

Repeals
 §§ 304, 305,
 Ch. 249,
 Laws of
 1909.

SEC. 26. That sections 304 and 305, chapter 249 of the Session Laws of 1909 are hereby repealed.

Passed the Senate January 24, 1933.

Passed the House February 14, 1933.

Approved by the Governor March 20, 1933, with the exception of sections 6 and 23, which are vetoed.

CHAPTER 185.

[S. B. 143.]

DOMESTIC AND FOREIGN CORPORATIONS.

AN ACT to provide for the incorporation, regulation, merger, consolidation and dissolution of certain corporations for profit, and to make uniform the law with relation thereto, and to repeal all acts and parts of acts in conflict herewith.

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

Definitions:

SECTION 1. As used in this act,

"Corporation."

I. "Corporation" means a corporation formed under this act.

"Domestic corporation."

II. "Domestic corporation" means a corporation formed under the laws of this state, and the term "foreign corporation" includes every other corporation.

"Foreign corporation."

"Articles of incorporation."

III. "Articles of incorporation" includes both the original articles of incorporation and any and all amendments thereto, except in those instances where the context expressly refers to the original articles of incorporation only.

"Incorporator."

IV. An "incorporator" is one of the signers of the original articles of incorporation.

"Subscriber."

V. A "subscriber" is one who subscribes for shares in a corporation, whether before or after incorporation.

VI. "Shares" are the units into which the shareholders' rights to participate in the control of the corporation, in its surplus or profits or in the distribution of corporate assets, are divided. "Shares."

VII. A "shareholder" is one who owns one or more shares. A subscriber becomes a shareholder upon the allotment of shares to him. Nothing in this section shall be construed as forbidding a corporation to recognize a person registered on its books as the owner of shares as the person exclusively entitled to have and to exercise the rights and privileges incident to the ownership of such shares, or to hold liable for calls and assessments a person registered as the owner of shares. "Shareholder."

VIII. A "certificate of stock" is a written instrument signed by the proper corporate officers, as required by this act, and evidencing the fact that the person therein named is the registered owner of the share or shares therein described. "Certificate of Stock."

IX. "Allotment" means the apportioning of a certain number of shares to a subscriber in response to the application contained in his subscription, or to a shareholder pursuant to the declaration of a stock dividend. The allotment of shares to the incorporators, or to persons whose subscriptions were approved by the incorporators before incorporation and were unrevoked at the time of incorporation, shall be considered automatically coincident with incorporation. "Allotment."

X. The "capital stock" of a corporation at any time is "Capital stock."

a. the aggregate amount of the par value of all allotted shares having a par value, including such shares allotted as stock dividends, and

b. the aggregate of the cash, and the value of any consideration other than cash, determined as provided in this act, agreed to be given or rendered

as payment for all allotted shares having no par value, plus such amounts as may have been transferred from surplus upon the allotment of stock dividends in shares having no par value.

"Assets."

XI. The "assets" of a corporation include all its property and rights of every kind.

"Capital."

XII. The "capital" of the corporation is the portion of its assets acquired as consideration for shares allotted and that portion of its assets which has been treated as payment for shares allotted as stock dividends.

"Registered office."

XIII. The term "registered office" means that office maintained by the corporation in this state:

a. as the place where the corporation's minutes and stock books are kept, and

b. the address of which is kept on file in the office of the secretary of state in the manner required by the provisions of this act.

"Unincorporated association."

XIV. The term "unincorporated association" means any group of two or more persons united to carry on a business for profit except when such group is formed into a corporation under the laws of any state, territory, nation or sovereignty. Without hereby restricting the meaning of the term, it is declared to include partnerships, limited partnerships, limited partnership associations, joint stock companies and business trusts.

"The court."

XV. "The court" as used in sections 48 to 60 means any court of competent jurisdiction where the registered office of the corporation is located.

Who may form.

SEC. 2. Three or more natural persons of full age, at least two-thirds of whom are citizens of the United States or of its territories, incorporated or unincorporated or possessions, may form a corporation under this act for any lawful business purposes except:

I. Where special provision is made by law for the preparation, contents and filing of articles of incorporation of designated classes of corporations, such corporations shall be formed under such special provisions, and not hereunder.

II. Any business, the conduct of which at the time of the passage of this act is forbidden to corporations by the constitution, statutes or common law of this state.

SEC. 3. I. Articles of incorporation shall be signed in triplicate originals by each of the incorporators and acknowledged by at least three of them before an officer authorized by the laws of this state to take acknowledgements, and, in addition to stating the name of the corporation, shall state in the English language:

- a. its purpose;
- b. its duration;
- c. the location and post office address of its registered office in this state;
- d. the total authorized number of par value shares and the par value of each share; and, if any of its shares have no par value, the authorized number of such shares;
- e. a description of the classes of shares, if the shares are to be classified, and a statement of the number of shares in each class, and the relative rights, voting power, preferences and restrictions granted to or imposed upon the shares of each class;
- f. the amount of paid-in capital with which the corporation will begin business;
- g. the first directors, their post office addresses, and their terms of office;
- h. the name and post office address of each of the incorporators and a statement of the number of shares subscribed by each, which shall not be less

Articles of incorporation.

Shares: number of.

description of.

Capital.

Directors.

Incorporators.

than one, and the class of shares for which each subscribes.

II. Articles of incorporation may contain any other provisions, consistent with the laws of this state, for regulating the corporation's business or the conduct of its affairs.

Name.

SEC. 4. I. The corporate name must end with the abbreviation "Inc.," or must include the word "corporation" or "incorporated," or may include the word "company" or the abbreviation "Co." if that word or abbreviation is not immediately preceded by the word "and" or the abbreviation "&". The provisions of this subdivision shall not affect the right of any corporation, existing at the time this act takes effect, to continue the use of its name.

Similar to another corporation.

II. The corporate name shall not be the same as, nor deceptively similar to the name of any other domestic corporation or of any foreign corporation authorized to do business in this state unless

a. such other domestic or foreign corporation is about to change its name, or to cease to do business, or is being wound up, or such foreign corporation is about to withdraw from doing business in this state, and

b. the written consent of such other domestic or foreign corporation to the adoption of its name or a deceptively similar name has been given and is filed with the articles of incorporation.

Similar to person.

III. The corporate name shall not be the same as, nor deceptively similar to, the trade name of any person or unincorporated association doing business under such trade name in this state or elsewhere, if such person or unincorporated association has within the last preceding twelve months signified an intention to incorporate in this state under such name by filing notice of such intention with the secretary of state, unless the written consent to the

adoption of such name or deceptively similar name has been given by such person or unincorporated association, and is filed with the articles of incorporation.

IV. The corporate name shall not be the same as, nor deceptively similar to, the name of any foreign corporation doing business elsewhere than in this state if such foreign corporation has within the last preceding twelve months signified an intention to secure incorporation in this state under such name, or to do business as a foreign corporation in this state under such name by filing notice of such intention with the secretary of state, unless the written consent to the adoption of such name or a deceptively similar name has been given by such foreign corporation and is filed with the articles of incorporation.

Similar to any foreign corporation.

V. Nothing in this section shall abrogate or limit the law as to unfair competition or unfair practices; nor derogate from the common law, the principles of equity, or the statutes of this state or of the United States with respect to the right to acquire and protect trade names.

Unfair competition.

VI. A corporation formable under this act may use a corporate name in any language but the same must be in English letters or characters.

English letters.

VII. No corporation formed under this act shall include in its corporate name any of the following words or phrases: "bank," "banking," "banker," "trust," "co-operative," or any combination of the words "industrial" and "loan," or any combination of any two or more words "building," "savings," "loan," "home," "association" or "society," or any other words or phrases prohibited by any statute of this state.

Banks, etc.

