

CERTIFICATION OF ENROLLMENT

SENATE BILL 6285

53rd Legislature
1994 Regular Session

Passed by the Senate February 10, 1994
YEAS 47 NAYS 0

President of the Senate

Passed by the House March 2, 1994
YEAS 94 NAYS 0

**Speaker of the
House of Representatives**

Approved

Governor of the State of Washington

CERTIFICATE

I, Marty Brown, Secretary of the Senate of the State of Washington, do hereby certify that the attached is **SENATE BILL 6285** as passed by the Senate and the House of Representatives on the dates hereon set forth.

Secretary

FILED

**Secretary of State
State of Washington**

SENATE BILL 6285

Passed Legislature - 1994 Regular Session

State of Washington 53rd Legislature 1994 Regular Session

By Senators Moore and Sellar; by request of Department of Financial Institutions

Read first time 01/18/94. Referred to Committee on Labor & Commerce.

1 AN ACT Relating to the strengthening and reform of the regulation
2 of financial institutions and securities; amending RCW 21.20.035,
3 21.20.040, 21.20.050, 21.20.060, 21.20.080, 21.20.090, 21.20.110,
4 21.20.120, 21.20.130, 21.20.180, 21.20.190, 21.20.200, 21.20.210,
5 21.20.275, 21.20.310, 21.20.330, 21.20.340, 21.20.370, 21.20.380,
6 21.20.390, 21.20.450, 21.20.510, 21.20.702, 23B.02.020, 23B.07.010,
7 23B.08.030, 23B.08.050, 30.04.020, 30.04.125, 30.04.130, 30.04.180,
8 30.04.210, 30.04.215, 30.04.555, 30.04.565, 30.04.575, 30.08.010,
9 30.08.020, 30.08.040, 30.08.082, 30.08.087, 30.08.088, 30.08.090,
10 30.08.092, 30.08.095, 30.08.180, 30.08.190, 30.12.010, 30.12.020,
11 30.49.090, 31.12.005, 31.12.015, 31.12.025, 31.12.055, 31.12.065,
12 31.12.115, 31.12.125, 31.12.136, 31.12.155, 31.12.195, 31.12.235,
13 31.12.255, 31.12.265, 31.12.315, 31.12.335, 31.12.385, 31.12.406,
14 31.12.415, 31.12.425, 31.12.435, 31.12.526, 31.12.555, 31.12.565,
15 31.12.695, 32.04.030, 32.04.060, 32.04.080, 32.04.085, 32.08.010,
16 32.08.142, 32.12.050, 32.12.090, 32.16.020, 32.16.070, 32.16.100,
17 32.32.025, 32.32.290, 32.32.480, 32.32.485, 32.32.490, 32.32.495,
18 32.32.500, 32.32.505, 32.32.515, 32.34.030, 32.34.060, 33.08.030,
19 33.08.100, 33.12.012, 33.12.014, 33.12.060, 33.16.030, and 33.16.090;
20 reenacting and amending RCW 21.20.005; adding a new section to chapter
21 15.66 RCW; adding a new section to chapter 23B.05 RCW; adding new

1 sections to chapter 30.08 RCW; adding a new section to chapter 30.20
2 RCW; adding a new section to chapter 30.43 RCW; adding a new section to
3 chapter 31.12 RCW; adding a new section to chapter 32.08 RCW; adding a
4 new section to chapter 32.32 RCW; adding a new chapter to Title 30 RCW;
5 creating a new section; recodifying RCW 30.04.370 and 30.04.085; and
6 repealing RCW 30.04.235, 30.04.250, 30.04.270, 30.04.290, 30.04.900,
7 30.08.110, 30.08.120, 30.12.050, 30.43.010, 30.43.020, 30.43.030,
8 30.43.040, 30.43.045, 30.43.050, 31.12.095, 31.12.175, 31.12.355,
9 32.04.040, 32.12.060, 32.20.290, 32.32.510, and 33.12.020.

10 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

11 NEW SECTION. **Sec. 1.** (1) The legislature finds that the financial
12 services industry is experiencing a period of rapid change with the
13 development and delivery of new products and services and advances in
14 technology.

15 (2) The legislature further finds it in the public interest to
16 strengthen the regulation, supervision, and examination of business
17 entities furnishing financial services to the people of this state and
18 that this can be accomplished by streamlining and focusing regulation
19 to reduce costs, increase effectiveness, and foster efficiency by
20 eliminating requirements that are not necessary for the protection of
21 the public.

22 (3) The provisions of this act should not be construed to limit the
23 ability of the director of financial institutions to implement prudent
24 regulation, prevent unsafe, unsound, and fraudulent practices, and
25 undertake necessary enforcement actions to protect the public and
26 promote the public interest.

27 NEW SECTION. **Sec. 2.** RCW 30.04.370 is recodified as a section in
28 chapter 15.66 RCW.

29 **Sec. 3.** RCW 21.20.005 and 1993 c 472 s 14 and 1993 c 470 s 4 are
30 each reenacted and amended to read as follows:

31 The definitions set forth in this section shall apply throughout
32 this chapter, unless the context otherwise requires:

33 (1) "Director" means the director of financial institutions of this
34 state.

1 (2) "Salesperson" means any individual other than a broker-dealer
2 who represents a broker-dealer or issuer in effecting or attempting to
3 effect sales of securities, but "salesperson" does not include an
4 individual who represents an issuer in (a) effecting a transaction in
5 a security exempted by RCW 21.20.310(1), (2), (3), (4), (9), (10),
6 (11), (12), or (13), (b) effecting transactions exempted by RCW
7 21.20.320 unless otherwise expressly required by the terms of the
8 exemption, or (c) effecting transactions with existing employees,
9 partners, or directors of the issuer if no commission or other
10 remuneration is paid or given directly or indirectly for soliciting any
11 person in this state.

12 (3) "Broker-dealer" means any person engaged in the business of
13 effecting transactions in securities for the account of others or for
14 that person's own account. "Broker-dealer" does not include (a) a
15 salesperson, issuer, bank, savings institution, or trust company, (b)
16 a person who has no place of business in this state if the person
17 effects transactions in this state exclusively with or through the
18 issuers of the securities involved in the transactions, other broker-
19 dealers, or banks, savings institutions, trust companies, insurance
20 companies, investment companies as defined in the investment company
21 act of 1940, pension or profit-sharing trusts, or other financial
22 institutions or institutional buyers, whether acting for themselves or
23 as trustees, or (c) a person who has no place of business in this state
24 if during any period of twelve consecutive months that person does not
25 direct more than fifteen offers to sell or to buy into or make more
26 than five sales in this state in any manner to persons other than those
27 specified in subsection (b) above.

28 (4) "Guaranteed" means guaranteed as to payment of principal,
29 interest, or dividends.

30 (5) "Full business day" means all calendar days, excluding
31 therefrom Saturdays, Sundays, and all legal holidays, as defined by
32 statute.

33 (6) "Investment adviser" means any person who, for compensation,
34 engages in the business of advising others, either directly or through
35 publications or writings, as to the value of securities or as to the
36 advisability of investing in, purchasing, or selling securities, or
37 who, for compensation and as a part of a regular business, issues or
38 promulgates analyses or reports concerning securities. "Investment
39 adviser" also includes financial planners and other persons who, as an

1 integral component of other financially related services, (a) provide
2 the foregoing investment advisory services to others for compensation
3 as part of a business or (b) hold themselves out as providing the
4 foregoing investment advisory services to others for compensation.
5 Investment adviser shall also include any person who holds himself out
6 as a financial planner.

7 "Investment adviser" does not include (a) a bank, savings
8 institution, or trust company, (b) a lawyer, accountant, certified
9 public accountant licensed under chapter 18.04 RCW, engineer, or
10 teacher whose performance of these services is solely incidental to the
11 practice of his or her profession, (c) a broker-dealer, (d) a publisher
12 of any bona fide newspaper, news magazine, or business or financial
13 publication of general, regular, and paid circulation, (e) a radio or
14 television station, (f) a person whose advice, analyses, or reports
15 relate only to securities exempted by RCW 21.20.310(1), (g) a person
16 who has no place of business in this state if (i) that person's only
17 clients in this state are other investment advisers, broker-dealers,
18 banks, savings institutions, trust companies, insurance companies,
19 investment companies as defined in the investment company act of 1940,
20 pension or profit-sharing trust, or other financial institutions or
21 institutional buyers, whether acting for themselves or as trustees, or
22 (ii) during any period of twelve consecutive months that person does
23 not direct business communications into this state in any manner to
24 more than five clients other than those specified in clause (i) above,
25 or (h) such other persons not within the intent of this paragraph as
26 the director may by rule or order designate.

27 (7) "Issuer" means any person who issues or proposes to issue any
28 security, except that with respect to certificates of deposit, voting
29 trust certificates, or collateral-trust certificates, or with respect
30 to certificates of interest or shares in an unincorporated investment
31 trust not having a board of directors (or persons performing similar
32 functions) or of the fixed, restricted management, or unit type; the
33 term "issuer" means the person or persons performing the acts and
34 assuming the duties of depositor or manager pursuant to the provisions
35 of the trust or other agreement or instrument under which the security
36 is issued.

37 (8) "Nonissuer" means not directly or indirectly for the benefit of
38 the issuer.

1 (9) "Person" means an individual, a corporation, a partnership, an
2 association, a joint-stock company, a trust where the interest of the
3 beneficiaries are evidenced by a security, an unincorporated
4 organization, a government, or a political subdivision of a government.

5 (10) "Sale" or "sell" includes every contract of sale of, contract
6 to sell, or disposition of, a security or interest in a security for
7 value. "Offer" or "offer to sell" includes every attempt or offer to
8 dispose of, or solicitation of an offer to buy, a security or interest
9 in a security for value.

10 Any security given or delivered with, or as a bonus on account of,
11 any purchase of securities or any other thing is considered to
12 constitute part of the subject of the purchase and to have been offered
13 and sold for value. A purported gift of assessable stock is considered
14 to involve an offer and sale. Every sale or offer of a warrant or
15 right to purchase or subscribe to another security of the same or
16 another issuer, as well as every sale or offer of a security which
17 gives the holder a present or future right or privilege to convert into
18 another security of the same or another issuer, is considered to
19 include an offer of the other security.

20 (11) "Securities Act of 1933," "Securities Exchange Act of 1934,"
21 "Public Utility Holding Company Act of 1935," and "Investment Company
22 Act of 1940" means the federal statutes of those names as amended
23 before or after June 10, 1959.

24 (12) "Security" means any note; stock; treasury stock; bond;
25 debenture; evidence of indebtedness; certificate of interest or
26 participation in any profit-sharing agreement; collateral-trust
27 certificate; preorganization certificate or subscription; transferable
28 share; investment contract; investment of money or other consideration
29 in the risk capital of a venture with the expectation of some valuable
30 benefit to the investor where the investor does not receive the right
31 to exercise practical and actual control over the managerial decisions
32 of the venture; voting-trust certificate; certificate of deposit for
33 a security; certificate of interest or participation in an oil, gas or
34 mining title or lease or in payments out of production under such a
35 title or lease; charitable gift annuity; any put, call, straddle,
36 option, or privilege on any security, certificate of deposit, or group
37 or index of securities, including any interest therein or based on the
38 value thereof; or any put, call, straddle, option, or privilege entered
39 into on a national securities exchange relating to foreign currency;

1 or, in general, any interest or instrument commonly known as a
2 "security," or any certificate of interest or participation in,
3 temporary or interim certificate for, receipt for, guarantee of, or
4 warrant or right to subscribe to or purchase, any of the foregoing; or
5 any sale of or indenture, bond or contract for the conveyance of land
6 or any interest therein where such land is situated outside of the
7 state of Washington and such sale or its offering is not conducted by
8 a real estate broker licensed by the state of Washington. "Security"
9 does not include any insurance or endowment policy or annuity contract
10 under which an insurance company promises to pay money either in a lump
11 sum or periodically for life or some other specified period.

12 (13) "State" means any state, territory, or possession of the
13 United States, as well as the District of Columbia and Puerto Rico.

14 (14) "Investment adviser (~~salesperson~~) representative" means a
15 person retained or employed by an investment adviser to solicit clients
16 or offer the services of the investment adviser or manage the accounts
17 of said clients.

18 (15) "Relatives," as used in RCW 21.20.310(11) includes:

19 (a) A member's spouse;

20 (b) Parents of the member or the member's spouse;

21 (c) Grandparents of the member or the member's spouse;

22 (d) Natural or adopted children of the member or the member's
23 spouse;

24 (e) Aunts and uncles of the member or the member's spouse; and

25 (f) First cousins of the member or the member's spouse.

26 (16) "Customer" means a person other than a broker-dealer or
27 investment adviser.

28 **Sec. 4.** RCW 21.20.035 and 1993 c 470 s 1 are each amended to read
29 as follows:

30 It is unlawful for a broker-dealer, salesperson, investment
31 adviser, or investment adviser (~~salesperson~~) representative knowingly
32 to effect or cause to be effected, with or for a customer's account,
33 transactions of purchase or sale (1) that are excessive in size or
34 frequency in view of the financial resources and character of the
35 account and (2) that are effected because the broker-dealer,
36 salesperson, investment adviser, or investment adviser (~~salesperson~~)
37 representative is vested with discretionary power or is able by reason

1 of the customer's trust and confidence to influence the volume and
2 frequency of the trades.

3 **Sec. 5.** RCW 21.20.040 and 1989 c 391 s 2 are each amended to read
4 as follows:

5 (1) It is unlawful for any person to transact business in this
6 state as a broker-dealer or salesperson, unless he or she is registered
7 under this chapter: PROVIDED, That an exemption from registration as
8 a broker-dealer or salesperson to sell or resell condominium units sold
9 in conjunction with an investment contract, may be provided by rule or
10 regulation of the director as to persons who are licensed pursuant to
11 the provisions of chapter 18.85 RCW. It is unlawful for any broker-
12 dealer or issuer to employ a salesperson unless the salesperson is
13 registered or exempted from registration. It is unlawful for any
14 person to transact business in this state as an investment adviser
15 unless (a) the person is so registered under this chapter, or (b) the
16 person is registered as a broker-dealer under this chapter, or (c) the
17 person's only clients in this state are investment companies as defined
18 in the Investment Company Act of 1940, or insurance companies. It is
19 unlawful for any person to transact business in this state as an
20 investment adviser (~~((salesperson))~~) representative or for any investment
21 adviser to employ an investment adviser (~~((salesperson))~~) representative
22 unless such person is registered.

23 (2) It is unlawful for any person to hold himself or herself out
24 as, or otherwise represent that he or she is a "financial planner",
25 "investment counselor", or other similar term, as may be specified in
26 rules adopted by the director, unless the person is registered as an
27 investment adviser or investment adviser (~~((salesperson))~~)
28 representative, is exempt from registration under RCW 21.20.040(1), or
29 is excluded from the definition of investment adviser under RCW
30 21.20.005(6).

31 **Sec. 6.** RCW 21.20.050 and 1981 c 272 s 1 are each amended to read
32 as follows:

33 A broker-dealer, salesperson, investment adviser, or investment
34 adviser (~~((salesperson))~~) representative may apply for registration by
35 filing with the director or his authorized agent an application
36 together with a consent to service of process in such form as the

1 director shall prescribe and payment of the fee prescribed in RCW
2 21.20.340.

3 **Sec. 7.** RCW 21.20.060 and 1965 c 17 s 1 are each amended to read
4 as follows:

5 The application shall contain whatever information the director
6 requires concerning such matters as:

7 (1) The applicant's form and place of organization;

8 (2) The applicant's proposed method of doing business;

9 (3) The qualifications and business history of the applicant and in
10 the case of a broker-dealer or investment adviser, any partner,
11 officer, or director;

12 (4) Any injunction or administrative order or conviction of a
13 misdemeanor involving a security or any aspect of the securities
14 business and any conviction of a felony; and

15 (5) The applicant's financial condition and history.

16 The director of licenses or the duly appointed administrator may by
17 rule require a minimum capital for registered broker-dealers and
18 investment advisers or prescribe a ratio between net capital and
19 aggregate indebtedness by type or classification and may by rule allow
20 registrants to maintain a surety bond of appropriate amount as an
21 alternative method of compliance with minimum capital or net capital
22 requirements.

23 **Sec. 8.** RCW 21.20.080 and 1981 c 272 s 3 are each amended to read
24 as follows:

25 Registration of a broker-dealer, salesperson, investment adviser
26 (~~salesperson~~) representative, or investment adviser shall be
27 effective for a one-year period unless the director by rule or order
28 provides otherwise. The director by rule or order may schedule
29 registration or renewal so that all registrations and renewals expire
30 December 31st. The director may adjust the fee for registration or
31 renewal proportionately. The registration of a salesperson or
32 investment adviser (~~salesperson~~) representative is not effective
33 during any period when the salesperson is not associated with an issuer
34 or a registered broker-dealer or when the investment adviser
35 (~~salesperson~~) representative is not associated with a registered
36 investment adviser. To be associated with an issuer, broker-dealer, or
37 investment adviser within the meaning of this section written notice

1 must be given to the director. When a salesperson begins or terminates
2 an association with an issuer or registered broker-dealer, the
3 salesperson and the issuer or broker-dealer shall promptly notify the
4 director. When an investment adviser (~~((salesperson))~~) representative
5 begins or terminates an association with a registered investment
6 adviser, the investment adviser (~~((salesperson))~~) representative and
7 registered investment adviser shall promptly notify the director.

8 Notwithstanding any provision of law to the contrary, the director
9 may, from time to time, extend the duration of a licensing period for
10 the purpose of staggering renewal periods. Such extension of a
11 licensing period shall be by rule or regulation adopted in accordance
12 with the provisions of chapter 34.05 RCW. Such rules and regulations
13 may provide a method for imposing and collecting such additional
14 proportional fee as may be required for the extended period.

15 **Sec. 9.** RCW 21.20.090 and 1981 c 272 s 4 are each amended to read
16 as follows:

17 Registration of a broker-dealer, salesperson, investment adviser
18 (~~((salesperson))~~) representative, or investment adviser may be renewed by
19 filing with the director or his authorized agent prior to the
20 expiration thereof an application containing such information as the
21 director may require to indicate any material change in the information
22 contained in the original application or any renewal application for
23 registration as a broker-dealer, salesperson, investment adviser
24 (~~((salesperson))~~) representative, or investment adviser filed with the
25 director or his authorized agent by the applicant, payment of the
26 prescribed fee, and, in the case of a broker-dealer, a financial
27 statement showing the financial condition of such broker-dealer as of
28 a date within ninety days. A registered broker-dealer or investment
29 adviser may file an application for registration of a successor, and
30 the administrator may at his or her discretion grant or deny the
31 application.

32 **Sec. 10.** RCW 21.20.110 and 1993 c 470 s 3 are each amended to read
33 as follows:

34 The director may by order deny, suspend, or revoke registration of
35 any broker-dealer, salesperson, investment adviser (~~((salesperson))~~)
36 representative, or investment adviser; censure or fine the registrant
37 or an officer, director, partner, or person occupying similar functions

1 for a registrant; or restrict or limit a registrant's function or
2 activity of business for which registration is required in this state;
3 if the director finds that the order is in the public interest and that
4 the applicant or registrant or, in the case of a broker-dealer or
5 investment adviser, any partner, officer, or director:

6 (1) Has filed an application for registration under this section
7 which, as of its effective date, or as of any date after filing in the
8 case of an order denying effectiveness, was incomplete in any material
9 respect or contained any statement which was, in the light of the
10 circumstances under which it was made, false, or misleading with
11 respect to any material fact;

12 (2) Has willfully violated or willfully failed to comply with any
13 provision of this chapter or a predecessor act or any rule or order
14 under this chapter or a predecessor act, or any provision of chapter
15 21.30 RCW or any rule or order thereunder;

16 (3) Has been convicted, within the past five years, of any
17 misdemeanor involving a security, or a commodity contract or commodity
18 option as defined in RCW 21.30.010, or any aspect of the securities or
19 investment commodities business, or any felony involving moral
20 turpitude;

21 (4) Is permanently or temporarily enjoined by any court of
22 competent jurisdiction from engaging in or continuing any conduct or
23 practice involving any aspect of the securities or investment
24 commodities business;

25 (5) Is the subject of an order of the director denying, suspending,
26 or revoking registration as a broker-dealer, salesperson, investment
27 adviser, or investment adviser ((salesperson)) representative;

28 (6) Is the subject of an order entered within the past five years
29 by the securities administrator of any other state or by the federal
30 securities and exchange commission denying or revoking registration as
31 a broker-dealer or salesperson, or a commodity broker-dealer or sales
32 representative, or the substantial equivalent of those terms as defined
33 in this chapter or by the commodity futures trading commission denying
34 or revoking registration as a commodity merchant as defined in RCW
35 21.30.010, or is the subject of an order of suspension or expulsion
36 from membership in or association with a self-regulatory organization
37 registered under the securities exchange act of 1934 or the federal
38 commodity exchange act, or is the subject of a United States post
39 office fraud order; but (a) the director may not institute a revocation

1 or suspension proceeding under this clause more than one year from the
2 date of the order relied on, and (b) the director may not enter any
3 order under this clause on the basis of an order unless that order was
4 based on facts which would currently constitute a ground for an order
5 under this section;

6 (7) Has engaged in dishonest or unethical practices in the
7 securities or investment commodities business;

8 (8) Is insolvent, either in the sense that his or her liabilities
9 exceed his or her assets or in the sense that he or she cannot meet his
10 or her obligations as they mature; but the director may not enter an
11 order against a broker-dealer or investment adviser under this clause
12 without a finding of insolvency as to the broker-dealer or investment
13 adviser;

14 (9) Has not complied with a condition imposed by the director under
15 RCW 21.20.100, or is not qualified on the basis of such factors as
16 training, experience, or knowledge of the securities business; or

17 (10)(a) Has failed to supervise reasonably a salesperson or an
18 investment adviser (~~(salesperson)~~) representative. For the purposes of
19 this subsection, no person fails to supervise reasonably another
20 person, if:

21 (i) There are established procedures, and a system for applying
22 those procedures, that would reasonably be expected to prevent and
23 detect, insofar as practicable, any violation by another person of this
24 chapter, or a rule or order under this chapter; and

25 (ii) The supervising person has reasonably discharged the duties
26 and obligations required by these procedures and system without
27 reasonable cause to believe that another person was violating this
28 chapter or rules or orders under this chapter.

29 (b) The director may issue a summary order pending final
30 determination of a proceeding under this section upon a finding that it
31 is in the public interest and necessary or appropriate for the
32 protection of investors. The director may not impose a fine under this
33 section except after notice and opportunity for hearing. The fine
34 imposed under this section may not exceed five thousand dollars for
35 each act or omission that constitutes the basis for issuing the order.

36 **Sec. 11.** RCW 21.20.120 and 1979 ex.s. c 68 s 8 are each amended to
37 read as follows:

1 Upon the entry of an order under RCW 21.20.110, the director shall
2 promptly notify the applicant or registrant, as well as the employer or
3 prospective employer if the applicant or registrant is a salesperson or
4 investment adviser (~~(salesperson)~~) representative, that it has been
5 entered and of the reasons therefor and that if requested by the
6 applicant or registrant within fifteen days after the receipt of the
7 director's notification the matter will be promptly set down for
8 hearing. If no hearing is requested and none is ordered by the
9 director, the order will remain in effect until it is modified or
10 vacated by the director. If a hearing is requested or ordered, the
11 director, after notice of and opportunity for hearing, may modify or
12 vacate the order or extend it until final determination. No order may
13 be entered under RCW 21.20.110 denying or revoking registration without
14 appropriate prior notice to the applicant or registrant (as well as the
15 employer or prospective employer if the applicant or registrant is a
16 salesperson or an investment adviser (~~(salesperson)~~) representative),
17 opportunity for hearing, and written findings of fact and conclusions
18 of law.

19 **Sec. 12.** RCW 21.20.130 and 1979 ex.s. c 68 s 9 are each amended to
20 read as follows:

21 If the director finds that any registrant or applicant for
22 registration is no longer in existence or has ceased to do business as
23 a broker-dealer, investment adviser, investment adviser (~~(salesperson)~~)
24 representative, or salesperson, or is subject to an adjudication of
25 mental incompetence or to the control of a committee, conservator, or
26 guardian, or cannot be located after reasonable search, the director
27 may by order cancel the registration or application.

28 **Sec. 13.** RCW 21.20.180 and 1979 ex.s. c 68 s 11 are each amended
29 to read as follows:

30 Any security for which a registration statement has been filed
31 under the securities act of 1933 or any securities for which filings
32 have been made pursuant to (~~rules and~~) regulation(~~(s)~~) A (~~and A-M~~)
33 pursuant to subsection (b) of Sec. 3 of (~~said~~) the securities act in
34 connection with the same offering may be registered by coordination.
35 A registration statement under this section shall contain the following
36 information and be accompanied by the following documents, in addition
37 to payment of the registration fee prescribed in RCW 21.20.340 and, if

1 required under RCW 21.20.330, a consent to service of process meeting
2 the requirements of that section:

3 (1) One copy of the prospectus, offering circular and/or letters of
4 notification, filed under the securities act of 1933 together with all
5 amendments thereto;

6 (2) The amount of securities to be offered in this state;

7 (3) The states in which a registration statement or similar
8 document in connection with the offering has been or is expected to be
9 filed;

10 (4) Any adverse order, judgment or decree previously entered in
11 connection with the offering by any court or the securities and
12 exchange commission;

13 (5) If the director, by rule or otherwise, requires a copy of the
14 articles of incorporation and bylaws (or their substantial equivalents)
15 currently in effect, a copy of any agreements with or among
16 underwriters, a copy of any indenture or other instrument governing the
17 issuance of the security to be registered, and a specimen or copy of
18 the security;

19 (6) If the director requests, any other information, or copies of
20 any other documents, filed under the securities act of 1933;

21 (7) An undertaking to forward promptly all amendments to the
22 federal registration statement, offering circular and/or letters of
23 notification, other than an amendment which merely delays the effective
24 date; and

25 (8) If the aggregate sales price of the offering exceeds ((five
26 hundred thousand)) one million dollars, audited financial statements
27 and other financial information prepared as to form and content under
28 rules adopted by the director.

