

**CHAPTER 32**

**CONVERSIONS OF ASSOCIATIONS**

**Authority**

N.J.S.A. 17:1-8 and 15e, 17:1C-33 et seq.,  
17:12B-1 et seq. and 17:12B-319.

**Source and Effective Date**

R.2004 d.115, effective February 19, 2004.  
See: 35 N.J.R. 5187(a), 36 N.J.R. 1355(b).

**Chapter Expiration Date**

In accordance with N.J.S.A. 52:14B-5.1c, Chapter 32, Conversions of Associations, expires on August 18, 2009. See: 41 N.J.R. 8(a).

**Chapter Historical Note**

Chapter 32, Stock Associations, was adopted as R.1975 d.352, effective January 1, 1976. See: 7 N.J.R. 92(c), 8 N.J.R. 9(c).

Subchapter 2, Conversion of an Association to a Savings Bank, was adopted as R.1991 d.294, effective June 17, 1991. See: 23 N.J.R. 929(b), 23 N.J.R. 1919(b).

Pursuant to Executive Order No. 66(1978), Chapter 32, Stock Associations, expired on October 3, 1993.

Chapter 32, Conversions of Associations, was adopted as new rules by R.1993 d.535, effective November 1, 1993. See: 25 N.J.R. 2799(a), 25 N.J.R. 4900(c).

Subchapter 3, Mutual State Association Holding Companies, was adopted as R.1994 d.373, effective July 18, 1994. See: 26 N.J.R. 1213(a), 26 N.J.R. 2892(b).

Pursuant to Executive Order No. 66(1978), Chapter 32, Conversions of Associations, was readopted as R.1998 d.559, effective October 30, 1998. See: 30 N.J.R. 3124(a), 30 N.J.R. 4209(a).

Chapter 32, Conversions of Associations, was readopted as R.2004 d.115, effective February 19, 2004. See: Source and Effective Date. See, also, section annotations.

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**SUBCHAPTER 1. CONVERSION OF A MUTUAL ASSOCIATION TO A CAPITAL STOCK ASSOCIATION**

**3:32-1.1 Authorization for conversion**

An insured mutual association may convert to a capital stock association subject to the limitations and provisions of N.J.S.A. 17:12B-1 et seq., and this chapter. The association shall also be subject to the requirements promulgated by the Office of Thrift Supervision at 12 CFR 563b relating to conversions from mutual to stock form.

Amended by R.1988 d.472, effective October 3, 1988.  
See: 20 N.J.R. 697(a), 20 N.J.R. 2450(a).

Added subsection (b).  
Amended by R.1998 d.559, effective December 7, 1998.  
See: 30 N.J.R. 3124(a), 30 N.J.R. 4209(a).

Rewrote the section.

**3:32-1.2 Application**

Applications and other forms provided by the Office of Thrift Supervision shall be considered as acceptable material by the Commissioner for compliance with the provisions of this chapter and N.J.S.A. 17:12B-1 et seq. Copies of all forms required to be filed with the Office of Thrift Supervision should be forwarded to the Commissioner as part of the application for preliminary approval.

Amended by R.1988 d.472, effective October 3, 1988.  
See: 20 N.J.R. 697(a), 20 N.J.R. 2450(a).

Added (b).  
Amended by R.1998 d.559, effective December 7, 1998.  
See: 30 N.J.R. 3124(a), 30 N.J.R. 4209(a).

Rewrote the section.

**3:32-1.3 Conversion; general**

(a) A State chartered association making such conversion shall comply with the following conditions and procedures:

1. Any plan for conversion shall be approved by two-thirds of the board of such association, and a resolution shall be adopted to that effect;

2. A preliminary application for approval of conversion with a proxy statement and a proxy form shall be submitted to the commissioner who shall determine that:

- i. The plan of conversion has been adopted and approved by the board of directors;
- ii. The plan of conversion is fair and equitable to all members;
- iii. Sufficient provision has been made to protect the interest of the depositors of the prospective capital stock association;

(b) If the preliminary application for approval of conversion is deemed acceptable by the Commissioner, he or she shall issue a notice of intent to approve subject to the affirmative vote of a majority of eligible members and compliance with the conditions prescribed in the conversion provisions of N.J.S.A. 17:12B-1 et seq. and this regulation.