VIII. The assumption of a name in violation of this section shall not affect or vitiate the corporate existence, but the courts of this state, having

Violation.

equity jurisdiction, may, upon the application of the state, or of any person, unincorporated association, or corporation interested or affected, enjoin such corporation from doing business under a name assumed in violation of this section, although its articles of incorporation may have been approved and a certificate of incorporation issued.

Filing of
articles.

SEC. 5. I. Triplicate originals of the articles of incorporation shall be delivered to the secretary of state. If the secretary of state finds that the articles of incorporation conform to law he shall put an endorsement of his approval upon each set, and when all taxes, fees and charges have been paid as required by law, he shall file one of such sets of articles in his office, and shall record the same, and shall issue a certificate of incorporation.

Issue of
certificate.

II. Upon the issue of the certificate of incorporation, the corporate existence shall begin and, subject to the provisions of section 6, those persons who subscribed for shares prior to the issuance of the certificate of incorporation, or their assigns, shall be shareholders in the corporation.

Filing of
articles.

III. The certificate of incorporation together with the two remaining sets of the articles of incorporation bearing the endorsement of the fact and time of filing in the office of the secretary of state shall be returned to the incorporators or their representative. One of the sets of the articles of incorporation shall then be filed for record in the office of the auditor of the county in which the registered office of the corporation is situated, and the other shall be retained by the corporation.

Subscrip-
tions.

SEC. 6. I. Subscriptions for shares of a corporation to be formed shall be in writing. Unless otherwise provided in the writing, the subscription shall be

a. irrevocable for a period of one year from the date of signing, except as provided in subdivision II of this section;

b. revocable after a period of one year from the date of signing, unless prior to such revocation a certificate of incorporation has been issued as provided in section 5.

II. Subscription for shares may be revoked at any time by either party upon such grounds as exist at law or in equity for the rescission of any contract. Revocation.

III. Upon the issue of the certificate of incorporation, a subscription for shares may be enforced by the corporation according to their terms unless revoked as provided in this section.

IV. When no provision as to the time of payment is made in the contract of subscription, shares shall be paid for on the call of the board of directors. Payment.

SEC. 7. The amount of paid-in capital with which a corporation may begin business shall not be less than five hundred dollars (\$500.00) in cash or other property taken at a fair valuation. Paid-in capital.

SEC. 8. I. A corporation formed under this act shall not incur any debts or begin the transaction of any business, except such as is incidental to its organization or to the obtaining of subscriptions to or the payment for its shares, until: Conditions precedent to transaction of business.

a. a triplicate original of the articles of incorporation has been filed for record in the office of the auditor as provided in section 5;

b. the amount of paid-in capital with which it will begin business, as stated in the articles of incorporation, has been fully paid; and

c. there has been filed in the office of the auditor of the county in which the corporation has its registered office an affidavit signed by at least a majority of the board of directors stating that the amount of paid-in capital with which it will commence busi-

ness, as stated in the articles of incorporation, has been fully paid.

Violation.

II. If a corporation has transacted any business in violation of this section, the officers who participated therein and the directors, except those who dissented therefrom and caused their dissent to be filed at the time in the registered office of the corporation, or who, being absent, so filed their dissent upon learning of the action, shall be severally liable for the debts or liabilities of the corporation arising therefrom.

Issuance of certificate conclusive evidence.

SEC. 9. The certificate of incorporation issued by the secretary of state in accordance with the provisions of section 5 shall be conclusive evidence of the fact that the corporation has been incorporated. Proceedings may, however, be instituted by the state to dissolve, wind up and terminate a corporation which should not have been formed under this act, or which has been formed without a substantial compliance with the conditions prescribed by this act as precedent to incorporation.

Filing of articles not constructive notice of contents.

SEC. 10. The filing or recording of the articles of incorporation, or amendments thereto, or of any other papers pursuant to the provisions of this act is required for the purpose of affording all persons the opportunity of acquiring knowledge of the contents thereof, but no person dealing with the corporation shall be charged with constructive notice of the contents of any such articles or papers by reason of such filing or recording.

Capacity to act.

SEC. 11. I. A corporation which has been formed under this act, or a corporation which existed at the time this act took effect and of a class which might be formed under this act, shall have the capacity to act possessed by natural persons, but such a corporation shall have authority to perform only such acts as are necessary or proper to

accomplish its purposes and which are not repugnant to law.

II. Without limiting or enlarging the grant of authority contained in subdivision I of this section, it is hereby specifically provided that every such corporation shall have authority:

- a. to have a corporate seal and to alter the same at pleasure; Seal.
- b. to continue as a corporation for the time limited in its articles of incorporation or if no such time limit is specified, then perpetually; To continue.
- c. to sue and be sued in its corporate name; To sue.
- d. to acquire, hold, sell, dispose of, pledge or mortgage any such property as its purposes may require, subject to any limitation prescribed by law or the articles of incorporation; To hold or sell property.
- e. to conduct business in this state and elsewhere as may be permitted by law; and To conduct business.
- f. to dissolve and wind up. Dissolve.

SEC. 12. A corporation, to accomplish its purpose as stated in the articles of incorporation, may guarantee, acquire, hold, mortgage, pledge or dispose of the shares, bonds, securities and other evidences of indebtedness of any domestic or foreign corporation Shares of other corporations.

SEC. 13. I. The shares of a corporation may be divided into classes with such rights, voting power, preferences and restrictions as may be provided for in the articles of incorporation. Division of shares.

II. Any or all of the shares may have a par value or have no par value, as provided in the articles of incorporation. Par value.

III. Except as otherwise provided by the articles of incorporation, each share shall be in all respects equal to every other share. Equality.

SEC. 14. I. Each shareholder shall be entitled to a certificate of stock signed by the president

Certificate
of stock.

and the secretary, or by such officers as the articles of incorporation or by-laws may provide, but when any such certificate is signed by a transfer agent or registrar, the signature of any such corporate officer and the corporate seal, if any, upon such certificate may be fac similes engraved or printed.

Contents.

II. Every certificate of stock shall state:

- a. the state of incorporation;
- b. the name of the registered holder of the shares represented thereby;
- c. the number and class of shares which this certificate represents;
- d. the par value of each share represented, or a statement that such shares have no par value;
- e. the total number of par value shares which the corporation is authorized to issue and the par value of each share; and, if any of its shares have no par value, the authorized number of such shares;
- f. if the corporation is authorized to issue shares of more than one class, the rights, voting power, preferences and restrictions granted to or imposed upon the shares of each class, or a summary thereof with a reference to the articles of incorporation.

No par
value.

III. A certificate for shares having no par value shall not state any par value, nor any value thereof in money, nor any rate of dividend to which such shares shall be entitled in terms of a percentage of any par or other value.

Share
warrants.

IV. Upon a further allotment of shares, a corporation may issue to a shareholder full or fractional share warrants evidencing the number of shares or the fraction of a share to which the shareholder is entitled to subscribe pursuant to resolutions of the board of directors and evidencing the terms or conditions of such subscription rights.

SEC. 15. I. No allotment of shares of a corporation shall be made except: Allotment of shares.

a. pursuant to subscriptions received therefor, or

b. pursuant to the declaration of stock dividends.

II. Subscriptions for shares may be made payable, as provided in subdivisions III and IV of this section, with cash, other property, tangible or intangible, or with necessary services actually rendered to the corporation. How payable:

III. Subscriptions for shares having a par value shall be made payable: Par value.

a. with cash to an amount not less than the aggregate par value of the shares subscribed for; or

b. with consideration other than cash, the fair valuation of which, to the corporation, is not less than the aggregate par value of the shares subscribed for.