29 **Sec. 14.** RCW 21.20.190 and 1961 c 37 s 5 are each amended to read
30 as follows:

31 A registration statement by coordination under RCW 21.20.180
32 automatically becomes effective at the moment the federal registration
33 statement or other filing becomes effective if all the following
34 conditions are satisfied:

35 (1) No stop order is in effect and no proceeding is pending under
36 RCW 21.20.280 and 21.20.300;

37 (2) The registration statement has been on file with the director
38 for at least ten full business days; and

1 (3) A statement of the maximum and minimum proposed offering prices
2 and the maximum underwriting discounts and commissions has been on file
3 for two full business days or such shorter period as the director
4 permits by rule or otherwise and the offering is made within those
5 limitations. The registrant shall promptly notify the director (~~by~~
6 ~~telephone~~) or such person as the director may by rule or order
7 designate by facsimile, electronic transmission, or telegram of the
8 date and time when the federal registration statement or other filing
9 became effective and the content of the price amendment, if any, and
10 shall promptly file a post-effective amendment containing the
11 information and documents in the price amendment. "Price amendment"
12 means the final federal amendment which includes a statement of the
13 offering price, underwriting and selling discounts or commissions,
14 amount of proceeds, conversion rates, call prices, and other matters
15 dependent upon the offering price.

16 **Sec. 15.** RCW 21.20.200 and 1979 ex.s. c 68 s 12 are each amended
17 to read as follows:

18 Upon failure to receive the required notification and post-
19 effective amendment with respect to the price amendment referred to in
20 RCW 21.20.190, the director may enter a stop order, without notice of
21 hearing, retroactively denying effectiveness to the registration
22 statement or suspending its effectiveness until compliance with RCW
23 21.20.190, if the director promptly notified the registrant by
24 telephone (~~or telegram~~), facsimile, or electronic transmission (and
25 promptly confirms by letter or (~~telegram~~) facsimile when the director
26 notifies by telephone) of the issuance of the order. If the registrant
27 proves compliance with the requirements as to notice and post-effective
28 amendment, the stop order is void as of the time of its entry. The
29 director may by rule or otherwise waive either or both of the
30 conditions specified in RCW 21.20.190(2) and (3). If the federal
31 registration statement or other filing becomes effective before all
32 these conditions are satisfied and they are not waived, the
33 registration statement automatically becomes effective as soon as all
34 the conditions are satisfied. If the registrant advises the director
35 of the date when the federal registration statement or other filing is
36 expected to become effective the director shall promptly advise the
37 registrant by telephone (~~or telegram~~), electronic transmission, or
38 facsimile, at the registrant's expense, whether all the conditions are

1 satisfied and whether the director then contemplates the institution of
2 a proceeding under RCW 21.20.280 and 21.20.300; but this advice by the
3 director does not preclude the institution of such a proceeding at any
4 time.

5 **Sec. 16.** RCW 21.20.210 and 1979 ex.s. c 68 s 13 are each amended
6 to read as follows:

7 Any security may be registered by qualification. A registration
8 statement under this section shall contain the following information
9 and be accompanied by the following documents, in addition to payment
10 of the registration fee prescribed in RCW 21.20.340, and, if required
11 under RCW 21.20.330, a consent to service of process meeting the
12 requirements of that section:

13 (1) With respect to the issuer and any significant subsidiary: Its
14 name, address, and form of organization; the state or foreign
15 jurisdiction and date of its organization; the general character and
16 location of its business; and a description of its physical properties
17 and equipment.

18 (2) With respect to every director and officer of the issuer, or
19 person occupying a similar status or performing similar functions: His
20 or her name, address, and principal occupation for the past five years;
21 the amount of securities of the issuer held by him or her as of a
22 specified date within ninety days of the filing of the registration
23 statement; the remuneration paid to all such persons in the aggregate
24 during the past twelve months, and estimated to be paid during the next
25 twelve months, directly or indirectly, by the issuer (together with all
26 predecessors, parents and subsidiaries).

27 (3) With respect to any person not named in RCW 21.20.210(2),
28 owning of record, or beneficially if known, ten percent or more of the
29 outstanding shares of any class of equity security of the issuer: The
30 information specified in RCW 21.20.210(2) other than his or her
31 occupation.

32 (4) With respect to every promoter, not named in RCW 21.20.210(2),
33 if the issuer was organized within the past three years: The
34 information specified in RCW 21.20.210(2), any amount paid to that
35 person by the issuer within that period or intended to be paid to that
36 person, and the consideration for any such payment.

37 (5) The capitalization and long-term debt (on both a current and a
38 pro forma basis) of the issuer and any significant subsidiary,

1 including a description of each security outstanding or being
2 registered or otherwise offered, and a statement of the amount and kind
3 of consideration (whether in the form of cash, physical assets,
4 services, patents, goodwill, or anything else) for which the issuer or
5 any subsidiary has issued any of its securities within the past two
6 years or is obligated to issue any of its securities.

7 (6) The kind and amount of securities to be offered; the amount to
8 be offered in this state; the proposed offering price and any variation
9 therefrom at which any portion of the offering is to be made to any
10 persons except as underwriting and selling discounts and commissions;
11 the estimated aggregate underwriting and selling discounts or
12 commissions and finders' fees (including separately cash, securities,
13 or anything else of value to accrue to the underwriters in connection
14 with the offering); the estimated amounts of other selling expenses,
15 and legal, engineering, and accounting expenses to be incurred by the
16 issuer in connection with the offering; the name and address of every
17 underwriter and every recipient of a finders' fee; a copy of any
18 underwriting or selling group agreement pursuant to which the
19 distribution is to be made, or the proposed form of any such agreement
20 whose terms have not yet been determined; and a description of the plan
21 of distribution of any securities which are to be offered otherwise
22 than through an underwriter.

23 (7) The estimated cash proceeds to be received by the issuer from
24 the offering; the purposes for which the proceeds are to be used by the
25 issuer; the amount to be used for each purpose; the order or priority
26 in which the proceeds will be used for the purposes stated; the amounts
27 of any funds to be raised from other sources to achieve the purposes
28 stated, and the sources of any such funds; and, if any part of the
29 proceeds is to be used to acquire any property (including goodwill)
30 otherwise than in the ordinary course of business, the names and
31 addresses of the vendors and the purchase price.

32 (8) A description of any stock options or other security options
33 outstanding, or to be created in connection with the offering, together
34 with the amount of any such options held or to be held by every person
35 required to be named in RCW 21.20.210(2), (3), (4), (5) or (7) and by
36 any person who holds or will hold ten percent or more in the aggregate
37 of any such options.

1 (9) The states in which a registration statement or similar
2 document in connection with the offering has been or is expected to be
3 filed.

4 (10) Any adverse order, judgment, or decree previously entered in
5 connection with the offering by any court or the securities and
6 exchange commission; a description of any pending litigation or
7 proceeding to which the issuer is a party and which materially affects
8 its business or assets (including any such litigation or proceeding
9 known to be contemplated by governmental authorities).

10 (11) A copy of any prospectus or circular intended as of the
11 effective date to be used in connection with the offering.

12 (12) A specimen or copy of the security being registered; a copy of
13 the issuer's articles of incorporation and bylaws, as currently in
14 effect; and a copy of any indenture or other instrument covering the
15 security to be registered.

16 (13) A signed or conformed copy of an opinion of counsel, if
17 available, as to the legality of the security being registered.

18 (14)(a) (~~If the issuer is a commercial, industrial or extractive~~
19 ~~company in the promotional, exploratory or development stage, the~~
20 ~~following statements:~~

21 ~~(i) Separate statements of (A) assets, (B) liabilities, and (C)~~
22 ~~capital shares, as of a date within one hundred twenty days prior to~~
23 ~~the filing of the registration statement.~~

24 ~~(ii) A statement of cash receipts and disbursements for each of at~~
25 ~~least three full fiscal years prior to the date of the statements~~
26 ~~furnished pursuant to paragraph (i) above, and for the period, if any,~~
27 ~~between the close of the last full fiscal year and the date of such~~
28 ~~statements, or for the period of the issuer's existence if less than~~
29 ~~the period specified above.~~

30 ~~(iii) In such statements, dollar amounts shall be extended only for~~
31 ~~cash transactions and transactions involving amounts receivable or~~
32 ~~payable in cash.~~

33 ~~(b) If paragraph (a) does not apply to the issuer, there shall be~~
34 ~~furnished)) The following financial statements:~~

35 ~~(i) ((Financial statements consisting of)) (A) Balance sheets as of~~
36 ~~the end of each of the three most recent fiscal years; and, if the date~~
37 ~~of the most recent fiscal year end is more than four months prior to~~
38 ~~the date of filing, (B) a balance sheet of the issuer as of a date~~
39 ~~within four months prior to the filing of the registration statement((7~~

1 and as of the date of the end of the last fiscal year if more than four
2 months prior to such filing)).

3 (ii)(A) Statements of income, shareholders' equity, and ((changes
4 in financial position)) cash flows for each of the three fiscal years
5 preceding the date of the latest balance sheet ((and)) or for the
6 period of the issuer's and any predecessor's existence if less than
7 three years and (B) statements of income, shareholders' equity, and
8 cash flows for any period between the close of the last fiscal year and
9 the date of the latest balance sheet((, or for the period of the
10 issuer's and any predecessor's existence if less than three years)).

11 (iii) If any part of the proceeds of the offering is to be applied
12 to the purchase of any business whose annual sales or revenues are in
13 excess of fifteen percent of the registrant's sales or revenues or
14 involves acquisition of assets in excess of fifteen percent of the
15 registrant's assets, except as specifically exempted by the director,
16 financial statements shall be filed which would be required if that
17 business were the registrant.

18 ((e)) (b)(i) If the estimated proceeds to be received from the
19 offering, together with the proceeds from securities registered under
20 this section during the year preceding the date of the filing of this
21 registration statement, exceed one ((hundred thousand)) million
22 dollars, the ((statements described in subsection (14)(a)(i) or (b)(i)
23 of this section as of the date of the close of the last fiscal year))
24 balance sheet specified in (a)(i)(A) of this subsection as of the end
25 of the last fiscal year and the related financial statements specified
26 in (a)(ii)(A) of this subsection((s (14)(a)(ii) and (b)(ii) of this
27 section)) for the last fiscal year shall be audited. ((For
28 registration statements filed after December 31, 1975, and))

29 (ii) If such proceeds exceed ((five hundred thousand dollars,)) one
30 million dollars but are not more than five million dollars, the balance
31 sheet specified in (a)(i)(A) of this subsection as of the end of the
32 most recent fiscal year and the financial statements specified in
33 (a)(ii)(A) of this subsection((s (14)(a)(ii) and (b)(ii) of this
34 section)) for the last ((two)) fiscal year((s)) shall be audited.
35 ((For registration statements filed after December 31, 1979, and if
36 such proceeds exceed five hundred thousand dollars, the statements
37 described in subsection (14)(a)(i) or (b)(i) of this section as of the
38 date of the close of the last fiscal year and the related financial

1 ~~statements specified in subsection (14)(a)(ii) and (b)(ii) of this~~
2 ~~section for the last fiscal year shall be audited.)~~)

3 (iii) If such proceeds exceed ((seven hundred fifty thousand
4 dollars,)) five million dollars but are not more than twenty-five
5 million dollars, the balance sheets specified in (a)(i)(A) of this
6 subsection as of the end of the last two fiscal years and the related
7 financial statements specified in (a)(ii)(A) of this subsection
8 ((14)(a)(ii) and (b)(ii) of this section)) for the last two fiscal
9 years shall be audited.

10 ((d)) (iv) If such proceeds exceed twenty-five million dollars,
11 the balance sheets specified in (a)(i)(A) of this subsection and the
12 related financial statements specified in (a)(ii)(A) of this subsection
13 for the last three fiscal years shall be audited.

14 (c) The financial statements of this subsection and such other
15 financial information as may be prescribed by the director shall be
16 prepared as to form and content in accordance with generally accepted
17 accounting principles and with the rules ((and regulations)) prescribed
18 by the director, and ((as provided in paragraph (c) above)) when
19 applicable, shall be audited by an independent certified public
20 accountant who is ((authorized to practice under the laws of the state
21 of Washington)) registered and in good standing as a certified public
22 accountant under the laws of the place of his or her residence or
23 principal office and who is not an employee, officer, or member of the
24 board of directors of the issuer or a holder of the securities of the
25 issuer. ((The)) An audit report of such independent certified public
26 accountant shall be based upon an audit made in accordance with
27 generally accepted auditing standards ((with)). The audit report shall
28 have no limitations on its scope unless expressly authorized in writing
29 by the director. The director may also verify such statements by
30 examining the issuer's books and records.

31 (15) The written consent of any accountant, engineer, appraiser,
32 attorney, or any person whose profession gives authority to a statement
33 made by him or her, who is named as having prepared or audited any part
34 of the registration statement or is named as having prepared or audited
35 a report or valuation for use in connection with the registration
36 statement.

37 **Sec. 17.** RCW 21.20.275 and 1979 ex.s. c 68 s 16 are each amended
38 to read as follows:

1 The director may in his or her discretion (~~((mail))~~) send notice to
2 the registrant in any pending registration in which no action has been
3 taken for nine months immediately prior to the (~~((mailing))~~) sending of
4 such notice, advising such registrant that the pending registration
5 will be terminated thirty days from the date of (~~((mailing))~~) sending
6 unless on or before (~~((said))~~) the termination date the registrant makes
7 application in writing to the director showing good cause why it should
8 be continued as a pending registration. If such application is not
9 made or good cause shown, the director shall terminate the pending
10 registration.

11 **Sec. 18.** RCW 21.20.310 and 1981 c 272 s 5 are each amended to read
12 as follows:

13 RCW 21.20.140 through 21.20.300, inclusive, do not apply to any of
14 the following securities:

15 (1) Any security (including a revenue obligation) issued or
16 guaranteed by the United States, any state, any political subdivision
17 of a state, or any agency or corporate or other instrumentality of one
18 or more of the foregoing; or any certificate of deposit for any of the
19 foregoing; but this exemption does not include any security payable
20 solely from revenues to be received from a nongovernmental industrial
21 or commercial enterprise unless such payments are made or
22 unconditionally guaranteed by a person whose securities are exempt from
23 registration by subsections (7) or (8) of this section: PROVIDED, That
24 the director, by rule or order, may exempt any security payable solely
25 from revenues to be received from a nongovernmental industrial or
26 commercial enterprise if the director finds that registration with
27 respect to such securities is not necessary in the public interest and
28 for the protection of investors.

29 (2) Any security issued or guaranteed by Canada, any Canadian
30 province, any political subdivision of any such province, any agency or
31 corporate or other instrumentality of one or more of the foregoing, or
32 any other foreign government with which the United States currently
33 maintains diplomatic relations, if the security is recognized as a
34 valid obligation by the issuer or guarantor; but this exemption does
35 not include any security payable solely from revenues to be received
36 from a nongovernmental industrial or commercial enterprise unless such
37 payments shall be made or unconditionally guaranteed by a person whose

1 securities are exempt from registration by subsections (7) or (8) of
2 this section.

3 (3) Any security issued by and representing an interest in or a
4 debt of, or guaranteed by, any bank organized under the laws of the
5 United States, or any bank or trust company organized or supervised
6 under the laws of any state.

7 (4) Any security issued by and representing an interest in or a
8 debt of, or guaranteed by, any federal savings and loan association, or
9 any building and loan or similar association organized under the laws
10 of any state and authorized to do business in this state.

11 (5) Any security issued by and representing an interest in or a
12 debt of, or guaranteed by, any insurance company organized under the
13 laws of this state and authorized to do and actually doing business in
14 this state.

15 (6) Any security issued or guaranteed by any federal credit union
16 or any credit union, industrial loan association, or similar
17 association organized and supervised under the laws of this state.

18 (7) Any security issued or guaranteed by any railroad, other common
19 carrier, public utility, or holding company which is (a) subject to the
20 jurisdiction of the interstate commerce commission; (b) a registered
21 holding company under the public utility holding company act of 1935 or
22 a subsidiary of such a company within the meaning of that act; (c)
23 regulated in respect of its rates and charges by a governmental
24 authority of the United States or any state or municipality; or (d)
25 regulated in respect of the issuance or guarantee of the security by a
26 governmental authority of the United States, any state, Canada, or any
27 Canadian province; also equipment trust certificates in respect of
28 equipment conditionally sold or leased to a railroad or public utility,
29 if other securities issued by such railroad or public utility would be
30 exempt under this subsection.

31 (8) Any security which meets the criteria for investment grade
32 securities that the director may adopt by rule.

33 (9) Any prime quality negotiable commercial paper (~~((which))~~) not
34 intended to be marketed to the general public and not advertised for
35 sale to the general public that is of a type eligible for discounting
36 by federal reserve banks, that arises out of a current transaction or
37 the proceeds of which have been or are to be used for a current
38 transaction, and (~~((which))~~) that evidences an obligation to pay cash
39 within nine months of the date of issuance, exclusive of days of grace,

1 or any renewal of such paper which is likewise limited, or any
2 guarantee of such paper or of any such renewal(~~(, when such commercial~~
3 ~~paper is sold to the banks or insurance companies))~~).

4 (10) Any investment contract issued in connection with an
5 employee's stock purchase, savings, pension, profit-sharing, or similar
6 benefit plan if the director is notified in writing with a copy of the
7 plan thirty days before offering the plan to employees in this state.
8 In the event of late filing of notification the director may upon
9 application, for good cause excuse such late filing if he or she finds
10 it in the public interest to grant such relief.

11 (11) Any security issued by any person organized and operated as a
12 nonprofit organization as defined in RCW 84.36.800(4) exclusively for
13 religious, educational, fraternal, or charitable purposes and which
14 nonprofit organization also possesses a current tax exempt status under
15 the laws of the United States, which security is offered or sold only
16 to persons who, prior to their solicitation for the purchase of said
17 securities, were members of, contributors to, or listed as participants
18 in, the organization, or their relatives, if such nonprofit
19 organization first files a notice specifying the terms of the offering
20 and the director does not by order disallow the exemption within the
21 next ten full business days: PROVIDED, That no offerings may be made
22 until expiration of the ten full business days. Every such nonprofit
23 organization which files a notice of exemption of such securities shall
24 pay a filing fee as set forth in RCW 21.20.340(12) as now or hereafter
25 amended.

26 The notice shall consist of the following:

27 (a) The name and address of the issuer;

28 (b) The names, addresses, and telephone numbers of the current
29 officers and directors of the issuer;

30 (c) A short description of the security, price per security, and
31 the number of securities to be offered;

32 (d) A statement of the nature and purposes of the organization as
33 a basis for the exemption under this section;

34 (e) A statement of the proposed use of the proceeds of the sale of
35 the security; and

36 (f) A statement that the issuer shall provide to a prospective
37 purchaser written information regarding the securities offered prior to
38 consummation of any sale, which information shall include the following
39 statements: (i) "ANY PROSPECTIVE PURCHASER IS ENTITLED TO REVIEW

1 FINANCIAL STATEMENTS OF THE ISSUER WHICH SHALL BE FURNISHED UPON
2 REQUEST."; (ii) "RECEIPT OF NOTICE OF EXEMPTION BY THE WASHINGTON
3 ADMINISTRATOR OF SECURITIES DOES NOT SIGNIFY THAT THE ADMINISTRATOR HAS
4 APPROVED OR RECOMMENDED THESE SECURITIES, NOR HAS THE ADMINISTRATOR
5 PASSED UPON THE OFFERING. ANY REPRESENTATION TO THE CONTRARY IS A
6 CRIMINAL OFFENSE."; and (iii) "THE RETURN OF THE FUNDS OF THE PURCHASER
7 IS DEPENDENT UPON THE FINANCIAL CONDITION OF THE ORGANIZATION."

8 (12) Any charitable gift annuities issued by a board of a state
9 university, regional university, or of the state college.

10 (13) Any charitable gift annuity issued by an insurer or
11 institution holding a certificate of exemption under RCW 48.38.010.

12 **Sec. 19.** RCW 21.20.330 and 1979 ex.s. c 68 s 23 are each amended
13 to read as follows:

14 Every applicant for registration as a broker-dealer, investment
15 adviser, investment adviser (~~(salesperson)~~) representative, or
16 salesperson under this chapter and every issuer (~~(which proposes)~~) that
17 files an application to register or files a claim of exemption from
18 registration to offer a security in this state through any person
19 acting on an agency basis in the common law sense shall file with the
20 director or with such person as the director may by rule or order
21 designate, in such form as the director by rule prescribes, an
22 irrevocable consent appointing the director or the director's successor
23 in office to be the attorney of the applicant to receive service of any
24 lawful process in any noncriminal suit, action, or proceeding against
25 the applicant or the applicant's successor, executor or administrator
26 which arises under this chapter or any rule or order hereunder after
27 the consent has been filed, with the same force and validity as if
28 served personally on the person filing the consent. A person who has
29 filed such a consent in connection with a previous registration need
30 not file another. Service may be made by leaving a copy of the process
31 in the office of the director, but it is not effective unless (1) the
32 plaintiff, who may be the director in a suit, action, or proceeding
33 instituted by him or her, forthwith sends notice of the service and a
34 copy of the process by registered mail to the defendant or respondent
35 at the last address of the respondent or defendant on file with the
36 director, and (2) the plaintiff's affidavit of compliance with this
37 section is filed in the case on or before the return day of the
38 process, if any, or within such further time as the court allows.

1 **Sec. 20.** RCW 21.20.340 and 1988 c 244 s 17 are each amended to
2 read as follows:

3 The following fees shall be paid in advance under the provisions of
4 this chapter:

5 (1) For registration of (~~all~~) securities (~~other than investment~~
6 ~~trusts and securities registered by coordination~~) by qualification,
7 the fee shall be one hundred dollars for the first one hundred thousand
8 dollars of initial issue, or portion thereof in this state, based on
9 offering price, plus one-twentieth of one percent for any excess over
10 one hundred thousand dollars which are to be offered during that year:
11 PROVIDED, HOWEVER, That an issuer may upon the payment of a fifty
12 dollar fee renew for one additional twelve-month period only the unsold
13 portion for which the registration fee has been paid.

14 (2) For registration by coordination of securities issued by (~~a~~
15 ~~face amount certificate company or redeemable security issued by an~~
16 ~~open end management company or investment trust~~) an investment
17 company, other than a closed-end company, as those terms are defined in
18 the Investment Company Act of 1940, the fee shall be one hundred
19 dollars for the first one hundred thousand dollars of initial issue, or
20 portion thereof in this state, based on offering price, plus one-
21 twentieth of one percent for any excess over one hundred thousand
22 dollars which are to be offered in this state during that year:
23 PROVIDED, HOWEVER, That an issuer may upon the payment of a fifty
24 dollar fee renew for an additional twelve-month period the unsold
25 portion for which the registration fee has been paid.

26 (3) For registration by coordination(~~(, other than investment~~
27 ~~trusts)~~) of securities not covered by subsection (2) of this section,
28 the initial filing fee shall be one hundred dollars for the first one
29 hundred thousand dollars of initial issue, or portion thereof in this
30 state, based on offering price, plus one-fortieth of one percent for
31 any excess over one hundred thousand dollars for the first twelve-month
32 period plus one hundred dollars for each additional twelve months in
33 which the same offering is continued.

34 (4) For filing annual financial statements, the fee shall be
35 twenty-five dollars.

36 (5) For filing an amended offering circular after the initial
37 registration permit has been granted the fee shall be ten dollars.

38 (6) For registration of a broker-dealer or investment adviser, the
39 fee shall be one hundred fifty dollars for original registration and

1 seventy-five dollars for each annual renewal. When an application is
2 denied or withdrawn the director shall retain one-half of the fee.

3 (7) For registration of a salesperson or investment adviser
4 (~~(salesperson)~~) representative, the fee shall be forty dollars for
5 original registration with each employer and twenty dollars for each
6 annual renewal. When an application is denied or withdrawn the
7 director shall retain one-half of the fee.

8 (8) (~~For written examination for registration as a salesperson or~~
9 ~~investment adviser salesperson, the fee shall be fifteen dollars. For~~
10 ~~examinations for registration as a broker-dealer or investment adviser,~~
11 ~~the fee shall be fifty dollars.~~

12 (9)) If a registration of a broker-dealer, salesperson, investment
13 adviser, or investment adviser (~~(salesperson)~~) representative is not
14 renewed on or before December 31st of each year the renewal is
15 delinquent. The director by rule or order may set and assess a fee for
16 delinquency not to exceed two hundred dollars. Acceptance by the
17 director of an application for renewal after December 31st is not a
18 waiver of delinquency. A delinquent application for renewal will not
19 be accepted for filing after March 1st.

20 (~~(10)~~) (9)(a) For the transfer of a broker-dealer license to a
21 successor, the fee shall be fifty dollars.

22 (b) For the transfer of a salesperson license from a broker-dealer
23 or issuer to another broker-dealer or issuer, the transfer fee shall be
24 twenty-five dollars.

25 (c) For the transfer of an investment adviser (~~(salesperson)~~)
26 representative license from an investment adviser to another investment
27 adviser, the transfer fee shall be twenty-five dollars.

28 (d) For the transfer of an investment adviser license to a
29 successor, the fee shall be fifty dollars.

30 (~~(11)~~) (10) The director may provide by rule for the filing of
31 notice of claim of exemption under RCW 21.20.320 (1), (9), and (17) and
32 set fees accordingly not to exceed three hundred dollars.

33 (~~(12)~~) (11) For filing of notification of claim of exemption from
34 registration pursuant to RCW 21.20.310(11), as now or hereafter
35 amended, the fee shall be fifty dollars for each filing.

36 (~~(13)~~) (12) For rendering interpretative opinions, the fee shall
37 be thirty-five dollars.

38 (~~(14)~~) (13) For certified copies of any documents filed with the
39 director, the fee shall be the cost to the department.

1 (~~(15)~~) (14) For a duplicate license the fee shall be five
2 dollars.

3 All fees collected under this chapter shall be turned in to the
4 state treasury and are not refundable, except as herein provided.

5 **Sec. 21.** RCW 21.20.370 and 1979 ex.s. c 68 s 25 are each amended
6 to read as follows:

7 The director in his or her discretion (1) may annually, or more
8 frequently, make such public or private investigations within or
9 without this state as the director deems necessary to determine whether
10 any registration should be granted, denied or revoked or whether any
11 person has violated or is about to violate any provision of this
12 chapter or any rule or order hereunder, or to aid in the enforcement of
13 this chapter or in the prescribing of rules and forms hereunder, (2)
14 may require or permit any person to file a statement in writing, under
15 oath or otherwise as the director may determine, as to all the facts
16 and circumstances concerning the matter to be investigated, and (3)
17 (~~shall~~) may publish information concerning any violation of this
18 chapter or any rule or order hereunder.

19 **Sec. 22.** RCW 21.20.380 and 1979 ex.s. c 68 s 26 are each amended
20 to read as follows:

21 For the purpose of any investigation or proceeding under this
22 chapter, the director or any officer designated by the director may
23 administer oaths and affirmations, subpoena witnesses, compel their
24 attendance, take evidence, and require the production of any books,
25 papers, correspondence, memoranda, agreements, or other documents or
26 records which the director deems relevant or material to the inquiry.

