

to levy a property tax, of not to exceed three mills, for public library purposes for the year in which said election is held.

Passed the Senate February 25, 1919.

Passed the House March 11, 1919.

Approved by the Governor March 19, 1919.

CHAPTER 172.

[S. B. 198.]

INCREASE AND REDUCTION OF CAPITAL STOCK AND ISSUANCE OF PREFERRED STOCK BY CORPORATIONS.

AN ACT in relation to corporations, and amending Sections 3686, 3705 and 3706 of Remington & Ballinger's Annotated Codes and Statutes of Washington, and validating preferred stock heretofore issued in compliance with the provisions hereof.

Be it enacted by the Legislature of the State of Washington:

SECTION 1. That Section 3686 of Rem. & Bal. Code be, and the same is, hereby amended to read as follows:

Section 3686. The corporate powers of a corporation shall be exercised by a board of not less than two trustees, who shall be stockholders in the company, and at least one of whom shall be a resident of the State of Washington, and a majority of them citizens of the United States, who shall, before entering upon the duties of their office, respectively take and subscribe to an oath, as provided by the laws of this state, and who shall, after the expiration of the term of the trustees first elected, be actually elected by the stockholders, at such time and place, within this state, and upon such notice and in such manner, as shall be directed by the by-laws of the company; but all elections shall be by ballot, and each stockholder, either in person or by proxy, shall be entitled to as many votes as he may own,

Board of trustees.

Election.

or represent by proxy, shares of stock, and the person or persons receiving the greatest number of votes shall be trustee or trustees: *Provided*, that nothing herein contained shall prevent any corporation, by its by-laws, limiting such bona fide shareholder to a single vote, or one vote for every full share of paid-up stock, or its equivalent in assessable stock, disregarding the number of shares of stock he may own: *Provided further*, that any corporation issuing preferred stock in accordance with the provisions hereinafter contained applicable thereto may provide that such preferred stock shall have no voting power or shall have only such limited or conditional voting power as may be specified. It shall be competent, at any time, for two-thirds of the stockholders of any corporation organized under this chapter to expel any trustee from office, and to elect another to succeed him. In all cases where a meeting of the stockholders is called for the purpose of expelling a trustee and electing his successor, such notice shall be given of the meeting as the by-laws of the company may require. Whenever any vacancy shall happen among the trustees by death, resignation or otherwise, except by removal and the election of his successor as herein provided, it shall be filled by appointment of the board of trustees. Every such corporation shall at all times keep at its principal place of business in this state an officer or officers, agent or agents, upon whom service of legal process may be made, in conformity with the law: *Provided*, that service of such process may be made at any time upon any resident trustee of such corporation. Every corporation may issue, in addition to its common stock, preferred stock or different classes of preferred stock in any of the following cases:

1. If the articles of incorporation so provide, or
2. By the unanimous consent of the stockholders

Voting power of shares and preferred stock.

Expulsion of trustee.

Issuance of preferred stock.

expressed in writing and filed in the office of the secretary of state and in the office of the county auditor of the county where the principal place of business of the corporation is located, or

3. By the consent of the holders of record of two-thirds of the capital stock given at a meeting called for that purpose upon notice such as is required by Section 3705. In case this third method is pursued, a certificate of the proceedings of such meeting shall be made and filed as required by Section 3706.

4. In the case of corporations heretofore organized where provisions regarding preferred stock have received either formally or informally the unanimous approval or acquiescence of the stockholders, preferred stock may be issued in accordance with such provisions, all preferred stock heretofore issued not inconsistent with the provisions of this Act is hereby validated.

Validation
of prior
issues.

Where the provisions heretofore or hereafter adopted by the corporation under which preferred stock is issued provide for the calling in or redemption of such preferred stock or any part thereof, it shall be lawful for the corporation to call in and redeem the same in accordance with such provisions by filing in the offices designated in Subdivision 2, a certificate signed and sworn to by the president or a vice-president, and by the secretary or assistant-secretary of the corporation, showing compliance with the provisions adopted by the corporation concerning the calling in or redemption of such preferred stock, and also showing the amount of capital actually paid in, the whole amount of debts and liabilities of the corporation and the amount to which the capital stock is to be diminished: *Provided*, that no calling in or redemption of preferred stock shall be made which would have the effect of reducing

Redemption
of preferred
stock.

the capital stock in violation of the provisions of section 3704.

SEC. 2. That Section 3705 of Rem. & Bal. Code be, and the same is, hereby amended to read as follows:

Section 3705. Every increase or reduction of capital stock (other than a calling in or redemption of preferred stock made in the manner designated in section 3686) must be authorized by a vote of the stockholders holding at least two-thirds of the stock of the corporation possessing voting power on that question, taken at a meeting of the stockholders specially called for that purpose by at least a majority of the trustees. Notice of the meeting stating the time, place and object of the meeting and the increase or reduction proposed, signed by at least a majority of the trustees, shall be published once a week for at least two successive weeks in a newspaper in the county where the principal place of business of the company is located, and a copy of such notice shall be duly mailed to each stockholder at his last known post office address at least two weeks before the meeting, or shall be personally served on him at least five days before the meeting. Unanimous consent of the stockholders expressed in writing and specifying the increase of capital stock agreed upon shall be equivalent to a meeting, and in case of such written consent no notice or actual meeting shall be required, in the case of a company a part of whose stock has no voting power on the question of an increase of capital stock, the proposition for such increase shall not be deemed authorized by the vote of the holders of two-thirds or more of the stock entitled to vote thereon, unless (1) those voting therefor are the holders of a majority in par value of the aggregate of all the shares of stock of the company of all classes, or else (2) there be filed with the company the written consent

Meetings to increase or reduce capital stock.

of the holder or holders of stock having no voting power sufficient, when added to the stock already voting affirmatively, to make such majority.

SEC. 3. That Section 3706 of Rem. & Bal. Code be, and the same is, hereby amended to read as follows:

Certification
of increase
or reduction.

Section 3706. If at a meeting so called, a sufficient number of votes have been given in favor of increasing or diminishing the amount of capital, a certificate of the proceedings showing a compliance with these provisions, the amount of capital actually paid in, and the amount to which the capital stock is to be increased or diminished, shall be made out and signed and verified by the affidavit of the chairman and secretary of the meeting, certified to by a majority of the trustees, and filed as required by section 3679, and when so filed the capital stock of the corporation shall be increased or diminished to the amount specified in the certificate: *Provided* that in case of a reduction of the capital stock such certificate shall also show the whole amount of debts and liabilities of the company. In case of increase by unanimous written consent of stockholders the certificate shall be signed and verified by the president, or a vice-president, and by the secretary or assistant-secretary, certified to by a majority of the trustees, and shall be filed in the same manner and with the same effect.

Passed the Senate March 8, 1919.

Passed the House March 10, 1919.

Approved by the Governor March 19, 1919.