off to the profit and loss account of the savings bank at the expiration of that time.

(b) A director or executive officer of a savings bank shall not knowingly overdraw his or her account.

(c) All debts due to a savings bank on which interest is past due and unpaid for a period of six months, unless the debts are well secured and in process of collection or the debts constitute claims against solvent estates in probate, shall be charged off to the reserve for bad debts or the profit and loss account of the savings bank at the expiration of that time.

Sec. 112 (a) If a savings bank has refused to pay its deposits or obligations in accordance with the terms under which the deposits or obligations were incurred, or whenever a savings bank becomes insolvent, has refused to submit its books, papers, and records for inspection by the commissioner, appears to the commissioner to be in an unsafe or unsound condition, or the appointment of a conservator is required under section 6(e), the commissioner shall either appoint a conservator under section 116 with the attorney general representing the commission, or shall apply to the district court for the county in which the savings bank is located for the appointment of a receiver for the savings bank.

(b) In a proceeding for the appointment of a receiver, the commissioner shall request that the court appoint the federal deposit insurance corporation as the receiver if the deposits in the savings bank are insured to any extent by that corporation.

(c) The court may act upon the application without notice to any person but if at any time it appears to the court that none of the claimed reasons for receivership did in fact exist, the receivership shall be dissolved and the proceedings terminated.

(d) If the federal deposit insurance corporation accepts the appointment as receiver, it may act without bond.

Sec. 113 (a) Subject to court approval, a receiver may do any of the following:

(1) Take possession of the books, records, and assets of the savings bank and collect all debts, dues, and claims belonging to the savings bank.

(2) Sue and defend, compromise, and settle all claims involving the savings bank.

(3) Sell any and all real and personal property.

(4) Exercise all fiduciary functions of the savings bank as of the date of the commencement of the receivership.

(5) Pay all expenses of the receivership, which expenses shall be a first charge upon the assets of the savings bank and be fully paid before any final distribution or payment of dividends to creditors or shareholders.

(6) Pay ratably any and all debts of the savings bank, except that debts not exceeding \$50.00 in amount may be paid in full but the holders of such debts shall not be entitled to interest on the debts.

(7) Repay, ratably, any amount which may have been paid in by a shareholder by reason of assessments made upon the stock of the savings bank by order of the commissioner in accordance with this act.

(8) Pay, ratably, to the shareholders or members of the savings bank in proportion to the number of shares or membership interests held and owned the balance of the net assets of the savings bank after payment or provision for payments as provided under subdivisions (5), (6), and (7).

(9) Borrow money as may be necessary or expedient in aiding the liquidation of the savings bank and to secure the borrowings by the pledge, hypothecation, or mortgage of the assets of the savings bank.

(10) Exercise other powers and duties as may be provided by the court under the laws of this state applicable to the appointment of receivers.

(b) The receiver from time to time shall report to the commissioner with respect to all of his or her acts and proceedings in connection with the receivership.

Sec. 114 The full and exclusive procedures for the liquidation of a savings bank under this act shall be the procedures prescribed in this act and a receiver or other liquidating agent shall not be appointed for such purpose or for any savings bank or its assets and property except as expressly provided in this act.

Sec. 115 (a) If a savings bank has been closed and placed in receivership, and the federal deposit insurance corporation pays or makes available for payment the insured deposit liabilities of the closed savings bank, the corporation, whether or not it has become receiver of the savings bank, subrogated to all of the rights of the owners of the deposits against the closed savings bank in the same manner and to the same extent as subrogation of the corporation is provided for in the federal reserve act, in the case of the closing of a national banking association.

(b) The rights of depositors and other creditors of the closed savings bank shall be determined in accordance with the applicable provisions of the laws of this state.

Sec. 116 (a) If any of the grounds set forth in section 601 authorizing the appointment of a receiver exist or whenever the commissioner considers it necessary in order to conserve the assets of a savings bank for the benefit of the depositors and other creditors, the commissioner may appoint a conservator for the savings bank and require of him or her a bond and security as the commissioner considers necessary.

(b) The commissioner may appoint as conservator one of the bank examiners of the office of state bank commissioner or some other competent and disinterested person. The office of state bank commissioner shall be reimbursed out of the assets of the conservatorship for all sums expended by it in connection with the conservatorship as expenses or otherwise.

(c) All expenses of a conservatorship shall be paid out of the assets of the savings bank, upon the approval of the commissioner. The expenses shall be a first charge upon the assets and shall be fully paid before any final distribution or payment of dividends to creditors, shareholders, or members.

(d) The conservator, under the direction of the commissioner, shall take possession of the books, records, and assets of the savings bank, and take such action as may be necessary to conserve the assets of the savings bank pending further disposition of its business as provided by law. The conservator shall have all the rights, powers, and privileges of receivers of banks appointed under this act and shall be subject to the obligations and penalties, not inconsistent with this act with respect to conservators, to which receivers are subject. During the time that the conservator remains in possession of the savings bank, the rights of all parties with respect to the savings bank, subject to other provisions of this act with respect to conservators, shall be the same as if a receiver had been appointed. The conservator may execute the discharge of any real estate mortgage held as part of the assets of the savings bank.

(e) While a savings bank is in the hands of the conservator appointed by the commissioner, the commissioner may require the conservator to set aside and make available for withdrawal by depositors and payment to other creditors, on a ratable basis, such amounts as in the opinion of the commissioner may be used safely for that purpose. The commissioner may permit the conservator to receive deposits. Deposits received while the savings bank is in the hands of the conservator shall not be subject to any limitation as to payment or withdrawal. The deposits and any new assets acquired on account of the deposits shall be segregated and held especially for the new deposits and not be used to liquidate any indebtedness of the savings bank existing at the time that a conservator was appointed or any subsequent indebtedness incurred for the purpose of liquidating any indebtedness of the savings bank existing at the time the conservator was appointed. Deposits received while the savings bank is in the hands of the conservator shall be kept on hand in cash, invested in the direct obligations of the United States, or deposited in banks designated by the commissioner.

(f) With the prior approval of the commissioner, the conservator of a savings bank may borrow money as necessary or expedient in aiding the operation, reorganization, or liquidation of the savings bank, including the payment of liquidating dividends, and may secure the loans by the pledge, hypothecation, or mortgage of the assets of the savings bank.

(g) If the commissioner is satisfied that it may be done safely and that it would be in the public interest, he or she may terminate the conservatorship and permit the savings bank to resume the transaction of its business subject to such terms, conditions, restrictions, and limitations as he or she may prescribe.

Sec. 117 (a) After 15 days from the date upon which the affairs of a savings bank have been turned back to its board of directors by the conservator, either with or without being reorganized, the provisions of section 116(e) with respect to the segregation of deposits shall no longer be effective.

(b) Before the conservator turns back the affairs of the savings bank to its board of directors, he or she shall publish a notice in form approved by the commissioner, stating the date on which the affairs of the savings bank will be returned to its board of directors and that the provisions of section 116(e) will not be effective after 15 days from that date. On the date of the publication of the notice, the conservator shall immediately send to every person who deposited money in the savings bank after the appointment of a conservator, a copy of the notice by mail addressed to the last known address of the person as shown by the records of the savings bank. The conservator shall send similar notice in like manner to every person making deposit in the savings bank under section 116(e) after the date of the newspaper publication and before the time when the affairs of the bank are returned to its directors.

Sec. 118 (a) The commissioner may issue orders or declaratory rulings he or she considers necessary in order to carry out the provisions of this chapter as to receivers and conservators.

(b) All compensation and expenses allowed to reimburse the office of state bank commissioner when a bank examiner acts as receiver or conservator and all expenses for state supervision of receiverships and conservatorships under this act shall be turned over to the state treasurer and credited to a revolving fund to be held to reimburse the office of state bank commissioner in connection with the provisions of this act with respect to receivers and conservators of savings banks.