Amended by R.1998 d.559, effective December 7, 1998.  
See: 30 N.J.R. 3124(a), 30 N.J.R. 4209(a).

In (b), substituted a reference to N.J.S.A. 17:12B-1 et seq. for a reference to article XXI of the Savings and Loan Act (1963).

### 3:32-1.4 Meeting of members

(a) Savings and/or borrowing members, as defined by the mutual association's bylaws, who are 16 years of age, or over, shall be entitled to vote at the special meeting to consider conversion to a capital stock association.

(b) The record date for determining those members eligible to vote at the special meeting called to consider the plan of conversion shall not be less than 90 days prior to the date of approval of such plan by the board of directors.

(c) A special meeting of the members shall be called by the board of directors, not later than 180 days following preliminary approval of the plan of conversion by both the Commissioner and the Office of Thrift Supervision. The members shall consider and vote upon, either in person or by proxy, the following business:

1. The adoption of the plan of conversion of the mutual association into a capital stock association;
2. The election of directors to hold office from the effective date of conversion until the next annual meeting; and
3. The adoption of bylaws for the capital stock association.

(d) Upon affirmative vote of a majority of the members present either in person or by proxy determining to convert the mutual association into a capital stock association, the board of directors shall within 45 days file with the Commissioner the following documents:

1. A copy of the minutes of the proceedings of such meeting;
2. A certified copy of the resolution adopted by the *stockholders* or members relating to the plan of conversion,

and a certified statement signed by two officers, one of whom shall be the president or a vice-president, containing the following information with regard to the resolution:

- i. The total number of votes eligible to be cast;
  - ii. The total number of votes represented in person or by proxy at the special meeting; and
  - iii. The total number of votes cast in favor and against the resolution and each matter related to the resolution including, but not limited to, adopted and defeated amendments;
3. A certificate of incorporation as provided at N.J.S.A. 17:12B-1 et seq.;
  4. A copy of the bylaws for the stock corporation; and
  5. The conversion application for final approval.

Amended by R.1988 d.472, effective October 3, 1988.  
See: 20 N.J.R. 697(a), 20 N.J.R. 2450(a).

Substantially amended.

Amended by R.1998 d.559, effective December 7, 1998.  
See: 30 N.J.R. 3124(a), 30 N.J.R. 4209(a).

In (c), substituted a reference to the Office of Thrift Supervision for a reference to the Federal Savings and Loan Insurance Corporation at the end of the first sentence and deleted a former second sentence in the introductory paragraph; and in (d), deleted "or, in the case of a 3121 Association, the affirmative vote of at least two-thirds" following "majority" in the introductory paragraph, and substituted a reference to N.J.S.A. 17:12B-1 et seq. for a reference to article XXI, section 18 of the Savings and Loan Act (1963) in 2.

Amended by R.2004 d.115, effective March 15, 2004.

See: 35 N.J.R. 5187(a), 36 N.J.R. 1355(b).

In (d), added a new 2 and recodified former 2 through 4 as 3 through 5.

### 3:32-1.5 Voting in person or by proxy

(a) Every proxy shall be executed and dated by the member or his agent and filed with the secretary of the association not later than the commencement of the scheduled meeting.

(b) A proxy shall be revocable at will; however the presence of the member at the meeting of the members shall not revoke such proxy unless the member files a written notice of such revocation with the secretary of the meeting prior to the voting of such proxy.

(c) A proxy shall not be revoked by the death or incapacity of the member but such proxy shall continue in force until revoked by the legally constituted or appointed representative or guardian of the member.

(d) The proxies shall be valid only for the meeting at which a conversion plan will be voted upon.

(e) Requirements as to proxy forms:

1. Shall indicate in boldface type whether proxy is solicited on behalf of management;

2. Shall provide specifically designated blank spaces for dating and signing the proxy;
3. Shall clearly identify each matter or group of related matters to be voted upon;
4. Shall be clearly labeled "revocable proxy" in bold-face type;
5. Shall contain an acknowledgement by the person giving the proxy that he has received a proxy statement prior to signing the proxy form;
6. Shall contain the date, time and place of meeting;
7. Shall provide by a box, or otherwise, a means whereby a person solicited can indicate his choice between approval or disapproval of each matter to be acted upon;
8. Shall indicate in boldface type how the proxy shall be voted on each matter where no choice is specified;
9. Shall clearly show the procedure for revocation of proxy set forth in subsection (b) of this section.

