

**CHAPTER 124
WITHDRAWALS**

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§ 124101. Notice of Intention to Withdraw.

Each association must prescribe by its by-laws, or by contract with its shareholders or certificate holders, or by both, the period of notice of intention to withdraw which such association at its option may require, which period shall be six months in the case of all shares or investment certificates issued after the effective date of this section. All certificates hereafter issued evidencing shares or investment certificates shall state the period of such notice and shall also state that the right of the holder thereof to withdraw funds evidenced thereby is subject to the provision or Chapter 124 of this act or that such right is subject to the provisions of the Savings and Loan Association Law governing withdrawals. Each association may prescribe by its by-laws, or by contract with its shareholders or certificate holders, or both, the terms and conditions of withdrawal; provided, such terms and conditions shall not be contrary to the provisions of this act.

Any notice of intention to withdraw shall be invalid unless it is given in writing to the office of the association at which the shares or investment certificates in question were issued, or at which the account of such association as to such shares or investment certificates is kept, or to the principal office of such association, signed by a holder entitled to make a withdrawal, or by his agent. A shareholder or certificate holder may at any time revoke or waive, either in whole or in part, a notice of intention to withdraw and thereupon such notice shall become invalid either in whole or as to such part, as the case may be.

All notices of intention to withdraw shall be filed when and as received by each association or by the several offices thereof in the order in which they are received, and each shall be kept on file with the exact time of the receipt thereof noted thereon or recorded, until it is paid or becomes invalid. When any notice shall have been on file for the period

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prescribed therefor, or for the period stated in such notice as the period to elapse previous to making the withdrawal (whichever shall be longer) such notice shall be a *matured notice* for all the purposes of this act; provided, however, that withdrawal claims on behalf of any one investor in an association or by two or more investors in an association, holding shares or investment certificates in common or in joint tenancy, shall mature in installments if such claims shall be for any sum greater than two hundred fifty dollars (\$250), the first of such installments being hereinafter referred to as the *initial installment* and the remaining installment or installments being hereinafter referred to as the *successive installments*. Withdrawal claims maturing in installments shall be matured withdrawal claims, within the meaning of this act, only to the extent that such claims are matured as provided in this section, notwithstanding anything to the contrary contained in this act.

The initial installment shall mature: (1) in the case of withdrawal claims filed pursuant to Sections 116105 and 124101 of this act, when the notice of intention of withdrawal shall have matured; and (2) in the case of maturity of shares pursuant to Section 116103 of this act, upon the declaration of such maturity by the board of directors of the association. The maturity of the first successive installment shall be determined by renumbering the application at the time of the initial installment payment thereon so that such renumbered application then is placed at the end of the list of currently matured withdrawal applications, and thereafter, upon again being reached, shall be paid a like amount, but not exceeding the value of his account, and until paid in full, shall continue to be so paid, renumbered, and replaced at the end of the list.

In the case of matured withdrawal claim representing investment certificates having a value in excess of two hundred fifty dollars (\$250) each such claim shall be paid in installments of not less than two hundred fifty dollars (\$250) each, and not more than one thousand dollars (\$1,000) each at the option of the association.

No shareholder or certificate holder whose shares or investment certificates are pledged as security for a loan from the association issuing such shares or investment certificates shall be permitted to make a withdrawal or be entitled to give any valid notice of intention to withdraw in respect of such shares or investment certificates until the indebtedness for which such shares or investment certificates are security has been fully paid, except that withdrawals therefrom may be made

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without notice provided the full amount of such withdrawals shall be used to pay such indebtedness or any part thereof.

If the shareholder or certificate holder shall tender his certificate for surrender, duly endorsed, within 10 days after any valid notice of intention to withdraw shall have natured, he shall be entitled, subject to Section 124102 of this act, to receive the withdrawal value of his shares or investment certificates or of that part thereof referred to in such notice, which withdrawal value is hereby defined as the full amount paid in upon the shares or investment certificates surrendered exclusive of the entrance fee, if any, together with dividends, profits or interest, if any, applicable thereto, subject to such adjustment of earnings or interest as may be provided by-law or contract. Shareholders or certificate holders who shall have given notice of intention to withdraw and who shall fail to tender their certificates for surrender within 10 days after notice from the association that funds are available for the payment thereof shall have no right to withdraw except after giving new notice of intention to do so and such prior notice of intention to withdraw shall become invalid for all of the purposes of this act; provided, such notice from the association shall have stated that unless such certificates shall be tendered for surrender within such 10-day period the holder shall have no right to withdraw except after giving new notice of intention to do so.