Sec. 119 (a) In a reorganization of a savings bank under a plan of a kind that requires the consent of depositors and other creditors or of shareholders or members or of both depositors and other creditors and shareholders or members, the reorganization shall become effective when both of the following occur:

(1) The commissioner is satisfied that the plan of reorganization is fair and equitable as to all depositors, other creditors and shareholders or members and is in the public interest

and has approved the plan subject to such conditions, restrictions, and limitations as he or she may require.

(2) After reasonable notice of the reorganization as determined by the commissioner, depositors and other creditors of the savings bank representing not less than 75% in amount of the sum of its total deposits and other liabilities as shown by the books of the savings bank, or shareholders owning at least 2/3 of its outstanding capital stock or 2/3 of the eligible voting members if it is a mutual savings bank as shown by the books of the savings bank, shall have consented in writing to the plan of reorganization. Claims of depositors or other creditors which will be satisfied in full under the plan of reorganization shall not be included among the total deposits and other liabilities of the savings bank in determining the 75% of total deposits. The term "reorganization" as used in this section may be construed to include the establishment of a new savings bank in conformity with a plan of reorganization.

(b) When the reorganization becomes effective, all books, records, and assets of the savings bank shall be disposed of in accordance with the plan and the affairs of the savings bank shall be conducted by its board of directors in the manner provided by the plan and under the conditions, restrictions, and limitations that may have been prescribed by the commissioner.

(c) In a reorganization which has been approved and become effective, all depositors and other creditors and shareholders or members of the savings bank, whether or not they have consented to the plan of reorganization, shall be subject to and bound by its provisions and claims of all depositors and other creditors shall be treated as if they had consented to the plan or reorganization. The state or any department, agency, or political subdivision of the state holding a claim against the savings bank is authorized to participate in a plan of reorganization as any other creditor and shall be subject to and bound by its provisions as any other creditor.

Sec. 120 (a) Subject to approval by the commissioner, a savings bank may consolidate with any number of consolidating organizations to form a consolidated savings bank.

(b) The approval of the commissioner shall be based on an examination or other appropriate analysis of each consolidating organization and the agreement of consolidation. A consolidation shall not be made to defeat or defraud any of the creditors of any of the consolidating organizations.

(c) A majority of the directors of each organization proposing to consolidate may enter into an agreement, signed by them, or by their designated representative or representatives, and under the seals of the respective organizations, prescribing the terms and conditions of consolidation, the mode of carrying the consolidation into effect and stating other facts required or permitted by this act and other applicable law that are to be set out in the articles, as can be stated in the case of a consolidation, to be stated in such altered form as the circumstances of the case require, as well as the manner of converting the shares or membership interest of each of the consolidating

organizations, into shares or membership interest of the consolidated organization, with other details and provisions as are considered necessary.

(d) The proposed consolidation agreement shall be submitted to the members or shareholders of each consolidating organization, at a separate meeting called by the directors for the sole purpose of considering the agreement. A notice indicating the time, place, and purpose of the meeting shall be given by publication at least once a week for 4 consecutive weeks preceding the date of the meeting. A copy of the notice shall also be mailed to each member or shareholder of each consolidating organization at his or her last known address as appears from the records of the consolidating organizations, by registered or certified mail, at least 10 days prior to the date of the meeting. Notice by publication or otherwise shall not be required if it is waived. At the meeting the proposed consolidation agreement shall be considered and a vote by ballot, in person or by proxy, taken for the adoption or rejection of the agreement. At the meeting each share of stock shall entitle the holder to one vote. If the votes of members or shareholders of each consolidating organization representing a majority of the total number of shares of each class of each consolidating organization's outstanding capital stock, or a majority of eligible voting members of a mutual organization, are cast for the adoption of the agreement, that fact shall be certified on the agreement by the cashier or assistant cashier, secretary or assistant secretary of each of the consolidating organizations. If the agreement is adopted and certified, it shall be acknowledged by the president or a vice president of each of the consolidating organizations, before any officer authorized to take acknowledgment of deeds, to be the respective act, deed, and agreement of each of the consolidating organizations. If a bank, out-of-state bank, national bank, association, or savings bank is a consolidating organization and approval is required by the laws of another state or of the United States, that organization shall furnish a certified copy of consent or approval of the appropriate state or federal regulator of the consolidation to the commissioner. The consolidation agreement required by this section shall be filed with the commissioner who shall certify upon the agreement the date it was filed. The filing with the commissioner shall be the act of consolidation of the consolidating organizations. The consolidation agreement or a copy certified by the commissioner is evidence of the agreement and act of consolidation of the organizations and the observance and performance of all necessary acts and conditions precedent to the consolidation. A bank holding company or thrift holding company that is the sole shareholder of all of the outstanding issued stock of a savings bank, bank, out-of-state bank, national bank, or association that is a consolidating organization in a proposed consolidation may waive the shareholder meeting requirement of this subsection.

(e) In effecting a consolidation, stock of the consolidated savings bank may be issued in accordance with this act and as provided by the terms of the consolidation agreement free from any preemptive rights of the shareholders of the respective consolidating organizations.

Sec. 121 A savings bank may consolidate with any number of consolidating organizations to form a consolidated organization in accordance with the laws under which the consolidated organization is chartered, if all of the following apply:

(a) The consolidating organizations provide notice to the commissioner by filing a copy of the application for consolidation within ten days after the date the application is filed with the appropriate federal regulator.

(b) The consolidated organization complies with section 122(c) with respect to notice of consolidation, but that notice is limited to a court, public tribunal, agency, or officer of this state.

Sec. 122 (a) When filing and the approval of the consolidation agreement as required by section 120 have been completed, the corporate existence of each consolidating organization is merged into and continued in the consolidated savings bank. To the extent authorized by this act, the consolidated savings bank possesses all the rights, interests, privileges, powers, and franchises and is subject to all the restrictions, disabilities, liabilities, and duties of each of the consolidating organizations. The title to all property, real, personal, and mixed is transferred to the consolidated savings bank, and shall not revert or be in any way impaired by reason of this act.

(b) A consolidated savings bank holds and enjoys the same and all rights of property, franchises, and interests including appointments, designations, and nominations and all other rights and interests in any fiduciary capacity, in the same manner and to the same extent as those rights and interests were held or enjoyed by each consolidating organization at the time of the consolidation. If a consolidating organization at the time of consolidation was acting under appointment of any court in a fiduciary capacity, the consolidated savings bank is subject to removal by a court of competent jurisdiction.

(c) A consolidated savings bank shall file with each court or other public tribunal, agency, or officer in any state by which any of the consolidating organizations shall have been appointed in the capacity of fiduciary or agent, and in the court file of each estate, suit, or any other proceeding in which any of them has been acting, an affidavit setting forth the fact of consolidation, the name of each consolidating organization, the name of the consolidated savings bank, the location of its main office, and the amount of its capital and surplus. This subsection does not require filing of an affidavit related to any consolidating organization that after the consolidation retains the same corporate name, charter, and main office location.

Sec. 123 (a) Whether it maintains a presence in this state, a consolidated organization or any of its successors in interest are subject to service of process in a proceeding in this state for enforcement of any obligation incurred in this state by a consolidating organization that is or was a party to a consolidation.

(b) An action or proceeding by or against a consolidating organization in a court or any other public tribunal of this state may be prosecuted to judgment, as if consolidation had not taken place or the consolidated organization may be substituted in the place of any consolidating organization whose existence has ceased.

Sec. 124 A savings bank, an out-of-state bank, or a national bank that consolidates its operations with one or more banks, out-of-state banks, national banks, associations, or savings banks may operate the consolidated or acquired bank, out-of-state bank, national bank, association, or savings bank branch or branches located in this state as a branch or branches of the consolidated or acquired savings bank.

