

NORTH CAROLINA GENERAL ASSEMBLY  
1979 SESSION

CHAPTER 798  
SENATE BILL 614

AN ACT TO PROVIDE FOR CONVERSION OF MUTUALLY-OWNED SAVINGS AND  
LOAN ASSOCIATIONS TO STOCK-OWNED ASSOCIATIONS.

The General Assembly of North Carolina enacts:

**Section 1.** The final sentence of G.S. 54A-1 (which reads: "No mutual savings and loan associations shall be allowed to convert to a stock-owned savings and loan association under the provisions of this Chapter.") is repealed.

**Sec. 2.** A new G.S. 54A-13 is enacted to read as follows:

"§ 54A-13. **Conversion of mutual savings and loan associations to stock- owned.** — (a) Any mutual savings and loan association may convert from mutual to the stock form of ownership as provided in this section. Upon conversion such associations shall be stock-owned associations and shall be governed by the law which govern stock-owned associations.

(b) A mutual savings and loan association that wishes to convert to stock form may apply to the Administrator of the Savings and Loan Division for permission to convert and for certification of appropriate amendments to the association's certificate of incorporation. Upon receipt of an application to convert from mutual to stock form the Administrator shall examine into all facts connected with the requested conversion and, if conversion is duly approved, the Administrator shall monitor and supervise the conversion until completed. The expenses and cost of such examination, monitoring and supervision shall be paid by the association applying for permission to convert.

(c) Upon completion of his examination the Administrator shall report his findings to the Savings and Loan Commission. After hearing the findings of the Administrator and conducting such further examinations and investigations as it deems appropriate, the Commission may approve and permit the requested conversion if it appears that:

- (1) After conversion the association will be in sound financial condition and will be safely and competently managed.
- (2) The conversion will not impair the capital of the association or harm the association's ability to operate safely and properly.
- (3) The conversion will be fair and equitable to the members of the association and no person whether member, employee or otherwise, will receive any inequitable gain or advantage by reason of the conversion.
- (4) The savings and loan services provided to its community and to the public by the association will not be harmed by the conversion.
- (5) The conversion will be conducted as provided by law and pursuant to a plan approved by the Administrator. The substance of the plan must be approved by a vote of two-thirds of the board of directors of the association; and, after lawful notice to the members of the association and full and fair disclosure, the substance of said plan must be approved by a majority of the total votes which members of the association are eligible and entitled to cast. Such a vote by the members may be in person or by proxy.
- (6) The plan of conversion provides that:

- a. All shares of stock issued in connection with the conversion are offered first to the members of the association.
- b. No person may acquire said stock except a natural person in exchange for fair consideration approved by the Administrator in the form of legal tender of the United States.
- c. All stock shall be offered to members of the association and others in prescribed amounts and otherwise pursuant to a formula and procedure first found to be fair and equitable by the Administrator and fairly disclosed to all interested persons.
- d. Members to whom stock will be offered and the amounts of stock which will be offered shall be determined as of a date or dates fixed by the Administrator.
- e. At the time of the conversion, no person singularly or in combination with his immediate family, may acquire ownership or control of more than five percent (5%) of all the stock issued in connection with the conversion.
- f. At the time of the conversion, the total amount of stock issued in connection with the conversion and acquired by officers and directors shall not exceed twenty-five percent (25%) of the total number of shares issued in connection with the conversion.
- g. The Administrator shall not permit a completed conversion until the entire offering of stock in connection with the conversion has been subscribed.

(d) After approval of a requested conversion by the Commission, the Administrator shall supervise and monitor the conversion process and he shall ensure that the conversion is conducted pursuant to law and the association's approved plan of conversion.

(e) Upon conversion of a mutual savings and loan association to the stock form of ownership, the legal existence of the association shall not terminate but the converted stock-owned association shall be a continuation of the mutual association. The conversion shall be deemed a mere change in identity or form or organization. All rights, liabilities, obligations, interest, and relations of whatever kind of the mutual association shall continue and remain in the stock-owned association. All actions and legal proceedings to which the association was a party prior to conversion shall be unaffected by the conversion and proceed as if the conversion had not taken place.

(f) The Administrator shall promulgate rules and regulations to govern conversions; provided, however, that such rules and regulations as may be promulgated by the Administrator shall be equal to or exceed the requirements for conversion imposed by the rules and regulations governing conversions of federal chartered mutual savings and loan associations of the Federal Home Loan Bank Board as set forth in the Federal Register, Vol 44, No 62-Thursdays, March 29, 1979, entitled 'Part 563b Conversion From Mutual to Stock Form' as these may be amended from time to time and other applicable rules and regulations effective as of the date of ratification. No provision of this section is to be interpreted to require Federal Savings and Loan Insurance Corporation (FSLIC) insurance of accounts as a prerequisite to conversion. All State chartered Savings and Loan Associations are to continue to be allowed to choose between FSLIC and a mutual deposit guaranty association authorized by the statutes of this State for insurance of accounts. Said rules and regulations shall implement the provisions of this section and provide procedures by which an association shall seek permission for a conversion and procedures for conducting conversions. Provided, however, the rules and regulations promulgated under this section shall apply equally to all converting associations and no converting association shall enjoy a competitive advantage over another type of converting association by reason of the rules and regulations governing its conversion;

provided further, however, no association shall be required by the Administrator or by regulation to change the type of insurance it maintains on its withdrawable accounts by reason of this section."

**Sec. 3.** No conversion shall be permitted pursuant to the terms of this act until the rules and regulations referred to herein are promulgated.

**Sec. 4.** No association shall be permitted to sell stock pursuant to a plan of conversion under the provisions of this act until such time as stock has been sold and issued pursuant to an approved plan of conversion by a federally chartered Savings and Loan Association in this State.

**Sec. 5.** Severability. If any provision of this act or the application thereof to any person or circumstances is held invalid, such invalidity shall not affect other provisions or applications of the act which can be given effect without the invalid provision or application, and to this end the provisions of this act are declared to be severable.

**Sec. 6.** This act shall become effective on January 1, 1980.

In the General Assembly read three times and ratified, this the 6th day of June, 1979.