27 In case of disobedience on the part of any person to comply with
28 any subpoena lawfully issued by the director, or on the refusal of any
29 witness to testify to any matters regarding which the witness may be
30 lawfully interrogated, (~~the superior court~~) a court of competent
31 jurisdiction of any county or the judge thereof, on application of the
32 director, and after satisfactory evidence of wilful disobedience, may
33 compel obedience by proceedings for contempt, as in the case of
34 disobedience of the requirements of a subpoena issued from such a court
35 on a refusal to testify therein.

1 **Sec. 23.** RCW 21.20.390 and 1981 c 272 s 8 are each amended to read
2 as follows:

3 Whenever it appears to the director that any person has engaged or
4 is about to engage in any act or practice constituting a violation of
5 any provision of this chapter or any rule or order hereunder, the
6 director may in his or her discretion:

7 (1) Issue an order directing the person to cease and desist from
8 continuing the act or practice: PROVIDED, That reasonable notice of
9 and opportunity for a hearing shall be given: PROVIDED, FURTHER, That
10 the director may issue a temporary order pending the hearing which
11 shall remain in effect until ten days after the hearing is held and
12 which shall become final if the person to whom notice is addressed does
13 not request a hearing within fifteen days after the receipt of notice;
14 or

15 (2) The director may without issuing a cease and desist order,
16 bring an action in any court of competent jurisdiction to enjoin any
17 such acts or practices and to enforce compliance with this chapter or
18 any rule or order hereunder. The court may grant such ancillary relief
19 as it deems appropriate. Upon a proper showing a permanent or
20 temporary injunction, restraining order, or writ of mandamus shall be
21 granted and a receiver or conservator may be appointed for the
22 defendant or the defendant's assets. The director may not be required
23 to post a bond. If the director prevails, the director shall be
24 entitled to a reasonable attorney's fee to be fixed by the court.

25 (3) Whenever it appears to the director that any person who has
26 received a permit to issue, sell, or otherwise dispose of securities
27 under this chapter, whether current or otherwise, has become insolvent,
28 the director may petition a court of competent jurisdiction to appoint
29 a receiver or conservator for the defendant or the defendant's assets.
30 The director may not be required to post a bond.

31 (4) The director may bring an action for restitution or damages on
32 behalf of the persons injured by a violation of this chapter, if the
33 court finds that private civil action would be so burdensome or
34 expensive as to be impractical.

35 **Sec. 24.** RCW 21.20.450 and 1993 c 472 s 15 are each amended to
36 read as follows:

37 (1) The administration of the provisions of this chapter shall be
38 under the department of financial institutions. The director may from

1 time to time make, amend, and repeal such rules (~~and~~), forms, and
2 orders as are necessary to carry out the provisions of this chapter,
3 including rules defining any term, whether or not such term is used in
4 the Washington securities law. The director may classify securities,
5 persons, and matters within the director's jurisdiction, and prescribe
6 different requirements for different classes. No rule (~~or~~), form, or
7 order may be made unless the director finds that the action is
8 necessary or appropriate in the public interest or for the protection
9 of investors and consistent with the purposes fairly intended by the
10 policy and provisions of this chapter. In prescribing rules and forms
11 the director may cooperate with the securities administrators of the
12 other states and the securities and exchange commission with a view to
13 effectuating the policy of this statute to achieve maximum uniformity
14 in the form and content of registration statements, applications, and
15 reports wherever practicable. All rules and forms of the director
16 shall be published.

17 (2) To encourage uniform interpretation and administration of this
18 chapter and effective securities regulation and enforcement, the
19 director may cooperate with the securities agencies or administrators
20 of one or more states, Canadian provinces or territories, or another
21 country, the securities and exchange commission, the commodity futures
22 trading commission, the securities investor protection corporation, any
23 self-regulatory organization, any national or international
24 organization of securities officials or agencies, and any governmental
25 law enforcement or regulatory agency.

26 (3) The cooperation authorized by subsection (2) of this section
27 includes:

28 (a) Establishing a central depository for licensing or registration
29 under this chapter and for documents or records required or allowed to
30 be maintained under this chapter;

31 (b) Making a joint license or registration examination or
32 investigation;

33 (c) Holding a joint administrative hearing;

34 (d) Filing and prosecuting a joint civil or administrative hearing;

35 (e) Sharing and exchanging personnel;

36 (f) Sharing and exchanging information and documents; and

37 (g) Formulating under chapter 34.05 RCW, rules or proposed rules on
38 matters such as statements of policy, guidelines, and interpretative
39 opinions and releases.

1 **Sec. 25.** RCW 21.20.510 and 1959 c 282 s 51 are each amended to
2 read as follows:

3 A document is filed with the director when it is received by the
4 director or by a person as the director designates by rule or order.
5 The director or the director's designee shall keep a register of all
6 applications for registration and registration statements which are or
7 have ever been effective under this chapter and all denial, suspension,
8 or revocation orders which have ever been entered under this chapter.
9 The register shall be open for public inspection. The information
10 contained in or filed with any registration statement, application, or
11 report may be made available to the public under such rules as the
12 director prescribes.

13 **Sec. 26.** RCW 21.20.702 and 1993 c 470 s 2 are each amended to read
14 as follows:

15 (1) In recommending to a customer the purchase, sale, or exchange
16 of a security, a broker-dealer, salesperson, investment adviser, or
17 investment adviser (~~((salesperson))~~) representative must have reasonable
18 grounds for believing that the recommendation is suitable for the
19 customer upon the basis of the facts, if any, disclosed by the customer
20 as to his or her other security holdings and as to his or her financial
21 situation and needs.

22 (2) Before the execution of a transaction recommended to a
23 noninstitutional customer, other than transactions with customers where
24 investments are limited to money market mutual funds, a broker-dealer,
25 salesperson, investment adviser, or investment adviser (~~((salesperson))~~)
26 representative shall make reasonable efforts to obtain information
27 concerning:

- 28 (a) The customer's financial status;
- 29 (b) The customer's tax status;
- 30 (c) The customer's investment objectives; and
- 31 (d) Such other information used or considered to be reasonable by
32 the broker-dealer, salesperson, investment adviser, or investment
33 adviser (~~((salesperson—or—registered))~~) representative in making
34 recommendations to the customer.

35 **Sec. 27.** RCW 23B.02.020 and 1989 c 165 s 27 are each amended to
36 read as follows:

37 (1) The articles of incorporation must set forth:

1 (a) A corporate name for the corporation that satisfies the
2 requirements of RCW 23B.04.010;

3 (b) The number of shares the corporation is authorized to issue in
4 accordance with RCW 23B.06.010 and 23B.06.020;

5 (c) The street address of the corporation's initial registered
6 office and the name of its initial registered agent at that office in
7 accordance with RCW 23B.05.010; and

8 (d) The name and address of each incorporator in accordance with
9 RCW 23B.02.010.

10 (2) The articles of incorporation or bylaws must either specify
11 the number of directors or specify the process by which the number of
12 directors will be fixed, unless the articles of incorporation dispense
13 with a board of directors pursuant to RCW 23B.08.010.

14 (3) Unless its articles of incorporation provide otherwise, a
15 corporation is governed by the following provisions:

16 (a) The board of directors may adopt bylaws to be effective only in
17 an emergency as provided by RCW 23B.02.070;

18 (b) A corporation has the purpose of engaging in any lawful
19 business under RCW 23B.03.010;

20 (c) A corporation has perpetual existence and succession in its
21 corporate name under RCW 23B.03.020;

22 (d) A corporation has the same powers as an individual to do all
23 things necessary or convenient to carry out its business and affairs,
24 including itemized powers under RCW 23B.03.020;

25 (e) All shares are of one class and one series, have unlimited
26 voting rights, and are entitled to receive the net assets of the
27 corporation upon dissolution under RCW 23B.06.010 and 23B.06.020;

28 (f) If more than one class of shares is authorized, all shares of
29 a class must have preferences, limitations, and relative rights
30 identical to those of other shares of the same class under RCW
31 23B.06.010;

32 (g) If the board of directors is authorized to designate the number
33 of shares in a series, the board may, after the issuance of shares in
34 that series, reduce the number of authorized shares of that series
35 under RCW 23B.06.020;

36 (h) The board of directors must authorize any issuance of shares
37 under RCW 23B.06.210;

38 (i) Shares may be issued pro rata and without consideration to
39 shareholders under RCW 23B.06.230;

1 (j) Shares of one class or series may not be issued as a share
2 dividend with respect to another class or series, unless there are no
3 outstanding shares of the class or series to be issued, or a majority
4 of votes entitled to be cast by such class or series approve as
5 provided in RCW 23B.06.230;

6 (k) A corporation may issue rights, options, or warrants for the
7 purchase of shares of the corporation under RCW 23B.06.240;

8 (l) A shareholder has, and may waive, a preemptive right to acquire
9 the corporation's unissued shares as provided in RCW 23B.06.300;

10 (m) Shares of a corporation acquired by it may be reissued under
11 RCW 23B.06.310;

12 (n) The board may authorize and the corporation may make
13 distributions not prohibited by statute under RCW 23B.06.400;

14 (o) The preferential rights upon dissolution of certain
15 shareholders will be considered a liability for purposes of
16 determining the validity of a distribution under RCW 23B.06.400;

17 (p) Unless this title requires otherwise, the corporation is
18 required to give notice only to shareholders entitled to vote at a
19 meeting and the notice for an annual meeting need not include the
20 purpose for which the meeting is called under RCW 23B.07.050;

21 (q) A corporation that is a public company shall hold a special
22 meeting of shareholders if the holders of at least ten percent of the
23 votes entitled to be cast on any issue proposed to be considered at the
24 meeting demand a meeting under RCW 23B.07.020;

25 (r) Subject to statutory exceptions, each outstanding share,
26 regardless of class, is entitled to one vote on each matter voted on at
27 a shareholders' meeting under RCW 23B.07.210;

28 (s) A majority of the votes entitled to be cast on a matter by a
29 voting group constitutes a quorum, unless the title provides otherwise
30 under RCW 23B.07.250 and 23B.07.270;

31 (t) Action on a matter, other than election of directors, by a
32 voting group is approved if the votes cast within the voting group
33 favoring the action exceed the votes cast opposing the action, unless
34 this title requires a greater number of affirmative votes under RCW
35 23B.07.250;

36 (u) All shares of one or more classes or series that are entitled
37 to vote will be counted together collectively on any matter at a
38 meeting of shareholders under RCW 23B.07.260;

1 (v) Directors are elected by cumulative voting under RCW
2 23B.07.280;

3 (w) Directors are elected by a plurality of votes cast by shares
4 entitled to vote under RCW 23B.07.280;

5 (x) A corporation must have a board of directors under RCW
6 23B.08.010;

7 (y) All corporate powers must be exercised by or under the
8 authority of, and the business and affairs of the corporation managed
9 under the direction of, its board of directors under RCW 23B.08.010;

10 (z) The shareholders may remove one or more directors with or
11 without cause under RCW 23B.08.080;

12 (aa) A vacancy on the board of directors may be filled by the
13 shareholders or the board of directors under RCW 23B.08.100;

14 (bb) A corporation shall indemnify a director who was wholly
15 successful in the defense of any proceeding to which the director was
16 a party because the director is or was a director of the corporation
17 against reasonable expenses incurred by the director in connection with
18 the proceeding under RCW 23B.08.520;

19 (cc) A director of a corporation who is a party to a proceeding
20 may apply for indemnification of reasonable expenses incurred by the
21 director in connection with the proceeding to the court conducting the
22 proceeding or to another court of competent jurisdiction under RCW
23 23B.08.540;

24 (dd) An officer of the corporation who is not a director is
25 entitled to mandatory indemnification under RCW 23B.08.520, and is
26 entitled to apply for court-ordered indemnification under RCW
27 23B.08.540, in each case to the same extent as a director under RCW
28 23B.08.570;

29 (ee) The corporation may indemnify and advance expenses to an
30 officer, employee, or agent of the corporation who is not a director to
31 the same extent as to a director under RCW 23B.08.570;

32 (ff) A corporation may indemnify and advance expenses to an
33 officer, employee, or agent who is not a director to the extent,
34 consistent with law, that may be provided by its articles of
35 incorporation, bylaws, general or specific action of its board of
36 directors, or contract under RCW 23B.08.570;

37 (gg) A corporation's board of directors may adopt certain
38 amendments to the corporation's articles of incorporation without
39 shareholder action under RCW 23B.10.020;

1 (hh) Unless the title or the board of directors require a greater
2 vote or a vote by voting groups, an amendment to the corporation's
3 articles of incorporation must be approved by each voting group
4 entitled to vote on the proposed amendment by two-thirds, or, in the
5 case of a public company, a majority, of all the votes entitled to be
6 cast by that voting group under RCW 23B.10.030;

7 (ii) A corporation's board of directors may amend or repeal the
8 corporation's bylaws unless this title reserves this power exclusively
9 to the shareholders in whole or in part, or unless the shareholders in
10 amending or repealing a bylaw provide expressly that the board of
11 directors may not amend or repeal that bylaw under RCW 23B.10.200;

12 (jj) Unless this title or the board of directors require a greater
13 vote or a vote by voting groups, a plan of merger or share exchange
14 must be approved by each voting group entitled to vote on the merger or
15 share exchange by two-thirds of all the votes entitled to be cast by
16 that voting group under RCW 23B.11.030;

17 (kk) Approval by the shareholders of the sale, lease, exchange, or
18 other disposition of all, or substantially all, the corporation's
19 property in the usual and regular course of business is not required
20 under RCW 23B.12.010;

21 (ll) Approval by the shareholders of the mortgage, pledge,
22 dedication to the repayment of indebtedness, or other encumbrance of
23 any or all of the corporation's property, whether or not in the usual
24 and regular course of business, is not required under RCW 23B.12.010;

25 (mm) Unless the board of directors requires a greater vote or a
26 vote by voting groups, a sale, lease, exchange, or other disposition of
27 all or substantially all of the corporation's property, other than in
28 the usual and regular course of business, must be approved by each
29 voting group entitled to vote on such transaction by two-thirds of all
30 votes entitled to be cast by that voting group under RCW 23B.12.020;

31 (nn) Unless the board of directors requires a greater vote or a
32 vote by voting groups, a proposal to dissolve must be approved by each
33 voting group entitled to vote on the dissolution by two-thirds of all
34 votes entitled to be cast by that voting group under RCW 23B.14.020;
35 and

36 (oo) A corporation with fewer than three hundred holders of record
37 of its shares does not require special approval of interested
38 shareholder transactions under RCW 23B.17.020.

1 (4) Unless its articles of incorporation or its bylaws provide
2 otherwise, a corporation is governed by the following provisions:

3 (a) The board of directors may authorize the issuance of some or
4 all of the shares of any or all of the corporation's classes or series
5 without certificates under RCW 23B.06.260;

6 (b) A corporation that is not a public company shall hold a special
7 meeting of shareholders if the holders of at least ten percent of the
8 votes entitled to be cast on any issue proposed to be considered at the
9 meeting demand a meeting under RCW 23B.07.020;

10 (c) A director need not be a resident of this state or a
11 shareholder of the corporation under RCW 23B.08.020;

12 (d) The board of directors may fix the compensation of directors
13 under RCW 23B.08.110;

14 (e) Members of the board of directors may participate in a meeting
15 of the board by any means of similar communication by which all
16 directors participating can hear each other during the meeting under
17 RCW 23B.08.200;

18 (f) Action permitted or required by this title to be taken at a
19 board of directors' meeting may be taken without a meeting if action is
20 taken by all members of the board under RCW 23B.08.210;

21 (g) Regular meetings of the board of directors may be held without
22 notice of the date, time, place, or purpose of the meeting under RCW
23 23B.08.220;

24 (h) Special meetings of the board of directors must be preceded by
25 at least two days' notice of the date, time, and place of the meeting,
26 and the notice need not describe the purpose of the special meeting
27 under RCW 23B.08.220;

28 (i) A quorum of a board of directors consists of a majority of the
29 number of directors under RCW 23B.08.240;

30 (j) If a quorum is present when a vote is taken, the affirmative
31 vote of a majority of directors present is the act of the board of
32 directors under RCW 23B.08.240;

33 (k) A board of directors may create one or more committees and
34 appoint members of the board of directors to serve on them under RCW
35 23B.08.250; and

36 (l) Unless approved by the shareholders, a corporation may
37 indemnify, or make advances to, a director for reasonable expenses
38 incurred in the defense of any proceeding to which the director was a

1 party because of being a director only to the extent such action is
2 consistent with RCW 23B.08.500 through 23B.08.580.

3 (5) The articles of incorporation may contain the following
4 provisions:

5 (a) The names and addresses of the individuals who are to serve as
6 initial directors;

7 (b) The par value of any authorized shares or classes of shares;

8 (c) Provisions not inconsistent with law related to the management
9 of the business and the regulation of the affairs of the corporation;

10 (d) Any provision that under this title is required or permitted
11 to be set forth in the bylaws;

12 (e) Provisions not inconsistent with law defining, limiting, and
13 regulating the powers of the corporation, its board of directors, and
14 shareholders;

15 (f) If the articles of incorporation authorize dividing shares
16 into classes, the election of all or a specified number of directors
17 may be effected by the holders of one or more authorized classes of
18 shares under RCW 23B.08.040;

19 (g) The terms of directors may be staggered under RCW 23B.08.060;

20 (h) Shares may be redeemable or convertible (i) at the option of
21 the corporation, the shareholder, or another person, or upon the
22 occurrence of a designated event; (ii) for cash, indebtedness,
23 securities, or other property; or (iii) in a designated amount or in an
24 amount determined in accordance with a designated formula or by
25 reference to extrinsic data or events under RCW 23B.06.010; and

26 (i) A director's personal liability to the corporation or its
27 shareholders for monetary damages for conduct as a director may be
28 eliminated or limited under RCW 23B.08.320.

29 (6) The articles of incorporation or the bylaws may contain the
30 following provisions:

31 (a) A restriction on the transfer or registration of transfer of
32 the corporation's shares under RCW 23B.06.270;

33 (b) Shareholders may participate in a meeting of shareholders by
34 any means of communication by which all persons participating in the
35 meeting can hear each other under RCW 23B.07.080; ((and))

36 (c) A quorum of the board of directors may consist of as few as
37 one-third of the number of directors under RCW 23B.08.240;

38 (d) If the corporation is registered as an investment company under
39 the investment company act of 1940, a provision limiting the

1 requirement to hold an annual meeting of shareholders as provided in
2 RCW 23B.07.010(2); and

3 (e) If the corporation is registered as an investment company under
4 the investment company act of 1940, a provision establishing terms of
5 directors which terms may be longer than one year as provided in
6 section 31 of this act.

7 (7) The articles of incorporation need not set forth any of the
8 corporate powers enumerated in this title.

9 **Sec. 28.** RCW 23B.07.010 and 1989 c 165 s 60 are each amended to
10 read as follows:

11 (1) Except as provided in subsection (2) of this section, a
12 corporation shall hold a meeting of shareholders annually at a time
13 stated in or fixed in accordance with the bylaws.

14 (2)(a) If the articles of incorporation or the bylaws of a
15 corporation registered as an investment company under the investment
16 company act of 1940 so provide, the corporation is not required to hold
17 an annual meeting of shareholders in any year in which the election of
18 directors is not required by the investment company act of 1940.

19 (b) If a corporation is required under (a) of this subsection to
20 hold an annual meeting of shareholders to elect directors, the meeting
21 shall be held no later than one hundred twenty days after the
22 occurrence of the event requiring the meeting.

23 (3) Annual shareholders' meetings may be held in or out of this
24 state at the place stated in or fixed in accordance with the bylaws.
25 If no place is stated in or fixed in accordance with the bylaws, annual
26 meetings shall be held at the corporation's principal office.

27 ~~((+3))~~ (4) The failure to hold an annual meeting at the time
28 stated in or fixed in accordance with a corporation's bylaws does not
29 affect the validity of any corporate action.

30 **Sec. 29.** RCW 23B.08.030 and 1989 c 165 s 82 are each amended to
31 read as follows:

32 (1) A board of directors must consist of one or more individuals,
33 with the number specified in or fixed in accordance with the articles
34 of incorporation or bylaws.

35 (2) Directors are elected at the first annual shareholders' meeting
36 and at each annual meeting thereafter unless (a) their terms are

1 staggered under RCW 23B.08.060, or (b) their terms are otherwise
2 governed by section 31 of this act.

3 **Sec. 30.** RCW 23B.08.050 and 1989 c 165 s 84 are each amended to
4 read as follows:

5 (1) The terms of the initial directors of a corporation expire at
6 the first shareholders' meeting at which directors are elected.

7 (2) The terms of all other directors expire at the next annual
8 shareholders' meeting following their election unless (a) their terms
9 are staggered under RCW 23B.08.060, or (b) their terms are otherwise
10 governed by section 31 of this act.

11 (3) A decrease in the number of directors does not shorten an
12 incumbent director's term.

13 (4) The term of a director elected to fill a vacancy expires at the
14 next shareholders' meeting at which directors are elected.

15 (5) Despite the expiration of a director's term, the director
16 continues to serve until the director's successor is elected and
17 qualified or until there is a decrease in the number of directors.

18 NEW SECTION. **Sec. 31.** A new section is added to chapter 23B.05
19 RCW to read as follows:

20 A corporation registered under the investment company act of 1940
21 that limits the requirement to hold an annual meeting of shareholders
22 in accordance with RCW 23B.07.010(2) may include in its articles of
23 incorporation or bylaws a provision establishing terms of directors
24 which terms may be longer than one year.

25 **Sec. 32.** RCW 30.04.020 and 1986 c 284 s 15 are each amended to
26 read as follows:

27 (1) The name of every bank shall contain the word "bank" and the
28 name of every trust company shall contain the word "trust," or the word
29 "bank." Except as provided in RCW 33.08.030 or as otherwise approved
30 by the director, no person except:

31 ~~((1))~~ (a) A national bank;

32 ~~((2))~~ (b) A bank or trust company authorized by the laws of this
33 state;

34 ~~((3))~~ (c) A corporation established under RCW 31.30.010;

35 ~~((4))~~ (d) A foreign corporation authorized by this title so to
36 do, shall~~((7-(a)))~~:

1 (i) Use as a part of his or its name or other business designation
2 or in any manner as if connected with his or its business or place of
3 business any of the following words or the plural thereof, to wit:
4 "bank," "banking," "banker," "trust."

5 (~~(b)~~) (ii) Use any sign at or about his or its place of business
6 or use or circulate any advertisement, letterhead, billhead, note,
7 receipt, certificate, blank, form, or any written or printed or part
8 written and part printed paper, instrument or article whatsoever,
9 directly or indirectly indicating that the business of such person is
10 that of a bank or trust company.

11 (2) A foreign corporation, whose name contains the words "bank,"
12 "banker," "banking," or "trust," or whose articles of incorporation
13 empower it to engage in banking or to engage in a trust business, may
14 not engage in banking or in a trust business in this state unless the
15 corporation (a) is expressly authorized to do so under this title,
16 under federal law, or by the director, and (b) complies with all
17 applicable requirements of chapter 23B.15 RCW regarding foreign
18 corporations. If an activity would not constitute "transacting
19 business" within the meaning of RCW 23B.15.010(1) or chapter 23B.18
20 RCW, then the activity shall not constitute banking or engaging in a
21 trust business. Nothing in this subsection shall prevent operations by
22 an alien bank in compliance with chapter 30.42 RCW.

23 (3) This section shall not prevent a lender approved by the United
24 States secretary of housing and urban development for participation in
25 any mortgage insurance program under the National Housing Act from
26 using the words "mortgage banker" or "mortgage banking" in the conduct
27 of its business, but only if both words are used together in either of
28 the forms which appear in quotations in this sentence.

29 (4) Every person who, and every director and officer of every
30 corporation which, to the knowledge of such director or officer
31 violates any provision of this section shall be guilty of a gross
32 misdemeanor.

33 **Sec. 33.** RCW 30.04.125 and 1986 c 279 s 5 are each amended to read
34 as follows:

35 Unless otherwise prohibited by law, any state bank or trust company
36 may invest in the capital stock of corporations organized to conduct
37 the following businesses:

1 (1) A safe deposit business: PROVIDED, That the amount of
2 investment does not exceed fifteen percent of its capital stock and
3 surplus, without the approval of the director;

4 (2) A corporation holding the premises of the bank or its branches:
5 PROVIDED, That without the approval of the (~~supervisor~~) director, the
6 investment of such stock shall not exceed, together with all loans made
7 to the corporation by the bank, a sum equal to the amount permitted to
8 be invested in the premises by RCW 30.04.210;

9 (3) Stock in a small business investment company licensed and
10 regulated by the United States as authorized by the small business act,
11 Public Law 85-536, 72 Statutes at Large 384, in an amount not to exceed
12 five percent of its capital and surplus without the approval of the
13 director;

14 (4) Capital stock of a banking service corporation or corporations.
15 The total amount that a bank may invest in the shares of such
16 corporation may not exceed ten percent of its capital and surplus
17 without the approval of the director. A bank service corporation may
18 not engage in any activity other than those permitted by the bank
19 service corporation act, 12 U.S.C. Sec. 1861, et seq., as subsequently
20 amended and in effect on (~~June 11, 1986~~) December 31, 1993. The
21 performance of any service, and any records maintained by any such
22 corporation for a bank, shall be subject to regulation and examination
23 by the (~~supervisor~~) director and appropriate federal agencies to the
24 same extent as if the services or records were being performed or
25 maintained by the bank on its own premises;

26 (5) Capital stock of a federal reserve bank to the extent required
27 by such federal reserve bank;

28 (6) A corporation engaging in business activities that have been
29 determined by the board of governors of the federal reserve system or
30 by the United States congress to be closely related to the business of
31 banking, as of (~~June 11, 1986~~) December 31, 1993;

32 (7) A governmentally sponsored corporation engaged in secondary
33 marketing of loans and the stock of which must be owned in order to
34 participate in its marketing activities;

35 (8) A corporation in which all of the voting stock is owned by the
36 bank and that engages exclusively in nondeposit-taking activities that
37 are authorized to be engaged in by the bank or trust company(~~-~~);

38 (9) A bank or trust company may purchase for its own account shares
39 of stock of a bank or a holding company that owns or controls a bank if

1 the stock of the bank or company is owned exclusively, except to the
2 extent directly qualifying shares are required by law, by depository
3 institutions and the bank or company and all subsidiaries thereof are
4 engaged exclusively in providing services for other depository
5 institutions and their officers, directors, and employees. In no event
6 may the total amount of such stock held by a bank or trust company in
7 any bank or bank holding company exceed at any time ten percent of its
8 capital stock and paid-in and unimpaired surplus, and in no event may
9 the purchase of such stock result in a bank or trust company acquiring
10 more than twenty-five percent of any class of voting securities of such
11 bank or company. Such a bank or bank holding company shall be called
12 a "banker's bank."