Sec. 125 (a) As used in this section:

(1) "Existing association" means a stock association engaged in the savings and loan business or federal savings bank business prior to the consolidation under this section.

(2) "Existing bank" means a savings bank, national banking association, or state chartered bank engaged in the business of banking prior to the consolidation under this section.

(3) "New bank" means a savings bank not engaged in the business of banking prior to the consolidation under this section.

(b) Notwithstanding any other section of this act:

(1) Persons as provided in section 28 may organize and incorporate as the incorporator or incorporators a new bank having its principal office in the same city as the principal office of an existing bank or existing association in the manner specified in section 29, but without regard to section 29(b) and (c)(2), (3), and (5), and section 31, if the new bank is organized for the sole purpose of effecting its consolidation under section 120 with an existing bank or existing association having its principal office in the same city as the new bank and if upon completion of the consolidation a bank holding company becomes the owner of all of the outstanding voting shares of the consolidated organization, other than shares necessary to qualify directors. The new bank and the existing bank may consolidate under the charter of either bank. The new bank and the existing association shall consolidate under the charter of the new bank and sections 120, 122, and 124 are applicable with respect to the consolidation except that the agreement of consolidation may provide that shares of either or both the consolidating organizations, in lieu of being converted into shares of the consolidated organization, will be converted into shares or other securities of the bank holding company.

(2) A shareholder of the existing bank or existing association who votes against the consolidation, or who has given notice in writing to that bank or association at or prior to the meeting called for the purpose of considering the agreement of consolidation that he or she dissents from the consolidation, is entitled to receive in cash from the consolidated organization the fair value of all shares held by him or her, if and when the consolidation is consummated, upon written request made to the consolidated organization at any time within 30 days after the date of consummation of the consolidation, accompanied by the surrender of his or her stock certificates. Upon the filing of the written request and the surrender of stock certificates, the shareholder shall cease to have any of

the rights of a shareholder except the right to be paid the fair value of his or her shares. The request having been made, shall not be withdrawn except with the written consent of the consolidated organization. The fair value of the shares shall be determined, as of the date on which the meeting of shareholders of the existing bank or existing association was held adopting the agreement of consolidation, by a qualified and independent appraiser selected by the commissioner upon written application filed by a dissenting shareholder entitled to receive the fair value of his or her shares, or by the consolidated organization. The appraiser selected shall file a written report of his or her appraisal with the commissioner, who in turn shall forward copies to all interested parties. The valuation determined by the appraiser is final and binding on all parties as to the fair value of the shares. The consolidated organization shall pay to each dissenting shareholder entitled the fair value of his or her shares within 30 days following the receipt of the written report of the appraiser. The fees and expenses of the appraisal, which shall be approved by the commissioner, shall be paid by the consolidated organization. The agreement of consolidation shall provide the manner of disposing of the shares of the existing bank or existing association surrendered by the dissenting shareholders.

(3) The consolidated organization, whether it is the new bank or the existing bank, shall have the right, notwithstanding any of the requirements, restrictions, and limitations of section 82, or any other provision of law, to retain and continue to operate or to establish and operate as its principal office the principal office of the existing bank, and as its branches all branches of the existing bank, that were legally operating immediately prior to the consolidation or merger, whether the principal office or the branch or branches could, at the time the consolidation or merger becomes effective, have been established or reestablished consistently with the requirements, restrictions, and limitations of section 82, or any other provision of law. For the purposes of this section, consolidation and merger are interchangeable and each means and includes the consolidation or merger of savings banks, federal or state savings and loan associations, federal savings banks, state chartered banks, or of national banking associations in any manner provided by this act or by the national bank laws.

Sec. 126 (a) As used in this section:

(1) "Consolidation agreement" means an agreement entered into among an existing bank or an existing association, a new bank, and a new holding company that provides both of the following:

(i) That the existing bank or existing association and the new bank will be consolidated or merged.

(ii) That upon consummation of the consolidation or merger, the shares of capital stock of the existing bank or existing association will be converted into or exchanged for shares of the capital stock or other securities of the new holding company.

(2) "Existing association" means a stock association that is a party to a consolidation agreement and is engaged in the savings and loan business prior to the consolidation or merger provided for in the consolidation agreement.

(3) "Existing bank" means a savings bank, national banking association, or state chartered bank that is a party to a consolidation agreement and is engaged in the business of banking prior to the consolidation or merger provided for in the consolidation agreement.

(4) "New bank" means a savings bank that is a party to a consolidation agreement and is not engaged in the business of banking prior to the consummation of the consolidation or merger provided for in the consolidation agreement.

(5) "New holding company" means a corporation that is not a savings bank, association, or national banking association and as to which all of the following apply:

(i) The corporation is a party to a consolidation agreement.

(ii) Prior to its acquisition of an existing bank or existing association under the consolidation agreement, the corporation does not have control of a bank, an association, or national banking association and has not transacted any business except business incidental to its organization and to the entering into, and performance of, the consolidation agreement.

(iii) Upon consummation of the consolidation or merger provided for in the consolidation agreement, the corporation will become a bank holding company.

(iv) Immediately after its acquisition of an existing bank or existing association pursuant to the consolidation agreement, the corporation will not have control of more than 1 savings bank.

(v) Prior to the acquisition of an existing bank or existing association under the consolidation agreement, the corporation is not, and immediately after acquisition of control of the existing bank or existing association will not be, controlled by a bank holding company.

(6) "Control" means control as defined in section 2 of the bank holding company act of 1956.

(b) A new holding company may apply to the commissioner for approval of the terms and conditions of the issuance of the shares or other securities of the new holding company into which the shares of an existing bank or existing association are to be converted, or for which the shares of the existing bank or existing association are to be exchanged, under a consolidation agreement, and for approval of the terms and conditions of the conversion or exchange. The application for approval shall be in a form, contain information, and be accompanied by documents as shall be required by the

commissioner. Within 30 days after the application is filed, the commissioner shall conduct a hearing upon the fairness of the terms and conditions at which all persons to whom it is proposed to issue the securities in the conversion or exchange shall have the right to appear. Within 20 days after the hearing, the commissioner shall either approve or disapprove the terms and conditions of the issuance and of the conversion or exchange. This subsection shall not be construed to require a new holding company to apply for or obtain the approval of the commissioner of the terms and conditions of the issuance and conversion or exchange of securities provided for in a consolidation agreement or to make unlawful any transaction that is lawful without regard to this subsection.

Sec. 127 (a) Upon the affirmative votes of the shareholders representing $2/3$ of the total number of shares of each class of its outstanding capital stock, a savings bank may be converted under the laws of this state into a stock association or under the laws of the United States into a national banking association or federal savings bank.

(b) The conversion of a savings bank into a stock association or a national banking association shall not release the savings bank from its obligations to pay and discharge all the liabilities created by law or incurred by it before becoming a stock association or a national banking association or any tax imposed by the laws of this state up to the date of its becoming a stock association or a national banking association in proportion to the time that has elapsed since the last preceding payment or any assessment, penalty, or forfeiture imposed or incurred under the laws of this state up to the date of its becoming a stock association or a national banking association. No conversion shall be made to defeat or defraud any of the creditors of the savings bank.

(c) Certified copies of all proceedings by the directors and shareholders of the stock association or savings bank shall be filed with the commissioner in triplicate and in addition, the savings bank shall furnish a certified copy of consent or approval of the comptroller of the currency or office of thrift supervision to the conversion if the consent or approval is required by federal law. One copy of the proceedings shall be filed with the office of state bank commissioner and the commissioner shall certify and forward one copy of the proceedings to the county clerk of the county in which the converted savings bank is located.