Amended by R.1976 d.337, effective October 27, 1976.  
See: 8 N.J.R. 452(d), 8 N.J.R. 543(a).

**3:32-1.6 Stock purchase rights**

(a) Eligible account holders shall be entitled to subscription rights to purchase capital stock pro rata to the value of their holdings. Eligible account holders under 18 years of age shall be entitled to purchase stock under a custodian agreement.

(b) The exercise of the subscription rights of the eligible account holders shall be in accordance with 12 CFR 563b.

(c) An "eligible account holder" means any person holding a savings account in a converting association on the eligibility record date established by the Commissioner which shall be not less than one year prior to the approval of the plan of conversion of the board of directors.

Amended by R.1988 d.472, effective October 3, 1988.  
See: 20 N.J.R. 697(a), 20 N.J.R. 2450(a).

Added (d).

Amended by R.1998 d.559, effective December 7, 1998.  
See: 30 N.J.R. 3124(a), 30 N.J.R. 4209(a).

Deleted a former (d).

Amended by R.2004 d.115, effective March 15, 2004.  
See: 35 N.J.R. 5187(a), 36 N.J.R. 1355(b).

In (c), substituted "one year" for "90 days" preceding "prior to the approval".

**3:32-1.7 Purchase price of stock**

(a) The application for final approval shall fix a subscription price per share not less than \$5.00 and not more than \$50.00, except that the subscription price may exceed \$50.00 per share upon a showing of special circumstances.

(b) Prices are to be established by persons independent of the converting association who are experienced and ex-

pert in corporate appraisal. The independence of the persons shall not be deemed to have been compromised merely because they participated in selling the stock or received from the association a fee for price appraisal services. The persons shall be acceptable to the Commissioner and the corporation.

Amended by R.1976 d.337, effective October 27, 1976.

See: 8 N.J.R. 452(d), 8 N.J.R. 543(a).

Amended by R.1988 d.472, effective October 3, 1988.

See: 20 N.J.R. 697(a), 20 N.J.R. 2450(a).

Substantially amended.

**3:32-1.8 Capital stock; no par value**

The stated capital for stock issued without par value shall be not less than \$2.00 per share.

**3:32-1.9 Liquidation account**

Appropriate subaccount records shall be maintained for each eligible account holder with respect to each savings account. Such subaccount will represent a related inchoate interest in a portion of the liquidation account balance. Such initial interest shall be adjusted for withdrawals in the savings account subsequent to the eligibility record date in accordance with 12 CFR 563b.

Amended by R.1998 d.559, effective December 7, 1998.

See: 30 N.J.R. 3124(a), 30 N.J.R. 4209(a).

**3:32-1.10 Fees; conversion from mutual to capital stock association**

An application fee as set forth in N.J.A.C. 3:1-2.24 shall accompany every application for the conversion of a mutual association to a capital stock association.

New Rule, R.1988 d.472, effective October 3, 1988.

See: 20 N.J.R. 697(a), 20 N.J.R. 2450(a).

Amended by R.1991 d.294, effective June 17, 1991.

See: 23 N.J.R. 929(b), 23 N.J.R. 1919(b).

Deleted reference to conversion fee of \$1,500 and added reference to application fee in N.J.A.C. 3:1-2.26.

Recodified from N.J.A.C. 3:32-1.11 and amended by R.1998 d.559, effective December 7, 1998.

See: 30 N.J.R. 3124(a), 30 N.J.R. 4209(a).

Changed N.J.A.C. reference. Former N.J.A.C. 3:32-1.10, 3121 Associations, repealed

Amended by R.2004 d.115, effective March 15, 2004.

See: 35 N.J.R. 5187(a), 36 N.J.R. 1355(b).

Amended N.J.A.C. reference.

**3:32-1.11 (Reserved)**

Recodified to N.J.A.C. 3:32-1.10 by R.1998 d.559, effective December 7, 1998.