13 **Sec. 34.** RCW 30.04.130 and 1986 c 279 s 6 are each amended to read
14 as follows:

15 ~~((Any debt due a bank or trust company on which interest is one~~
16 ~~year or more past due and unpaid, unless such debt be well secured and~~
17 ~~in the course of collection by legal process or probate proceedings, or~~
18 ~~unless such debt be represented by or secured by bonds or other~~
19 ~~collateral having a readily ascertainable market value shall be~~
20 ~~considered a bad debt, and shall be charged off of the books of such~~
21 ~~corporation. Such assets shall be carried on the books of such~~
22 ~~corporation at such value as the supervisor may from time to time~~
23 ~~direct, but in no event shall such carrying value exceed the market~~
24 ~~value thereof. A judgment held by a bank or trust company shall not be~~
25 ~~considered an asset of the corporation after two years from the date of~~
26 ~~its rendition unless with the written permission of the supervisor~~
27 ~~specifying an additional period: PROVIDED, That time consumed by any~~
28 ~~appeal shall be excluded.))~~

29 Based on examinations directed pursuant to RCW 30.04.060 or other
30 appropriate information, all assets or portion thereof that the
31 ((supervisor)) director may have required a bank or trust company to
32 charge off shall be charged off. No bank or trust company shall enter
33 or at any time carry on its books any of its assets or liabilities at
34 a valuation ((exceeding the actual cost. However, accreting the
35 discount on securities is permitted on a pro rata basis, over the life
36 of the security)) contrary to generally accepted accounting principles.

1 **Sec. 35.** RCW 30.04.180 and 1986 c 279 s 8 are each amended to read
2 as follows:

3 No bank or trust company shall declare or pay any dividend to an
4 amount greater than its ~~((net profits then on hand.~~

5 ~~The board of directors of any bank or trust company may declare a~~
6 ~~dividend out of so much of the undivided profits of such bank or trust~~
7 ~~company as they shall judge expedient: PROVIDED, HOWEVER, That before~~
8 ~~any such dividend is declared or the net profits in any way disposed~~
9 ~~of, not less than one-tenth of such net profits shall be carried to a~~
10 ~~surplus fund until the amount in such surplus fund shall be equal to~~
11 ~~twenty-five percent of the paid in common stock of such bank or trust~~
12 ~~company: PROVIDED, FURTHER, That for the purposes of this section, any~~
13 ~~amounts paid into a fund for the retirement of any preferred stock of~~
14 ~~any such bank and trust company out of its net profits for such period~~
15 ~~or periods shall be deemed to be additions to its surplus fund if, upon~~
16 ~~the retirement of such preferred stock, the amounts so paid into such~~
17 ~~retirement fund may then properly be carried to surplus. In any such~~
18 ~~case the bank and trust company shall be obligated to transfer to~~
19 ~~surplus the amounts so paid into such retirement fund on account of the~~
20 ~~preferred stock as such stock is retired: PROVIDED FURTHER, That))~~
21 retained earnings, without approval from the director. The
22 ((supervisor)) director shall in his or her discretion have the power
23 to require any bank or trust company to suspend the payment of any and
24 all dividends until all requirements that may have been made by the
25 ((supervisor)) director shall have been complied with; and upon such
26 notice to suspend dividends no bank or trust company shall thereafter
27 declare or pay any dividends until such notice has been rescinded in
28 writing. A dividend is payable in cash, property, or capital stock,
29 but the restrictions on the payment of a dividend (other than
30 restrictions imposed by the director pursuant to his or her authority
31 to require the suspension of the payment of any or all dividends) do
32 not apply to a dividend payable by the bank or trust company solely in
33 its own capital stock. For purposes of this section, "retained
34 earnings" shall be determined by generally accepted accounting
35 principles.

36 **Sec. 36.** RCW 30.04.210 and 1986 c 279 s 9 are each amended to read
37 as follows:

1 A bank or trust company may purchase, hold, and convey real estate
2 for the following purposes:

3 (1) Such as shall be necessary for the convenient transaction of
4 its business, including with its banking offices other space in the
5 same building to rent as a source of income: PROVIDED, That any bank
6 or trust company shall not invest for such purposes more than the
7 greater of: (a) Fifty percent of its capital, surplus, and undivided
8 profits; or (b) one hundred twenty-five percent of its capital stock
9 without the approval of the (~~supervisor~~) director.

10 (2) Such as shall be purchased or conveyed to it in satisfaction,
11 or on account of, debts previously contracted in the course of its
12 business.

13 (3) Such as it shall purchase at sale under judgments, decrees,
14 liens, or mortgage foreclosures, from debts owed to it.

15 (4) Such as a trust company receives in trust or acquires pursuant
16 to the terms or authority of any trust.

17 (5) Such as it may take title to or for the purpose of investing in
18 real estate conditional sales contracts.

19 (6) Such as shall be purchased, held, or conveyed in accordance
20 with RCW 30.04.212 granting banks the power to invest directly or
21 indirectly in unimproved or improved real estate.

22 (~~No real estate specified in subdivision (4) shall be considered
23 an asset of the bank or trust company holding the same in trust nor
24 shall any real estate except that specified in subdivision (1) be
25 carried as an asset on the bank's or trust company's books for a longer
26 period than five years from the date title is acquired thereto, unless
27 an extension of time be granted by the supervisor.~~)

28 **Sec. 37.** RCW 30.04.215 and 1986 c 279 s 10 are each amended to
29 read as follows:

30 (1) Notwithstanding any other provisions of law, in addition to all
31 powers enumerated by this title, and those necessarily implied
32 therefrom, a bank may engage in other business activities that have
33 been determined by the board of governors of the federal reserve system
34 or by the United States Congress to be closely related to the business
35 of banking, as of (~~June 11, 1986. At least thirty days before
36 investment in corporations or other entities under this chapter,
37 notification by letter shall be made to the supervisor in accordance~~

1 ~~with such terms and conditions as the supervisor might establish by~~
2 ~~rule)) December 31, 1993.~~

3 (2) A bank that desires to perform an activity that is not
4 expressly authorized by subsection (1) of this section shall first
5 apply to the ((~~supervisor~~)) director for authorization to conduct such
6 activity. Within thirty days of the receipt of this application, the
7 ((~~supervisor~~)) director shall determine whether the activity is closely
8 related to the business of banking, whether the public convenience and
9 advantage will be promoted, whether the activity is apt to create an
10 unsafe or unsound practice by the bank and whether the applicant is
11 capable of performing such an activity. If the ((~~supervisor~~)) director
12 finds the activity to be closely related to the business of banking and
13 the bank is otherwise qualified, he or she shall forthwith inform the
14 applicant that the activity is authorized. If the ((~~supervisor~~))
15 director determines that such activity is not closely related to the
16 business of banking or the bank is not otherwise qualified, he or she
17 shall forthwith inform the applicant in writing. The applicant shall
18 have the right to appeal from an unfavorable determination in
19 accordance with the procedures of the Administrative Procedure Act,
20 chapter 34.05 RCW. In determining whether a particular activity is
21 closely related to the business of banking, the ((~~supervisor~~)) director
22 shall be guided by the rulings of the board of governors of the federal
23 reserve system and the comptroller of the currency in making
24 determinations in connection with the powers exercisable by bank
25 holding companies, and the activities performed by other commercial
26 banks or their holding companies. (~~Any activity which may be~~
27 ~~performed by a bank, except the taking of deposits, may be performed by~~
28 ~~a corporation, all of the outstanding stock of which is owned by the~~
29 ~~bank.))~~

30 (3) In addition to all powers enumerated by this title, and those
31 necessarily implied therefrom, a bank may engage in other business
32 activities that are determined by the ((~~supervisor~~)) director, by
33 regulation adopted pursuant to chapter 34.05 RCW, to be closely related
34 to the business of banking, or necessary or convenient thereto, and the
35 exercise thereof will promote the public convenience and advantage.
36 Provided, however, that such other business activities shall also have
37 been determined by the board of governors of the federal reserve system
38 or by the United States congress to be closely related to the business
39 of banking.

1 (4) Any activity which may be performed by a bank, except the
2 taking of deposits, may be performed by (a) a corporation or (b)
3 another entity approved by the director, which in either case is owned
4 in whole or in part by the bank.

5 **Sec. 38.** RCW 30.04.555 and 1986 c 279 s 41 are each amended to
6 read as follows:

7 A reorganization authorized under RCW 30.04.550 shall be carried
8 out in the following manner:

9 (1) A plan of reorganization specifying the manner in which the
10 reorganization shall be carried out must be approved by a majority of
11 the entire board of directors of the banking corporation. The plan
12 shall specify the name of the acquiring corporation, the amount of
13 cash, securities of the bank holding company, other consideration, or
14 any combination thereof to be paid to the shareholders of the
15 reorganizing corporation in exchange for their shares of the stock of
16 the corporation. The plan shall also specify the exchange date or the
17 manner in which such exchange date shall be determined, the manner in
18 which the exchange shall be carried out, and such other matters, not
19 inconsistent with this chapter, as shall be determined by the board of
20 directors of the corporation.

21 (2) The plan of reorganization shall be submitted to the
22 shareholders of the reorganizing corporation at a meeting to be held on
23 the call of the directors. Notice of the meeting of shareholders at
24 which the plan shall be considered shall be given by ~~((certified))~~
25 prepaid first class mail at least twenty days before the date of the
26 meeting, to each stockholder of record of the banking corporation. The
27 notice shall state that dissenting shareholders will be entitled to
28 payment of the value of only those shares which are voted against
29 approval of the plan.

30 **Sec. 39.** RCW 30.04.565 and 1982 c 196 s 4 are each amended to read
31 as follows:

32 The value of the shares of a dissenting shareholder who has
33 properly perfected dissenter's rights shall be ascertained as of the
34 day prior to the date of the shareholder action approving such
35 reorganization by three appraisers, one to be selected by the owners of
36 two-thirds of the dissenting shares, one by the board of directors of
37 the acquiring bank holding company, and the third by the two so chosen.

1 The valuation agreed upon by any two appraisers shall govern. The
2 dissenting shareholders shall bear, on a pro rata basis based on the
3 number of dissenting shares owned, the cost of their appraisal and one-
4 half of the cost of the third appraisal, and the acquiring bank holding
5 company shall bear the cost of its appraisal and one-half of the cost
6 of the third appraisal. If the appraisal is not completed within
7 ninety days after the effective date of the reorganization, the
8 ((~~supervisor of banking~~)) director shall cause an appraisal to be made
9 which shall be final and binding upon all parties. The cost of such
10 appraisal shall be borne equally by the dissenting shareholders and the
11 acquiring bank holding company. The dissenting shareholders shall
12 share their half of the cost on a pro rata basis based on the number of
13 dissenting shares owned.

14 **Sec. 40.** RCW 30.04.575 and 1986 c 279 s 44 are each amended to
15 read as follows:

16 Prior to the approval of the reorganization, the ((~~supervisor~~))
17 director, upon request of the board of directors of the bank, or not
18 less than ten percent of its shareholders, shall hold a public hearing
19 at which bank shareholders and other interested parties may appear.
20 Notice of the public hearing shall be sent to each shareholder ((~~and~~
21 ~~otherwise publicized in accordance with the administrative procedure~~
22 ~~act, chapter 34.05 RCW~~)) by prepaid first class mail.

23 The approval of the reorganization by the ((~~supervisor of banking~~))
24 director shall be conditioned on a finding that the terms of the
25 reorganization are fair to the shareholders and other interested
26 parties.

27 **Sec. 41.** RCW 30.08.010 and 1986 c 279 s 17 are each amended to
28 read as follows:

29 When authorized by the ((~~supervisor~~)) director, as hereinafter
30 provided, ((~~five~~)) one or more natural persons, citizens of the United
31 States, may incorporate a bank or trust company in the manner herein
32 prescribed. No bank or trust company shall incorporate for less amount
33 nor commence business unless it has a paid-in capital stock, surplus
34 and undivided profits in the amount as may be determined by the
35 ((~~supervisor~~)) director after consideration of the proposed location,
36 management, and the population and economic characteristics for the
37 area, the nature of the proposed activities and operation of the bank

1 or trust company, and other factors deemed pertinent by the
2 ((~~supervisor~~)) director. Each bank and trust company shall before
3 commencing business have subscribed and paid into it in the same manner
4 as is required for capital stock, an amount equal to at least ten
5 percent of the capital stock above required, that shall be carried in
6 the undivided profit account and may be used to defray organization and
7 operating expenses of the company. Any sum not so used shall be
8 transferred to the surplus fund of the company before any dividend
9 shall be declared to the stockholders.

10 **Sec. 42.** RCW 30.08.020 and 1986 c 279 s 18 are each amended to
11 read as follows:

12 Persons desiring to incorporate a bank or trust company shall file
13 with the ((~~supervisor~~)) director a notice of their intention to
14 organize a bank or trust company in such form and containing such
15 information as the ((~~supervisor~~)) director shall prescribe by
16 regulation, together with proposed articles of incorporation, which
17 shall be submitted for examination to the ((~~supervisor~~)) director at
18 ((~~his~~)) the director's office in Olympia.

19 The proposed articles of incorporation shall state:

20 (1) The name of such bank or trust company.

21 (2) The city, village or locality and county where the head office
22 of such corporation is to be located.

23 (3) The nature of its business, whether that of a commercial bank,
24 or a trust company.

25 (4) The amount of its capital stock, which shall be divided into
26 shares of a par or no par value as may be provided in the articles of
27 incorporation.

28 (5) The names and places of residence and mailing addresses of the
29 persons who as directors are to manage the corporation until the first
30 annual meeting of its stockholders.

31 (6) If there is to be preferred or special classes of stock, a
32 statement of preferences, voting rights, if any, limitations and
33 relative rights in respect of the shares of each class; or a statement
34 that the shares of each class shall have the attributes as shall be
35 determined by the bank's board of directors from time to time with the
36 approval of the ((~~supervisor~~)) director.

1 (7) Any provision granting the shareholders the preemptive right to
2 acquire additional shares of the bank and any provision granting
3 shareholders the right to cumulate their votes.

4 (8) Any provision, not inconsistent with law, which the
5 incorporators elect to set forth in the articles of incorporation for
6 the regulation of the ~~((internal))~~ affairs of the corporation,
7 including any provision restricting the transfer of shares ~~((and))~~, any
8 provision which under this title is required or permitted to be set
9 forth in the bylaws, and any provision permitted by RCW 23B.17.030.

10 (9) Any provision the incorporators elect to so set forth, not
11 inconsistent with law or the purposes for which the bank is organized,
12 or any provision limiting any of the powers granted in this title.

13 It shall not be necessary to set forth in the articles of
14 incorporation any of the corporate powers granted in this title. The
15 articles of incorporation shall be signed by all of the incorporators
16 ~~((and acknowledged before an officer to take acknowledgments))~~.

17 **Sec. 43.** RCW 30.08.040 and 1981 c 302 s 15 are each amended to
18 read as follows:

19 After the ~~((supervisor shall have satisfied himself))~~ director is
20 satisfied of the above facts, and, within six months of the date the
21 notice of intention to organize has been received in his or her office,
22 ~~((he))~~ the director shall notify the incorporators to file executed
23 ~~((and acknowledged))~~ articles of incorporation with him or her in
24 triplicate. Unless the ~~((supervisor))~~ director otherwise consents in
25 writing, such articles shall be in the same form and shall contain the
26 same information as the proposed articles and shall be filed with him
27 or her within ten days of such notice. Within thirty days after the
28 receipt of such articles of incorporation, ~~((he))~~ director shall
29 endorse upon each of the triplicates thereof, over his or her official
30 signature, the word "approved," or the word "refused," with the date of
31 such endorsement. In case of refusal he or she shall forthwith return
32 one of the triplicates, so endorsed, together with a statement
33 explaining the reason for refusal to the person from whom the articles
34 were received, which refusal shall be conclusive, unless the
35 incorporators, within ten days of the issuance of such notice of
36 refusal, shall request a hearing pursuant to the Administrative
37 Procedure Act, chapter 34.05 RCW, as now or hereafter amended.

1 **Sec. 44.** RCW 30.08.082 and 1986 c 279 s 22 are each amended to
2 read as follows:

3 (1) Notwithstanding any other provisions of law and if so
4 authorized by its articles of incorporation or amendments thereto made
5 in the manner provided in the case of a capital increase, any bank or
6 trust company may, pursuant to action taken by its board of directors
7 from time to time with the approval of the (~~supervisor~~) director,
8 issue shares of preferred or special classes of stock with the
9 attributes and in such amounts and with such par value, if any, as
10 shall be determined by the board of directors from time to time with
11 the approval of the (~~supervisor~~) director. No increase of preferred
12 stock shall be valid until the amount thereof shall have been
13 subscribed and actually paid in (~~and a certificate of increase is~~
14 ~~received from the supervisor~~)).

15 (2) If provided in its articles of incorporation, a bank or trust
16 company may issue shares of preferred or special classes having any one
17 or several of the following provisions:

18 (a) Subjecting the shares to the right of the bank or trust company
19 to repurchase or retire any such shares at the price fixed by the
20 articles of incorporation for the repurchase or retirement thereof;

21 (b) Entitling the holders thereof to cumulative, noncumulative, or
22 partially cumulative dividends;

23 (c) Having preference over any other class or classes of shares as
24 to the payment of dividends;

25 (d) Having preference in the assets of the bank or trust company
26 over any other class or classes of shares upon the voluntary or
27 involuntary liquidation of the bank or trust company;

28 (e) Having voting or nonvoting rights; and

29 (f) Being convertible into shares of any other class or into shares
30 of any series of the same or any other class, except a class having
31 prior or superior rights and preferences as to dividends or
32 distribution of assets upon liquidation.

33 **Sec. 45.** RCW 30.08.087 and 1986 c 279 s 26 are each amended to
34 read as follows:

35 Any bank or trust company may provide in its articles of
36 incorporation or amendments thereto for authorized but unissued shares
37 of its capital stock. The shares may be issued for such consideration
38 as shall be established by the board from time to time (~~but for not~~

1 ~~less than the par value, if any,))~~ and all consideration received
2 therefor shall be allocated to the capital stock or surplus of the
3 corporation.

4 **Sec. 46.** RCW 30.08.088 and 1986 c 279 s 27 are each amended to
5 read as follows:

6 The authorized but unissued shares shall not become a part of the
7 capital stock until they have been issued and paid for. ~~((Prior to the
8 issuance of authorized but unissued stock, the bank shall notify the
9 supervisor of the proposed issuance and the consideration to be
10 received therefor and receive the supervisor's approval thereof, except
11 that such notification and such approval shall not be required if the
12 authorized but unissued stock is issued to employees of the bank
13 pursuant to approved stock option, stock purchase, stock bonus or other
14 similar plans approved by the supervisor.))~~

15 **Sec. 47.** RCW 30.08.090 and 1987 c 420 s 3 are each amended to read
16 as follows:

17 ~~((Any bank or trust company may amend its articles of
18 incorporation, in any manner not inconsistent with the provisions of
19 this title, by a vote of the stockholders representing two thirds of
20 each class of shares entitled to vote under the terms of the shares at
21 any regular meeting, or special meeting duly called for that purpose in
22 the manner prescribed by its bylaws. A certificate of the fact and the
23 terms of the amendment shall be executed by a majority of the directors
24 and filed as required herein for articles of incorporation. No
25 amendment shall be made whereby a bank becomes a trust company unless
26 such bank shall first receive permission from the supervisor.))~~ Unless
27 the articles of incorporation provide otherwise, the board of directors
28 of a bank or trust company may, by majority vote, amend the bank or
29 trust company's articles of incorporation without shareholder action as
30 follows:

31 (1) If the bank or trust company has only one class of shares
32 outstanding, to provide, change, or eliminate any provision with
33 respect to the par value of any class of shares;

34 (2) To delete the name and address of the initial directors;

35 (3) If the bank or trust company has only one class of shares
36 outstanding, solely to change the number of authorized shares to
37 effectuate a split of, or stock dividend in, the bank or trust

1 company's own shares, or solely to do so and to change the number of
2 authorized shares in proportion thereto;

3 (4) To change the bank or trust company's name; or

4 (5) To make any other change expressly permitted by this title to
5 be made without shareholder action.

6 Other amendments to a bank or trust company's articles of
7 incorporation, in a manner not inconsistent with the provisions of this
8 title, require the affirmative vote of the stockholders representing
9 two-thirds of each class of shares entitled to vote under the terms of
10 the shares at a regular meeting, or special meeting duly called for
11 that purpose in the manner prescribed by the bank or trust company's
12 bylaws. No amendment shall be made whereby a bank becomes a trust
13 company unless such bank first receives permission from the director.

14 **Sec. 48.** RCW 30.08.092 and 1987 c 420 s 4 are each amended to read
15 as follows:

16 A bank or trust company may increase or decrease its capital stock
17 by amendment to its articles of incorporation. No issuance of capital
18 stock shall be valid, until the amount thereof shall have been actually
19 paid in ~~((and a certificate of increase is received from the~~
20 ~~supervisor))~~. No reduction of the capital stock shall be made to an
21 amount less than is required for capital by the ~~((supervisor))~~
22 director.

23 ~~((Banks having authorized but unissued stock shall disclose on all~~
24 ~~statements of condition the amount of authorized stock, and the amount~~
25 ~~of issued and paid in stock, as certified by the supervisor. The~~
26 ~~supervisor shall certify to each bank having authorized but unissued~~
27 ~~stock the amount of its issued and paid in capital stock, and this~~
28 ~~amount shall be used in all statements of condition and in computing~~
29 ~~the capital of the bank for purposes of determining loan or investment~~
30 ~~limits until a new certificate is issued by the supervisor. In cases~~
31 ~~where a bank issued authorized but unissued stock as permitted by this~~
32 ~~title, a new certificate need not be requested upon each stock issue.~~
33 ~~However, if the bank so requests and the supervisor approves, a~~
34 ~~certificate of issued and paid in capital stock shall be issued by the~~
35 ~~supervisor. A new certificate must be requested at such time as any~~
36 ~~increase of paid in capital stock represents five percent of the~~
37 ~~authorized capital stock and at such time as there is no remaining~~
38 ~~authorized but unissued stock.))~~

1 **Sec. 49.** RCW 30.08.095 and 1981 c 302 s 19 are each amended to
2 read as follows:

3 The ~~((supervisor))~~ director shall collect ~~((in advance))~~ fees for
4 the following services:

5 For filing application for certificate of authority and attendant
6 investigation as outlined in the law;

7 For filing application for certificate conferring trust powers upon
8 a state or national bank;

9 For filing articles of incorporation, or amendments thereof, or
10 other certificates required to be filed in his office;

11 For filing merger agreement and attendant investigation;

12 For filing application to relocate main office or branch and
13 attendant investigation;

14 ~~((For issuing a certificate of increase or decrease of capital
15 stock;))~~

16 For issuing each certificate of authority;

17 For furnishing copies of papers filed in his or her office, per
18 page.

19 The ~~((supervisor))~~ director shall establish the amount of the fee
20 for each of the above transactions, and for other services rendered by
21 the ~~((division of banking))~~ department of financial institutions by
22 rules ~~((and regulations))~~ promulgated pursuant to the Administrative
23 Procedure Act, chapter 34.05 RCW~~((, as now or hereafter amended))~~.

24 Every bank or trust company shall also pay to the secretary of
25 state for filing any instrument with him or her the same fees as are
26 required of general corporations for filing corresponding instruments,
27 and also the same license fees as are required of general corporations.

28 **Sec. 50.** RCW 30.08.180 and 1955 c 33 s 30.08.180 are each amended
29 to read as follows:

30 Every bank and trust company shall make at least three regular
31 reports each year to the ~~((supervisor))~~ director, as of the dates which
32 he or she shall designate, according to form prescribed by him or her,
33 verified by the president, manager or cashier and attested by at least
34 two directors, which shall exhibit under appropriate heads the
35 resources and liabilities of such corporation. The dates designated by
36 the ~~((supervisor))~~ director shall be the dates designated by the
37 comptroller of the currency of the United States for reports of
38 national banking associations. ~~((Each such report in condensed form,~~

1 to be prescribed by the supervisor, shall be published once in a
2 newspaper of general circulation, published in a place where the
3 corporation is located, or if there be no newspaper published in such
4 place, then in some newspaper published in the same county.))

5 Every such corporation shall also make such special reports as the
6 ((supervisor)) director shall call for.

7 **Sec. 51.** RCW 30.08.190 and 1977 c 38 s 1 are each amended to read
8 as follows:

9 (1) Every regular report shall be filed with the ((supervisor))
10 director within thirty days from the date of issuance of the notice
11 ((therefor and proof of publication of such report shall be filed with
12 the supervisor within forty days from such date)). Every special
13 report shall be filed with the ((supervisor)) director within such time
14 as shall be specified by him or her in the notice therefor.

15 (2) Every bank and trust company which fails to file any report,
16 required to be filed ((as aforesaid, or to file proof of publication of
17 any report required to be published,)) under subsection (1) of this
18 section and within the time ((herein)) specified, shall be subject to
19 a penalty of fifty dollars per day for each day's delay. A civil
20 action for the recovery of any such penalty may be brought by the
21 attorney general in the name of the state.

22 NEW SECTION. **Sec. 52.** A new section is added to chapter 30.08 RCW
23 to read as follows:

24 (1) Shares of a bank or trust company may, but need not be,
25 represented by certificates. Unless this title expressly provides
26 otherwise, the rights and obligations of shareholders are identical
27 whether or not their shares are represented by certificates. At a
28 minimum, each share certificate must state the information required to
29 be stated and must be signed as provided in RCW 23B.06.250 and/or
30 23B.06.270 for corporations.

31 (2) Unless the articles of incorporation or bylaws provide
32 otherwise, the board of directors of a bank or trust company may
33 authorize the issue of some or all of the shares of any or all of its
34 classes or series without certificates. The authorization does not
35 affect shares already represented by certificates until they are
36 surrendered to the bank or trust company.

1 (3) Within a reasonable time after the issue or transfer of shares
2 without certificates, the bank or trust company shall send the
3 shareholder a written statement of the information required to be
4 stated on certificates under subsection (1) of this section.

5 NEW SECTION. **Sec. 53.** A new section is added to chapter 30.08 RCW
6 to read as follows:

7 A bank or trust company amending its articles of incorporation
8 shall deliver articles of amendment to the director for filing as
9 required for articles of incorporation. The articles of amendment
10 shall set forth:

11 (1) The name of the bank or trust company;

12 (2) The text of each amendment adopted;

13 (3) The date of each amendment's adoption;

14 (4) If the amendment was adopted by the incorporators or board of
15 directors without shareholder action, a statement to that effect and
16 that shareholder action was not required; and

17 (5) If shareholder action was required, a statement that the
18 amendment was duly approved by the shareholders in accordance with the
19 provisions of RCW 30.08.090.