(d) Upon the affirmative votes of $2/3$ of the total membership of a mutual savings bank, the mutual savings bank may be converted under the laws of this state into a mutual state savings and loan association or under the laws of the United States into a mutual federal savings and loan association or federal savings bank.

(e) The conversion of a mutual savings bank into a state or federal mutual savings and loan association shall not release the mutual savings bank from its obligations to pay and discharge all the liabilities created by law or incurred by it before becoming a state or federal savings and loan association or any tax imposed by the laws of this state up to the date of its becoming a state or federal savings and loan association in proportion to the time that has elapsed since the last preceding payment or any assessment, penalty, or forfeiture imposed or incurred under the laws of this state up

to the date of its becoming a state or federal savings and loan association. No conversion shall be made to defeat or defraud any of the creditors of the mutual savings bank.

(f) Certified copies of all proceedings by the members of the mutual savings bank shall be filed with the commissioner in triplicate, and in addition the mutual savings bank shall furnish a certified copy of consent or approval of the office of thrift supervision to the conversion if the consent or approval is required by federal law. One copy of the proceedings shall be filed with the office of state bank commissioner and the commissioner shall certify and forward one copy of the proceedings to the county clerk of the county in which the converted mutual savings bank is located.

Sec. 128 (a) With the approval of the commissioner, subject to section 14(c), and upon the affirmative votes of the shareholders representing $\frac{2}{3}$ of the total number of shares of each class of its outstanding capital stock, a national banking association, federal savings bank, federal savings and loan association, or other federally chartered shareholder owned financial institution doing business in this state and having an unimpaired capital and surplus sufficient to entitle it to become a savings bank under the provisions of existing laws of this state may be converted into a savings bank if the conversion is not in contravention of any laws of the United States. In such case, the articles of incorporation may be executed by a majority of the directors of the national banking association, federal savings bank, federal savings and loan association, or other federally chartered financial institution. A majority of the directors, after executing the articles of incorporation, shall have the power to execute all other papers and to do whatever may be required to complete its organization as a savings bank.

(b) The shares of the savings bank may continue to be for the same amount each as they were before the conversion, and the directors may continue to be directors of the savings bank until others have been elected or appointed under the laws of this state.

(c) The approval of the commissioner shall be based on an examination of the national banking association, federal savings bank, federal savings and loan association, or other federally chartered financial institutions and of the proceedings had by its directors and shareholders with respect to the conversion.

(d) A conversion shall not be made to defeat or defraud any of the creditors of the national banking association, federal savings bank, federal savings and loan association, or other federally chartered financial institution.

(e) Subject to conditions as he or she may prescribe, the commissioner may permit the converted savings bank to retain and carry, at a value determined by the commissioner, assets of the converting national banking association, federal savings bank, federal savings and loan association, or other federally chartered financial institution as do not conform to the legal requirements relative to assets acquired and held by savings banks.

Sec. 129 (a) With the approval of the commissioner, subject to section 14(c), and upon the affirmative vote of shareholders representing 2/3 of the total number of shares of each class of its outstanding capital stock, a state chartered commercial bank, state chartered savings and loan association, or other state chartered shareholder-owned financial institution having an unimpaired capital and surplus sufficient to entitle it to become a savings bank under the provisions of existing laws of this state may be converted into a savings bank. In such case, the articles of incorporation may be executed by a majority of the directors of the state chartered commercial bank, state chartered savings and loan association, or other state chartered financial institution. A majority of the directors, after executing the articles of incorporation, may execute all other papers and do whatever may be required to complete its organization as a savings bank.

(b) The shares or membership interests of the savings bank may continue to be for the same amount each as they were before the conversion, and the directors may continue to be directors of the savings bank until others have been elected or appointed under the laws of this state.

(c) The approval of the commissioner shall be based on an examination of the state chartered commercial bank, state chartered savings and loan association, or other state chartered financial institution and of the proceedings had by its directors and shareholders with respect to the conversion.

(d) A conversion shall not be made to defeat or defraud any of the creditors of the state chartered commercial bank, state chartered savings and loan association, or other state chartered financial institution.

(e) Subject to conditions as he or she may prescribe, the commissioner may permit the converted savings bank to retain and carry, at a value determined by the commissioner, assets of the converting state chartered commercial bank, state chartered savings and loan association, or other state chartered financial institution which do not conform to the legal requirements relative to assets acquired and held by savings banks.

Sec. 130 (a) With the approval of the commissioner, subject to section 14(c), and upon the affirmative votes of 2/3 of the total membership of a mutual federal savings and loan association, mutual federal savings bank, or other member owned federally chartered financial institution doing business in this state and having an unimpaired capital and surplus sufficient to entitle it to become a savings bank under the provisions of existing laws of this state may be converted into a mutual or stock savings bank if the conversion is not in contravention of any laws of the United States. In such case, the articles of incorporation may be executed by a majority of the directors of the federal savings and loan association, federal savings bank, or other member-owned federally chartered financial institution. A majority of the directors, after executing the articles of incorporation, shall have the power to execute all other papers and to do whatever may be required to complete its organization as a savings bank.

(b) The shares or membership interests of the savings bank may continue to be for the same amount each as they were before the conversion, and the directors may continue to be directors of the savings bank until others have been elected or appointed under the laws of this state.

(c) The approval of the commissioner shall be based on an examination of the federal savings and loan association, federal savings bank, or other member-owned federally chartered financial institution and of the proceedings had by its directors and members with respect to the conversion.

(d) A conversion shall not be made to defeat or defraud any of the creditors of the federal savings and loan association, federal savings bank, or other member-owned federally chartered financial institution.

(e) Subject to conditions as he or she may prescribe, the commissioner may permit the converted savings bank to retain and carry, at a value determined by the commissioner, assets of the converting federal savings and loan association, federal savings bank, or other member-owned federally chartered financial institution as do not conform to the legal requirements relative to assets acquired and held by savings banks.

Sec. 131 (a) With the approval of the commissioner, subject to section 14(c), and upon the affirmative votes of 2/3 of the total membership of a mutual state savings and loan association, or mutual state savings bank, or other member owned state chartered financial institution having an unimpaired capital and surplus sufficient to entitle it to become a savings bank under the provisions of existing laws of this state may be converted into a mutual or stock savings bank. In such case, the articles of incorporation may be executed by a majority of the directors of the savings and loan association, or other member-owned state chartered financial institution. A majority of the directors, after executing the articles of incorporation, may execute all other papers and do whatever may be required to complete its organization as a savings bank.

(b) The shares or membership interests of the savings bank may continue to be for the same amount each as they were before the conversion, and the directors may continue to be directors of the savings bank until others have been elected or appointed under the laws of this state.

(c) The approval of the commissioner shall be based on an examination of the savings and loan association, or other member-owned state chartered financial institution and of the proceedings had by its directors and members with respect to the conversion.

(d) A conversion shall not be made to defeat or defraud any of the creditors of the savings and loan association or other member-owned state chartered financial institution.

(e) Subject to conditions as he or she may prescribe, the commissioner may permit the converted savings bank to retain and carry, at a value determined by the commissioner, assets of the

converting savings and loan association or other member-owned state chartered financial institution which do not conform to the legal requirements relative to assets acquired and held by savings banks.

Sec. 132 (a) If a conversion under sections 128 to 132 becomes effective, all the property of the converting organization, including all its rights, title, and interest in and to all property of whatsoever kind, whether real, personal, or mixed, and things in action, and every right, privilege, and interest, and asset of any conceivable value or benefit then existing, belonging, or pertaining to it, or which would inure to it, shall immediately by act of law and without any conveyance or transfer and without any further act or deed, be vested in and become the property of the converted organization, which shall have, hold, and enjoy the same in its own right as fully and to the same extent as it was possessed, held, and enjoyed by the converting organization.