IV. Subscriptions for shares having no par value shall be made payable as follows: No par value.

a. if the subscription is signed before incorporation, with consideration of the character and value determined by the incorporators;

b. if the subscription is signed after incorporation, with consideration of the character and value determined by the shareholders at any annual or special meeting, duly called and held for that purpose, or determined by the board of directors acting under authority conferred by the shareholders or by the articles of incorporation.

SEC. 16. I. A certificate of stock shall not be issued until the shares represented thereby have been fully paid for. Issuance of certificate.

II. Shares allotted as stock dividends, and shares for which the agreed consideration has been paid, delivered or rendered to the corporation shall be fully paid shares and non-assessable. Stock dividends.

Note or
check.

III. When a corporation has received a note or uncertified check as consideration for shares, such shares shall not be considered as fully paid for until such note or check has been paid.

Valuations.

SEC. 17. I. For the purpose of determining whether shares have been fully paid for in order to fix the extent of the outstanding obligation of a shareholder to the corporation with respect to such shares, the following valuations shall be conclusive:

a. the valuation placed by the incorporators, the shareholders or the directors, as the case may be, upon the consideration other than cash with which the subscriptions for shares are made payable;

b. the valuation placed by the board of directors upon the corporate assets in estimating the surplus to be transferred to capital as payment for shares to be allotted as stock dividends.

Report :

SEC. 18. I. Within 30 days after incorporation, and within 90 days after every subsequent allotment of shares the facts in regard to which have not been made public in a report previously filed as required by this section, the corporation shall file in the office of the auditor of the county in which the corporation has its registered office, a report verified by the president or vice-president and by the secretary, assistant secretary or treasurer, and containing:

Number of
shares.

a. a statement of the total number of shares allotted up to the date of the report, the number of such shares that have no par value, the number of such shares that have a par value, and the par value thereof;

Consideration
received.

b. an accurate, detailed and itemized description of the consideration received or to be received in payment for shares allotted, or allotted since the date of the last report.

c. a statement of the valuation put by the incorporators, shareholders or board of directors, as the case may be, upon the consideration other than cash received or to be received in payment for shares allotted, or allotted since the date of the last report, and, in case of shares allotted as a stock dividend, the amount of surplus transferred to capital in respect of such a dividend, whether all or any part of such surplus was created by a revaluation of assets, and, if so, the value of the assets on the books of the corporation before and after such revaluation, the amount of the surplus or deficit before such revaluation, and the amount of the surplus after such revaluation. Valuation.

II. For every violation of this section, a corporation shall be liable to the state in a fine not exceeding one-tenth of one per cent of the amount of its capital stock for each day's omission after the time limited for the filing of such report. Violation.

SEC. 19. The fact that shares are allotted in violation of, or without full compliance with, the provisions of this act shall not make the shares so allotted invalid.

SEC. 20. I. A subscriber to or holder of shares of a corporation formed under this act shall be under no liability to the corporation with respect to such shares other than the obligation of complying with the terms of the subscription therefor; but one who became a shareholder in good faith and without knowledge or notice that the shares he acquired had not been fully paid for, shall not be liable to the corporation with respect to such shares. Shareholder's liability of.

II. A shareholder of a corporation formed under this act shall not be personally liable for any debt or liability of the corporation except every shareholder is individually and personally liable for the debts and liabilities of the corporation to the

full amount unpaid upon any subscription to shares of stock made by him.

Executor,
etc.

III. No person holding shares as executor, administrator, guardian, trustee, trustee of a voting trust, receiver, or in any other fiduciary capacity, shall be personally liable merely by reason of so holding such shares.

Fraud.

IV. Nothing in this act shall be construed as a derogation of any rights which any person may have under the common law or the principles of equity against an incorporator, subscriber, shareholder, director, officer or the corporation because of any fraud practiced upon him by any such persons, or the corporation; or in derogation of any rights which the corporation may have because of any fraud practiced upon it by any of such persons.

By-laws.

SEC. 21. The transfer of certificates of stock and the shares represented thereby may be regulated by the by-laws: *Provided*, Such by-laws are not inconsistent with the laws of this state.

Unpaid sub-
scriptions.

SEC. 22. If a shareholder be indebted to the corporation on account of unpaid subscriptions for shares, it shall have a lien upon such shares for such indebtedness. If such indebtedness is not paid after demand made upon reasonable notice, the corporation may sell the shares at public auction, after giving notice of the time, place and terms of sale by registered mail addressed to such shareholder at his last known place of business or residence and by publication in some newspaper published in the county where the corporation has its registered office, or if there be no newspaper in such county, then in a newspaper of general circulation in such county.

Sale.

SEC. 23. I. If, upon the allotment of shares having no par value, any part of the consideration received by the corporation is to be treated as

paid-in surplus rather than as payment upon such shares, the incorporators, shareholders or directors, as the case may be, who fix the amount of cash or determine the value of other considerations so received, shall at that time specify the proportion of such value that is to be considered as surplus and the proportion thereof that is to be considered payment for the shares. Surplus.

II. Amounts of surplus paid in by shareholders shall be shown on the books of the corporation as a separate item designated "paid-in surplus." "Paid-in surplus."

SEC. 24. I. Every corporation shall carry upon its books as a liability the amount of its capital stock as defined in section 1, subdivision X. Liability.

II. Amounts of surplus arising from an unrealized appreciation or revaluation of fixed assets shall be shown on the books of the corporation as a separate item apart from surplus profits or paid-in surplus. Surplus from revaluation.

III. In computing the aggregate of the assets of the corporation, the board of directors shall determine and make proper allowance for depreciation and depletion sustained, and losses of every character. Deferred assets and prepaid expenses shall be written off at least annually in proportion to their use as may be determined by the board of directors. Depreciation.

IV. No corporation shall pay dividends, Dividends : when payable.

a. in cash or property, except from the surplus of the aggregate of its assets over the aggregate of its liabilities, including in the latter the amount of its capital stock, after deducting from such aggregate of its assets the amount by which such aggregate was increased by unrealized appreciation in value or revaluation of fixed assets;

b. in shares of the corporation, except from the surplus of the aggregate of its assets over the

aggregate of its liabilities, including in the latter the amount of its capital stock.

Cash
dividends,
not to be
paid from.

V. Cash dividends shall not be paid out of surplus due to or arising from,

a. any profit on treasury shares before resale;
or

b. any unrealized profits due to increase in valuation of inventories before sale; or

c. the unaccrued portion of unrealized profits on notes, bonds, or obligations for the payment of money purchased or acquired at a discount unless such notes, bonds, or obligations are readily marketable, in which case they may be taken at their actual market value; or

d. the unaccrued or unearned portion of any unrealized profit in any form whatever, whether in form of notes, bonds, obligations for the payment of money, installment sales, credits or otherwise.

Stock
dividend,
when.

VI. Subject to the limitations contained in this section, a dividend may be declared in shares of the corporation whenever the board of directors so determine: *Provided*, That

a. if the dividend is to be paid in shares having a par value, the aggregate par value of such shares shall not exceed the amount of that portion of the corporation's surplus which is transferred to capital as payment for such shares;

b. if the dividend is paid in shares having no par value, the number of such shares may be fixed by the board of directors;

c. no dividend payable in shares of any class shall be paid to shareholders of any other class unless the articles so provide or such payment is authorized by the vote of the holders of a majority of the shares of the class in which the payment is to be made.

Wasting
assets.

VII. A corporation which owns wasting assets intended for sale in the ordinary course of business,

such as mines, or oil or gas wells, or timber, or a corporation which owns property having a limited life, such as a lease for a term of years, or patents, need not deduct the depletion of such assets by sale or lapse of time in the computation of the fund available for dividends, and such a corporation may pay dividends from the net profits arising from its business without deduction of such depletion, subject, however, to the rights of the shareholders of different classes.

SEC. 25. If any dividend be paid in violation of section 24, or if any other unlawful distribution, payment or return of assets be made to shareholders,

Violations.