If in the case of any association the sum of the matured withdrawal claims, defined in this act, shall exceed 5 percent of the value of all outstanding shares and investment certificates of such association, then such association shall be an *association on notice* for all the purposes of this act. In association which is on notice shall continue to be on notice notwithstanding the fact that the sum of the matured withdrawal claims may become less, than said percentage, unless and until all of the matured withdrawal claims shall be paid or funds shall be set aside for the payment thereof; provided however, that if, in the case of any association which is on notice, the sum of the matured withdrawal claims shall become less than 3 percent of the value of all outstanding shares and investment certificates of such association, then, with the prior approval of the commissioner, its board of directors may at their option, by resolution, declare such association to be no longer on notice, and thereupon such association shall cease to be an association on notice for all the purposes of this act, subject to becoming an association on notice as before. In making computations for the purpose of this paragraph, shares and investment certificates shall not be deemed to be unpaid if the

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association has funds set aside for the payment thereof and has given notice of that fact to the respective holders thereof.

SOURCE: GC §41300.

§ 124102. Limitation on Withdrawals.

The term *matured withdrawal claims*, as used in this chapter, shall include each and all of the following, to wit, (1) the value of all shares or investment certificates or parts thereof, in respect of which valid notices of intention to withdraw shall be on file, matured and unpaid, including notices of intention to withdraw by defaulting shareholders pursuant to Section 116105 of this act, as well as notices of withdrawal generally pursuant to Section 124101 of this act; and (2) the value of all shares which shall have matured pursuant to Section 116103 of this act and which shall be unpaid.

Regardless of whether or not an association is on notice, its obligations to pay matured withdrawal claims and the right of shareholders and certificate holders to receive payment of matured withdrawal claims, shall be secondary and subsequent to the right of such association to pay, and to provide a reasonable fund for the payment of, the following: Taxes, assessments, insurance, repairs, alterations and other sums necessary to protect and preserve or to furnish or equip its properties and its interest in properties (including those on the security of which it holds loans); principal and interest on borrowing by such association; interest on investment certificate. and dividends on shares; rent, compensation of officers, agents, salesmen and other employees, and other usual and ordinary operating expenses of such association; and commitments on it incomplete loans or investments; provided, however, that an association on notice shall not pay any dividends on its stock or distribute any profits to its stockholders or make any loans or investments, except loans or investments pursuant to its obligations incurred before it became an association on notice and except loans expressly permitted by Section 130101 of this act; provided further, that an association on notice may with the prior consent of the commissioner, and an association not on notice may without the necessity of obtaining the consent of the commissioner, in lieu of paying matured withdrawal claims, make or purchase loans or investments not exceeding the principal amount of moneys borrowed by such association from a federal home loan bank, or other similar federal agency, and not theretofore repaid; and provided further, that an association which is on notice may

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with the prior consent of the commissioner, and an association which is not on notice may without the necessity of obtaining the consent of the commissioner, in lieu of paying matured withdrawal claims, invest in stock issued by any federal home loan bank or other similar federal agency of which such association may be eligible to be a member. Moreover, regardless of whether or not an association is on notice, its obligation to pay matured withdrawal claims, and the right of shareholders and certificate holders to receive payment of matured withdrawal claims, shall be limited to payments from its cash on hand or in bank, proceeds from sale of investments and loans and other cash receipts of such association; and shall be further limited to payment pursuant to the subsequent provisions of this section. The cash, proceeds and other receipts aforesaid which shall remain after deducting, therefrom all payments, reserves, loans and investments above mentioned in this paragraph, are hereafter in this Section 124102 called the *available funds*.

