

Sec. 36a-136-44. Donation of conversion shares or conversion proceeds to a charitable organization

(a) The converted institution may contribute some of its conversion shares or proceeds to a charitable organization if:

- (1) The plan of conversion provides for the proposed contribution;
- (2) In the case of a converting mutual savings and loan association, the depositors separately approve the proposed contribution by at least a majority of the total eligible votes at the meeting to consider the conversion; and
- (3) The Internal Revenue Service either has approved or approves not later than two years after formation the charitable organization as a tax-exempt charitable organization under the Internal Revenue Code.

(b) The converted institution may contribute a reasonable amount of conversion shares or proceeds to a charitable organization if the contribution will not exceed limits for charitable deductions under the Internal Revenue Code and the commissioner does not object on supervisory grounds. If the converted institution is well-capitalized, the commissioner generally will not object if it contributes an aggregate amount of eight per cent or less of the conversion shares or proceeds.

(c) The charitable organization's charter or trust agreement and gift instrument shall provide that:

- (1) The charitable organization's primary purpose is to serve and make grants in its local community;
- (2) As long as the charitable organization controls shares, it shall vote those shares in the same ratio as all other shares voted on each proposal considered by the shareholders; and
- (3) There shall be representation on the charitable organization's governing board or board of trustees from the local community.

(d) Any person who is an officer, director or employee of the converting institution or who otherwise owes a fiduciary duty to the converting institution and who will serve as an officer, director or employee of the charitable organization shall:

(1) Not advance such person's own personal or business interests or those of others with whom such person has a personal or business relationship at the expense of the converted institution; and

(2) If such person has an interest in a matter or transaction before the governing board:

(A) Disclose to the governing board all material nonprivileged information relevant to the governing board's decision on the matter or transaction, including the existence, nature and extent of such person's interests and the facts known to such person as to the matter or transaction under consideration;

(B) Refrain from participating in the governing board's discussion of the matter or transaction; and

(C) Recuse such person from voting on the matter or transaction.

(e) Before the converting institution's governing board may adopt a plan of conversion that includes a charitable organization, the converting institution shall identify its directors that will serve on the charitable organization's board. Such directors shall not participate in the governing board's discussions concerning contributions to the charitable organization

and shall not vote on the matter.

(f) The converting institution shall include the following legend in the stock certificates of shares that it contributes to the charitable organization or that the charitable organization otherwise acquires: "The governing board shall consider the shares that this stock certificate represents as voted in the same ratio as all other shares voted on each proposal considered by the shareholders, as long as the shares are controlled by the charitable organization."

(g) As long as the charitable organization controls shares, the converting institution shall consider those shares as voted in the same ratio as all of the shares voted on each proposal considered by its shareholders.

(h) The converting institution shall submit to the commissioner a copy of the charitable organization's conflict of interest policy and the gift instrument for contributions of either stock or cash to the charitable organization, after completion of the stock offering, and a copy of the operating plan not later than six months after completion of the stock offering.

(Adopted effective September 7, 2007)