20 **Sec. 54.** RCW 30.12.010 and 1987 c 420 s 1 are each amended to read
21 as follows:

22 Every bank and trust company shall be managed by not less than five
23 directors, who need not be residents of this state. Directors shall be
24 elected by the stockholders and hold office for such term as is
25 specified in the articles of incorporation, not exceeding three years,
26 and until their successors are elected and have qualified. In the
27 first instance the directors shall be those named in the articles of
28 incorporation and afterwards, those elected at the annual meeting of
29 the stockholders to be held at least once each year on a day to be
30 specified by the bank's or trust company's bylaws. Shareholders may
31 not cumulate their votes unless the articles of incorporation
32 specifically so provide. If for any cause no election is held at that
33 time, it may be held at an adjourned meeting or at a subsequent meeting
34 called for that purpose in the manner prescribed by the corporation's
35 bylaws. The directors shall meet at least once each quarter and
36 whenever required by the (~~supervisor~~) director. A majority of the
37 then serving board of directors shall constitute a quorum for the

1 transaction of business. At all stockholders' meetings, each share
2 shall be entitled to one vote, unless the articles of incorporation
3 provide otherwise. Any stockholder may vote in person or by written
4 proxy.

5 ~~((Immediately upon election,))~~ Each director ~~((shall take,~~
6 ~~subscribe, swear to, and file with the supervisor an oath that he~~
7 ~~will))~~, so far as the duty devolves upon him~~((~~τ~~))~~ or her, shall
8 diligently and honestly administer the affairs of such corporation and
9 ~~((will))~~ shall not knowingly violate or willingly permit to be violated
10 any provision of law applicable to such corporation. Vacancies in the
11 board of directors shall be filled by the board.

12 **Sec. 55.** RCW 30.12.020 and 1986 c 279 s 31 are each amended to
13 read as follows:

14 All meetings of the stockholders of any bank or trust company,
15 except organization meetings~~((~~τ~~))~~ and meetings held with the consent of
16 all stockholders, must be held in the county in which the head office
17 or any branch of the corporation is located. Meetings of the directors
18 of any bank or trust company may be held either within or without this
19 state. Every such corporation shall keep records in which shall be
20 recorded the names and residences of the stockholders thereof, the
21 number of shares held by each, and also the transfers of stock, showing
22 the time when made, the number of shares and by whom transferred. In
23 all actions, suits and proceedings, said records shall be prima facie
24 proof of the facts shown therein. All of the corporate books,
25 including the certificate book, stockholders' ledger and minute book or
26 a copy thereof shall be kept at the corporation's principal place of
27 business. Any books, record, and minutes may be in written form or any
28 other form capable of being converted to written form within a
29 reasonable time.

30 NEW SECTION. **Sec. 56.** RCW 30.04.085 is recodified as a section in
31 chapter 30.20 RCW.

32 NEW SECTION. **Sec. 57.** A new section is added to chapter 30.43 RCW
33 to read as follows:

34 The legislature finds that the establishment and operation of off-
35 premises electronic facilities, inside and outside the state of
36 Washington, and the participation by financial institutions in

1 arrangements for the sharing of such facilities, facilitates the
2 delivery of financial services to the citizens of the state of
3 Washington. The term "off-premises electronic facilities" includes,
4 without limitation, automated teller machines, cash-dispensing
5 machines, point-of-sale terminals, and merchant-operated terminals.

6 **Sec. 58.** RCW 30.49.090 and 1955 c 33 s 30.49.090 are each amended
7 to read as follows:

8 The owner of shares of a state bank which were voted against a
9 merger to result in a state bank, or against the conversion of a state
10 bank into a national bank, shall be entitled to receive their value in
11 cash, if and when the merger or conversion becomes effective, upon
12 written demand made to the resulting state or national bank at any time
13 within thirty days after the effective date of the merger or
14 conversion, accompanied by the surrender of the stock certificates.
15 The value of such shares shall be determined, as of the date of the
16 shareholders' meeting approving the merger or conversion, by three
17 appraisers, one to be selected by the owners of two-thirds of the
18 dissenting shares, one by the board of directors of the resulting state
19 or national bank, and the third by the two so chosen. The valuation
20 agreed upon by any two appraisers shall govern. If the appraisal is
21 not completed within ninety days after the merger or conversion becomes
22 effective, the ((~~supervisor of banking~~)) director shall cause an
23 appraisal to be made.

24 ((~~The expenses of appraisal shall be paid by the resulting state~~
25 ~~bank.~~)) The dissenting shareholders shall bear, on a pro rata basis
26 based on the number of dissenting shares owned, the cost of their
27 appraisal and one-half of the cost of a third appraisal, and the
28 resulting bank shall bear the cost of its appraisal and one-half of the
29 cost of the third appraisal. If the director causes an appraisal to be
30 made, the cost of that appraisal shall be borne equally by the
31 dissenting shareholders and the resulting bank, with the dissenting
32 shareholders sharing their half of the cost on a pro rata basis based
33 on the number of dissenting shares owned.

34 The resulting state or national bank may fix an amount which it
35 considers to be not more than the fair market value of the shares of a
36 merging or the converting bank at the time of the stockholders' meeting
37 approving the merger or conversion, which it will pay dissenting
38 shareholders of the bank entitled to payment in cash. The amount due

1 under such accepted offer or under the appraisal shall constitute a
2 debt of the resulting state or national bank.

3 NEW SECTION. **Sec. 59.** Unless the context clearly requires
4 otherwise, the definitions in this section apply through this chapter.

5 (1) "Merging trust company" means a party to a merger.

6 (2) "Merger" includes consolidation.

7 (3) "Resulting trust company" means the trust company resulting
8 from a merger.

9 (4) "Vote of stockholders" or "vote of classes of stockholders"
10 means only a vote of those entitled to vote under the terms of such
11 shares.

12 NEW SECTION. **Sec. 60.** Upon approval by the director, trust
13 companies may be merged to result in a trust company.

14 NEW SECTION. **Sec. 61.** (1) The board of directors of each merging
15 trust company shall, by a majority of the entire board, approve a
16 merger agreement that must contain:

17 (a) The name of each merging trust company and location of each
18 office;

19 (b) With respect to the resulting trust company, (i) the name and
20 location of the principal and other offices; (ii) the name and mailing
21 address of each director to serve until the next annual meeting of the
22 stockholders; (iii) the name and mailing address of each officer; (iv)
23 the amount of capital, the number of shares and the par value, if any,
24 of each share; and (v) the amendments to its charters and bylaws;

25 (c) Provisions governing the exchange of shares of the merging
26 trust companies for such consideration as has been agreed to in the
27 merger agreement;

28 (d) A statement that the agreement is subject to approval by the
29 director and the stockholders of each merging trust company;

30 (e) Provisions governing the manner of disposing of the shares of
31 the resulting trust company if the shares are to be issued in the
32 transaction and are not taken by dissenting shareholders of merging
33 trust companies; and

34 (f) Any other provisions the director requires to discharge his or
35 her duties with respect to the merger;

1 (2) After approval by the board of directors of each merging trust
2 company, the merger agreement shall be submitted to the director for
3 approval, together with certified copies of the authorizing resolutions
4 of each board of directors showing approval by a majority of the entire
5 board. Within sixty days after receipt by the director of the merger
6 agreement and resolutions, the director shall approve or disapprove of
7 the merger agreement, and if no action is taken, the agreement is
8 deemed approved. The director shall approve the agreement if it
9 appears that the:

10 (a) Resulting trust company meets the requirements of state law as
11 to the formation of a new trust company;

12 (b) Agreement provides an adequate capital structure including
13 surplus in relation to the deposit liabilities, if any, of the
14 resulting trust company and its other activities which are to continue
15 or are to be undertaken;

16 (c) Agreement is fair; and

17 (d) Merger is not contrary to the public interest.

18 If the director disapproves an agreement, he or she shall state his
19 or her objections and give an opportunity to the merging trust company
20 to amend the merger agreement to obviate such objections.

21 NEW SECTION. **Sec. 62.** (1) To be effective, a merger that is to
22 result in a trust company must be approved by the stockholders of each
23 merging trust company by a vote of two-thirds of the outstanding voting
24 stock of each class at a meeting called to consider such action. This
25 vote shall constitute the adoption of the charter and bylaws of the
26 resulting trust company, including the amendments in the merger
27 agreement.

28 (2) Unless waived in writing, notice of the meeting of stockholders
29 shall be given by publication in a newspaper of general circulation in
30 the place where the principal office of each merging trust company is
31 located, at least once each week for four successive weeks, and by
32 mail, at least fifteen days before the date of the meeting, to each
33 stockholder of record of each merging trust company at the address on
34 the books of the stockholder's trust company. No notice of publication
35 need be given if written waivers are received from the holders of two-
36 thirds of the outstanding shares of each class of stock. The notice
37 shall state that dissenting stockholders will be entitled to payment of

1 the value of only those shares which are voted against approval of the
2 plan.

3 NEW SECTION. **Sec. 63.** (1) A merger that is to result in a trust
4 company shall, unless a later date is specified in the agreement,
5 become effective after the filing with and upon the approval of the
6 director of the executed agreement together with copies of the
7 resolutions of the stockholders of each merging trust company approving
8 it, certified by the trust company's president or a vice-president and
9 a secretary. The charters of the merging trust companies, other than
10 the resulting trust company, shall immediately after that automatically
11 terminate.

12 (2) The director shall immediately after that issue to the
13 resulting trust company a certificate of merger specifying the name of
14 each merging trust company and the name of the resulting trust company.
15 The certificate shall be conclusive evidence of the merger and of the
16 correctness of all proceedings regarding the merger in all courts and
17 places, and may be recorded in any office for the recording of deeds to
18 evidence the new name in which the property of the merging trust
19 companies is held.

20 NEW SECTION. **Sec. 64.** (1) A resulting trust company shall be the
21 same business and corporate entity as each merging trust company with
22 all property, rights, powers, and duties of each merging trust company,
23 except as affected by state law and by the charter and bylaws of the
24 resulting trust company. A resulting trust company shall have the
25 right to use the name of any merging trust company whenever it can do
26 any act under such name more conveniently.

27 (2) Any reference to a merging trust company in any writing,
28 whether executed or taking effect before or after the merger, is a
29 reference to the resulting trust company if not inconsistent with the
30 other provisions of that writing.

31 NEW SECTION. **Sec. 65.** (1) The owner of shares of a trust company
32 that were voted against a merger to result in a trust company shall be
33 entitled to receive their value in cash, if and when the merger becomes
34 effective, upon written demand made to the resulting trust company at
35 any time within thirty days after the effective date of the merger,
36 accompanied by the surrender of the stock certificates. The value of

1 the shares shall be determined, as of the date of the stockholders'
2 meeting approving the merger, by three appraisers, one to be selected
3 by the owners of two-thirds of the dissenting shares, one by the board
4 of directors of the resulting trust company, and the third by the two
5 so chosen. The valuation agreed upon by any two appraisers shall
6 govern. If the appraisal is not completed within ninety days after the
7 merger becomes effective, the director shall cause an appraisal to be
8 made. The expenses of appraisal shall be paid by the resulting trust
9 company.

10 (2) The dissenting shareholders shall bear, on a pro rata basis
11 based on number of dissenting shares owned, the cost of their appraisal
12 and one-half of the cost of a third appraisal, and the resulting trust
13 company shall bear the cost of its appraisal and one-half of the cost
14 of the third appraisal. If the director causes an appraisal to be
15 made, the cost of that appraisal shall be borne equally by the
16 dissenting shareholders and the resulting trust company, with the
17 dissenting shareholders sharing their half of the cost on a pro rata
18 basis based on number of dissenting shares owned.

19 (3) The resulting trust company may fix an amount which it
20 considers to be not more than the fair market value of the shares of a
21 merging trust company at the time of the stockholders' meeting
22 approving the merger, that it will pay dissenting shareholders of the
23 trust company entitled to payment in cash. The amount due under an
24 accepted offer or under the appraisal shall constitute a debt of the
25 resulting trust company.

26 NEW SECTION. **Sec. 66.** Without approval by the director, no asset
27 shall be carried on the books of the resulting trust company at a
28 valuation higher than that on the books of the merging trust company at
29 the time of its last examination by a state trust examiner before the
30 effective date of the merger or conversion.

31 NEW SECTION. **Sec. 67.** Sections 59 through 66 of this act shall
32 constitute a new chapter in Title 30 RCW.

33 **Sec. 68.** RCW 31.12.005 and 1984 c 31 s 2 are each amended to read
34 as follows:

35 Unless the context clearly requires otherwise, as used in this
36 chapter:

1 (1) "Board" means the board of directors of a credit union.

2 (2) "Branch" means any office, other than the principal place of
3 business, maintained by a credit union, alone or together with other
4 credit unions, for the purpose of ~~((providing services directly))~~
5 accepting deposits or making loans to its members. "Branch" does not
6 include a facility that is limited to an electronic funds transferring
7 machine ~~((that can be operated without the assistance of an employee of~~
8 ~~a credit union))~~ or a similar service facility that does not involve
9 the approval of loans.

10 (3) "Credit union" means a credit union organized and operating
11 under this chapter.

12 (4) "Employees" means the principal operating officer and other
13 operating personnel of a credit union.

14 (5) "Federal credit union" means a credit union organized and
15 operating under the laws of the United States.

16 (6) "Officers" means the officers of the board of a credit union
17 who are elected under RCW 31.12.265.

18 (7) "Shares" and "deposits" are synonymous and interchangeable.
19 Shares and deposits of a credit union shall be subject to such terms
20 and conditions as established by the board of the credit union.

21 (8) ~~(("Supervisor" means the supervisor of savings and loan~~
22 ~~associations appointed under RCW 43.19.100, or the duly authorized~~
23 ~~agent of the supervisor of savings and loan associations))~~ "Director"
24 means the director of financial institutions.

25 (9) "Supervisory committee" means a committee having the powers and
26 duties set forth in RCW 31.12.326 through ~~((31.12.355))~~ 31.12.345.
27 Supervisory committees are the statutory successors of auditing
28 committees.

29 **Sec. 69.** RCW 31.12.015 and 1984 c 31 s 3 are each amended to read
30 as follows:

31 A credit union is a cooperative society organized as a corporation
32 for the purposes of promoting thrift among its members and creating a
33 source of credit for them at fair and reasonable rates of interest.
34 The ~~((supervisor))~~ director is the state's credit union regulatory
35 authority whose purpose is to protect the members' financial interests,
36 the integrity of credit unions as cooperative institutions, and the
37 interests of the general public, and to ensure that state-chartered
38 credit unions remain viable and competitive in this state.

1 **Sec. 70.** RCW 31.12.025 and 1984 c 31 s 4 are each amended to read
2 as follows:

3 (1) A credit union shall include in its name the words "credit
4 union."

5 (2) No person, partnership, association, corporation, or other
6 organization may transact business or engage in any other activity
7 under a name or title containing the words "credit union" unless it is:

8 (a) A credit union;

9 (b) An organization comprised of corporations organized under
10 ~~((this chapter or under))~~ state or federal credit union laws;

11 (c) A sole proprietorship, partnership, or corporation that is
12 primarily in the business of managing one or more credit unions; or

13 (d) An organization specifically authorized under the laws of this
14 state or under federal law to use the words "credit union" in its name.

15 **Sec. 71.** RCW 31.12.055 and 1984 c 31 s 7 are each amended to read
16 as follows:

17 (1) Persons applying for the organization of a credit union shall
18 execute articles of incorporation stating:

19 (a) The initial name of the proposed credit union and its location;

20 (b) That the duration of the credit union is perpetual;

21 (c) That the purpose of the credit union is to engage in the
22 business of a credit union and any other lawful activities permitted to
23 a credit union by applicable laws and rules;

24 (d) The number of its directors, which shall not be less than five
25 nor greater than fifteen, and the names, occupations, and addresses of
26 the persons who are to serve as the initial directors;

27 (e) The names, occupations, and addresses of the subscribers to the
28 articles of incorporation, and a statement of the number of shares
29 which each has agreed to take; ~~((and))~~

30 (f) The initial par value, if any, of the shares of the credit
31 union;

32 (g) Any provision the applicants elect to so set forth which is
33 permitted by RCW 23B.17.030; and

34 (h) Any other provision the applicants elect to so set forth which
35 is not inconsistent with this chapter.

36 (2) Applicants shall submit the articles of incorporation in
37 triplicate to the ~~((supervisor))~~ director.

1 **Sec. 72.** RCW 31.12.065 and 1984 c 31 s 8 are each amended to read
2 as follows:

3 (1) Persons applying for the organization of a credit union shall
4 adopt bylaws that are consistent with this chapter and that prescribe
5 the manner in which the business of the credit union shall be
6 conducted. The bylaws shall include:

7 (a) The name of the credit union;

8 (b) The purposes of the credit union;

9 (c) The qualifications for membership in the credit union,
10 including the minimum number of shares, if any, required for membership
11 status, and the standards and procedures for expelling a member who has
12 failed to maintain the minimum number of shares;

13 (d) The number of directors and supervisory committee members, and
14 the length of terms they serve;

15 (e) The frequency of regular meetings of the board and the
16 supervisory committee, and the manner in which members of the board or
17 supervisory committee are to be notified of meetings;

18 (f) The powers and duties of the officers elected by the board;

19 (g) The timing of the annual meeting and the manner in which
20 members are to be notified of membership meetings, including special
21 membership meetings;

22 (h) The number of members constituting a quorum at a membership
23 meeting; and

24 (i) Other matters considered appropriate by the applicants to be
25 included in the bylaws.

26 (2) Applicants shall submit the bylaws (~~in duplicate~~) to the
27 (~~supervisor~~) director, if requested.

28 **Sec. 73.** RCW 31.12.115 and 1984 c 31 s 13 are each amended to read
29 as follows:

30 (~~(1) Subject to the approval of the supervisor under subsection~~
31 ~~(2) of this section~~) Except to the extent approval of the director may
32 be required by rule, the bylaws of a credit union may be amended by the
33 board of directors at any regular meeting or at a special meeting
34 called for that purpose. An amendment of the bylaws requires the
35 affirmative vote of two-thirds of the total members of the board. At
36 least seven days before a meeting at which an amendment to the bylaws
37 is to be voted upon, a copy of the proposed amendment, together with a
38 written notice of the meeting as provided in the bylaws, shall be

1 served upon each member of the board either personally or by mail to
2 the director's last known post office address.

3 ~~((2) An amendment to the bylaws of a credit union shall not become
4 operative until it has been approved by the supervisor. The supervisor
5 shall approve or disapprove an amendment within thirty days of
6 receipt.))~~

7 **Sec. 74.** RCW 31.12.125 and 1990 c 33 s 564 are each amended to
8 read as follows:

9 A credit union may:

10 (1) Issue shares to and receive deposits from its members as
11 provided in this chapter ~~((and the bylaws of the credit union));~~

12 (2) Make loans to its members as provided in this chapter ~~((and the
13 bylaws of the credit union));~~

14 (3) Pay dividends or interest to its members;

15 (4) Impose reasonable charges for the services it provides to its
16 members;

17 (5) Impose financing charges and reasonable late charges in the
18 event of default on loans ~~((in accordance with the bylaws of the credit
19 union)),~~ subject to applicable law, and recover reasonable costs and
20 expenses, including reasonable attorneys' fees incurred both before and
21 after judgment, incurred in the collection of sums due it if provided
22 for in the note or agreement signed by the borrower;

23 (6) Acquire, lease, hold, assign, pledge, hypothecate, sell, or
24 otherwise dispose of a possessory interest in personal property and,
25 ~~((with the prior written permission of the supervisor))~~ subject to RCW
26 31.12.435, in real property, so long as the property is necessary or
27 incidental to the operation of the credit union ~~((The written
28 permission of the supervisor is not required for the acquisition and
29 disposition of property through the collection of loans secured by the
30 property));~~

31 (7) Deposit and invest funds in excess of the amount approved for
32 loans to members as provided in this chapter;

33 (8) Borrow money, up to a maximum of fifty percent of its paid-in
34 and unimpaired capital and surplus;

35 (9) Discount or sell any of its assets, or purchase any or all of
36 the assets of another credit union. A credit union may not discount or
37 sell more than ten percent of its assets without the prior written
38 approval of the ~~((supervisor))~~ director;

1 (10) Accept deposits of deferred compensation of its members under
2 the terms and conditions of RCW 28A.400.240 and 41.04.250(2);

3 (11) Act as fiscal agent for and receive payments on shares and
4 deposits from the federal government or this state, and any agency or
5 political subdivision thereof;

6 (12) Engage in activities and programs as requested by the federal
7 government, this state, and any political subdivision thereof, when the
8 activities or programs are not inconsistent with this chapter;

9 (13) Hold membership in other credit unions organized under this
10 chapter or other laws and in associations controlled by or fostering
11 the interests of credit unions, including a central liquidity facility
12 organized under state or federal law; and

13 (14) Exercise such incidental powers as are necessary or requisite
14 to enable it to carry on effectively the business for which it is
15 incorporated.

16 **Sec. 75.** RCW 31.12.136 and 1987 c 338 s 1 are each amended to read
17 as follows:

18 (1) Notwithstanding any other provision of law, a credit union may
19 exercise any of the powers (~~(or authority)~~) and authorities conferred
20 as of (~~(July 26, 1987)~~) December 31, 1993, upon a federal credit union
21 doing business in this state.

22 (2) Notwithstanding any other provision of law, in addition to the
23 powers and authorities conferred under subsection (1) of this section,
24 the ((supervisor)) director may by rule authorize credit unions to
25 exercise any of the powers and authorities conferred at the time of the
26 adoption of the rule upon a federal credit union doing business in this
27 state if the ((supervisor)) director finds that the exercise of the
28 power and authority serves the convenience and advantage of depositors
29 and borrowers of state-chartered credit unions, and maintains the
30 fairness of competition and parity between state-chartered credit
31 unions and federal-chartered credit unions.

32 (3) (~~(Before exercising a power under subsection (1) or (2) of this~~
33 ~~section, the board of a credit union shall adopt a resolution~~
34 ~~identifying and formally adopting that power)) The restrictions,
35 limitations, and requirements applicable to specific powers or
36 authorities of federal credit unions shall apply to credit unions
37 exercising those powers or authorities permitted under this section but
38 only insofar as the restrictions, limitations, and requirements relate~~

1 to exercising the powers or authorities granted credit unions solely
2 under this section. As used in this section, "powers and authorities"
3 include without limitation powers and authorities in corporate
4 governance matters.

5 **Sec. 76.** RCW 31.12.155 and 1984 c 31 s 17 are each amended to read
6 as follows:

7 ~~((Shares may be issued in the name of a minor and the shares may,~~
8 ~~in the discretion of the board, be withdrawn by the minor or by the~~
9 ~~minor's parent or guardian.))~~ A minor under age eighteen does not have
10 the right to vote as a member.

11 **Sec. 77.** RCW 31.12.195 and 1987 c 338 s 3 are each amended to read
12 as follows:

13 (1) A special meeting of a credit union may be called by a majority
14 of the board, a majority vote of the supervisory committee, or upon
15 written application of at least ten percent or two thousand, whichever
16 is less, of the voting members of a credit union. A request for a
17 special meeting of a credit union shall be in writing and shall state
18 specifically the purpose or purposes for which the meeting is called.
19 If the special meeting is being called for the removal of a director
20 the notice shall state the name of the director whose removal is
21 sought.

22 (2) Upon receipt of a request for a special meeting, the secretary
23 of the credit union shall designate the time and place at which the
24 special meeting will be held. The designated place of the meeting
25 shall be a reasonable location within the county in which the principal
26 office of the credit union is located. The designated time of the
27 meeting shall be no sooner than twenty nor later than thirty days after
28 the request is received by the secretary. The secretary shall within
29 ten days of receipt of the request give notice of the meeting,
30 including the purpose for which the meeting is called, as provided in
31 the bylaws. A wilful violation of this section constitutes a violation
32 of this chapter and constitutes grounds sufficient for the suspension
33 and removal of the secretary under RCW 31.12.575.

34 (3) Except as provided in this subsection, the chairman or
35 president of the board shall preside over special meetings. If the
36 purpose of the special meeting includes the proposed removal of the
37 chairman or president from the board, the next highest ranking officer

1 of the board whose removal is not sought shall preside over the special
2 meeting. If the removal of all of the officers of the board is sought,
3 the chairman of the supervisory committee shall preside over the
4 special meeting. After every special meeting, the chairman of the
5 supervisory committee shall report to the ((~~supervisor~~)) director the
6 results of the special meeting and whether the special meeting was
7 conducted in a fair manner in accordance with the bylaws of the credit
8 union and with customary rules of parliamentary procedure.

9 ((~~(4) Voting by mail ballot on issues to be presented at a special~~
10 ~~meeting is prohibited except with regard to mergers under RCW~~
11 ~~31.12.695. Voting by mail ballot on a merger under RCW 31.12.695 may~~
12 ~~be authorized by the board in accordance with rules established by the~~
13 ~~supervisor.~~))

14 **Sec. 78.** RCW 31.12.235 and 1984 c 31 s 25 are each amended to read
15 as follows:

16 (1) A director shall be a member of the credit union. If a
17 director ceases to be a member of the credit union, the director shall
18 no longer serve as director.

19 (2) Unless reasonably excused by the board, a director shall no
20 longer serve as director if the director in any twelve-month period is
21 absent from more than thirty-three percent of the regular board
22 meetings required by this chapter.

23 (3) The remainder of the term of a director's office that becomes
24 vacant under subsection (1) or (2) of this section shall be served by
25 an interim director appointed by the board.

26 **Sec. 79.** RCW 31.12.255 and 1984 c 31 s 27 are each amended to read
27 as follows:

28 The board shall have the general direction of the affairs of the
29 credit union. The board shall meet as often as necessary, but not less
30 than once each month. The board shall:

31 (1) Act upon applications for membership with the credit union((-
32 ~~The board may authorize a membership officer to approve applications~~
33 ~~under conditions prescribed by the board~~));

34 (2) Expel members for cause as provided in this chapter;

35 (3) Borrow and invest money on behalf of the credit union as
36 provided by this chapter ((~~or authorize an investment committee to~~
37 ~~invest money~~));

- 1 (4) Determine the maximum amount of shares and deposits that a
2 member may hold in the credit union;
- 3 (5) Declare dividends on shares and set the rate of interest on
4 deposits (~~in the manner and form provided in the bylaws~~);
- 5 (6) Determine the amount which may be loaned to a member and the
6 finance charges, including interest, to be charged on the loans;
- 7 (7) Prescribe the conditions and terms under which a loan officer
8 or credit committee may approve loans;
- 9 (8) Set the minimum number of shares, if any, required for active
10 member status;
- 11 (9) Fill vacancies on all committees except the supervisory
12 committee;
- 13 (10) Set the par value of shares, if any, of the credit union;
- 14 (11) Set the fees, if any, to be charged by the credit union to its
15 members for the right to be a member of the credit union and for
16 services rendered by the credit union;
- 17 (12) Approve the charge-off of credit union losses; or
- 18 (13) Perform such other acts as are required by this chapter.
- 19 The board may authorize a committee, officer, or employee to take
20 the actions referenced in subsections (1), (3), (5), and (6) of this
21 section.