See: 30 N.J.R. 3124(a), 30 N.J.R. 4209(a).

**SUBCHAPTER 2. CONVERSION OF AN ASSOCIATION TO A SAVINGS BANK**

**3:32-2.1 Definitions**

The following words and terms, when used in this subchapter, shall have the following meanings unless the context clearly indicates otherwise.

“Capital stock association” shall have the meaning ascribed to it in N.J.S.A. 17:12B-244.

“Capital stock savings bank” shall have the meaning ascribed to it in N.J.S.A. 17:9A-8.1.

“Mutual savings bank” means any savings bank organized pursuant to N.J.S.A. 17:9A-1 et seq. without capital stock.

“Savings bank” shall have the meaning ascribed to it in N.J.S.A. 17:9A-1.

“State association” and “mutual association” shall have the meanings ascribed to those terms in N.J.S.A. 17:12B-5.

### 3:32-2.2 Authorization for conversion

(a) Any mutual association may apply to the Commissioner to convert itself to a mutual savings bank by organizing and transferring its assets and liabilities to a newly-chartered mutual savings bank, and any capital stock association may apply to the Commissioner to convert itself to a capital stock savings bank by organizing and transferring its assets and liabilities to a newly-chartered capital stock savings bank.

(b) Before applying to the Commissioner for a conversion pursuant to (a) above, the association shall obtain a resolution of the association’s board of directors indicating that the conversion is advisable and in the best interests of the members or shareholders.

(c) After the board of directors has adopted a resolution, a meeting of the members or stockholders shall be held upon not less than 10 days’ written notice. The notice shall contain a statement of the time, place and purpose for which such meeting is called. At this meeting, the members or shareholders shall vote on whether the association shall convert to a savings bank. An affirmative vote of at least two-thirds of the members present, or shares eligible to be voted which are represented at the meeting, either in person or by proxy, may approve the conversion.

### 3:32-2.3 Application for conversion

(a) An application for a conversion from an association to a savings bank shall contain the following:

1. A certified copy of the resolution of the board of directors authorizing the conversion;
2. A certified copy of the resolution adopted by the stockholders or members relating to the plan of conversion, containing the following information:
  - i. The total number of votes eligible to be cast;
  - ii. The total number of votes represented in person or by proxy at the special meeting;
  - iii. The total number of votes cast in favor and against each matter; and

iv. The percentage of votes cast in favor and against each matter.

3. A certificate of incorporation for the new savings bank;

4. Copies of all applications for Federal regulatory approval and all approvals required in connection with the conversion, or, if no application or approval is required, a statement or opinion of counsel to that effect; and

5. The application fee for the conversion as set forth at N.J.A.C. 3:1-2.24.

(b) The Commissioner may require the applicant to supply one or more of the following items:

1. Biographical information for any of the incorporators and/or directors on forms approved by the Commissioner;

2. A completed form from the New Jersey State Police requesting criminal history record information for any director and/or incorporator, along with a cashier’s check, certified check or money order for the applicable amount, payable to the “Division of State Police—S.B.I.”;

3. A copy of the association’s most recent quarterly financial report; and

4. A business plan and financial projections for the converted savings bank for the next three years. Projections shall include a consolidated balance sheet and a profit and loss statement projected for the end of each year.

Amended by R.1998 d.559, effective December 7, 1998.

See: 30 N.J.R. 3124(a), 30 N.J.R. 4209(a).

In (a), deleted former 4 through 7, recodified former 8 and 9 as 4 and 5, and added N.J.A.C. reference at the end of the new 5; and added (b).

Amended by R.2004 d.115, effective March 15, 2004.

See: 35 N.J.R. 5187(a), 36 N.J.R. 1355(b).

In (a)5, amended N.J.A.C. reference.

## SUBCHAPTER 3. MUTUAL STATE ASSOCIATION HOLDING COMPANIES

### 3:32-3.1 Definitions

The following words and terms, when used in this subchapter, shall have the following meanings, unless the context clearly indicates otherwise:

“Capital stock state association” means any association chartered pursuant to the provisions of N.J.S.A. 17:12B-244 et seq.

“Commissioner” means the Commissioner of the Department of Banking and Insurance.