

31A-5-505 Conversion of a domestic stock corporation into a mutual.

A domestic stock corporation may be converted into a domestic mutual as follows:

- (1) The board shall adopt a plan of conversion. After adopting the plan, no additional shares of capital stock may be issued, except that the board may continue to issue stock options under existing contracts, and holders of outstanding options may continue to exercise these options until the conversion is completed under Subsection (5).
- (2)
 - (a) The plan of conversion shall provide for the corporation's purchase of all of its outstanding capital stock. The purchase price shall either be specified in the plan or be determined under a formula specified in the plan, for cash, specified debt securities to be issued by the mutual corporation, or both. All holders of capital stock of the same class have the same rights under the plan. Shareholders may be given an election to take all or a portion of the price in the specified debt securities. Debt securities may be of any class authorized for mutual corporations under Subsection 31A-5-305(2).
 - (b) The plan shall provide an equitable procedure for valuing contractual obligations of the stock corporation, including those relating to stock options, which options terminate on the date of conversion and are subject to being extinguished under Subsection (5)(b).
- (3) No conversion may be effected unless the plan of conversion is approved by the commissioner under Chapter 16, Insurance Holding Companies.
- (4) After the commissioner approves the plan of conversion, it shall be submitted to the shareholders for approval by the affirmative vote of a majority of each class of shares entitled to vote. Only shareholders of record on the date of the board's action under Subsection (1) may vote.
- (5)
 - (a) If the shareholders approve the plan of conversion under Subsection (4), the commissioner shall issue a new certificate of authority and the board shall then implement the plan of conversion. The issuance of the certificate is the conversion of the corporation to a mutual. The corporation is no longer a stock corporation. The mutual is considered as having been organized at the time the converted stock corporation was organized.
 - (b) Any contractual obligation inconsistent with the nature of a mutual, including any obligation to issue or to redeem stock options, terminates upon the conversion under Subsection (5)(a), without compensation other than provided under Subsection (2)(b), unless the obligation was legally binding before July 1, 1986.
- (6) The corporation may not pay any person, in connection with the proposed conversion, compensation other than regular salaries to existing personnel and compensation for clerical and mailing expenses. With the commissioner's approval, the corporation in connection with the proposed conversion may pay reasonable printing costs and legal and other professional fees for services actually rendered. All expenses of the conversion, including the expenses incurred by the commissioner and the prorated salaries and fringe benefits of any Insurance Department staff members involved, shall be paid by the corporation being converted.

Enacted by Chapter 242, 1985 General Session