I. The directors who knowingly, or without making reasonable inquiry, voted in favor thereof shall be jointly and severally liable to the corporation in an amount equal to the amount of the dividend so paid and the distribution, payment or return of assets so made;

Liability of directors.

II. Every shareholder who received any such dividend or any such distribution, payment or return of assets shall in the following instances be individually liable to the corporation in an amount equal to the amount so received by him:

Liability of shareholders.

a. when no director is liable to the corporation as provided in subdivision 1 of this section, or

b. to the extent that the corporation is unable to obtain satisfaction after judgments recovered against directors upon the liability imposed by subdivision 1 of this section.

III. No action shall be brought against a director under subdivision I, or against a shareholder under subdivision II

Action; time limitation.

a. unless brought within two years from the date on which such payment, distribution or return

was made; and no action shall be brought against a shareholder, under subdivision II

b. unless brought within two years from the date of final judgment against the directors.

By-laws.

SEC. 26. I. The shareholders of a corporation may make and alter by-laws not inconsistent with law or the articles of incorporation.

Authority to make.

II. The authority to make by-laws may be expressly vested by the articles of incorporation in the board of directors subject to the power of the shareholders to change or repeal such by-laws.

III. The board of directors shall not make or alter any by-laws fixing their qualifications, classifications, term of office or compensation.

Shareholders' meetings.

SEC. 27. I. Shareholders' meetings may be held within or without the state unless otherwise provided herein or in the articles of incorporation or by-laws. At least one meeting of the shareholders shall be held in each calendar year. The by-laws may provide for the time and place of holding shareholders' meetings, but the time and place of holding the shareholders' meetings for the election of directors shall not be changed within sixty (60) days next before the day on which the election is to be held, and notice of such change shall be given to each shareholder thirty (30) days before the election is held, in person or by letter mailed to his last known post office address.

Special meetings:

II. Special meetings of the shareholders may be called at any time by the board of directors. If more than eighteen months are allowed to elapse without the annual shareholders' meeting being held, any shareholder may call such meeting to be held at the registered office of the corporation. At any time, upon written request of any director, or of any shareholder or shareholders holding in the aggregate one-fifth of the voting power of all share-

holders, it shall be the duty of the secretary to call a special meeting of shareholders to be held at the registered office at such time as the secretary may fix, not less than ten nor more than thirty-five days after the receipt of said request, and if the secretary shall neglect or refuse to issue such call, the director or shareholder or shareholders making the request may do so.

III. An adjournment or adjournments of any annual or special meeting may be taken without new notice being given, but any meeting at which directors are to be elected shall be adjourned only from day to day until such directors have been elected.

Adjourn-
ment.

IV. Persons authorized to call shareholders' meetings shall cause written notice of the time, place and purpose of the meeting to be given all shareholders entitled to vote at such meeting, at least ten days prior to the day named for the meeting. If such written notice is placed in the United States mail, postage prepaid, and addressed to a shareholder at his last known post office address, notice shall be deemed to have been given him. Notice of any shareholders' meeting may be waived in writing by any shareholder at any time.

Notice.

SEC. 28. I. Except as otherwise provided in the articles of incorporation, every shareholder of record shall have the right at every shareholders' meeting to one vote for every share standing in his name on the books of the corporation. Unless the articles or by-laws otherwise provide, the board of directors may fix a time not exceeding forty days preceding the date of any meeting of shareholders, or the date fixed for the payment of any dividend or distribution, or the date for the allotment of rights, or, subject to contract rights with respect thereto, the date when any change or conversion or exchange of shares will be made or go into effect,

Voting :

Notice,

as a record date for the determination of the shareholders entitled to notice of and to vote at any such meeting, or entitled to receive payment of any such dividend, or allotment of rights, or to exercise the rights in respect to any such change, conversion or exchange of shares, and in such case only shareholders of record on the date so fixed shall be entitled to notice of and to vote at such meeting, or to receive payment of such dividend, or allotment rights or to exercise such rights, as the case may be, and notwithstanding any transfer of any shares on the books of the corporation after any record date fixed as aforesaid, the board of directors may close the books of the corporation against transfers of shares during the whole or any part of such period.

Fiduciary
relation of
holder of
voting stock.

II. If, by the articles of incorporation, voting power is granted to the holders of shares of a certain class or classes and denied to the holders of shares of other classes, then the person or persons exercising such power shall stand in a fiduciary relation to the entire body of shareholders and shall be responsible to the corporation, for the benefit of all shareholders for any violation of the obligation of such relationship.

Election of
directors.

III. In the election of directors, every shareholder of record shall have the right to multiply the number of votes to which he may be entitled under subdivision I of this section by the number of directors to be elected, and he may cast all such votes for one candidate or he may distribute them among any two or more candidates.

Proxies.

IV. Every shareholder shall have the right to cast his vote either in person or by proxy duly authorized in writing and filed with the secretary. Except as may be provided under subdivision V of this section, a proxy, unless coupled with an interest, shall be revocable at will notwithstanding any

other agreement, or any provision in the proxy to the contrary. The validity of every unrevoked proxy shall cease eleven months after the date of its execution unless some other definite period of validity shall be expressly provided therein, but in no event shall a proxy, unless coupled with interest, be voted on after three years from the date of its execution.

The revocation of a proxy shall not be effective until notice thereof has been given to the secretary of the corporation.

Revocation
of.

V. A person whose shares are pledged shall be entitled to vote thereon until said shares have been transferred on the books of the corporation to the pledgee, and thereafter the pledgee shall be entitled to vote the same. A person or persons holding shares in a fiduciary capacity may vote the same in person or by proxy. Where shares are held jointly by three or more fiduciaries, the will of the majority of such fiduciaries shall control the manner of voting or the giving of a proxy, unless the instrument or order of appointing such fiduciaries otherwise directs. Where, in any case, the fiduciaries are equally divided upon the manner of voting the shares jointly held by them, any court of competent jurisdiction may, upon petition filed by any of such fiduciaries, or by any beneficiary, appoint an additional person to act with such fiduciaries in determining the manner in which such shares shall be voted upon the particular questions as to which such fiduciaries are divided.

Pledgor.

Fiduciaries.

VI. A corporation owning shares in another corporation may vote the same by its president or by proxy appointed by him unless some other person, by resolution of its board of directors, shall be appointed to vote such shares, in which case such person shall be entitled to vote upon the production of a certified copy of such resolution.

Corporations
owning stock
to vote by
president.

VII. Shares of a corporation belonging to said corporation shall not be voted nor counted in calculating the total voting power of all shareholders of such corporation at any given time.

Transfer of
shares to
trustee.

SEC. 29. I. Two or more shareholders of any domestic corporation may, pursuant to an agreement in writing, transfer their shares to any person or persons or to a corporation having authority to act as trustee for the purpose of vesting in such person or persons, or corporations, as trustee or trustees, all voting or other rights pertaining to such shares for a period of not exceeding ten years, and upon the terms and conditions stated in the agreement.

Filing of
agreement.

II. A duplicate copy of such agreement shall be filed in the registered office of the corporation and shall be open daily during business hours to the inspection of any shareholder or any depositor under said agreement, or the attorney of any shareholder or depositor.

III. Every other shareholder may transfer his shares to the same trustee or trustees upon the terms and conditions stated in said agreement, and thereupon shall be bound by all the provisions of said agreement.

Certificate
to trustee.

IV. The certificates of shares so transferred shall be surrendered and cancelled, and new certificates therefor issued to such person or persons, as such trustee or trustees, in which new certificates, it shall appear that they are issued pursuant to said agreement. In the entry of transfer on the books of the corporation it shall also be noted that the transfer is made pursuant to said agreement.

Entry of
transfer.

Voting trust
certificates.