(b) The converted organization shall be deemed to be a continuation of the entity and of the identity of the converting organization. All the rights, obligations, and relations of the converting organization to or in respect to any person, estate, creditor, depositor, trustee, or beneficiary of any trust, and in, or in respect to, any executorship or trusteeship or any other trust or fiduciary function, shall remain unimpaired.

(c) The converted organization shall succeed to all rights, obligations, relations, trusts, duties, and liabilities and shall execute and perform each and every trust and relation in the same manner as if the converted organization had itself assumed the trust or relation and the obligations and liabilities.

(d) If the converting organization is acting as administrator, co-administrator, executor, co-executor, trustee, or co-trustee of or in respect to any estate or trust being administered under the laws of this state, the relation, as well as any other or similar fiduciary relations, and all rights, privileges, duties, and obligations shall remain unimpaired and shall continue into and in the converted organization from and as of the time of taking effect of the conversion, irrespective of the date when the relation may have been created or established and irrespective of the date of any trust agreement or the date of the death of any testator or decedent whose estate is being administered.

(e) A conversion shall not effect under the laws of this state a renunciation or revocation of any letters of administration or letters testamentary pertaining to the relation nor a removal or resignation from any executorship or trusteeship or other fiduciary relationship nor have the effect as if the executor or trustee or other fiduciary had died or otherwise become incompetent to act.

(f) A savings bank or national banking association or stock association or federal savings bank resulting from a conversion under sections 128 to 132 shall have the right, notwithstanding any of the requirements, restrictions, and limitations of section 81 to the contrary, to retain and continue to operate any and all branches of the converting organization that were in lawful operation immediately prior to conversion, without being required to establish or reestablish any branch or branches under section 81 and irrespective of whether any branch or branches could, at the time the

conversion becomes effective, have been established or re-established as a branch or branches of the converting or converted organization, consistently with the requirements, restrictions, and limitations of section 81.

Sec. 133 The liability of any savings bank, national banking association, stock association, or federal savings bank or of the shareholders, directors, or officers thereof, or the rights or remedies of the creditors thereof, or of persons transacting business with such entities, shall not be lessened or impaired by virtue of the sale of all or substantially all of the assets of such entities or by the consolidation of two or more organizations or the conversion of an organization.

Sec. 134 (a) A mutual savings bank may apply to convert to a stock savings bank. The application shall include a resolution of the board of directors authorizing the application, proposed amendments to the articles of incorporation of the mutual savings bank to authorize the issuance and sale of stock, a plan of conversion, and any other information as the commissioner may require. Within 100 days of receipt of a completed application, the commissioner shall issue his or her approval or denial of the proposed amendments to the articles of incorporation and the plan of conversion, along with his or her preliminary approval or denial of the conversion.

(b) Upon receipt of a preliminary approval to convert, a mutual savings bank shall obtain the affirmative vote of 2/3 of its total membership authorizing the conversion in accordance with the preliminary approval of the commissioner.

(c) Following the approval of its membership, the mutual savings bank may request authorization of the commissioner to convert to a stock savings bank. The request shall include a certified copy of the election results of the membership along with a resolution of the board of directors requesting approval to convert to a stock savings bank. Within 30 days of receipt of a request to convert, the commissioner shall issue his or her approval or denial.

(d) The conversion of a mutual savings bank to a stock savings bank shall not release the mutual savings bank from its obligations to pay and discharge all the liabilities created by law or incurred by the mutual savings bank before becoming a stock savings bank or any tax imposed by the laws of this state up to the date of the mutual savings bank becoming a stock savings bank in proportion to the time which has elapsed since the last preceding payment or any assessment, penalty, or forfeiture imposed or incurred under the laws of this state up to the date of the mutual savings bank becoming a stock savings bank. A conversion shall not be made to defeat or defraud any of the members or creditors of the mutual savings bank.

Sec. 135 (a) The use of the word "bank", "banker", or "banking", or words in any foreign language of similar meaning, as a designation or name or part of a designation or name under which business is conducted in this state, is restricted to a national bank, a savings bank subject to this act, a bank, out-of-state bank, a bank holding company, a foreign bank agency, or a foreign bank branch,

that is lawfully conducting business in this state, except if the designation or name, taken as a whole, would not imply a banking business.

(b) A savings bank subject to this act may use the phrase "state savings bank", "savings bank", "SB" or "SSB" as part of a designation or name.

Sec. 136 (a) The powers, privileges, duties, and restrictions conferred and imposed upon any institution existing and doing business under the laws of this state to which this act is applicable are abridged, enlarged, or modified as each particular case may require to conform to this act.

(b) This act shall not be construed to affect the legality of investments or of transactions made under any law in effect when the investments or transactions were made or to require the change of investments for those named in this act, except by the sale or redemption of the securities to prevent loss or embarrassment in the business of the institution, or unnecessary loss or injury to the borrowers on the securities.

(c) An extension of any loan or investment shall not be made by any institution, unless necessary to avoid loss or embarrassment as provided in subsection (b).

Sec. 136 A savings bank subject to this act shall have the same tax exemptions as a savings and loan association under the laws of Kansas.

Sec. 137 This act shall take effect and be in force from and after its publication in the statute book.



January 23, 1997

COMMITTEE BILL REQUEST

The Kansas Association of Insurance Agents would like to respectfully request that the enclosed draft bill be introduced as a Senate Financial Institutions and Insurance committee bill.

Patrick J. Morris
Executive Vice President

*Senate FD+D
Jan. 23, 1997
Attachment 2*

PROPOSED NEW STATUTE K.S.A. 40-240h

AN ACT concerning personal records of insurance agents, non-resident insurance agents, and insurance brokers.

Be it enacted by the Legislature of the State of Kansas:

(a) The Commissioner of Insurance shall implement methods and procedures to ensure that any person who is an applicant or a licensed insurance agent under this act, an applicant or non-resident insurance agent pursuant to K.S.A. 40-246 or an applicant or licensed insurance broker pursuant to K.S.A. 40-3701 et seq., is provided an opportunity, in a clear and conspicuous manner, to prohibit the disclosure by the Insurance Department of such persons social security number, birthdate, home address and telephone number, except:

(1) for use by any government agency, including any state, federal or local court or law enforcement agency, in carrying out its functions or any private person or entity acting on behalf of a federal, state or local agency in carrying out its functions;

(2) for use in connection with any civil, criminal, administrative or arbitration proceeding in any federal, state or local court or agency or before any self-regulating body, including the use of such information in the service of process, investigations in anticipation of litigation and the execution of enforcement of judgments and orders, or for use pursuant to an order of the federal, state or local court;

(3) for use in research activities, or for use in preparing statistical reports so long as such information is not made public, redisclosed or used to contact individuals; and

(4) for use by anyone who has obtained the written consent of the individual to whom the information pertains.

(b) The Commissioner of Insurance shall comply with subsection (a) above notwithstanding the provisions of the Kansas Open Records Act, K.S.A. 215 et seq.

MEMORANDUM

TO: The Honorable Don Steffes, Chairman
Senate Financial Institutions and Insurance Committee

FROM: William W. Sneed, Legislative Counsel
AmVestors Financial Corporation
American Investors Life Insurance Company

DATE: January 22, 1997

RE: S.B. 31

Mr. Chairman, Members of the Committee: My name is Bill Sneed and I represent AmVestors Financial Corporation and its wholly-owned subsidiary, American Investors Life Insurance Company. S.B. 31 amends K.S.A. 40-414, which sets out exemptions of interest in life insurance policies. Our amendment would provide the same exemptions for contracts of annuity as well.

K.S.A. 40-414 in its present form provides that a policy of insurance issued by a life insurance company and the policy's reserves or its present value shall be free from the claims of the insured's creditors, the policyholder's creditors, or the beneficiary's creditors. The amendment we offer would extend similar treatment to a similar product: the contract of annuity.

