

**PUBLIC CHAPTER NO. 968**

**SENATE BILL NO. 4171**

**By Kyle, Haynes, Tate, Roller, Bunch, Marrero**

**Substituted for: House Bill No. 4127**

**By Curt Cobb, Odom, West**

AN ACT to amend Tennessee Code Annotated, Title 45, Chapter 11, relative to the conversion of financial institutions.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF TENNESSEE:

SECTION 1. Tennessee Code Annotated, Section 45-11-102(3), is amended by adding the words "or a credit union" immediately after the words "savings bank".

SECTION 2. Tennessee Code Annotated, Section 45-11-102(4), is amended by adding the words "or credit union" immediately after the words "savings bank".

SECTION 3. Tennessee Code Annotated, Section 45-11-105(a)(13), is amended by adding the words "or members" immediately after the word "shareholders".

SECTION 4. Tennessee Code Annotated, Section 45-11-105(b), is amended by deleting the word "bank" and replacing it with the words "financial institution".

SECTION 5. Tennessee Code Annotated, Section 45-11-106, is amended by deleting the existing language in its entirety and substituting instead the following:

(a) To be effective, a plan of conversion for a stock-owned financial institution must be approved by the stockholders of the converting financial institution by a majority vote of the outstanding voting stock of each class at a meeting called to consider such action, which vote shall constitute the adoption of the charter and bylaws of the resulting financial institution.

(b) To be effective, a plan of conversion for a mutually-owned financial institution must be approved by a majority vote of those members of the institution qualified to vote in person or by mail ballot at a meeting called to consider such action; provided, however, that a plan of conversion by a credit union shall be approved in accordance with the membership approval process for a federally insured credit union, to the extent such membership approval process is applicable.

(c) Prior to mailing, notice of the meeting of shareholders or members and the proxy statement or mail ballot form shall be submitted to the commissioner for approval. The commissioner may require changes in the disclosures and the proxy or mail ballot provided to the stockholders or members to assure full and adequate disclosure prior to those documents being mailed to stockholders or members.

(d) Notice of the meeting and other disclosures shall be mailed to each stockholder or member thirty (30) days prior to the date of the meeting called to consider the conversion.

SECTION 6. Tennessee Code Annotated, Section 45-11-107(a), is amended by adding the words "or members" immediately after the word "stockholders".

SECTION 7. Tennessee Code Annotated, Title 45, Chapter 11, is amended by adding the following new section:

A director, officer, committee member, agent or senior management employee of a credit union, and immediate family members of such individuals shall not, directly or indirectly, receive a fee, commission, or other consideration, other than that person's usual salary or compensation for aiding, promoting, or assisting in a conversion under this chapter.

SECTION 8. Tennessee Code Annotated, Title 45, Chapter 11, is amended by adding a new section:

The commissioner is hereby granted the power to promulgate substantive and procedural rules and regulations to carry out the purposes of this chapter. Such rules and regulations shall be promulgated in accordance with the Uniform Administrative Procedures Act, compiled in Title 4, Chapter 5.

SECTION 9. If any provision of this act or the application thereof to any person or circumstance 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 that end the provisions of this act are declared to be severable.

SECTION 10. This act shall take effect upon becoming a law, the public welfare requiring it.

**PASSED: May 1, 2008**

  
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RON RAMSEY  
SPEAKER OF THE SENATE

  
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JIMMY NAIFEH, SPEAKER  
HOUSE OF REPRESENTATIVES

**APPROVED this 19th day of May 2008**



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PHIL BREDESEN, GOVERNOR