V. The trustee or trustees shall execute and deliver to the transferors voting trust certificates. Such voting trust certificates shall be transferable

in the same manner and with the same effect as certificates of stock under the laws of this state.

VI. The trustee or trustees shall possess all voting and other rights pertaining to the shares so transferred and registered in his or their names subject to the terms and conditions of, and for the period specified in said agreement.

Rights of trustees.

VII. Unless otherwise provided in said agreement,

a. the trustees may vote in person or by proxy;

b. if there are two or more trustees, the manner of voting shall be determined as provided in section 28, subdivision V;

c. vacancies among the trustees shall be filled by the remaining trustees;

d. a trustee shall incur no responsibility as trustee except for his own individual neglect or malfeasance.

SEC. 30. I. A shareholders' meeting duly called can be organized for the transaction of business whenever a quorum is present.

Shareholders' meetings:

II. Except as otherwise provided in the articles of incorporation,

a. the presence, in person or by proxy, of the holders of a majority of the voting power of all shareholders shall constitute a quorum;

Quorum,

b. the shareholders present at a duly organized meeting can continue to do business until adjournment, notwithstanding the withdrawal of enough shareholders to leave less than a quorum;

c. if a meeting cannot be organized because a quorum has not attended, those present may adjourn the meeting to such time and place as they may determine, subject, however, to the provisions of section 27, subdivision III; but in the case of any meeting called for the election of directors, those

Adjourning for lack of quorum.

who attend the second of such adjourned meetings, although less than a quorum as fixed in this section or in the articles of incorporation, shall nevertheless constitute a quorum for the purpose of electing directors.

Directors : SEC. 31. I. The business of every corporation shall be managed by a board of at least three directors, who need not be shareholders unless the articles of incorporation so require. A director shall hold office for the term for which he was named or elected and until his successor is elected and qualified.

Term of.

First directors. II. The names and terms of office of the first directors shall be stated in the articles of incorporation. Except as provided in paragraph (b) of subdivision III of this section, directors other than those constituting the first board, shall be elected by the shareholders.

By-laws. III. The number, qualifications, terms of office, manner of election, time and place of meeting, and the powers and duties of the directors may, subject to the provisions of this act, be prescribed by the articles or by-laws. Except as otherwise prescribed in the articles or by-laws :

Term. a. a director shall be elected for a term of one year ;

Vacancies, b. vacancies in the board of directors shall be filled by the remaining members of the board, and each person so elected shall be a director until his successor is elected by the shareholders who may make such election at the next annual meeting of the shareholders, or at any special meeting duly called for that purpose and held prior thereto ;

Meetings c. the meetings of the board of directors may be held at such place, whether in this state or elsewhere, as a majority of the directors may from time to time appoint ;

d. a majority of the board of directors shall be necessary to constitute a quorum for the transaction of business, and the acts of a majority of the directors present at a meeting at which a quorum is present shall be the acts of the board of directors;

Quorum.

e. the board of directors may, by resolution passed by a majority of the whole board, designate two or more of their number to constitute an executive committee, who, to the extent provided in said resolution, shall have and exercise the authority of the board of directors in the management of the business of the corporation.

Executive committee.

IV. Any director may be removed by the vote of two-thirds of the stock having voting power at a special meeting called for that purpose in the manner provided in subdivision II of section 27 of this act, and, upon such removal, a vote of the shareholders at said meeting may at once be taken to fill such vacancy or vacancies.

Removal of director.

SEC. 32. I. The board of directors shall elect a president, a secretary and a treasurer, and may elect one or more vice-presidents. No one of said officers, except the president, need be a director, but a vice-president who is not a director cannot succeed to or fill the office of president. Any two of the offices of vice-president, secretary and treasurer may be combined in one person.

Officers.

II. Such officers and agents as may be necessary for the business of the corporation may be appointed by the board of directors or in the manner provided in the by-laws.

Agents:

III. All officers and agents shall respectively have such authority and perform such duties in the management of the property and affairs of the corporation, subject to the control of the board of directors, as may be prescribed in the by-laws, or, in

Duties, etc.

the absence of controlling provisions in the by-laws, as may be determined by the board of directors.

Removal.

IV. Any officer or agent may be removed by the board of directors whenever in their judgment the best interests of the corporation will be served thereby, such removal, however, shall be without prejudice to the contract rights of the person so removed.

Fiduciary relation.

SEC. 33. Officers and directors shall be deemed to stand in a fiduciary relation to the corporation, and shall discharge the duties of their respective positions in good faith, and with that diligence, care and skill which ordinarily prudent men would exercise under similar circumstances in like positions.

Registered office.

SEC. 34. I. Every corporation shall maintain an office in this state to be known as its registered office. The location and postoffice of the registered office shall be stated in the articles of incorporation as provided in subdivision I of section 3. After incorporation, a change of the location of the registered office may be authorized at any time by vote of the board of directors, but on or before the day that such change is made notice of such change and of the postoffice address of the new registered office shall be filed with the secretary of state and with the auditor of the county in which the registered office is then located, and, if the registered office is to be removed to another county, such notice, together with a certified copy of the corporation's articles of incorporation and all amendments thereto, shall also be filed with the auditor of such other county.

Penalty.

II. If a corporation at any time carries on business without complying with the requirements of this section it shall be liable to the state in a fine not exceeding twenty-five dollars (\$25.00) for each day during which it so carries on business.

SEC. 35. I. Every corporation shall keep at its registered office:

a. records of the proceedings of the shareholders and of the directors, and Records.

b. except as provided in subdivision III of this section, a share register giving the names of the shareholders in alphabetical order, and showing their respective addresses, the number and classes of shares held by each, the dates on which they acquired the same. Share register.

II. Every corporation shall also keep appropriate and complete books of account. Accounts.

III. A corporation may open a share register in any state of the United States. It may employ an agent or agents to keep such register and to record transfers of shares therein, in this or in other states, or both, and the acts of such agents shall be binding on the corporation. The duties and liabilities of such agent or agents shall be such as may be agreed to by the corporation. If a corporation is keeping a share register in some other state, or if a transfer agent has been appointed to act in this or some other state and is so acting, it shall be unnecessary for the corporation to keep a share register also at its registered office as provided in paragraph b of subdivision I of this section. Share registers in other states.

IV. Every shareholder shall have a right to examine, in person or by agent or attorney, at any reasonable time or times, for any reasonable purpose, the share register, books of account and records of the proceedings of the shareholders and directors and to make extracts therefrom. Open to shareholders.

V. A corporation shall be liable to the state in a fine of not more than fifty dollars (\$50.00) for each day it neglects to keep any or all of the books or records as required by subdivisions I and II of this section. Penalty.

Sale, lease,
etc., of
property.

SEC. 36. I. A voluntary sale, lease or exchange of all the assets of a corporation may be authorized by it upon such terms and conditions as it deems expedient, including an exchange for shares in another corporation, domestic or foreign.

Matured
liabilities.

II. If the corporation is able to meet its liabilities then matured, such authorization shall be given at a meeting of shareholders, duly called for the purpose, and by such vote of the shareholders as may be provided for in the articles of incorporation or, if there be no such specific provision, then by the vote of the holders of two-thirds of the voting power of all shareholders. If the corporation be unable to meet its liabilities then matured, such authorization may be given by the vote of the board of directors.

III. This section shall not be construed to authorize a conveyance or exchange of assets which would otherwise be in fraud of corporate creditors or of minority shareholders or shareholders without voting rights.

Extension of
duration.

SEC. 37. I. A corporation may, at a meeting of the shareholders duly called upon notice of the specific purpose, and in the manner herein provided, amend its articles in any respect so as to include any provision authorized by this act, or so as to extend the period of its duration for a further definite time or perpetually.

Change of
name.