K.S.A. 40-414 is designed to protect the most basic mechanism of personal financial security -- the life insurance policy. Individuals purchase such insurance to ensure that somewhere down the road, the policy will provide contractual benefits in time of need. The simple investment in such a policy is protected by law from creditors' claims. The Kansas Legislature at some point decided that keeping this basic protection intact outweighed the need for creditors to reach the asset in satisfaction of a judgment. Annuities, in fact, share many characteristics of a life insurance policy. Like life insurance, annuities provide an individual the opportunity to pay money today in consideration for

Senate FID
January 23, 1997
Attachment 3

a benefit return at some point in the future. Annuities allow an individual to provide some measure of financial security for themselves or others.

More specifically, annuities are taxed like life insurance. Some annuities offer a death benefit, much like a life insurance policy, whereby in the event an annuitant dies before the annuitization date, the annuity pays a sum equal to the total accumulated value to a designated beneficiary. Conversely, the value of a life insurance policy is not available solely upon the death of the insured. The insured may, for instance, borrow against the value of the life insurance policy during his or her lifetime. This potential to access the value of the life insurance policy during the lifetime of the insured is similar to the characteristics of many annuities, which pay the value of the annuity to the annuitant during his or her lifetime.

Though annuities share many characteristics of a life insurance policy, the United States Bankruptcy Court, District of Kansas, has held that the language of K.S.A. 40-414 exempting “any policy of insurance” issued by a life insurance company does not include contracts of annuity. See *In re Stutterheim*, 109 B.R. 1006 (Bkrcty.D.Kan. 1988). In *Stutterheim*, the debtors attempted to claim an annuity as an exemption in bankruptcy proceedings. The court held that the plain language of K.S.A. 40-414(a) did not encompass annuities. The court also noted that the nature of the annuity contract at issue did not mesh with the traditional notion of a policy of life insurance.

Since this 1988 decision, sweeping changes have taken place in the annuities market. The structure and nature of annuities themselves have changed, moving them closer to the fold of the traditional concept of life insurance. Since the late 1980s, the similarities between annuities and life insurance have been recognized in the taxation and securities arenas. As I mentioned earlier, the similarities between the two led to similar tax treatment for both products. The Securities and Exchange Commission has recognized the resemblance between the two products as well.

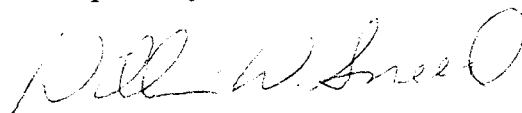
K.S.A. 40-414 was designed to protect individuals' long-term investments in personal financial security, much like the Kansas statutes containing the Homestead and personal property exemptions. The life insurance policy, very similar in form and function to an annuity, has long been protected from the claims of creditors. There is no reason not to clarify the language of the statute to protect a nearly identical product.

Our research indicates that more than 40 states have statutes similar to K.S.A. 40-414. Additionally, more than 20 states, including Nebraska and Oklahoma, have provisions similar to that which my client proposes in S.B. 31.

In sum, we submit that clarifying the language of K.S.A. 40-414 to include contracts of annuity is consistent with the spirit of the original act and is proper and necessary to help protect the basic possessions of an individual facing the claims of creditors. Thus, we respectfully request your favorable action on S.B. 31.

We appreciate the opportunity to present our testimony. Please feel free to contact me if you have any questions.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "William W. Sneed".

William W. Sneed

Kansas Bankers Association

800 SW Jackson, Suite 1500

Topeka, KS 66612

913-232-3444 Fax - 913-232-3484 E-Mail - kbacs@ink.org

1-22-97

To: Senate Financial Institutions and Insurance Committee

From: Chuck Stones, Director of Research

RE: SB 31

Mr Chairman and Members of the Committee,

Thank you for the opportunity to appear before you today in opposition to SB 31. SB 31 would add annuities to the list of financial assets that could be shielded from creditors in bankruptcy court. We think there are several considerations this body must make before passing SB 31.

Exemptions to bankruptcy have been carefully crafted over the years. They have been put into place to allow persons filing bankruptcy to be assured of having the essentials in life, and the ability to make a living after filing bankruptcy. Bankruptcy exemption laws have also tried to eliminate the ability to shield assets from creditors. They have done this by limiting the exemptions to essential assets and even placing time limits on acquiring certain assets prior to filing bankruptcy.

In the marketplace, annuities have always been considered an investment alternative, rather than an alternative to an essential insurance product. Other non-essential investment products, such as CD's, Treasury Securities, etc., are not exempt. Any erosion in the secured creditors ability to collect debt could have a negative effect on credit availability.

The non-essential, investment nature of annuities should preclude them from becoming exempt in bankruptcy proceedings. We urge you to vote NO on SB 31.



Senate FD&D
January 23, 1997
Attachment 4

at by a process of elimination. One must learn the exemptions in Kansas, and once these are firmly entrenched, all other property is not exempt. The exemptions in Kansas are set out in the state statutes. While Bankruptcy law is federal law, 11 U.S.C. § 522 (b) allows states to opt out of the federal exemption scheme and elect to use only State exemptions. Kansas is such a state. Under K.S.A. § 60-2312 the Kansas legislature requires all debtors to utilize state exemptions except that a debtor may also utilize 11 U.S.C. § 522 (d) (10) exemptions.

The exemptions in Kansas are included under Article 23 of Chapter 60. The most common exemptions include:

Homestead or mobile home, one acre in town or 160 acres in the country. K.S.A. § 60-2301

Furnishings, equipment, supplies, including food, fuel and clothing necessary for one year.

K.S.A. § 60-2304 (a)

Jewelry not to exceed \$1,000.00 in value. K.S.A. § 60-2304 (b)

One Vehicle not to exceed \$20,000.00 in value. K.S.A. § 60-2304 (c) (this could include any vehicle or reasonable means of conveyance.)

Burial Plot. K.S.A. § 60-2304 (d)

Books, documents, furniture, instruments, tools, implements, equipment, breeding stock, seed grain, growing plants, stock or other tangible means of production used in a person's

trade not to exceed \$7,500.00 in value. K.S.A. § 60-2304 (e) (The debtors tool of trade exemption must exempt tools used in the debtor's primary income producing enterprise.

If a question arises, review the previous years income tax return. The return will indicate

from which job the debtor received a majority of his income. If the tool is not used in the primary income producing employment, it is not a tool of trade and is not exempt.)

A United States pension. K.S.A. § 60-2308 (a)

Qualified retirement plans under 11 U.S.C. § 522 (d) (10) (E) (ii). Such plans must be qualified under the following IRS provisions: 26 U.S.C. § 401 (a), 26 U.S.C. § 403 (a), 26 U.S.C. § 403 (b), 26 U.S.C. § 408, 26 U.S.C. § 409. The Kansas Statutes are a maze when attempting to locate the pension exemptions. K.S.A. § 60-2312 (b) allows federal exemptions under 11 U.S.C. § 522 (d) (10) to be utilized. Thus under the 11 U.S.C. § 522 (d) (10) the attorney will find the IRS Statutes listed to indicate a properly tax qualified plan. The Kansas Statutes also list of the IRS tax qualified plans separately under K.S.A. § 60-2308 (b).

Alimony and Child Support awards. K.S.A. § 60-2312 (b) and 11 U.S.C. § 522 (d) (10) (D)

Workers Compensation Awards. K.S.A. § 60-2313 (a) (3) and K.S.A. § 44-514

Life Insurance which the debtor has owned longer than one year. K.S.A. §60-2313 (A) (8) and K.S.A. § 40-414

Unemployment Compensation. K.S.A. § 60-2313 (a) (4) and K.S.A. § 44-718

The exemptions listed above are the most common types of exempt property. Article 23 of Chapter 60 should be reviewed thoroughly to determine whether all of the exemptions available are utilized by the debtor.



