74th OREGON LEGISLATIVE ASSEMBLY - 2007 Regular Session **MEASURE: SB 734 A**
STAFF MEASURE SUMMARY **CARRIER: Sen. Metger**
Senate Committee on Business, Transportation, and Workforce Development

REVENUE: No revenue impact
FISCAL: No fiscal impact

Action:		Do Pass as Amended and Be Printed Engrossed
Vote:		4 - 0 - 1
	Yeas:	George L., Monnes Anderson, Starr, Metsger
	Nays:	0
	Exc.:	Deckert
Prepared By:		Janet Adkins, Administrator
Meeting Dates:		3/19, 3/26

WHAT THE MEASURE DOES: Allows issuance of stock to a director, officer, or employee of an Oregon bank for services performed. Requires that a plan to issue stock for services be approved by the holders of at least two-thirds of the outstanding shares of the institution or stock savings bank and by the Director of the Department of Consumer and Business Services. Requires specific notice of the stock issuance plan, including the information that issuing shares will dilute the interests of existing shareholders.

ISSUES DISCUSSED:
- Intense competition for small banks in recruiting and retaining employees
- How stock options are treated in accounting
- Ability of department to disapprove plan if it is unfair or unjust to current shareholders

EFFECT OF COMMITTEE AMENDMENT: Clarifies that the threshold for approving stock issuance is holders of at least two-thirds of the outstanding shares, not two-thirds of the holders of shares.

BACKGROUND: Banks with holding companies can currently indirectly issue stock to employees or officers through the holding companies. Such banks are regulated under general corporation statutes, while banks without holding companies are regulated under the Bank Act statutes. Senate Bill 734-A provides a process for banks without holding companies to accomplish the same thing. Included in the process is approval by the Department of Consumer and Business Services (DCBS) and by holders of two-thirds of the bank's stock shares. DCBS approval would be based on fairness to existing shareholders and on whether the bank is capitalized well enough that it is not using future earnings for present purposes. The banks see issuance of stock to employees or officers as a way to reward and retain experienced staff.