II. An amendment changing the name of the corporation may be adopted by the vote of the holders of a majority of the voting power of all shareholders, or by such vote as the articles of incorporation require.

Change of
articles.

III. An amendment altering the articles of incorporation in any other respect may be adopted by vote of the holders of two-thirds of the voting

power of all shareholders, or by such vote as the articles of incorporation require.

IV. If an amendment would make any change in the rights of the holders of shares of any class, or would authorize shares with preferences in any respect superior to those of outstanding shares of any class, then the holders of each class of shares so affected by the amendment shall be entitled to vote as a class upon such amendment, whether by the terms of the articles of incorporation such class be entitled to vote or not, and, in addition to the vote required by subdivision III of this section, the vote of the holders of two-thirds of the shares of each class so affected by the amendment shall be necessary to the adoption thereof.

Changes in rights of shareholders.

V. Any amendment which might be adopted at a meeting of [a] shareholders as provided in this section, may be adopted without such a meeting being held if written consent to the amendment has been given by all shareholders entitled to vote thereon as provided in this section.

Amendment without meeting.

SEC. 38. I. After an amendment has been adopted, articles of amendment shall be prepared in triplicate originals, setting forth the amendment and the adoption thereof, and shall be signed and sworn to by the president or vice-president and the treasurer or secretary or assistant secretary.

Articles of amendment.

II. The triplicate originals of the articles of amendment shall be delivered to the secretary of state. If the secretary of state finds that the articles of amendment conform to law, he shall put an endorsement of his approval upon each set, and when all taxes, fees and charges therefor have been paid as required by law, he shall file one of such sets in his office and record the same and shall issue a certificate of amendment. Thereupon the amendment shall become effective.

Approval of Secretary of State.

Certificate of amendment.

III. The certificate of amendment together with the two remaining sets of the articles of amendment bearing the endorsement of the fact and time of filing in the office of the secretary of state shall be returned to the corporation. One of the sets of the articles of amendment shall then be filed for record in the office of the auditor of the county in which the registered office of the corporation is located, and the other shall be retained by the corporation.

Change of number of shares:

SEC. 39. I. If the total number of shares is to be increased or decreased the articles of amendment shall also state:

a. the total number of shares, including those previously authorized, which the corporation will thenceforth be authorized to have;

b. the number of shares that have a par value and the par value thereof, and the number of shares that have no par value, and

c. if shares are divided into more than one class, a description of the classes, and a statement of the number of shares in each class and of the relative rights, voting power, preferences and restrictions granted to or imposed upon the shares of each class.

Par value to non-par value.

II. If shares having a par value are to be changed into an equal or different number of shares having no par value, the amount of the consideration for which shares having no par value are allotted to take the place of outstanding shares having a par value shall be deemed to be the amount of the aggregate par value of such outstanding shares, or, if the actual value of such shares be less than their par value, the consideration may be stated in the articles of amendment to be their actual value.

III. If shares having no par value are to be changed into an equal or different number of shares

having a par value, the shares having a par value which are allotted to take the place of outstanding shares having no par value shall be taken to be fully paid for, but the aggregate par value of such shares shall not exceed the actual value of the assets of the corporation, less its liabilities, represented by the shares having no par value so exchanged.

No par value to par value.

IV. If shares having no par value are to be changed into a different number of the same class or of any other class or classes of shares having no par value, the corporation shall be deemed to have received for such new shares as represent or take the place of such outstanding shares the amount of the capital of the corporation represented by the outstanding shares so changed.

No par value.

SEC. 40. I. The capital stock of a corporation may be reduced by a resolution adopted by the vote of the holders of two-thirds of the voting power of all shareholders, cast in person or by proxy at a meeting of the shareholders duly called and held for that purpose, or by such vote as the articles of incorporation require.

Reduction of capital stock.

II. Following the adoption of such a resolution for the reduction of capital stock, articles of reduction of capital stock shall be prepared and filed in the manner required by section 38 for the preparation and filing of articles of amendment. The articles of reduction shall also state the financial condition of the corporation and that the proposed reduction will not reduce the fair value of the assets of the corporation to an amount less than the total amount of its debts and liabilities plus the amount of its capital stock as so reduced.

Articles of reduction.

III. No attempted reduction of capital stock shall be effective until the secretary of state has filed the articles of reduction and issued a certificate of reduction, and no such attempted reduction

Certificate of reduction.

shall be valid, even if the secretary of state has filed the articles of reduction and issued a certificate of reduction, if such reduction would reduce the actual value of the corporate assets to an extent prohibited by subdivision II of this section.

Objection to changes by shareholder.

SEC. 41. I. If a corporation has authorized the sale, lease or exchange of all its assets, in accordance with the provisions of section 36, at a time when it is able to meet its liabilities then matured, or has, in accordance with the provisions of sections 37, 38, or 39, authorized an amendment which changes the corporate purposes, extends the duration of the corporation or changes the rights of the holders of any outstanding shares, a shareholder who did not vote in favor of such corporate action may, within twenty days after the date upon which such action was authorized, object thereto in writing and demand payment for his shares.

Valuation of shares.

II. If, after such a demand by a shareholder, the corporation and the shareholder cannot agree upon the value of the shares at the time such corporate action was authorized, such value shall be ascertained by three disinterested persons, one of whom shall be named by the shareholder, another by the corporation and the third by the two thus chosen. The finding of the appraisers shall be final, and if their award is not paid by the corporation within thirty days after it is made, it may be recovered in an action by the shareholder against the corporation. Upon payment by the corporation to the shareholder of the agreed or awarded price of his shares, the shareholder shall forthwith transfer and assign the shares held by him at, and in accordance with, the request of the corporation.

Appraisers.

Value of corporate assets.

III. A shareholder shall not be entitled to payment for his shares under the provisions of this section unless the value of the corporate assets

which would remain after such payment would be at least equal to the aggregate amount of its debts and liabilities exclusive of capital stock.

SEC. 42. I. Any two or more domestic corporations, formed for any purpose for which a corporation might be formed under this act, and any domestic corporations and any foreign corporations with authority to carry on any business for the conduct of which a corporation might be organized under this act, may be

Merger or consolidation.

a. merged into one of such domestic corporations, or

b. consolidated into a new corporation to be formed under this act: *Provided*, Such foreign corporations are authorized by the law or laws of the government under which they were formed to effect such merger or consolidation.

II. Any such domestic corporations and any such foreign corporations may be

a. merged into one of such foreign corporations, or

b. consolidated into a new corporation to be formed under the law or laws of the government under which one of such foreign corporations was formed: *Provided*, The laws of such foreign government authorize such merger or consolidation.

SEC. 43. The merger or consolidation of corporations can be effected only as a result of a joint agreement entered into and filed as follows:

Joint agreement.

I. The board of directors of each of such corporations as desire to consolidate may, by majority vote, enter into a joint agreement signed by such directors and prescribing the terms and conditions of merger or consolidation, the mode of carrying the same into effect, with such other details and provisions as are deemed necessary.

Board of directors.

Share-
holders.

II. The agreement shall be submitted to the shareholders of each of said merging or consolidating corporations, at a meeting thereof, duly called separately in the manner provided in section 27 for calling shareholders' meetings, and if, at such meetings the holders of two-thirds of the voting power of all shareholders of each corporation shall vote for the adoption of said agreement, then that fact shall be certified on said agreement by the secretary of each corporation, and the agreement so adopted and certified shall be signed by the president and secretary of each of said corporations and acknowledged by the president of each of such corporations.

Filing and
recording.

III. The agreement so adopted, certified and acknowledged, shall be delivered to the secretary of state, who, if the same conforms to law, shall file and record the same in his office, and a copy thereof, certified by the secretary of state, shall be filed for record in the office of the auditor of the counties in this state in which any of the corporate parties to the agreement have their registered offices, and of any counties in which any of the corporate parties have land, title to which will be transferred as a result of the merger or consolidation.