22 **Sec. 80.** RCW 31.12.265 and 1987 c 338 s 4 are each amended to read
23 as follows:

24 The board at its first meeting after the annual meeting of the
25 members shall elect a chairman or president, and one or more vice
26 chairmen or vice presidents, a secretary, a treasurer, and other
27 officers that may be necessary for transacting the business of the
28 board of the credit union. The officers of the board of the credit
29 union shall hold office until their successors are elected and
30 qualified, unless sooner removed as provided by this chapter. The
31 offices of secretary and treasurer may be held by the same person. All
32 officers of the board of a credit union(~~, with the exception of the~~
33 ~~treasurer,~~) shall be elected members of the board. However, the
34 treasurer and the secretary need not be ((an)) elected ((member))
35 members of the board. The board may designate such employees,
36 including a principal operating officer who shall not share the title
37 chosen for the chairman or president of the board and who need not be

1 a member of the board, as are necessary for the operation of the credit
2 union.

3 **Sec. 81.** RCW 31.12.315 and 1984 c 31 s 33 are each amended to read
4 as follows:

5 A credit committee or loan officer(~~(, as the bylaws may provide,)~~)
6 shall act upon all applications for loans and lines of credit under the
7 terms and conditions prescribed by the board. (~~All applications for~~
8 ~~loans or lines of credit shall be in writing and shall state the~~
9 ~~purpose for which the loan or line of credit is desired and the~~
10 ~~security, if any, offered. Approval of loans and lines of credit shall~~
11 ~~be in writing.))~~)

12 **Sec. 82.** RCW 31.12.335 and 1984 c 31 s 35 are each amended to read
13 as follows:

14 The supervisory committee of a credit union shall:

15 (1) Meet as often as necessary and at least quarterly;

16 (2) Keep fully informed as to the financial condition of the credit
17 union;

18 (3) Cause to be made (~~semiannually~~) annually a complete
19 examination of the cash, the credit union accounts, including income
20 and expense, and the members' share accounts in accordance with rules
21 adopted by the (~~supervisor~~) director; and

22 (4) Report its findings and recommendations to the board and make
23 an annual report to the members at the annual meeting.

24 **Sec. 83.** RCW 31.12.385 and 1984 c 31 s 40 are each amended to read
25 as follows:

26 Shares purchased and deposits made in a credit union by an
27 individual are governed by chapter 30.22 RCW. (~~An individual~~) A
28 member may purchase shares and make deposits in a credit union in an
29 amount that does not exceed (~~five hundred dollars or twenty percent of~~
30 ~~the total shares of the credit union, whichever is greater. A~~
31 ~~fraternal organization, partnership, or corporation that is a member~~
32 ~~may purchase shares and make deposits in an amount that does not exceed~~
33 ~~twenty percent of the assets of the credit union, unless the supervisor~~
34 ~~authorizes a greater amount)) such amounts as may be established by the
35 board from time to time. A credit union may require from a member
36 ninety days notice of the intention to withdraw shares or deposits.~~

1 The notice requirement may be extended with the written consent of the
2 (~~supervisor~~) director.

3 **Sec. 84.** RCW 31.12.406 and 1987 c 338 s 6 are each amended to read
4 as follows:

5 (1) A credit union may make loans to its members with the approval
6 of a credit committee or loan officer, subject to the loans to one
7 borrower limits provided for in section 92 of this act. (~~A credit~~
8 ~~union shall not make loans to a fraternal organization, partnership, or~~
9 ~~corporation in excess of the total shares of the organization,~~
10 ~~partnership, or corporation without the written consent of the~~
11 ~~supervisor.~~) All loans shall be documented in writing. Loans may be
12 made for (a) consumer, family, or household purposes, referred to in
13 this section as "consumer loans", or (b) business, investment,
14 commercial, or agricultural purposes which are in compliance with rules
15 adopted by the director.

16 (2) A credit union may make to (~~individual~~) members:

17 (a) (~~Personal~~) Loans secured by the note of the member or other
18 adequate security, including, but not limited to, equity interests in
19 real estate, automobiles, boats, motorhomes, and travel trailers(~~-~~
20 ~~The aggregate of personal loans to one member shall be limited to five~~
21 ~~thousand dollars or two and one half percent of the assets of the~~
22 ~~credit union, whichever is greater, unless the supervisor approves in~~
23 ~~writing a greater loan amount));~~

24 (b) Student loans under student loan programs of this state or the
25 United States;

26 (c) Loans for the acquisition of a modular home or mobile home as
27 defined by RCW 82.50.010, secured by a (~~first~~) security interest in
28 that modular home or mobile home, owned by the member. A loan under
29 this subsection and any prior indebtedness secured by the home shall
30 not exceed eighty-five percent of the purchase price or of the
31 appraised value of the modular home or mobile home, whichever is less;

32 (d) Residential real estate loans under RCW 31.12.415;

33 (e) Loans to its members under an act of congress known as the "FHA
34 Title I, National Housing Act of 1934," June 27, 1934 (12 U.S.C. Sec.
35 1701 to 1750, inc.); and

36 (f) Loans to credit union members in participation with other
37 credit unions, credit union organizations, or financial organizations.
38 The credit union which originates a loan under this subsection shall

1 retain an interest of at least ten percent of the face amount of the
2 loan unless the loan is a real estate loan in which case there is no
3 retention requirement.

4 (3) ~~((Personal))~~ Consumer loans shall be given preference, and in
5 the event there are not sufficient funds available to satisfy all
6 approved loan applicants, further preference shall be given to small
7 loans.

8 (4) The director may by rule establish guidelines addressing the
9 issue of unsafe and unsound concentrations of credit and such other
10 related safety and soundness issues.

11 **Sec. 85.** RCW 31.12.415 and 1984 c 31 s 43 are each amended to read
12 as follows:

13 ~~((1))~~ For purposes of this section a residential real estate loan
14 is a loan secured by a ~~((first))~~ mortgage, deed of trust, real estate
15 contract, or other ~~((first))~~ lien on the borrower's interest in a one-
16 to-four family dwelling, including an individual cooperative unit, or
17 a loan made for the construction of the dwelling. The dwelling shall
18 be adequately insured by hazard insurance ~~((in an amount at least as~~
19 ~~great as the credit union's interest in the dwelling or the value of~~
20 ~~the dwelling, whichever is less. A residential real estate loan shall~~
21 ~~not exceed ten thousand dollars or two and one half percent of the~~
22 ~~assets of the credit union, whichever is greater, without the approval~~
23 ~~of the supervisor.~~

24 ~~(2) Except for loans made with the intent of sale on the secondary~~
25 ~~market, the total amount of loans held by a credit union under this~~
26 ~~section shall not exceed:~~

27 ~~(a) Ten percent of its total assets if its total assets are less~~
28 ~~than one hundred thousand dollars;~~

29 ~~(b) Twenty percent of its total assets if its total assets are~~
30 ~~greater than one hundred thousand dollars but less than one million~~
31 ~~dollars; or~~

32 ~~(c) Thirty percent of its total assets if its total assets are~~
33 ~~greater than one million dollars)).~~

34 **Sec. 86.** RCW 31.12.425 and 1987 c 338 s 7 are each amended to read
35 as follows:

36 (1) The capital or surplus funds in excess of the amount for which
37 loans are approved may be deposited or invested in any of the following

1 ways, so long as the investment has not been in default as to principal
2 or interest within five years prior to the date of purchase:

3 (a) Accounts in banks or trust companies, including national banks
4 located in this state, or other states, the accounts of which are
5 insured by the federal deposit insurance corporation. The deposits
6 made by a credit union under this subsection may exceed the insurance
7 limits established by the federal deposit insurance corporation;

8 (b) Bonds, securities, or other investments that are fully
9 guaranteed as to principal and interest by the United States
10 government, and general obligations of this state and its political
11 subdivisions;

12 (c) Obligations issued by corporations designated under Section
13 9101 of Title 31 U.S.C., or obligations, participations or other
14 instruments issued and guaranteed by the federal national mortgage
15 association;

16 (d) Participations or obligations which have been subjected by one
17 or more government agencies to a trust or trusts for which an executive
18 department, agency, or instrumentality of the United States has been
19 named to act as trustee;

20 (e) Shares, share certificates, or share deposits of other credit
21 unions or savings and loan associations organized or authorized to do
22 business under the laws of this state, other states, or the United
23 States, the accounts of which are insured or guaranteed by the federal
24 savings and loan insurance corporation, the national credit union
25 administration, the Washington credit union share guaranty association,
26 or another insurer approved by the (~~supervisor~~) director. The
27 deposits made by a credit union under this subsection may exceed the
28 insurance or guarantee limits established by the organization insuring
29 or guaranteeing the institution into which the deposits are made;

30 (f) Common trust funds whose investment portfolios consist of
31 securities issued or guaranteed by the federal government or an agency
32 of the government;

33 (g) Up to two percent of a corporation owned by the Washington
34 credit union league;

35 (h) Shares, stocks, loans, or other obligations of an organization
36 of which the membership or ownership is confined primarily to credit
37 unions and the purpose of which is to strengthen, advance, or provide
38 services to the credit union industry. Other than investment in an
39 organization that is wholly owned by the credit union and whose

1 activities are limited exclusively to those determined by the director
2 to be authorized by RCW 31.12.125 (2) through (9) and (12) through
3 (14), an investment under subsection (1)(h) of this section shall be
4 limited to one percent of the total paid-in and unimpaired capital and
5 surplus of the credit union, but a credit union may, in addition to the
6 investment, lend to the organization an amount not exceeding an
7 additional one percent of the total paid-in and unimpaired capital and
8 surplus of the credit union;

9 (i) Loans to other credit unions organized or authorized to do
10 business under the laws of this state, other states, or the United
11 States. The aggregate of loans issued under this subsection shall be
12 limited to twenty-five percent of the paid-in and unimpaired capital of
13 the lending credit union; or

14 (j) Other investments authorized in accordance with rules adopted
15 by the (~~supervisor~~) director consistent with this chapter.

16 (2) The board may appoint an investment committee to make and
17 manage the investments under this section. An investment committee
18 shall remain subject to the supervision of the board.

19 **Sec. 87.** RCW 31.12.435 and 1984 c 31 s 45 are each amended to read
20 as follows:

21 (1) Unless otherwise approved by the director, a credit union may
22 invest a reasonable amount of its funds in real property or leasehold
23 interests for its own use in conducting business (~~if~~) subject to the
24 following limitations:

25 (a) The aggregate of its regular reserve and its undivided earnings
26 equals five percent of the total of its (~~share~~) deposit accounts;

27 (b) The board approves the investment in real property for its own
28 use in conducting business by a two-thirds majority vote of the total
29 number of directors; and

30 (c) The total investment in the property does not exceed seven and
31 one-half percent of the aggregate of its (~~share and~~) deposit
32 accounts(~~and~~

33 ~~(d) The supervisor approves of the investment in writing.~~

34 ~~(2) The supervisor may waive the restrictions of this section. The~~
35 ~~restrictions of this section do not affect investments existing as of~~
36 ~~July 1, 1984).~~

1 **Sec. 88.** RCW 31.12.526 and 1984 c 31 s 54 are each amended to read
2 as follows:

3 (1) A credit union organized and qualified as a credit union in
4 another state which has not had its authority to operate in another
5 state suspended or revoked may operate as a credit union under this
6 chapter if:

7 (a) The ((~~supervisor~~)) director has approved an application to do
8 business in this state;

9 (b) A credit union organized under the laws of this state is
10 permitted to do business in the state in which the credit union is
11 organized;

12 (c) The interest rate charged by the credit union on loans made to
13 members residing in this state does not exceed the maximum interest
14 rate permitted in the state in which the credit union is organized, or
15 exceed the maximum interest rate which a credit union organized in this
16 state is permitted to charge on similar loans, whichever is lower;

17 (d) The credit union has secured surety bond and fidelity bond
18 coverages satisfactory to the ((~~supervisor~~)) director;

19 (e) The credit union has secured for the share accounts of its
20 members insurance or other surety satisfactory to the ((~~supervisor~~))
21 director;

22 (f) The credit union submits to the ((~~supervisor~~)) director an
23 annual audit or examination report of its most recently completed
24 fiscal year; and

25 (g) The credit union complies with all other applicable provisions
26 of this chapter and rules adopted by the ((~~supervisor~~)) director.

27 (2) The ((~~supervisor~~)) director shall disapprove an application
28 filed under this section or, upon reasonable notice and an opportunity
29 for hearing, suspend or revoke the approval of an application, if the
30 ((~~supervisor~~)) director finds that the standards of organization,
31 operation, and regulation of the credit union do not reasonably conform
32 with the standards under this chapter or that at least fifty percent of
33 the members of the credit union are, or are reasonably expected to be,
34 residents of this state. In considering the standards of organization,
35 operation, and regulation of the credit union, the ((~~supervisor~~))
36 director may consider the laws and regulations of the state in which
37 the credit union is organized. A decision under this subsection may be
38 appealed under chapter 34.05 RCW.

1 (3) In implementing this section, the ((~~supervisor~~)) director may
2 cooperate with the administrators of the credit union laws in other
3 states and may share with the administrators the information received
4 in the administration of this chapter.

5 (4) The ((~~supervisor~~)) director shall adopt rules for the periodic
6 examination and investigation of the affairs of an out-of-state credit
7 union operating in this state. The costs of examination and
8 supervision shall be fully borne by the out-of-state credit union.

9 **Sec. 89.** RCW 31.12.555 and 1984 c 31 s 57 are each amended to read
10 as follows:

11 The ((~~supervisor~~)) director may ((~~investigate~~)) examine the affairs
12 of a credit union service organization in which a credit union has an
13 interest. A person or an entity that is not a credit union that has an
14 interest in a credit union service organization in which a credit union
15 has an interest is deemed to have consented to the ((~~investigation~~))
16 examination. For the purposes of this section and RCW 31.12.565, a
17 sole proprietorship, partnership, or corporation that is primarily in
18 the business of managing one or more credit unions shall be considered
19 to be a credit union service organization.

20 **Sec. 90.** RCW 31.12.565 and 1984 c 31 s 58 are each amended to read
21 as follows:

22 (1) Examination reports and information obtained by the
23 ((~~supervisor's~~)) director's staff in conducting examinations of credit
24 unions and credit union service organizations are confidential and
25 privileged information and not subject to public disclosure under
26 chapter 42.17 RCW.

27 (2) Notwithstanding subsection (1) of this section, the
28 ((~~supervisor~~)) director may furnish examination reports prepared by the
29 ((~~supervisor's~~)) director's office to:

30 (a) Federal agencies empowered to examine state-chartered credit
31 unions;

32 (b) Officials empowered to investigate criminal charges. The
33 ((~~supervisor~~)) director may furnish only that part of the report which
34 is necessary and pertinent to the investigation, and only after
35 notifying the affected credit union and members of the credit union who
36 are named in that part of the examination report that the report is
37 being furnished to the officials, unless the officials requesting the

1 report obtain a waiver of the notice requirement for good cause from a
2 court of competent jurisdiction;

3 (c) The examined credit union, solely for its confidential use;

4 (d) The attorney general in his or her role as legal advisor to the
5 (~~supervisor~~) director;

6 (e) Prospective merger partners or liquidating agents of a
7 distressed credit union;

8 (f) Credit union administrators in other states regarding an out-
9 of-state chartered credit union doing business in this state under this
10 chapter, or regarding a credit union chartered under this chapter doing
11 business in another state;

12 (g) (~~Accounting firms under contract with the credit union~~) A
13 person or organization officially connected with the credit union as
14 officer, director, supervisory committee member, attorney, auditor,
15 accountant, independent attorney, independent auditor, or independent
16 accountant;

17 (h) Companies that have bonded the credit union to the extent that
18 information is relevant to the renewal of the bond coverage or to a
19 claim under the bond coverage; (~~or~~)

20 (i) Companies, associations, or agencies insuring or guaranteeing
21 the shares of or deposits in the credit union; or

22 (j) Other persons or organizations as the director may determine to
23 protect the public interest and confidence.

24 (3) Examination reports furnished under subsection (2) of this
25 section remain the property of the (~~supervisor's~~) director's office
26 and no person, agency, or authority to whom reports are furnished or
27 any officer, director, or employee thereof may disclose or make public
28 the reports or information contained in the reports except in published
29 statistical information that does not disclose the affairs of an
30 individual or corporation, except that nothing prevents the use in a
31 criminal prosecution of reports furnished under subsection (2)(b) of
32 this section.

33 (4) In a civil action in which the reports are sought to be
34 discovered or used as evidence, a party upon notice to the
35 (~~supervisor~~) director, may petition the court for an in-camera review
36 of the reports. The court may permit discovery and introduction of
37 only those portions of the report which are relevant and otherwise
38 unobtainable by the requesting party. This subsection does not apply
39 to an action brought or defended by the (~~supervisor~~) director.

1 (5) This section does not apply to investigation reports prepared
2 by the ((supervisor)) director and the ((supervisor's)) director's
3 staff concerning an application for a new credit union or a notice of
4 intent to establish a branch of a credit union, except that the
5 ((supervisor)) director may adopt rules making confidential portions of
6 the reports if in the ((supervisor's)) director's opinion the public
7 disclosure of that portion of the report would impair the ability to
8 obtain information the ((supervisor)) director considers necessary to
9 fully evaluate the application.

10 (6) Any person who knowingly violates a provision of this section
11 is guilty of a gross misdemeanor.

12 **Sec. 91.** RCW 31.12.695 and 1987 c 338 s 8 are each amended to read
13 as follows:

14 (1) For purposes of this section the merging credit union is the
15 credit union whose charter ceases to exist upon merging with the
16 continuing credit union. The continuing credit union is the credit
17 union whose charter continues upon merging with the merging credit
18 union.

19 (2) A credit union may be merged with another credit union with the
20 approval of the ((supervisor)) director and in accordance with
21 requirements the ((supervisor)) director may prescribe. The merger
22 shall be approved by two-thirds majority vote of the board of each
23 credit union and two-thirds majority vote of those members of the
24 merging credit union voting on the merger at a special membership
25 meeting called by the merging credit union board or by mail ballot ((as
26 provided in RCW 31.12.195(4))). The requirement of approval by the
27 members of the merging credit union may be waived if in the
28 ((supervisor's)) director's opinion the merging credit union is in
29 imminent danger of insolvency.

30 (3) The property, rights, and interests of the merging credit union
31 transfer to and vest in the continuing credit union without deed,
32 endorsement, or instrument of transfer, although instruments of
33 transfer may be used if their use is deemed appropriate. The debts and
34 obligations of the merging credit union that are known or reasonably
35 should be known are assumed by the continuing credit union. The
36 continuing credit union shall cause to be published notice of merger
37 once a week for three consecutive weeks in a newspaper of general
38 circulation in the county in which the principal place of business of

1 the merging credit union is located. The notice of merger shall inform
2 creditors of the merging credit union how to make a claim on the
3 continuing credit union and that if a claim is not made upon the
4 continuing credit union within thirty days of the last date of
5 publication creditors' claims that are not known by the continuing
6 credit union may be barred. Unless a claim is filed as requested by
7 the notice, or unless the debt or obligation is known or reasonably
8 should be known by the continuing credit union, the debts and
9 obligations of the merging credit union are discharged. Upon merger
10 the charter of the merging credit union ceases to exist.

11 NEW SECTION. **Sec. 92.** A new section is added to chapter 31.12 RCW
12 to read as follows:

13 (1) No loan may be made to any member if such loan would cause that
14 member to be indebted to the credit union upon loans made to the member
15 in an aggregated amount exceeding ten thousand dollars or two and one-
16 half percent of the assets of the credit union, whichever is greater,
17 without the approval of the director.

18 (2) The director by rule may establish limits on loans for
19 business, investment, commercial, or agricultural purposes to one
20 member.

21 **Sec. 93.** RCW 32.04.030 and 1985 c 56 s 2 are each amended to read
22 as follows:

23 A savings bank(~~(,with)~~) may not, without the written approval of
24 the (~~(supervisor, may)~~) director, establish and operate branches in any
25 place within the state.

26 A savings bank headquartered in this state desiring to establish a
27 branch shall file a written application (~~(therefor)~~) with the
28 (~~(supervisor)~~) director, who shall approve or disapprove the
29 application.

30 The (~~(supervisor's)~~) director's approval shall be conditioned on a
31 finding that the resources in the market area of the proposed location
32 offer a reasonable promise of adequate support for the proposed branch
33 and that the proposed branch is not being formed for other than the
34 legitimate purposes under this title. A branch shall not be
35 established or permitted if the capital of the savings bank, including
36 paid-in surplus, guaranty fund, and undivided profits, is less than the
37 aggregate paid-in capital which would be required by law as a

1 prerequisite to the establishment and operation of an equal number of
2 branches in like locations by a commercial bank. In making such
3 findings, the director may rely on an application in the form filed
4 with the federal deposit insurance corporation pursuant to 12 U.S.C.
5 Sec. 1828(d). If the application for a branch is not approved, the
6 savings bank shall have the right to appeal in the same manner and
7 within the same time as provided by RCW 32.08.050 and 32.08.060. The
8 savings bank when delivering the application to the ~~((supervisor))~~
9 director shall transmit to the ~~((supervisor))~~ director a check in an
10 amount established by rule to cover the expense of the investigation.
11 A savings bank headquartered in this state shall not move its
12 headquarters or any branch more than two miles from its existing
13 location without prior approval of the ~~((supervisor))~~ director. ~~((Not~~
14 ~~less than twenty days prior to))~~ On or before the date on which it
15 opens any office at which it will transact business in any state, a
16 ~~((mutual))~~ savings bank shall give written notice to the ~~((supervisor))~~
17 director of the location ~~((and business hours))~~ of this office. No
18 such notice shall become effective until it has been delivered to the
19 ~~((office of the supervisor))~~ director.

20 The board of trustees of a savings bank, after notice to the
21 ~~((supervisor))~~ director, may discontinue the operation of a branch.
22 The savings bank shall keep the ~~((supervisor))~~ director informed in the
23 matter and shall notify the ~~((supervisor))~~ director of the date
24 operation of the branch is discontinued.

25 (1) A savings bank that is headquartered in this state and is
26 operating branches in another state may provide copies of state
27 examination reports and reports of condition of the savings bank to the
28 regulator having oversight responsibility with regard to its operations
29 in that state, including the regulator of savings associations in the
30 event such a savings bank is transacting savings and loan business
31 pursuant to RCW 32.08.142 in that state.

32 (2) No savings bank headquartered in another state may establish
33 and operate branches as a savings bank in any place within the state
34 unless:

35 (a) The appropriate state superintendent or equivalent regulator of
36 the savings bank under the laws of the state in which the savings bank
37 is incorporated shall have agreed to supply the director with such
38 examination reports and reports of condition as the director shall deem

1 sufficient to allow the director to ascertain on a current basis the
2 financial condition of the savings bank;

3 (b) The savings bank shall have filed with the director (i) a duly
4 executed instrument in writing, by its terms of indefinite duration and
5 irrevocable, appointing the director and his or her successors its true
6 and lawful attorney, upon whom all process in any action or proceeding
7 against it in a cause of action arising out of business transacted by
8 such savings bank in this state, may be served with the same force and
9 effect as if it were a domestic corporation and had been lawfully
10 served with process within the state, and (ii) a written certificate of
11 designation, which may be changed from time to time by the filing of a
12 new certificate of designation, specifying the name and address of the
13 officer, agent, or other person to whom such process shall be forwarded
14 by the director; and

15 (c) The savings bank shall have supplied the director with such
16 information as he or she shall require by rule, not to exceed the
17 information on which the director may rely in approving a branch
18 application pursuant to this section by a savings bank headquartered in
19 this state.

20 A savings bank headquartered in another state may not establish and
21 operate branches as a foreign savings association in any place within
22 the state except upon compliance with chapter 33.32 RCW.

23 **Sec. 94.** RCW 32.04.060 and 1981 c 86 s 1 are each amended to read
24 as follows:

25 No savings bank shall in the course of any fiscal year (which
26 fiscal year shall be deemed to expire on the last day of December in
27 each year) pay or become liable to pay either directly or indirectly
28 for expenses of management and operation more than three percent of its
29 average assets during such year: PROVIDED, That a mutual savings bank
30 with less than five hundred million dollars in deposits may pay or
31 become liable to pay either directly or indirectly for expenses of
32 management and operation up to six percent of its average assets during
33 the year. However, this section does not apply to stock savings banks.

34 **Sec. 95.** RCW 32.04.080 and 1955 c 80 s 2 are each amended to read
35 as follows:

36 A mutual savings bank may provide for pensions for its disabled or
37 superannuated employees and may pay a part or all of the cost of

1 providing such pensions in accordance with a plan adopted by its board
2 of trustees (~~and approved in writing by the supervisor of banking.~~
3 ~~Whenever the trustees of the bank shall have formulated and adopted a~~
4 ~~plan providing for such pensions it shall, within ten days thereafter,~~
5 ~~transmit the same to the supervisor of banking. The supervisor of~~
6 ~~banking shall thereupon examine such plan and investigate the~~
7 ~~feasibility and practicability thereof and within thirty days of the~~
8 ~~receipt thereof by him notify the bank in writing of his approval or~~
9 ~~rejection of the same. After the approval of the supervisor the mutual~~
10 ~~savings bank shall be authorized and empowered to put such plan into~~
11 ~~effect)).~~ The board of trustees of a savings bank may set aside from
12 current earnings reserves in such amounts as the board shall deem wise
13 to provide for the payment of future pensions.

14 **Sec. 96.** RCW 32.04.085 and 1971 ex.s. c 222 s 1 are each amended
15 to read as follows:

16 Any pension payment or retirement benefits payable by a mutual
17 savings bank to a former officer or employee, or to a person or persons
18 entitled thereto by virtue of service performed by such officer or
19 employee, in the discretion of a majority of all the trustees of such
20 bank, may be supplemented from time to time. (~~Whenever the trustees~~
21 ~~of the bank shall have formulated and adopted a plan providing for such~~
22 ~~supplemental payments, within ten days thereafter said trustees shall~~
23 ~~transmit the same to the supervisor of banking. The supervisor of~~
24 ~~banking shall thereupon examine such plan and investigate the~~
25 ~~feasibility and practicability thereof and, within thirty days of the~~
26 ~~receipt thereof by him, notify the bank in writing of his approval or~~
27 ~~rejection of the same. After the approval of the supervisor the mutual~~
28 ~~savings bank shall be authorized and empowered to put such plan into~~
29 ~~effect.))~~ The board of trustees of a savings bank may set aside from
30 current earnings, reserves in such amounts as the board shall deem
31 appropriate to provide for the payments of future supplemental
32 payments.