Kathleen Sebelius
Commissioner of Insurance
Kansas Insurance Department

MEMORANDUM

To: Senate Financial Institutions
and Insurance Committee

From: Tom Wilder

Re: S.B. 49 (Annual Report to Governor)

Date: January 23, 1997

Senate Bill 49 gives the Insurance Department more flexibility in the types of information which we must submit each year in our annual report to the Governor. The report can be a useful way to inform Kansas consumers regarding the impact of the insurance industry on their family budget. The current statute sets out specific tables of information which must be included in the report. This type of data may be useful to someone who is doing a detailed economic analysis of the insurance industry but it is not information which the general public would find helpful in understanding how insurance works. The detailed data is still available to anyone who wants the reports.

The Insurance Department would like to use the Annual Report as more of an educational tool for consumers. The amendments we have suggested to the statute would help the Department prepare a more "readable" report.

I would ask the Committee to pass S.B. 49.

*Senate F.D. & I
Attachment 5
January 23, 1997*



Kathleen Sebelius
Commissioner of Insurance
Kansas Insurance Department

MEMORANDUM

To: Senate Financial Institutions
and Insurance Committee

From: Tom Wilder

Re: S.B. 55 (Risk Based Capital Instructions)

Date: January 23, 1997

The Insurance Department uses a number of tools to appraise the solvency of insurance companies. One of the ways which we evaluate insurers is through an analysis of its risk based capital. The "RBC" formula is a means to judge the type of risk exposure a company might have based on the kinds of insurance products it is selling.

This bill deals with the "RBC Instructions" which are financial reports filed with the Department and the National Association of Insurance ^{Commissioners} Companies. The regulators use the information to evaluate the financial status of insurers. The instructions are updated each year by the NAIC. Our current statute refers to the RBC Instructions as of "July 1, 1996" and we need to change that date to December 21, 1996 to capture the latest version of the instructions. I have attached a copy of the changes in the instructions to my testimony.

The domestic insurance companies will ask that you delay action on this bill until they have time to review the updated version of the RBC Instructions which the Department believes is a reasonable request to this Committee.

I would ask that the Committee pass Senate Bill 55 once the Kansas companies have had an opportunity to study the impact on their operations.

*Senate FID
Attachment 6
Jan 23, 1997*

MEMORANDUM

DATE: November 20, 1996
TO: Tom Wilder
FROM: Patrick Mulvihill
RE: Changes to Risk-Based Capital (RBC) Instructions in 1996
CC: Don Gaskill

This is a follow-up to my October 17, 1996 memorandum concerning the "Definition of RBC Instructions" which is set forth in K.S.A. 1995 Supp. 40-2c01(j) as amended by 1996 House Bill No. 2661.

As you requested, I recently contacted Mike Barth of the NAIC to find out what changes have been made to the RBC instructions for the year 1996. I have attached a copy of the instructions for both life companies and property & casualty companies which were forwarded to me. Please note that behind each set of instructions is a copy of a Risk-Based Capital Newsletter which includes a brief summary of some of the 1996 changes. In addition, an August 30, 1996 memorandum from the NAIC Publications Department is stapled to the front of each set of instructions. Both memorandums indicate that "Most of the changes made to the Risk-Based Capital formula for 1996 were made to segregate data elements of the formula onto one line and have no effect on the Risk-Based Capital calculation." However, both memorandums go on to summarize specific changes that do affect the actual calculation of RBC. I discussed these changes with Mike Barth and he provided me with the following comments:

LIFE RISK-BASED CAPITAL

1. The quarters used to calculate the Company Average Delinquency Rate for LR003 Mortgage Experience Adjustment were changed. In addition, a new Industry Average Delinquency Rate will be calculated.

Comment:

This is a "program change" which occurs every year. In other words, a new Industry Average Delinquency Rate is recalculated each year. You divide the insurer's mortgage delinquency experience by the life insurance industry average. This change would only affect companies that have invested in mortgages. It would raise the RBC required for those companies which have worse mortgage loan delinquency experience than the life insurance industry as a whole. However, the required RBC might be less if the insurer's experience was much better than the life insurance industry average. Most companies have better experience than the life insurance industry average.

6-2
COPY

2. A new line was added to LR006 Unaffiliated Preferred and Common Stock for Federal Home Loan Bank common stock.

Comment:

There would be a decrease in the required RBC for those companies which own Federal Home Loan Bank common stock inasmuch as the factor which is used has been reduced from 30% to 2.5%.

3

3. Expense allowance transfer lines were added to the LR007 Separate Accounts calculation of surplus in non-guaranteed Separate Accounts.

Comment:

This change will increase the required RBC for those companies that have separate accounts.

4. The calculation of Total Risk-Based Capital After Covariance for LR021 Calculation of Authorized Control Level Risk-Based Capital Line (37) was changed for the addition of C-0 risk. C-0 risk is composed of certain affiliated investments that were previously included in C-1 risk.

Comment:

Most insurance companies do not own other insurance companies and, therefore, will not be affected by this change. However, if an insurance company does own another insurance company, there will either be no change or possibly an increase in the amount of required RBC. There will be no decrease in the amount of required RBC.

5. The factor for non-tabular discount on LR022 Calculation of Total Adjusted Capital Line (9) changed from 0.400 to 0.600.

Comment:

The change actually became effective in 1994 but is being "phased in" over a period of time. The change pertains to those life insurance companies which own property & casualty insurance companies. The change is requiring an increase in the required RBC. The factor is being increased from 0.400 in 1995 to 0.600 in 1996. In addition, the factor will increase to 0.800 in 1997 and will increase to 1.000 in 1998 and will remain at that level thereafter.

6. Negative amounts in the Statement Value or RBC Subtotal column will no longer calculate to a negative amount in the RBC Requirement column.

Comment:

The change is mainly for clarification purposes. Very few companies will be affected. Any required increase in RBC will likely be negligible. In the past, if a company reported a negative investment in common stock, the formula allowed the

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insurance company to take a credit against the required RBC rather than a zero for this particular portion of the formula. However, if a company reports a negative amount of cash in its balance sheet, the formula already provided that the result for this portion of the formula cannot be reduced below zero. Some accounts, such as common stock, were never addressed concerning this matter. In summary, the purpose of the change is to make sure that whenever an insurance company reports a negative amount for any asset in its financial statement, the company will not be able to reduce the result in the applicable portion of the computation below zero.

ADDITIONAL CHANGE: RBC Requirement Pertaining to Asset Valuation Reserve Default Components on Derivative Instruments---Page LR011

Comment:

Mike indicated that this is an additional change which is not listed in the August 30, 1996 memorandum but is highlighted on page LR011 of the formula. He indicated that line 4b is the sum of lines 6 through 12. Mike stated that if, for example, an insurance company has a Class 6 derivative and nothing else, then the RBC requirement might go up. Few companies have such securities but even if they do have them, they would also have other types of securities as well. This change will generally have little impact on companies unless they are investing in "junk bonds".

PROPERTY AND CASUALTY RISK-BASED CAPITAL

1. The adjustment to surplus for nontabular discount on loss and loss adjustment expenses has been increased from 40% to 60%.

Comment:

This matter, which affects companies that discount their reserves, was addressed as part of the RBC Model which was adopted by the NAIC in 1994. It is part of a planned "phase in" of the factor over a period of time. The change is requiring an increase in the required RBC. The factor is being increased from 40% in 1995 to 60% in 1996. In addition, the factor will increase to 80% in 1997 and will increase to 100% in 1998 and will remain at that level thereafter.