Articles.

SEC. 44. I. If the joint agreement is for a consolidation into a new corporation to be formed under this act, articles of incorporation for such new corporation shall be prepared and delivered to the secretary of state together with the agreement as provided in the last preceding section.

Form.

II. Such articles shall be prepared in the manner and form prescribed in section 3, except that

Incorpo-
rators.

a. the corporations consolidating shall be named as the incorporators of the new corporation;

b. the articles shall be signed by the president, vice-president and secretary or assistant secretary of each of said corporations, and acknowledged by the officers so signing the articles;

c. in lieu of the matter required by subdivisions f and h of subdivision I of section 3, such articles shall state the manner of converting the shares of each of the consolidating corporations into the shares or obligations of the new corporation.

III. Such articles of incorporation shall be filed and recorded, and a certificate of incorporation issued as provided in paragraphs I and III of section 5. Filing, etc.

SEC. 45. I. A merger of one or more corporations into a domestic corporation shall be effective when the joint agreement has been filed in the office of the secretary of state. Merger into domestic corporation.

II. A consolidation of corporations into a domestic corporation shall be effective when the joint agreement has been filed in the office of the secretary of state and when a certificate of incorporation of the new corporation has been issued by the secretary of state. When effective.

III. A merger or consolidation of one or more domestic corporations into a foreign corporation shall be effective according to the provisions of law of the jurisdiction in which such foreign corporation was formed, but not until the joint agreement has been adopted, certified and acknowledged, and copies thereof filed in accordance with section 43. Merger domestic into foreign corporation.

SEC. 46. Upon the consummation of the merger or consolidation as provided in the last preceding section, the effect of such merger or consolidation shall be: Effect of.

I. That the several parties to the joint agreement shall be one corporation, which shall be One corporation.

a. in the case of merger, that one of the constituent corporations into which it has been agreed

the others shall be merged and which shall survive the merger or that purpose, or

b. in the case of consolidation, the new corporation into which it has been agreed the others shall be consolidated;

II. The separate existence of the constituent corporations shall cease, except that of the surviving corporation in the case of merger;

Rights of
new corpo-
ration.

III. The surviving or new corporation, as the case may be, shall possess all the rights, privileges and franchises possessed by each of the former corporations so merged or consolidated except that such surviving or new corporation shall not thereby acquire authority to engage in any business or exercise any right which a corporation may not be formed under this act to engage in or exercise;

Property,
debts, etc.

IV. All the property, real, personal and mixed, of each of the constituent corporations, and all debts due on whatever account to any of them, including subscriptions for shares and other choses in action belonging to any of them shall be taken and be deemed to be transferred to and invested in such surviving or new corporation, as the case may be, without further act or deed;

Liabilities.

V. The surviving or new corporation shall be responsible for all the liabilities and obligations of each of the corporations merged or consolidated, in the same manner as if such surviving or new corporation had itself incurred such liabilities or obligations; but the liabilities of such constituent corporations or of their shareholders, directors or officers shall not be affected, nor shall the rights of the creditors thereof, or of any persons dealing with such corporations be impaired by such merger or consolidation, and any claim existing or action or proceeding pending by or against any of such constituent corporations may be prosecuted to judg-

ment as if such merger or consolidation had not taken place, or the surviving or new corporation may be proceeded against or substituted in its place.

SEC. 47. When a corporation has become a party to a merger or consolidation agreement, as hereinbefore provided, any shareholder of such a corporation who did not vote in favor of such merger or consolidation at the meeting at which the merger or consolidation was authorized may, at any time within twenty days after such authorization was given, object thereto in writing and demand payment for his shares and have the value of his shares appraised as provided in section 41, all of the provisions of which section shall in all respects be applicable. The liability of such corporation to such dissenting shareholder for the value of his shares so agreed upon or awarded shall also be a liability of the surviving or new corporation, as the case may be.

Objection of shareholder.

SEC. 48. I. A corporation may be wound up and dissolved either voluntarily or involuntarily.

Dissolution.

II. If the proceedings are voluntary, they may be conducted either out of court or subject to the supervision of the court.

III. If the proceedings are involuntary they must be subject to the supervision of the court.

SEC. 49. I. Voluntary proceedings for dissolution may be instituted whenever a resolution therefor is adopted by the holders of at least two-thirds of the voting power of all shareholders at a shareholders' meeting duly called for the purpose.

Voluntary.

II. The resolution may provide that the affairs of the corporation shall be wound up out of court, in which case the resolution must designate a trustee or trustees to conduct the winding up, but such appointment shall not be operative until

Out of court.

a. duplicate copies of such resolution have been signed and acknowledged by a majority of the directors or by shareholders holding a majority of the voting power of all shareholders, and

b. one of such copies has been filed for record in the office of the secretary of state and the other copy in the office of the auditor of the county in which the corporation has its registered office.

Under court supervision.

III. The resolution may provide that the affairs of the corporation shall be wound up under the supervision of the court, in which case the resolution shall authorize certain directors or shareholders to sign and present a petition to the court praying that the corporation be wound up and dissolved under the supervision of the court.

IV. Where a corporation is being wound up and dissolved out of court, the trustee or trustees appointed by the shareholders, or a majority of them, may by petition apply to the court to have the proceedings continued under the supervision of the court, and thereafter the proceedings shall continue as if originally instituted subject to the supervision of the court.

Involuntary dissolution, when.

SEC. 50. The court may, upon petition being filed, entertain proceedings for the involuntary dissolution of a corporation when it is made to appear

a. that the corporate assets are insufficient to pay all just demands for which the corporation is liable or to afford reasonable security to those who may deal with it; or

b. that the objects of the corporation have wholly failed, or are entirely abandoned or their accomplishment is impracticable; or

c. that it is beneficial to the interests of the shareholders that the corporation should be wound up and dissolved; or

d. that the number of directors is even and they are equally divided respecting the management of the corporate affairs, and, when the voting power of all shareholders is equally divided into two independent ownerships or interests, and one-half thereof favor the course of part of the directors and one-half favor the course of the other directors, or the holders of such equal parts of the voting power are unable to agree on the election of the board of directors consisting of an uneven number.

SEC. 51. I. A petition for involuntary proceedings for dissolution may be filed by either Filing of petition.

a. a shareholder; or

b. a creditor whose claim has either been reduced to judgment or is admitted by the corporation.

II. The commencement of a proceeding for dissolution out of court shall not affect the right of any person to institute involuntary proceedings for dissolution.

SEC. 52. I. The trustee or trustees appointed Trustees. by the shareholders to conduct a winding up out of court shall, as speedily as possible after his or their appointment has become operative as provided in section 49, proceed

a. to collect all sums due or owing to the corporation;

b. to sell and convert into cash any and all corporate assets;

c. to collect the whole, or so much as may be necessary or just, of any amounts remaining unpaid on subscriptions to shares, and

d. out of the sums so realized, to pay all debts and liabilities of the corporation according to their respective priorities.

II. Any surplus remaining after paying off all Surplus. debts and liabilities of the corporation shall be paid

by the trustee or trustees to the shareholders according to their respective rights and preferences.

III. Nothing in this section shall interfere with a reorganization pursuant to provisions hereinafter contained in this act.

Liquidating
receiver,
when.

SEC. 53. I. The court may appoint a liquidating receiver or receivers

a. upon the filing of a petition by a corporation for voluntary proceedings for dissolution, or

b. upon the petition of a trustee or trustees appointed by the shareholders as provided in subdivision IV of section 49; or

c. upon the filing of a petition for involuntary proceedings for dissolution, but only after process has issued against the corporation and any other defendants named in the petition and after the filing of answers admitting the allegations of the petition, or after proof of such allegations if the same are not admitted.