33 **Sec. 97.** RCW 32.08.010 and 1955 c 13 s 32.08.010 are each amended
34 to read as follows:

35 When authorized by the (~~supervisor~~) director, as hereinafter
36 provided, not less than nine nor more than thirty persons may form a
37 corporation to be known as a "mutual savings bank." Such persons must

1 be citizens of the United States; at least four-fifths of them must be
2 residents of this state, and at least two-thirds of them must be
3 residents of the county where the bank is to be located and its
4 business transacted. They shall subscribe ((and—acknowledge)) an
5 incorporation certificate in triplicate which shall specifically state:

6 (1) The name by which the savings bank is to be known, which name
7 shall include the words "mutual savings bank";

8 (2) The place where the bank is to be located, and its business
9 transacted, naming the city or town and county;

10 (3) The name, occupation, residence, and post office address of
11 each incorporator;

12 (4) The sums which each incorporator will contribute in cash to the
13 initial guaranty fund, and to the expense fund respectively, as
14 provided in RCW 32.08.090 and 32.08.100;

15 (5) Any provision the incorporators elect to so set forth which is
16 permitted by RCW 23B.17.030;

17 (6) Any other provision the incorporators elect to so set forth
18 which is not inconsistent with this chapter;

19 (7) A declaration that each incorporator will accept the
20 responsibilities and faithfully discharge the duties of a trustee of
21 the savings bank, and is free from all the disqualifications specified
22 in RCW 32.16.010.

23 **Sec. 98.** RCW 32.08.142 and 1985 c 56 s 3 are each amended to read
24 as follows:

25 Notwithstanding any restrictions, limitations, and requirements of
26 law, in addition to all powers, express or implied, that a mutual
27 savings bank has under the laws of this state, a mutual savings bank
28 shall have the powers and authorities of federal mutual savings banks
29 formed under the provisions of 12 U.S.C. Sec. 1464. As used in this
30 section, "powers and authorities" include without limitation powers and
31 authorities in corporate governance matters.

32 The restrictions, limitations, and requirements applicable to
33 specific powers or authorities of federal mutual savings banks shall
34 apply to mutual savings banks exercising those powers or authorities
35 permitted under this section but only insofar as the restrictions,
36 limitations, and requirements relate to exercising the powers or
37 authorities granted mutual savings banks solely under this section.

1 NEW SECTION. **Sec. 99.** A new section is added to chapter 32.08 RCW
2 to read as follows:

3 A mutual savings bank may exercise the powers and authorities
4 granted to federal mutual savings banks formed under the provisions of
5 12 U.S.C. Sec. 1464 after July 28, 1985, only if the director finds
6 that the exercise of such powers and authorities:

7 (1) Serves the convenience and advantage of depositors and
8 borrowers; and

9 (2) Maintains the fairness of competition and parity between state-
10 chartered savings banks and federal savings banks.

11 As used in this section, "powers and authorities" include without
12 limitation powers and authorities in corporate governance matters.

13 The restrictions, limitations, and requirements applicable to
14 specific powers or authorities of federal mutual savings banks shall
15 apply to mutual savings banks exercising those powers or authorities
16 permitted under this section but only insofar as the restrictions,
17 limitations, and requirements relate to exercising the powers or
18 authorities granted mutual savings banks solely under this section.

19 **Sec. 100.** RCW 32.12.050 and 1985 c 56 s 7 are each amended to read
20 as follows:

21 (1) No savings bank shall by any system of accounting, or any
22 device of bookkeeping, directly or indirectly, enter any of its assets
23 upon its books in the name of any other individual, partnership,
24 unincorporated association, or corporation, or under any title or
25 designation that is not in accordance with the actual facts.

26 (2) The bonds, notes, mortgages, or other interest bearing
27 obligations purchased or acquired by a savings bank, shall not be
28 entered on its books at more than the actual cost thereof, and shall
29 not thereafter be carried upon its books for a longer period than until
30 the next declaration of dividends, or in any event for more than one
31 year, at a valuation exceeding their present cost as determined by
32 amortization, that is, by deducting from the cost of any such security
33 purchased for a sum in excess of the amount payable thereon at maturity
34 and charging to "profit and loss" a sufficient sum to bring it to par
35 at maturity, or adding to the cost of any such security purchased at
36 less than the amount payable thereon at maturity and crediting to
37 "profit and loss" a sufficient sum to bring it to par at maturity.

1 (3) No such bank shall enter, or at any time carry on its books,
2 the real estate and the building or buildings thereon used by it as its
3 place of business at a valuation exceeding their actual cost to the
4 bank.

5 (4) Every such bank shall conform its methods of keeping its books
6 and records to such orders in respect thereof as shall have been made
7 and promulgated by the (~~(supervisor)~~) director. Any officer, agent, or
8 employee of any savings bank who refuses or neglects to obey any such
9 order shall be punished as hereinafter provided.

10 (5) Real estate acquired by a savings bank, other than that
11 acquired for use as a place of business, may be entered on the books of
12 the bank at the actual cost thereof but shall not be carried beyond the
13 current dividend period at an amount in excess of the amount of the
14 debt in protection of which such real estate was acquired, plus the
15 cost of any improvements thereto.

16 An appraisal shall be made by a qualified person of every such
17 parcel of real estate within six months from the date of conveyance.
18 If the value at which such real estate is carried on the books is in
19 excess of the value found on appraisal the book value shall, at the end
20 of the dividend period during which such appraisal was made, be reduced
21 to an amount not in excess of such appraised value.

22 (6) No such bank shall enter or carry on its books any asset which
23 has been disallowed by the (~~(supervisor)~~) director or the trustees of
24 such bank, (~~(or any debt owing to it which has remained due without~~
25 ~~prosecution and upon which no interest has been paid for more than one~~
26 ~~year, or on which a judgment has been recovered which has remained~~
27 ~~unsatisfied for more than two years,)) unless the (~~(supervisor)~~)
28 director upon application by such savings bank has fixed a valuation at
29 which such (~~(debt)~~) asset may be carried (~~(as an asset, or unless such~~
30 ~~debt is secured by first mortgage upon real estate, in which latter~~
31 ~~case it may be carried at the actual cash value of such real estate as~~
32 ~~determined by written appraisal signed by two or more persons appointed~~
33 ~~by the board of trustees and filed with it)) as permitted in subsection
34 (7) of this section.~~~~

35 (7) Notwithstanding the (~~(prohibitions)~~) provisions of this
36 section, (~~(a)~~) no savings bank may maintain its books and records (~~(and~~
37 ~~may))~~ or enter and carry on its books any asset or liability at any
38 valuation (~~(in accordance with))~~ contrary to any accounting rules
39 promulgated or adopted by the federal deposit insurance corporation

1 (~~or the financial accounting standards board~~) or the (~~supervisor of~~
2 ~~banking~~) director or contrary to generally accepted accounting
3 principles.

4 **Sec. 101.** RCW 32.12.090 and 1983 c 44 s 2 are each amended to read
5 as follows:

6 (1) Every savings bank shall regulate the rate of interest upon the
7 amounts to the credit of depositors therewith, in such manner that
8 depositors shall receive as nearly as may be all the earnings of the
9 bank after transferring the amount required by RCW 32.08.120 and such
10 further amounts as its trustees may deem it expedient and for the
11 security of the depositors to transfer to the guaranty fund, which to
12 the amount of ten percent of the amount due its depositors the trustees
13 shall gradually accumulate and hold. Such trustees may also deduct
14 from its net earnings, and carry as reserves for losses, or other
15 contingencies, or as undivided profits, such additional sums as they
16 may deem wise.

17 (2) Every savings bank may classify its depositors according to the
18 character, amount, regularity, or duration of their dealings with the
19 savings bank, and may regulate the interest in such manner that each
20 depositor shall receive the same ratable portion of interest as all
21 others of his or her class.

22 (3) Unimpaired contributions to the initial guaranty fund and to
23 the expense fund, made by the incorporators or trustees of a savings
24 bank, shall be entitled to have dividends apportioned thereon, which
25 may be credited and paid to such incorporators or trustees.

26 Whenever the guaranty fund of any savings bank is sufficiently
27 large to permit the return of such contributions, the contributors may
28 receive interest thereon not theretofore credited or paid at the same
29 rate paid to depositors.

30 (4) A savings bank (~~shall not:~~

31 ~~(a) Declare, credit or pay any interest except as authorized by a~~
32 ~~vote of a majority of the board of trustees duly entered upon its~~
33 ~~minutes, whereon shall be recorded by ayes and noes the vote of each~~
34 ~~trustee;~~

35 ~~(b) Pay any interest other than the regular quarterly or semiannual~~
36 ~~interest, or the interest on savings certificates of deposit, or the~~
37 ~~extra dividends prescribed elsewhere in this title: PROVIDED, That~~
38 ~~such bank may pay interest not less often than annually on the~~

1 anniversary dates of accounts separately classified for this purpose:
2 PROVIDED, FURTHER, That such bank may pay interest monthly at the rate
3 or rates last authorized by a majority vote of the board of trustees
4 duly entered in its minutes whereon shall be recorded by ayes and noes
5 the vote of each trustee;

6 (c) Declare, credit or pay interest on any amount to the credit of
7 a depositor for a longer period than the same has been credited:
8 PROVIDED, That deposits made not later than the tenth day of any month
9 (unless the tenth day is not a business day, in which case it may be
10 the next succeeding business day), or withdrawn upon one of the last
11 three business days of the month ending any quarterly or semiannual
12 interest period, may have interest paid upon them for the whole of the
13 period or month when they were so deposited or withdrawn: PROVIDED
14 FURTHER, That if the bylaws so provide, accounts closed between
15 interest periods may be credited with interest at the rate determined
16 by its board of trustees, computing from the last interest period to
17 the date when closed)) may pay interest on deposits at such rates as
18 its board or a committee or officer designated by the board shall from
19 time to time determine.

20 (5) The trustees of any savings banks, other than a stock savings
21 bank ((converted under chapter 32.32 RCW)), whose undivided profits and
22 guaranty fund, determined in the manner prescribed in RCW 32.12.070,
23 amount to more than twenty-five percent of the amount due its
24 depositors, shall at least once in three years divide equitably the
25 accumulation beyond such twenty-five percent as an extra dividend to
26 depositors in excess of the regular dividend authorized.

27 (6) A notice posted conspicuously in a savings bank of a change in
28 the rate of interest shall be equivalent to a personal notice.

29 **Sec. 102.** RCW 32.16.020 and 1955 c 13 s 32.16.020 are each amended
30 to read as follows:

31 (1) Each trustee, whether named in the certificate of authorization
32 or elected to fill a vacancy, shall, when such certificate of
33 authorization has been issued, or when notified of such election, take
34 an oath that he or she will, so far as it devolves on him or her,
35 diligently and honestly administer the affairs of the savings bank, and
36 will not knowingly violate, or willingly permit to be violated, any of
37 the provisions of law applicable to such savings bank. Such oath shall
38 be subscribed by the trustee making it and certified by the officer

1 before whom it is taken, and shall be immediately transmitted to the
2 (~~supervisor~~) director and filed and preserved in his or her office.

3 (2) Prior to the first day of March in each year, every trustee of
4 every savings bank shall subscribe a declaration to the effect that he
5 is, at the date thereof, a trustee of the savings bank, and that he or
6 she has not resigned, become ineligible, or in any other manner vacated
7 his or her office as such trustee. Such declaration shall be
8 acknowledged in like manner as a deed to be entitled to record and
9 shall be transmitted to the (~~supervisor~~) director and filed in his or
10 her office prior to the tenth day of March in each year.

11 (3) This section does not apply to the directors of stock savings
12 banks.

13 **Sec. 103.** RCW 32.16.070 and 1955 c 13 s 32.16.070 are each amended
14 to read as follows:

15 (1) A trustee of a savings bank shall not, except to the extent
16 permitted for a director of a federal mutual savings bank:

17 (a) Have any interest, direct or indirect, in the gains or profits
18 of the savings bank, except to receive dividends (i) upon the amounts
19 contributed by him or her to the guaranty fund and the expense fund of
20 the savings bank as provided in RCW 32.08.090 and 32.08.100, and (ii)
21 upon any deposit he or she may have in the bank, the same as any other
22 depositor and under the same regulations and conditions.

23 (b) Become a member of the board of directors of a bank, trust
24 company, or national banking association of which board enough other
25 trustees of the savings bank are members to constitute with him a
26 majority of the board of trustees.

27 (2) Neither a trustee nor an officer of a savings bank shall,
28 except to the extent permitted for a director or officer of a federal
29 mutual savings bank:

30 (a) For himself or herself or as agent or partner of another,
31 directly or indirectly use any of the funds or deposits held by the
32 savings bank, except to make such current and necessary payments as are
33 authorized by the board of trustees.

34 (b) Receive directly or indirectly and retain for his or her own
35 use any commission on or benefit from any loan made by the savings
36 bank, or any pay or emolument for services rendered to any borrower
37 from the savings bank in connection with such loan, except as
38 authorized by RCW 32.16.050.

1 (c) Become an indorser, surety, or guarantor, or in any manner an
2 obligor, for any loan made by the savings bank.

3 (d) For himself or herself or as agent or partner of another,
4 directly or indirectly borrow any of the funds or deposits held by the
5 savings bank, or become the owner of real property upon which the
6 savings bank holds a mortgage. A loan to or a purchase by a
7 corporation in which he or she is a stockholder to the amount of
8 fifteen percent of the total outstanding stock, or in which he or she
9 and other trustees of the savings bank hold stock to the amount of
10 twenty-five percent of the total outstanding stock, shall be deemed a
11 loan to or a purchase by such trustee within the meaning of this
12 section, except when the loan to or purchase by such corporation
13 occurred without his or her knowledge or against his or her protest.
14 A deposit in a bank shall not be deemed a loan within the meaning of
15 this section.

16 **Sec. 104.** RCW 32.16.100 and 1955 c 13 s 32.16.100 are each amended
17 to read as follows:

18 The trustees of every savings bank, by a committee of not less than
19 three of their number, (~~on or before the first days of January and~~
20 ~~July in each year,~~) shall at least annually fully examine the records
21 and affairs of such savings bank for the purpose of determining its
22 financial condition. The trustees may employ such assistants as they
23 deem necessary in making the examination. A report of each such
24 examination shall be presented to the board of trustees at a regular
25 meeting within thirty days after the completion of the same, and shall
26 be filed in the records of the savings bank.

27 **Sec. 105.** RCW 32.32.025 and 1985 c 56 s 16 are each amended to
28 read as follows:

29 As used in this chapter, the following definitions apply, unless
30 the context otherwise requires:

31 (1) Except as provided in RCW 32.32.230, an "affiliate" of, or a
32 person "affiliated" with, a specified person, is a person that
33 directly, or indirectly through one or more intermediaries, controls,
34 or is controlled by, or is under common control with, the person
35 specified.

36 (2) The term "amount", when used in regard to securities, means the
37 principal amount if relating to evidences of indebtedness, the number

1 of shares if relating to shares, and the number of units if relating to
2 any other kind of security.

3 (3) An "applicant" is a mutual savings bank which has applied to
4 convert pursuant to this chapter.

5 (4) The term "associate", when used to indicate a relationship with
6 any person, means (a) any corporation or organization (other than the
7 applicant or a majority-owned subsidiary of the applicant) of which the
8 person is an officer or partner or is, directly or indirectly, the
9 beneficial owner of ten percent or more of any class of equity
10 securities, (b) any trust or other estate in which the person has a
11 substantial beneficial interest or as to which the person serves as
12 trustee or in a similar fiduciary capacity, and (c) any relative who
13 would be a "class A beneficiary" (~~(under RCW 83.08.005)~~) if the person
14 were a decedent.

15 (5) The term "broker" means any person engaged in the business of
16 effecting transactions in securities for the account of others.

17 (6) The term "capital stock" includes permanent stock, guaranty
18 stock, permanent reserve stock, any similar certificate evidencing
19 nonwithdrawable capital, or preferred stock, of a savings bank
20 converted under this chapter or of a subsidiary institution or holding
21 company.

22 (7) The term "charter" includes articles of incorporation, articles
23 of reincorporation, and certificates of incorporation, as amended,
24 effecting (either with or without filing with any governmental agency)
25 the organization or creation of an incorporated person.

26 (8) Except as provided in RCW 32.32.230, the term "control"
27 (including the terms "controlling", "controlled by", and "under common
28 control with") means the possession, direct or indirect, of the power
29 to direct or cause the direction of the management and policies of a
30 person, whether through the ownership of voting securities, by
31 contract, or otherwise.

32 (9) The term "dealer" means any person who engages either for all
33 or part of his time, directly or indirectly, as agent, broker, or
34 principal, in the business of offering, buying, selling, or otherwise
35 dealing or trading in securities issued by another person.

36 (10) The term "deposits" refers to the deposits of a savings bank
37 that is converting under this chapter, and may refer in addition to the
38 deposits or share accounts of any other financial institution that is

1 converting to the stock form in connection with a merger with and into
2 a savings bank.

3 ~~(11)~~ (11) The term "director" means any director of a corporation, any
4 trustee of a mutual savings bank, or any person performing similar
5 functions with respect to any organization whether incorporated or
6 unincorporated.

7 ~~((11))~~ (12) The term "eligibility record date" means the record
8 date for determining eligible account holders of a converting mutual
9 savings bank.

10 ~~((12))~~ (13) The term "eligible account holder" means any person
11 holding a qualifying deposit as determined in accordance with RCW
12 32.32.180.

13 ~~((13))~~ (14) The term "employee" does not include a director or
14 officer.

15 ~~((14))~~ (15) The term "equity security" means any stock or similar
16 security; or any security convertible, with or without consideration,
17 into such a security, or carrying any warrant or right to subscribe to
18 or purchase such a security; or any such warrant or right.

19 ~~((15))~~ (16) The term "market maker" means a dealer who, with
20 respect to a particular security, (a) regularly publishes bona fide,
21 competitive bid and offer quotations in a recognized interdealer
22 quotation system; or (b) furnishes bona fide competitive bid and offer
23 quotations on request; and (c) is ready, willing, and able to effect
24 transaction in reasonable quantities at his quoted prices with other
25 brokers or dealers.

26 ~~((16))~~ (17) The term "material", when used to qualify a
27 requirement for the furnishing of information as to any subject, limits
28 the information required to those matters as to which an average
29 prudent investor ought reasonably to be informed before purchasing an
30 equity security of the applicant.

31 ~~((17))~~ (18) The term "mutual savings bank" means a mutual savings
32 bank organized and operating under Title 32 RCW.

33 ~~((18))~~ (19) Except as provided in RCW 32.32.435, the term
34 "offer", "offer to sell", or "offer of sale" shall include every
35 attempt or offer to dispose of, or solicitation of an offer to buy, a
36 security or interest in a security, for value. These terms shall not
37 include preliminary negotiations or agreements between an applicant and
38 any underwriter or among underwriters who are or are to be in privity
39 of contract with an applicant.

1 (~~(19)~~) (20) The term "officer", for purposes of the purchase of
2 stock in a conversion under this chapter or the sale of this stock,
3 means the chairman of the board, president, vice president, secretary,
4 treasurer or principal financial officer, comptroller or principal
5 accounting officer, and any other person performing similar functions
6 with respect to any organization whether incorporated or
7 unincorporated.

8 (~~(20)~~) (21) Except as provided in RCW 32.32.435, the term
9 "person" means an individual, a corporation, a partnership, an
10 association, a joint-stock company, a trust, any unincorporated
11 organization, or a government or political subdivision thereof.

12 (~~(21)~~) (22) The term "proxy" includes every form of authorization
13 by which a person is or may be deemed to be designated to act for a
14 stockholder in the exercise of his voting rights in the affairs of an
15 institution. Such an authorization may take the form of failure to
16 dissent or object.

17 (~~(22)~~) (23) The terms "purchase" and "buy" include every contract
18 to purchase, buy, or otherwise acquire a security or interest in a
19 security for value.

20 (~~(23)~~) (24) The terms "sale" and "sell" include every contract to
21 sell or otherwise dispose of a security or interest in a security for
22 value; but these terms do not include an exchange of securities in
23 connection with a merger or acquisition approved by the (~~supervisor~~)
24 director.

25 (~~(24)~~) (25) The term "savings account" means deposits established
26 in a mutual savings bank and includes certificates of deposit.

27 (~~(25)~~) (26) Except as provided in RCW 32.32.435, the term
28 "security" includes any note, stock, treasury stock, bond, debenture,
29 transferable share, investment contract, voting-trust certificate, or
30 in general, any instrument commonly known as a "security"; or any
31 certificate of interest or participation in, temporary or interim
32 certificate for, receipt for, or warrant or right to subscribe to or
33 purchase any of the foregoing.

34 (~~(26)~~) (27) The term "series of preferred stock" refers to a
35 subdivision, within a class of preferred stock, each share of which has
36 preferences, limitations, and relative rights identical with those of
37 other shares of the same series.

38 (28) The term "subscription offering" refers to the offering of
39 shares of capital stock, through nontransferable subscription rights

1 issued to: (a) Eligible account holders as required by RCW 32.32.045;
2 (b) supplemental eligible account holders as required by RCW 32.32.055;
3 (c) directors, officers, and employees, as permitted by RCW 32.32.140;
4 and (d) eligible account holders and supplemental eligible account
5 holders as permitted by RCW 32.32.145.

6 ~~((27))~~ (29) A "subsidiary" of a specified person is an affiliate
7 controlled by the person, directly or indirectly through one or more
8 intermediaries.

9 ~~((28))~~ (30) The term "~~((supervisor))~~ director" means the
10 ~~((supervisor of banking))~~ director of financial institutions.

11 ~~((29))~~ (31) The term "supplemental eligibility record date" means
12 the supplemental record date for determining supplemental eligible
13 account holders of a converting savings bank required by RCW 32.32.055.
14 The date shall be the last day of the calendar quarter preceding
15 ~~((supervisor))~~ director approval of the application for conversion.

16 ~~((30))~~ (32) The term "supplemental eligible account holder" means
17 any person holding a qualifying deposit, except officers, directors,
18 and their associates, as of the supplemental eligibility record date.

19 ~~((31))~~ (33) The term "underwriter" means any person who has
20 purchased from an applicant with a view to, or offers or sells for an
21 applicant in connection with, the distribution of any security, or
22 participates or has a direct or indirect participation in the direct or
23 indirect underwriting of any such undertaking; but the term does not
24 include a person whose interest is limited to a commission from an
25 underwriter or dealer not in excess of the usual and customary
26 distributors' or sellers commission. The term "principal underwriter"
27 means an underwriter in privity of contract with the applicant or other
28 issuer of securities as to which that person is the underwriter.

29 Terms defined in other chapters of this title, when used in this
30 chapter, shall have the meanings given in those definitions, to the
31 extent those definitions are not inconsistent with the definitions
32 contained in this chapter unless the context otherwise requires.

33 **Sec. 106.** RCW 32.32.290 and 1981 c 85 s 57 are each amended to
34 read as follows:

35 With respect to the capital stock of the applicant to be sold under
36 the plan of conversion, any preliminary offering circular for the
37 subscription offering shall set forth the estimated subscription price
38 range. The maximum of the price range should normally be no more than

1 fifteen percent above the average of the minimum and maximum of the
2 price range and the minimum should normally be no more than fifteen
3 percent below this average. The maximum price used in the price range
4 should normally be no more than fifty dollars per share and the minimum
5 no less than five dollars per share. (~~The minimum par value of each~~
6 ~~share of the capital stock of a converted savings bank shall be one~~
7 ~~dollar.~~)

8 **Sec. 107.** RCW 32.32.480 and 1981 c 85 s 95 are each amended to
9 read as follows:

10 (~~The name of a mutual savings bank converted to a stock savings~~
11 ~~bank under this chapter shall contain the words "savings bank."~~) A
12 savings bank shall not be forbidden or required to change its corporate
13 name as a result of its conversion pursuant to this chapter.

14 **Sec. 108.** RCW 32.32.485 and 1981 c 85 s 96 are each amended to
15 read as follows:

16 (1) An application for conversion under this chapter shall include
17 amendments to the charter of the converting savings bank. The charter
18 of the converted savings bank, as amended, shall be known after the
19 conversion as the articles of incorporation of the converted savings
20 bank. The articles of incorporation may limit or permit the preemptive
21 rights of a shareholder to acquire unissued shares of the converted
22 savings bank and may thereafter by amendment limit, deny, or grant to
23 shareholders of any class of stock or of any series of preferred stock
24 the preemptive right to acquire additional shares of the converted
25 savings bank whether then or thereafter authorized. The articles of
26 incorporation may establish or may specify procedures, in accordance
27 with RCW 30.08.083, for the division of a class of preferred stock into
28 series. In addition to such provisions and the provisions permitted
29 pursuant to RCW 23B.17.030, the articles of incorporation shall contain
30 such other provisions not inconsistent with this chapter as the board
31 of directors of the converting savings bank ((shall)) may determine and
32 as shall be approved by the ((supervisor)) director.

33 (2) When all of the stock of a converting savings bank has been
34 subscribed for in accordance with the plan and any amendments thereto,
35 the board of trustees shall thereupon issue the stock and shall cause
36 to be filed with the ((supervisor of banking)) director, in
37 ((quadruplicate)) triplicate, a certificate subscribed ((and

1 acknowledged)) by the persons who are to be directors of the converted
2 savings bank, stating:

3 (a) That all of the stock of the converted mutual savings bank has
4 been issued;

5 (b) That the attached articles of incorporation have been executed
6 by all of the persons who are to be directors of the converted mutual
7 savings bank;

8 (c) The place where the bank is to be located and its business
9 transacted, naming the city or town and county, which city or town
10 shall be the same as that where the principal place of business of the
11 mutual savings bank has theretofore been located;

12 (d) The name, occupation, residence, and post office address of
13 each signer of the certificate; and

14 (e) The amount of the assets of the mutual savings bank, the amount
15 of its liabilities, and the amount of its guaranty fund and nondivided
16 profits as of the first day of the current calendar month(~~;~~ and

17 ~~(f) A declaration that each signer will accept the responsibilities~~
18 ~~and faithfully discharge the duties of a director of the converted~~
19 ~~savings bank and is free from all the disqualifications specified in~~
20 ~~the laws applicable to converted mutual savings banks)).~~

21 (3) Upon the filing of the certificate in (~~quadruplicate~~)
22 triplicate, the (~~supervisor of banking~~) director shall, within thirty
23 days thereafter, if satisfied that the corporation has complied with
24 all the provisions of this chapter, issue in (~~quadruplicate~~)
25 triplicate an authorization certificate stating that the corporation
26 has complied with all the requirements of law, and that it has
27 authority to transact at the place designated in its articles of
28 incorporation the business of a converted mutual savings bank. One of
29 the (~~supervisor's quadruplicate~~) director's certificates of
30 authorization shall be attached to each of the (~~quadruplicate~~)
31 articles of incorporation, and one set of these shall be filed and
32 retained by the (~~supervisor of banking~~) director, (~~one set shall be~~
33 ~~filed in the office of the county auditor of the county in which the~~
34 ~~bank is located,~~) one set shall be filed in the office of the
35 secretary of state, and one set shall be transmitted to the bank for
36 its files. Upon the receipt from the corporation of the same fees as
37 are required for filing and recording other incorporation certificates
38 or articles the (~~county auditor and~~) secretary of state shall record
39 the same; whereupon the conversion of the mutual savings bank shall be

1 deemed complete, the requirements of RCW 32.08.010 relating to the
2 incorporation certificate of an unconverted mutual savings bank shall
3 no longer apply, and the signers of the articles of incorporation and
4 their successors shall be a corporation having the powers and being
5 subject to the duties and obligations prescribed by the laws of this
6 state applicable to converted mutual savings banks, and the time of
7 existence of the corporation shall be perpetual, unless terminated
8 pursuant to law.