2. Authorized Control Level Risk-Based Capital was increased from 45% of Risk-Based Capital After Covariance to 50% of Risk-Based Capital After Covariance.

Comment:

This change will increase the required RBC for all companies. However, it was also addressed as part of the RBC Model which was adopted by the NAIC in 1994. The change in 1996 will be the end of the "phase in" period. In regard to "covariance", Mike explained it as recognizing that "the overall risk is not as significant as the individual parts". For example, it is unlikely that a particular insurer's bond investments would go into default and that at the same time the insurer would experience adverse experience on the workers' compensation business it writes. Therefore the RBC formula

6-4

recognizes this and allows a discount on the amount of RBC that is required by recognizing a covariance between various items which are considered in computing the overall RBC that is required for a company.

3. Claims made and occurrence Medical Malpractice will be calculated separately.

Comment:

This change was designed to be RBC neutral and will, therefore, have no impact on the required RBC. (The medical malpractice information will be split this year into Columns 6 and 7 on pages PR012 and PR013 of the formula.)

4. Fidelity/Surety will be shown as a separate line of business.

Comment:

This change was designed to be RBC neutral and will, therefore, have no impact on the required RBC. (The fidelity/surety information which will appear in Column 10 on pages PR012 and PR103 of the formula was previously included as part of the information which will be reported in Column 11 this year.)

ADDITIONAL CHANGES: Industry Average Factors---Pages PR012 and PR013

Comment:

The August 30, 1996 memorandum from the NAIC Publications Department, which pertains to the Property & Casualty RBC, summarizes the changes that do affect the actual calculation of RBC. It is generally understood that if a factor used in the formula is based on industry averages then those industry averages will change each year. However, the memorandum does not specifically address all such changes. For example, Mike indicated that there are changes each year in the industry average figures which appear on line 1 of page PR012 that pertains to the "Industry Average Development" of Schedule P reserves and line 1 on page PR013 that pertains to the "Industry Average Loss & LAE Ratio". Mike also pointed out that the factors have changed which appear in columns 13 and 14 of line 8 on page PR012 and the same columns of line 7 on page PR013, both lines of which pertain to an "Adjustment for Investment Income".

CONCLUDING COMMENTS

Please note that the August 30, 1996 memorandum from the NAIC Publications Department, which pertains to Life RBC, indicates that "Changes that do affect the actual calculation of Risk-Based Capital are highlighted with a bold font". However, the Property & Casualty RBC memorandum does not make any similar comments regarding

6-5

the highlighting of changes. Mike acknowledged that the changes for property and casualty companies have not been highlighted as was done for the life companies.

Mike indicated that a few more RBC instruction changes will come out in December and our Department should be receiving a copy. However, he stated that nothing which comes out in December will change the formula in calculating the RBC for life or property & casualty companies.

Mike also indicated that the types of changes and amount of changes which have occurred in the RBC instructions in 1996 are typical of the changes which occur each year. He pointed out that there are usually several additional changes which are considered each year which do not actually become effective.

Mike indicated that if the Legislature wants our RBC statute to make reference to the RBC instructions which are in effect as of a specific date, he suggests that we refer to a date at the end of a particular year, such as December 31, 1996, rather than during the middle of the year as is presently the situation.

Please feel free to contact me if you should have any questions or need additional information.

Attachments

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National
Association
of Insurance
Commissioners

816-471-7004 Main Fax
816-842-9185 Financial Services & Research Fax

DATE: August 30, 1996
TO: Life Risk-Based Capital Report Subscribers
FROM: Publications Department
SUBJECT: 1996 Life Risk-Based Capital Report

In an effort to clarify what data should be entered for the Risk-Based Capital filing diskette, certain lines on the formula pages are shaded. The lines that are shaded do not come directly from the Annual Statement. These lines must be entered manually by the company for the Risk-Based Capital filing diskette.

Most of the changes made to the Risk-Based Capital formula for 1996 were made to segregate data elements of the formula onto one line and have no effect on the Risk-Based Capital calculation. Changes that do affect the actual calculation of Risk-Based Capital are highlighted with a bold font.

The following changes were made to the Risk-Based Capital formula that affect the amount of Risk-Based Capital calculated:

- 1 The quarters used to calculate the Company Average Delinquency Rate for LR003 Mortgage Experience Adjustment were changed. In addition, a new Industry Average Delinquency Rate will be calculated.
- 2 A new line was added to LR006 Unaffiliated Preferred and Common Stock for Federal Home Loan Bank common stock.
- 3 Expense allowance transfer lines were added to the LR007 Separate Accounts calculation of surplus in non-guaranteed Separate Accounts.
- 4 The calculation of Total Risk-Based Capital After Covariance for LR021 Calculation of Authorized Control Level Risk-Based Capital Line (37) was changed for the addition of C-0 risk. C-0 risk is composed of certain affiliated investments that were previously included in C-1 risk.
- 5 The factor for non-tabular discount on LR022 Calculation of Total Adjusted Capital Line (9) changed from 0.400 to 0.600.
- 6 Negative amounts in the Statement Value or RBC Subtotal column will no longer calculate to a negative amount in the RBC Requirement column.

National
Association
of Insurance
Commissioners

DATE: August 30, 1996

TO: Property/Casualty Risk-Based Capital Report Subscribers

FROM: Publications Department

SUBJECT: 1996 P&C Risk-Based Capital Overview and Instructions

In an effort to clarify what data should be entered for the Risk-Based Capital filing diskette, certain lines on the formula pages are shaded. The lines that are shaded do not come directly from the Annual Statement. The data for these lines must be entered manually by the company.

Most of the changes made to the Risk-Based Capital formula for 1996 were made to segregate data elements of the formula onto one line and have no effect on the Risk-Based Capital calculation. The following changes do affect the actual calculation of Risk-Based Capital:

1. The adjustment to surplus for nontabular discount on loss and loss adjustment expenses has been increased from 40% to 60%.
2. Authorized Control Level Risk-Based Capital was increased from 45% of Risk-Based Capital After Covariance to 50% of Risk-Based Capital After Covariance.
3. Claims made and occurrence Medical Malpractice will be calculated separately.
4. Fidelity/Surety will be shown as a separate line of business.

David A. Hanson
Kansas Insurance Associations
Topeka, Kansas
(913) 232-0545

TESTIMONY ON SB55

TO: Senate Financial Institutions and Insurance Committee
State Capitol
Topeka, Kansas

RE: Senate Bill No. 55

Mr. Chairman and Members of the Committee:

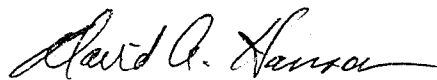
Thank you for this opportunity to appear before the Committee. I am David Hanson and am appearing on behalf of Kansas Association of Property and Casualty Insurance Companies and the Kansas Life Insurance Association, whose members are domestic insurance companies in Kansas.

The risk based capital provisions involved in Senate Bill 55 were developed by the NAIC for use by state insurance regulators as a standardized method of monitoring the solvency of insurers and the need for corrective action. We appreciate the Insurance Department's willingness to work with us to address several concerns we had with the original bill passed last year, House Bill 2661.

We had requested the reference date in the definition of "RBC instructions" to make sure the NAIC promulgated RBC instructions and formula were those in effect at that time, rather than unknown future revisions, which could adversely affect our companies' risk-based capital and their resulting action or control levels. While we believe our companies remain in good standing under the previously approved NAIC instructions and formula, we need to carefully consider any significant changes in those instructions and formula by the NAIC before adopting them in Kansas.

Our companies are in the process of reviewing the proposed changes at this time and we would appreciate an opportunity to provide further information to you in the next few weeks as these reviews are completed.

Respectfully,



DAVID A. HANSON

*Senate F&D
Attachment 7
Jan 23, 1997*