The term *unrestricted funds*, as hereafter used in this Section 124102, is hereby defined as that part of the available funds which may be used at the option of the association to pay any or all withdrawals without requiring notice of intention to withdraw or before the maturity of a notice of intention to withdraw and regardless of the non-payment of any or all matured withdrawal claims, or for the purpose of making loans or investments, or for any other purpose not prohibited by law.

If there are no matured withdrawal claims (excepting claims for the payment of which funds have been set aside by the association) then all of the available funds shall be unrestricted funds.

If there are matured withdrawal claims (for the payment of any of which funds have not been set aside by the association), then, whether or not the association is on notice, not to exceed one-third of the available funds shall be unrestricted funds, and at least one-third of the available funds shall be applied to the payment of matured withdrawals. The remaining one-third shall be restricted or unrestricted funds at, the option of the association; provided, however, that no portion of it may be used for the payment of unmatured withdrawal claims so long as any matured withdrawal claims remain unpaid.

Notwithstanding anything to the contrary in this act, however, withdrawals may be made at any time without notice from pledged shares and investment certificates, whether or not the association is on

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notice; provided, the full amounts of such withdrawals shall be used to pay the indebtedness for which such shares or investment certificates are pledged, or any part thereof.

No association shall make any contract waiving in any manner any of the provisions of this section and, if any such contract shall be so made, such contract shall be void.

SOURCE: GC §41301.

§ 124103. Withdrawal without Notice or Before Maturity.

No association shall agree in advance to pay withdrawals without requiring notice of intention to withdraw or before the maturity of a notice of intention to withdraw. Except, as otherwise provided in this act in respect of shares and investment certificates pledged to the association issuing the same and except as otherwise so provided in respect of unrestricted funds permitted by Section 124102 of this act to any one or more shareholders or certificate holders, no association having matured withdrawal claims for the payment of any of which funds have not been set aside by the association shall pay any withdrawals except upon matured notice of intention to withdraw.

SOURCE: GC §41302.

§ 124104. Reports While on Notice.

Each association on notice shall, within 24 hours after becoming an association on notice, mail to the commissioner a statement that such association is on notice; and so long as such association is on notice it shall mail to the commissioner daily or otherwise as the commissioner may direct a statement showing (1) the amount of its cash on hand and in the bank; (2) the amount of its United States Government bonds and treasury certificates; (3) the amount and description of all its other bonds; (4) the amount of all unpaid notices of withdrawal filed with such as association; (5) the amount of all borrowing other than through issuance of investment certificates; (6) the amount of all matured shares of such association which shall have reached the date of their maturity; (7) the amount of its incomplete loans; and (8) any other data required by the commissioner.

SOURCE: GC §41303.

§ 124105. Delay in Paying.

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In the event the whole or any part of any matured withdrawal claim against an association shall remain unpaid for a period of, one year after such claim shall have matured, then, unless, such association shall have set aside funds for the payment thereof which shall remain available for such payment, the commissioner may in his discretion forthwith or at any time thereafter take possession of the property, business and assets of such association and retain such possession until its affairs be finally liquidated in the manner provided by law for the liquidation of associations by him, or until such association may be allowed to resume business upon such conditions as may be approved by the commissioner. The right of the commissioner to take possession under this section is not exclusive, but is additional to his right to take possession under each and every other provision of this act.

SOURCE: GC §41304.

§ 124106. Acquisition of Certificates or Shares.

No association shall acquire in any manner, directly or indirectly, any investment certificates or shares issued by it except by payment of the full withdrawal value or redemption price in the manner provided in this act, or by offset of such certificates or shares as may be pledged as provided in this act as security for the payment of loans or in any plan of reorganization (as defined in Section 146101) as authorized in Chapter 146, or in such other manner as may have the prior approval of the commissioner. No officer, director or employee of any association shall acquire any certificates or shares issued by the association with which he is connected by any method of acquisition other than (a) by investing his funds directly with the association or (b) by gift, bequest or descent, unless such other method of acquisition has the prior approval of the commissioner.

SOURCE: GC §41305.

NOTE: Former Chapter VII, *Assessments*, being GC §§41350 - 21352, were repealed by P.L. 17-28:7.