9 **Sec. 109.** RCW 32.32.490 and 1985 c 56 s 28 are each amended to
10 read as follows:

11 (1) Amendments to the articles of incorporation of the converted
12 savings bank shall be made only with the approvals of the
13 ((supervisor)) director, of two-thirds of the directors of the savings
14 bank, and of the holders of a majority of each class of the outstanding
15 shares of capital stock or such greater percentage of these shares as
16 may be specified in the articles of the converted savings bank.

17 (2) Unless the articles of incorporation provide otherwise, the
18 board of directors of a savings bank may, by majority vote, amend the
19 savings bank's articles of incorporation as provided in this section
20 without shareholder action:

21 (a) If the savings bank has only one class of shares outstanding,
22 to provide, change, or eliminate any provision with respect to the par
23 value of any class of shares;

24 (b) To delete the name and address of the initial directors;

25 (c) If the savings bank has only one class of shares outstanding,
26 solely to change the number of authorized shares to effectuate a split
27 of, or stock dividend in, the savings bank's own shares, or solely to
28 do so and to change the number of authorized shares in proportion
29 thereto;

30 (d) To change the savings bank's name; or

31 (e) To make any other change expressly permitted by this title to
32 be made without shareholder action.

33 **Sec. 110.** RCW 32.32.495 and 1985 c 56 s 29 are each amended to
34 read as follows:

35 (1) Every converted savings bank shall be managed by not less than
36 five directors, except that a bank having a capital of fifty thousand
37 dollars or less may have only three directors. Directors shall be

1 elected by the stockholders and hold office for one year and until
2 their successors are elected and have qualified. In the first instance
3 the directors shall be those named in the articles of incorporation and
4 afterwards, those elected at the annual meeting of the stockholders to
5 be held at least once each year on a day to be specified by the
6 converted savings bank's bylaws but not later than May 15th of each
7 year. If for any cause an election is not held at that time, it may be
8 held at an adjourned meeting or at a subsequent meeting called for that
9 purpose in the manner prescribed by the corporation's bylaws. Each
10 director shall be a resident of a state of the United States. The
11 directors shall meet at least nine times each year and whenever
12 required by the ((~~supervisor~~)) director. A majority of the board of
13 directors shall constitute a quorum for the transaction of business.
14 At all stockholders' meetings, each share shall be entitled to one
15 vote, unless the articles of incorporation provide otherwise. Any
16 stockholder may vote in person or by written proxy.

17 (2) If the board of directors consists of nine or more members, in
18 lieu of electing the entire number of directors annually, the converted
19 savings bank's articles of incorporation or bylaws may provide that the
20 directors be divided into either two or three classes, each class to be
21 as nearly equal in number as possible, the term of office of directors
22 of the first class to expire at the first annual meeting of
23 shareholders after their election, that of the second class to expire
24 at the second annual meeting after their election, and that of the
25 third class, if any, to expire at the third annual meeting after their
26 election. At each annual meeting after such classification, the number
27 of directors equal to the number of the class whose term expires at the
28 time of such meeting shall be elected to hold office until the second
29 succeeding annual meeting, if there are two classes, or until the third
30 succeeding annual meeting, if there are three classes. A
31 classification of directors shall not be effective prior to the first
32 annual meeting of shareholders.

33 (3) ((~~Immediately upon election,~~)) Each director ((~~shall take,~~
34 ~~subscribe, swear to, and file with the supervisor an oath that he~~
35 ~~will~~)), so far as the duty devolves upon him or her, shall diligently
36 and honestly administer the affairs of the corporation and ((~~will~~))
37 shall not knowingly violate or willingly permit to be violated any
38 provision of law applicable to the corporation.

1 (4) A vacancy occurring in the board of directors may be filled by
2 the affirmative vote of a majority of the remaining directors. A
3 director elected to fill a vacancy shall be elected for the unexpired
4 term of the director's predecessor in office. A directorship to be
5 filled by reason of an increase in the number of directors may be
6 filled by the board of directors for a term of office continuing only
7 until the next election of directors by the shareholders.

8 **Sec. 111.** RCW 32.32.500 and 1985 c 56 s 31 are each amended to
9 read as follows:

10 A (~~mutual~~) savings bank (~~or bank converted under this chapter~~)
11 may merge with, consolidate with, convert into, acquire the assets of,
12 or sell its assets to any other financial institution chartered or
13 authorized to do business in this state under Titles 30, 32, or 33 RCW
14 or under the (~~National Bank Act, as amended, or the National Housing~~
15 ~~Act, as amended,~~) federal laws relating to depository institutions as
16 defined in 12 U.S.C. Sec. 461 or the laws of any other state,
17 territory, or jurisdiction, or to a holding company thereof, subject to
18 (1) the approval of the (~~supervisor of banking~~) director if the
19 surviving institution is one chartered under Title 30 (~~or~~), 32, or 33
20 RCW, or (2) (approval of the supervisor of savings and loans if the
21 surviving institution is one chartered under Title 33 RCW, or (3)) if
22 the surviving institution is to be a national bank, the comptroller of
23 currency or its successor under 12 U.S.C. Sec. 35, 12 U.S.C. Sec. 215,
24 12 U.S.C. Sec. 215a, and 12 U.S.C. Sec. 1828c, or (~~(4)~~) (3) if the
25 surviving institution is to be a federal savings and loan association
26 or a federal savings and loan holding company, the (~~Federal Home Loan~~
27 ~~Bank Board~~) office of thrift supervision or its successor under 12
28 U.S.C. Sec. 1464 (~~(d)(11)~~) (a), 12 U.S.C. Sec. 1467a, and 12 U.S.C.
29 Sec. 1828(c), or (5)) (4) if the surviving institution is to be a
30 bank holding company, the Federal Reserve Board or its successor under
31 12 U.S.C. Sec. 1842 (a) and (d).

32 In the case of a liquidation, acquisition, merger, consolidation,
33 or conversion of a converted savings bank, chapter 32.34 RCW shall
34 apply.

35 **Sec. 112.** RCW 32.32.505 and 1985 c 56 s 32 are each amended to
36 read as follows:

1 (1) It is the intention of the legislature to grant, by this
2 chapter, authority to permit conversions by mutual savings banks to
3 capital stock form, and the rights, powers, restrictions, limitations,
4 and requirements of Title 32 RCW shall apply to a converted mutual
5 savings bank except that, in the event of conflict between the
6 provisions of this chapter and other provisions of Title 32 RCW, the
7 other provisions shall be construed in favor of the accomplishment of
8 the purposes of this chapter.

9 (2) References in the Revised Code of Washington as of the most
10 recent effective date of any amendment, to mutual savings banks shall
11 refer also to stock savings banks (~~((converted from mutual form under
12 this chapter))~~). References in the Revised Code of Washington to the
13 board of trustees of a mutual savings bank shall refer also to the
14 board of directors of a stock savings bank (~~((converted from mutual form
15 under this chapter))~~). The provisions of Title 30 RCW shall not apply
16 to a converted (~~((mutual))~~) savings bank except insofar as the provisions
17 would apply to a mutual savings bank.

18 **Sec. 113.** RCW 32.32.515 and 1981 c 85 s 102 are each amended to
19 read as follows:

20 The guaranty fund of a mutual savings bank converted under this
21 chapter shall become surplus of the converted savings bank, but shall
22 not be available after conversion for purposes other than those
23 purposes for which a guaranty fund may be used by a mutual savings bank
24 under Title 32 RCW. No contribution need be made to the guaranty fund
25 by the converted savings bank after conversion. When any provision of
26 any other chapter of this title refers to the amount of the guaranty
27 fund for the purpose of determining the extent of the authority of a
28 savings bank, and not for purposes of prescribing the use of funds in
29 or contributions to the guaranty fund, such provision shall be deemed
30 to refer to an amount including capital surplus and paid-in capital of
31 a stock savings bank.

32 NEW SECTION. **Sec. 114.** A new section is added to chapter 32.32
33 RCW to read as follows:

34 (1) Shares of a savings bank may, but need not be, represented by
35 certificates. Unless this title expressly provides otherwise, the
36 rights and obligations of shareholders are identical whether or not
37 their shares are represented by certificates. At a minimum, each share

1 certificate must state the information required to be stated and must
2 be signed as provided in RCW 23B.06.250 and/or 23B.06.270 for
3 corporations.

4 (2) Unless the articles of incorporation or bylaws provide
5 otherwise, the board of directors of a savings bank may authorize the
6 issue of some or all of the shares of any or all of its classes or
7 series without certificates. The authorization does not affect shares
8 already represented by certificates until they are surrendered to the
9 savings bank.

10 (3) Within a reasonable time after the issue or transfer of shares
11 without certificates, the savings bank shall send the shareholder a
12 written statement of the information required to be stated on
13 certificates under subsection (1) of this section.

14 **Sec. 115.** RCW 32.34.030 and 1985 c 56 s 33 are each amended to
15 read as follows:

16 (1) The voluntary liquidation of a mutual savings bank converted to
17 the stock form requires the affirmative vote or written consent of two-
18 thirds of the directors of the converted savings bank, requires the
19 affirmative vote of two-thirds of the outstanding stock of the savings
20 bank, shall proceed as prescribed in chapter 32.24 RCW, and shall be
21 complete upon the payment of any surplus remaining, after satisfaction
22 of all debts and liabilities of the savings bank, to shareholders in
23 accordance with their legal rights to such surplus.

24 (2) A savings bank which has converted to the stock form may sell
25 all its assets and transfer all its liabilities upon the affirmative
26 vote or with the written consent of two-thirds of its directors, and
27 upon the affirmative vote of the holders of two-thirds of the
28 outstanding voting shares in each class entitled to vote.

29 (3) Any merger or consolidation involving a mutual savings bank
30 converted to stock form requires approval by two-thirds of the
31 directors and by the holders of a majority of the outstanding voting
32 shares in each class except that a merger or consolidation approved by
33 two-thirds of the outstanding voting shares in each class requires
34 approval by only a majority of the directors of the converted savings
35 bank, and except as provided in subsection (4) of this section.

36 (4) A savings bank that has converted to the stock form may engage
37 in a consolidation (~~(and or pooling of assets)~~) or merger upon the
38 affirmative vote of two-thirds of its directors, if (a) the transaction

1 is with a wholly-owned subsidiary of the converted savings bank, or
2 (b)(i) the transaction is incident to the establishment of a holding
3 company pursuant to RCW 32.34.040 or 12 U.S.C. Sec. 1467a, (ii) each
4 shareholder will, immediately after the effective date of such
5 transaction, hold the same number of shares of the holding company,
6 with substantially the same designations, preferences, limitations, and
7 rights, as the shares of the converted savings bank that the
8 shareholder held immediately before the effective date, and (iii) the
9 number of authorized shares of the holding company will, immediately
10 after the effective date, be the same as the number of authorized
11 shares of the converted savings bank immediately before the effective
12 date, or (c)(i) the total assets of the converted savings bank,
13 immediately prior to the ((day of the consolidation and pooling of
14 assets)) effective date of the transaction, exceed two-thirds of the
15 assets of the institution that would result from the ((consolidation
16 and pooling of assets, (b)) transaction and (ii) the converted savings
17 bank will survive the ((consolidation and pooling of assets,))
18 transaction without its shareholders surrendering their shares of stock
19 in the converted savings bank((, and (c) the other institution being
20 merged or consolidated is a savings bank or savings and loan
21 association)).

22 (5) Any converted savings bank may provide in its articles of
23 incorporation for a higher percentage of affirmative shareholder votes
24 to approve any liquidation, sale of assets, merger, or consolidation.

25 **Sec. 116.** RCW 32.34.060 and 1985 c 56 s 36 are each amended to
26 read as follows:

27 (1) Any holder of shares of a savings bank shall be entitled to
28 receive the value of these shares, as specified in subsection (2) of
29 this section, if (a) the savings bank is voluntarily liquidating, being
30 acquired, merging, or consolidating, (b) the shareholder voted, in
31 person or by proxy, against the liquidation, acquisition, merger, or
32 consolidation, at a meeting of shareholders called for the purpose of
33 voting on such transaction, and (c) the shareholder delivers a written
34 demand for payment, with the stock certificates, to the savings bank
35 within thirty days after such meeting of shareholders. The value of
36 shares shall be paid in cash, within ten days after ((receipt of the
37 written demand and stock certificates, except that if three appraisers
38 are appointed)) the later of the effective date of the transaction or

1 the completion of the appraisal as specified in subsection (2) of this
2 section((, the payment shall be due forty five days after receipt of
3 such demand and stock certificates)).

4 (2) The value of such shares shall be ((the price published for
5 shares listed on a national securities exchange, and shall be the bid
6 price published for shares traded over the counter, at)) determined as
7 of the close of business on the business day before the shareholders'
8 meeting at which the shareholder dissented, ((except that if such
9 shares are not so listed or traded, or if the value so determined
10 differs by twenty percent or more from the average of such prices for
11 the shares during the thirty days prior to this business day, or if a
12 violation of RCW 32.32.225 has affected such determination, then the
13 value of the shares shall be determined, within forty days after
14 delivery of the stock certificates,)) by three appraisers ((appointed
15 as provided in RCW 30.49.090)), one to be selected by the owners of
16 two-thirds of the dissenting shares, one by the board of directors of
17 the institution that will survive the transaction, and the third by the
18 two so chosen. The valuation agreed upon by any two appraisers shall
19 govern. If such appraisal is not completed by the later of the
20 effective date of the transaction or the thirty-fifth day after receipt
21 of the written demand and stock certificates, the director shall cause
22 an appraisal to be made.

23 (3) The dissenting shareholders shall bear, on a pro rata basis
24 based on the number of dissenting shares owned, the cost of their
25 appraisal and one-half of the cost of a third appraisal, and the
26 surviving institution shall bear the cost of its appraisal and one-half
27 the cost of the third appraisal. If the director causes an appraisal
28 to be made, the cost of that appraisal shall be borne equally by the
29 dissenting shareholders and the surviving institution, with the
30 dissenting shareholders sharing their half of the cost on a pro rata
31 basis based on the number of dissenting shares owned.

32 The institution that is to survive the transaction may fix an
33 amount which it considers to be not more than the fair market value of
34 the shares of a savings bank at the time of the stockholder's meeting
35 approving the transaction, which it will pay dissenting shareholders
36 entitled to payment in cash. The amount due under such accepted offer
37 or under the appraisal shall constitute a debt of the surviving
38 institution.

1 **Sec. 117.** RCW 33.08.030 and 1983 c 42 s 1 are each amended to read
2 as follows:

3 A domestic association shall be incorporated either as a stock or
4 a mutual association. The articles of incorporation shall specifically
5 state:

6 (1) The name of the association, which shall include the words:

7 (a) "Savings association";

8 (b) "Savings and loan association"; or

9 (c) "Savings bank";

10 (2) The city or town and county in which it is to have its
11 principal place of business;

12 (3) The name, occupation, and place of residence of all
13 incorporators, the majority of whom shall be Washington residents;

14 (4) Its purposes;

15 (5) Its duration, which may be for a stated number of years or
16 perpetual;

17 (6) The amount of paid-in savings with which the association will
18 commence business;

19 (7) The names, occupations, and addresses of the first directors;

20 (8) Whether the association is organized as a stock or mutual
21 association and who has membership rights and the relative rights of
22 different classes of members of the association; and

23 (9) Any provision the incorporators elect to so set forth which is
24 permitted by RCW 23B.17.030.

25 The articles of incorporation may contain any other provisions
26 consistent with the laws of this state and the provisions of this title
27 pertaining to the association's business or the conduct of its affairs.

28 **Sec. 118.** RCW 33.08.100 and 1967 c 49 s 1 are each amended to read
29 as follows:

30 The bylaws adopted by the incorporators and approved by the
31 ~~((supervisor))~~ director shall be the bylaws of the association. The
32 members, at any meeting called for the purpose, may amend the bylaws of
33 the association on a majority vote of the members present, in person or
34 by proxy, or the directors at any regular or special meeting called
35 under the provisions of RCW 33.16.090 may amend the bylaws of the
36 association on a two-thirds majority vote of the directors. ~~((Proposed~~
37 ~~amendments of the bylaws shall be submitted to the supervisor in~~
38 ~~duplicate at least thirty days prior to the meeting at which the~~

1 ~~amendments will be considered. The supervisor shall endorse thereon~~
2 ~~the word "approved" or "disapproved" and return one copy to the~~
3 ~~association within the thirty day period prior to the meeting.))~~
4 ~~Amendments of the bylaws ((which have been approved by the supervisor))~~
5 ~~shall become effective after being adopted by the board or the members.~~
6 ~~((The supervisor shall be advised of the effective date.))~~

7 **Sec. 119.** RCW 33.12.012 and 1982 c 3 s 23 are each amended to read
8 as follows:

9 Notwithstanding any other provision of law, in addition to all
10 powers and authorities, express or implied, that an association has
11 under this title, an association may exercise any of the powers or
12 authorities conferred as of ~~((February 25, 1982))~~ December 31, 1993,
13 upon a federal savings and loan association doing business in this
14 state. As used in this section, "powers and authorities" include
15 without limitation powers and authorities in corporate governance
16 matters.

17 The restrictions, limitations and requirements applicable to
18 specific powers or authorities of federal savings and loan associations
19 shall apply to associations exercising those powers or authorities
20 permitted under this section but only insofar as the restrictions,
21 limitations, and requirements relate to exercising the powers or
22 authorities granted associations solely by this section.

23 **Sec. 120.** RCW 33.12.014 and 1982 c 3 s 24 are each amended to read
24 as follows:

25 Notwithstanding any other provision of law, in addition to all
26 powers and authorities, express or implied, that an association has
27 under this title, the ~~((supervisor))~~ director may make reasonable rules
28 authorizing an association to exercise any of the powers and
29 authorities conferred at the time of the adoption of the rules upon a
30 federal savings and loan association doing business in this state, or
31 may modify or reduce reserve or other requirements if an association is
32 insured by the federal savings and loan insurance corporation, if the
33 ~~((supervisor))~~ director finds that the exercise of the power or
34 authorities:

35 (1) Serves the convenience and advantage of depositors and
36 borrowers; and

1 (2) Maintains the fairness of competition and parity between state-
2 chartered savings and loan associations and federally-chartered savings
3 and loan associations.

4 As used in this section, "powers and authorities" include without
5 limitation powers and authorities in corporate governance matters.

6 The restrictions, limitations and requirements applicable to
7 specific powers or authorities of federal savings and loan associations
8 shall apply to associations exercising those powers or authorities
9 permitted under this section but only insofar as the restrictions,
10 limitations, and requirements relate to exercising the powers or
11 authorities granted associations solely by this section.

12 **Sec. 121.** RCW 33.12.060 and 1985 c 239 s 1 are each amended to
13 read as follows:

14 ~~((1))~~ An association shall make no loan to or sell to or purchase
15 any real property or securities from(~~+~~

16 ~~(a))~~ any director, officer, agent, or employee of an
17 association(~~+~~

18 ~~(b) Any former director or incorporator of the association within~~
19 ~~one year of the termination of the relationship without the prior~~
20 ~~written approval of the supervisor;~~

21 ~~(c) Any party involved, either directly or indirectly, in a stock~~
22 ~~tender offer for acquisition of the association, as determined by the~~
23 ~~supervisor, without the prior written approval of the supervisor; or~~

24 ~~(d) Any public officer or public employee whose duties have to do~~
25 ~~with the supervision, regulation, or insurance of the association or~~
26 ~~its savings accounts.~~

27 ~~(2) The provisions of subsection (1) of this section shall not~~
28 ~~apply to:~~

29 ~~(a) Loans secured by the pledge or assignment of the savings~~
30 ~~account of the borrowing member;~~

31 ~~(b) Loans made to directors, officers, agents, or employees of the~~
32 ~~association upon their property which is occupied principally by such~~
33 ~~director, officer, agent, or employee as a home, the amount of such~~
34 ~~loan to be based upon the appraised value of said property as~~
35 ~~established by two independent appraisers who are not officers, agents,~~
36 ~~directors, employees, or appraisers of the association;~~

37 ~~(c) Loans made to directors, officers, or employees of the~~
38 ~~association upon their mobile dwelling, which is occupied principally~~

1 by such director, officer, or employee as a home, the amount of such
2 loan to be based upon the appraised value of the dwelling as
3 established by two independent appraisers who are not directors,
4 officers, employees, or appraisers of the association;

5 (d) Loans made to directors, officers, or employees of the
6 association for home or property repairs, alterations, improvements, or
7 additions, or home furnishings or appliances, for a residence which is
8 occupied principally by such director, officer, or employee as a home;

9 (e) Loans made to directors, officers, or employees of the
10 association for the payment of expenses of vocational training or
11 college or university education; nor to

12 (f) Any other loans made to directors, officers, or employees of
13 the association: PROVIDED, That the total value of the loans made or
14 obligations acquired under authority of this section for any one
15 director, officer, or employee shall not exceed such amount as
16 prescribed by the supervisor under regulations adopted under the
17 administrative procedure act, chapter 34.05 RCW. No loan may be made,
18 credit extended, or obligation acquired unless the board of directors
19 of the association has approved a resolution authorizing the same by a
20 majority vote at a meeting of the board held within sixty days prior to
21 the making or acquisition of the loan or obligation, and the vote and
22 resolution shall be entered in the corporate minutes.

23 (3) A loan to or a purchase or sale to or from a partnership or
24 corporation fifteen percent of which is owned by any one director,
25 officer, agent, or employee of the association or twenty five percent
26 of which is owned by any combination of directors, officers, agents, or
27 employees of the association shall be deemed a loan to or a purchase or
28 sale to or from such director, officer, agent, or employee within the
29 meaning of this section except when the transaction occurred without
30 the knowledge or against the protest of such director, officer, agent,
31 or employee of the association)) except to the extent permitted to or
32 from a director, officer, agent, or employee of a federal savings
33 association.

34 **Sec. 122.** RCW 33.16.030 and 1982 c 3 s 29 are each amended to read
35 as follows:

36 A director of a savings and loan association shall not, except to
37 the extent permitted for a director of a federal savings and loan
38 association:

1 (1) Have any interest, direct or indirect, in the gains or profits
2 of the association, except to receive dividends, or interest upon his
3 or her contribution to the contingent fund or upon his or her deposit
4 accounts. However, nothing in this subsection shall prevent an officer
5 from receiving his or her authorized compensation nor from
6 participating in a benefit program under RCW 33.16.150, nor prevent a
7 director from receiving an authorized director's fee;

8 Receive and retain, directly or indirectly, for his or her own use
9 any commission on any loan, or purchase of real property or securities,
10 made by the association;

11 (2) Become an endorser, surety, or guarantor, or in any manner an
12 obligor, for any loan made by the association;

13 (3) For himself or herself or as agent, partner, stockholder, or
14 officer of another, directly or indirectly, borrow from the
15 association, except as hereinafter provided.

16 **Sec. 123.** RCW 33.16.090 and 1982 c 3 s 34 are each amended to read
17 as follows:

18 The board of directors of each association shall hold a regular
19 meeting at least once each (~~month~~) quarter and whenever required by
20 the director, at a time to be designated by it. Special meetings of
21 the board of directors may be held upon notice to each director
22 sufficient to permit his or her attendance.

23 At any meeting of the board of directors, a majority of the members
24 shall constitute a quorum for the transaction of business.

25 The president of the association or chairman of the board or any
26 three members of the board may call a meeting of the board by giving
27 notice to all of the directors.

28 NEW SECTION. **Sec. 124.** The following acts or parts of acts are
29 each repealed:

30 (1) RCW 30.04.235 and 1983 c 157 s 1;

31 (2) RCW 30.04.250 and 1955 c 33 s 30.04.250;

32 (3) RCW 30.04.270 and 1955 c 33 s 30.04.270;

33 (4) RCW 30.04.290 and 1973 1st ex.s. c 53 s 36, 1961 c 20 s 1, &
34 1955 c 33 s 30.04.290;

35 (5) RCW 30.04.900 and 1987 c 498 s 2 & 1986 c 279 s 54;

36 (6) RCW 30.08.110 and 1955 c 33 s 30.08.110;

37 (7) RCW 30.08.120 and 1955 c 33 s 30.08.120;

- 1 (8) RCW 30.12.050 and 1986 c 279 s 34 & 1955 c 33 s 30.12.050;
2 (9) RCW 30.43.010 and 1986 c 279 s 45, 1979 c 137 s 1, & 1974 ex.s.
3 c 166 s 1;
4 (10) RCW 30.43.020 and 1981 c 83 s 1 & 1974 ex.s. c 166 s 2;
5 (11) RCW 30.43.030 and 1979 c 137 s 2 & 1974 ex.s. c 166 s 3;
6 (12) RCW 30.43.040 and 1979 c 137 s 3 & 1974 ex.s. c 166 s 4;
7 (13) RCW 30.43.045 and 1981 c 83 s 2;
8 (14) RCW 30.43.050 and 1979 c 137 s 4 & 1974 ex.s. c 166 s 5;
9 (15) RCW 31.12.095 and 1984 c 31 s 11;
10 (16) RCW 31.12.175 and 1984 c 31 s 19;
11 (17) RCW 31.12.355 and 1984 c 31 s 37;
12 (18) RCW 32.04.040 and 1985 c 469 s 16 & 1955 c 13 s 32.04.040;
13 (19) RCW 32.12.060 and 1955 c 13 s 32.12.060;
14 (20) RCW 32.20.290 and 1967 c 145 s 8 & 1955 c 13 s 32.20.290;
15 (21) RCW 32.32.510 and 1981 c 85 s 101; and
16 (22) RCW 33.12.020 and 1980 c 54 s 2 & 1945 c 235 s 30.

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