II. The court shall, upon the filing of any such petition, have the ordinary powers of a court of equity to appoint a receiver or receivers pendente lite when necessary to the ends of justice, but the authority of any such temporary receiver or receivers shall cease upon the appointment and qualification of a liquidating receiver or receivers.

Bond
required.

SEC. 54. I. The receiver or receivers appointed as provided in the last preceding section, shall, after giving such bond as the court may require for the faithful performance of his or their duties proceed with the liquidation of the affairs of the corporation in such manner as the court shall direct.

Authority to
compromise.

II. Trustees or receivers in dissolution proceedings shall have full authority to compromise, compound and settle claims by or against the corporation upon such terms as they shall deem best; but if the proceeding is subject to the supervision of

the court, no such compromise, composition or settlement shall be valid unless approved by the court.

III. Such trustees or receivers may summon meetings of the shareholders in the manner the directors might have done, or, if the proceedings is subject to the supervision of the court, in such manner as the court may direct.

Summon
shareholders.

SEC. 55. A vacancy occurring by death, resignation or otherwise in the office of trustee when the proceeding is not subject to the supervision of the court, may be filled by resolution adopted by the holders of a majority of the voting power represented at a meeting duly called for the purpose by the surviving or remaining trustee or trustees, if any, and if none, then at a shareholders' meeting duly called by the directors.

Vacancy in
office of
trustee.

SEC. 56. I. A proceeding for dissolution shall be deemed to commence

Dissolution
commenced,
when.

a. at the time of the passage of the resolution therefor, if the proceeding is out of court;

b. at the time of the filing of the petition therefor, if the proceeding is subject to the supervision of the court.

II. When a proceeding for dissolution has commenced,

a. the authority and duties of the directors and officers of the corporation shall cease, except insofar as may be necessary to preserve the corporate assets, or insofar as they may be continued by the trustee or receiver, or as may be necessary for the calling of meetings of shareholders;

b. any transfer of shares or alteration in the status of shareholders shall be

(i.) void, if the proceeding is out of court, or

(ii.) void, except insofar as the court may otherwise order, if the proceeding is subject to the supervision of the court.

When rules
of bankrupt
proceedings
apply.

SEC. 57. In a proceeding for dissolution subject to the supervision of the court, the following matters shall be governed by the same rules as are applicable in bankruptcy proceedings under the national bankruptcy act as in force at the time of the dissolution proceedings:

Priority.

a. all questions in respect to proof, allowance, payment and priority of payment of claims;

Preference.

b. all questions in respect to the effect of any preference of corporate creditors secured through a transfer of property or through legal proceedings.

Compromise.

SEC. 58. I. When a compromise or arrangement is proposed between the corporation and its creditors or any class of them, or between the corporation and its shareholders or any class of them, or between the corporation and both creditors and shareholders or any class or classes of them, the court may, upon the application in a summary way of the corporation or of any creditor or shareholder or of a liquidating trustee or receiver of the corporation, order a meeting of the creditors or class of creditors, or of the shareholders or class of shareholders, as the case may be, to be summoned in such manner as the court may direct.

Approval of
creditors or
shareholders.

II. If the majority in number representing three-fourths in value of the creditors or class of creditors, or if the shareholders or class of shareholders holding three-fourths of the voting power of all shareholders or of the class of shareholders, as the case may be, agree to any compromise or arrangement or to a reorganization of the corporation as a consequence of such compromise or arrangement, the said compromise or arrangement and the said reorganization shall, if sanctioned by the court, be binding on all the creditors or class of creditors, and on all the shareholders or class of shareholders, as the case may be, and also on the

corporation and its liquidating trustee or receiver, if any.

SEC. 59. I. When a corporation has been completely wound up, the court, if the proceeding is subject to the supervision of the court, shall make an order declaring the corporation to be dissolved; and if the proceeding is out of court, the trustee or trustees shall sign and acknowledge a certificate stating that the corporation has been completely wound up and is dissolved.

Certificate of dissolution.

II. Said order or certificate of dissolution shall be delivered to the secretary of state, who shall file the same in his office and thereupon the corporate existence shall terminate.

Filing of.

III. A duplicate copy of said order or certificate of dissolution shall be filed for record in the office of the auditor of the county in which the corporation had its last registered office.

County auditor.

IV. Any assets inadvertently or otherwise omitted from the winding up shall vest in the trustee or trustees, or receiver or receivers, for the benefit of the persons who would have been entitled if they had been in his hands before the dissolution of the corporation, and shall be distributed accordingly.

Omitted assets.

SEC. 60. I. The attorney general may bring an action against any corporation to procure a judgment annulling, vacating or forfeiting, as the case may be, its articles of incorporation and franchise upon the ground that

Forfeiture of articles or franchise.

Grounds.

a. the corporate franchise was procured through fraud practiced upon the state; or

b. the corporation has offended against any provision of an act by or under which it was formed, altered or renewed, or an act amending the same and applicable to the corporation; or

c. the corporation has violated any provision of law whereby it has forfeited its franchise; or

d. the corporation has exercised authority not conferred upon it, or abused authority conferred upon it; or

e. the corporation has done or omitted any act which amounts to a surrender of its corporate franchise, has failed or discontinued to exercise its corporate privileges or has abandoned the corporate enterprise.

II. In any such action, the court may grant the relief asked for, or such other or partial relief as to it seems just and expedient.

Scope of act.

SEC. 61. Except where otherwise expressly stated herein, this act shall be applicable to any existing corporation formed under general incorporation laws of this state for a purpose or purposes for which a corporation might be formed under this act.

Inconsistent acts.

SEC. 62. All acts or parts of acts inconsistent herewith are hereby repealed.

Not retroactive.

SEC. 63. This act shall not impair or affect any act done, offense committed or right accruing, accrued or acquired, or liability, penalty, forfeiture or punishment incurred prior to the time this act takes effect, but the same may be enjoyed, asserted, enforced, prosecuted or inflicted, as fully and to the same extent as if this act had not been passed.

Partial invalidity.

SEC. 64. The invalidity of any portion of this act shall not affect the validity of any other portion thereof which can be given effect without such invalid part.

Monopolies.

SEC. 65. Nothing in this act shall be interpreted to authorize a corporation to do any act in violation of the common law or the statutes of this state or

of the United States with respect to monopolies and illegal restraint of trade.

SEC. 66. This act shall be so interpreted and construed as to effectuate its general purpose to make uniform the law of those states which enact it. Interpretation.

SEC. 67. This act shall take effect on and after the first day of January, 1934. Date effective.

SEC. 68. This act may be cited as the uniform business corporation act. Title.

Passed the Senate February 21, 1933.

Passed the House March 8, 1933.

Approved by the Governor March 21, 1933.

CHAPTER 186.

[S. B. 181.]

PUBLIC WAREHOUSES.

AN ACT relating to public warehouses, and warehousemen handling, storing and shipping grain, hay and other commodities; providing for and fixing the liability of warehousemen, and/or of surety bonds; fixing fees; creating a special fund and providing for revenues therefor and disbursements therefrom; regulating the printing and issuance of negotiable warehouse receipts; defining the powers and duties of the director of agriculture; and amending section 18 of chapter 189 of the Laws of 1919, as amended by section 1 of chapter 123 of the Laws of 1923, and as amended by chapter 46, section 3 of the Laws of 1931, and amending section 22-b of chapter 189 of the Laws of 1919 as added thereto by chapter 46, section 5, of the Laws of 1931.

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

SECTION 1. That section 18 of chapter 189 of the Laws of 1919, as amended by section 1 of chapter 123 of the Laws of 1923 (section 6996 of Remington's Compiled Statutes, 1927 Supplement) and Amends § 18, Ch. 189, Laws of 1919; § 1, Ch. 123, Laws of 1923;