

tion 7, page 316, Laws of 1909 and RCW 28.71.060, and section 10, page 360, Laws of 1909 and RCW 28.71.090 are each hereby repealed.

Severability. SEC. 25. If any provision of this 1965 amendatory act, or its application to any person or circumstance is held invalid, the remainder of this 1965 amendatory act, or the application of the provision to other persons or circumstances is not affected.

Passed the Senate March 11, 1965.

Passed the House March 9, 1965.

Approved by the Governor March 20, 1965.

CHAPTER 140.

[Senate Bill No. 335.]

BANKS AND TRUST COMPANIES.

AN ACT relating to banks and trust companies; providing for authorized but unissued stock for particular purposes and for stock option plans; amending section 30.08.090, chapter 33, Laws of 1955 and RCW 30.08.090; and amending section 30.12.080, chapter 33, Laws of 1955, as amended by section 3, chapter 106, Laws of 1959, and RCW 30.12.080.

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

Banks, trust companies, capital stock. Authorized but unissued shares permitted—Minimum consideration for.

SECTION 1. Solely to have shares of its capital stock available for issuance and sale pursuant to approved stock option plans or for the purpose of issuing and selling minimum qualifying shares to new directors, any bank or trust company may provide in its articles of incorporation or amendments thereto for authorized but unissued shares of its capital stock, in an amount not to exceed ten percent of its authorized capital stock. If such shares are issued pursuant to approved stock option plans, the consideration received for such shares shall not be less than the higher of par value or one hundred percent of fair

market value of the shares at the time the option is granted. If such shares are issued in order to qualify a new director of the corporation, the consideration received shall be not less than the higher of par value or ninety-five percent of the fair market value of the shares at the time of the sale.

SEC. 2. Any amendments to articles of incorporation which provide for authorized but unissued stock shall be made as provided in the case of a capital increase which is to be paid in full before becoming effective. However, the authorized but unissued shares shall not become a part of the capital stock except for the purposes hereof until they have been issued and paid for in cash. Prior to the issuance of authorized but unissued stock for the purpose of qualifying a new director, the bank shall notify the supervisor of the proposed issuance and the consideration to be received therefor and receive the supervisor's approval thereof.

Amending corporation articles to allow for, procedure—Approval before issuance.

SEC. 3. Section 30.08.090, chapter 33, Laws of 1955, and RCW 30.08.090 are each amended to read as follows:

RCW 30.08.090 amended.

Any bank or trust company may increase or decrease its capital stock or otherwise amend its articles of incorporation, in any manner not inconsistent with the provisions of this title, by a vote of the stockholders representing two-thirds of its issued capital stock at any regular meeting, or special meeting duly called for that purpose in the manner prescribed by its bylaws: *Provided*, That notice of a meeting to increase or decrease authorized capital stock shall first be published once a week for four weekly issues in a newspaper published in the place in which such corporation is located, or if there be no newspaper published in such place, then in some newspaper published in the same county. The notice shall state the purpose of the meeting, the amount of

Increase or decrease of capital stock—Statement of condition to reflect unissued stock.

Banks, trust companies, capital stock. Increase or decrease of—Statement of conditions to reflect un-issued stock.

the present authorized capital stock of the bank or trust company and the proposed new authorized capital stock. A certificate of the fact and the terms of the amendment shall be executed by a majority of the directors and filed as required herein for articles of incorporation. Except when an amendment provides for authorized but unissued shares as permitted in this title, no increase of authorized capital stock shall be valid, until the amount thereof shall have been subscribed and actually paid in and a certificate of increase is received from the supervisor. No reduction of the capital stock shall be made to an amount less than is required for capital, nor be valid, nor warrant the cancellation of stock certificates, nor diminish the personal liabilities of the stockholders until such reduction has been approved by the supervisor, nor shall any reduction relieve any stockholder from any liability of the corporation incurred prior thereto. No amendment shall be made whereby a bank becomes a trust company unless such bank shall first receive permission from the supervisor.

Banks having authorized but unissued stock shall disclose on all statements of condition the amount of authorized stock and the amount of issued and paid in stock, as certified by the supervisor. The supervisor shall certify to each bank having authorized but unissued stock the amount of its issued and paid in capital stock and this amount shall be used in all statements of condition and in computing the capital of the bank for purposes of determining loan or investment limits and branching powers until a new certificate is issued by the supervisor. In cases where a bank issues authorized but unissued stock as permitted by this title, a new certificate need not be requested upon each stock issue. However, if the bank so requests and the supervisor approves, a certificate of issued and paid in capital stock shall be issued by the supervisor. A new certificate must be requested

at such time as any increase of paid in capital stock represents five percent of the authorized capital stock and at such time as there is no remaining authorized but unissued stock.

SEC. 4. Every bank or trust company incorporated under the laws of this state may grant options to purchase, and issue and sell, shares of its capital stock to its employees or officers or a trustee in their behalf upon the terms and conditions of a stock option plan adopted by its board of directors, approved by a vote of the stockholders representing two-thirds of its capital stock at a meeting where the approval is sought, and approved by the supervisor in writing. In the absence of actual fraud in the transaction and within the limits of the particular stock option plan, the judgment of the board of directors and of any committee provided for in the stock option plan as to the consideration for the issuance of the options and the sufficiency thereof and as to the recipients of the options shall be conclusive.

Stock purchase option for employees, etc.—Approval—Judgment on, when conclusive.

SEC. 5. Section 30.12.080, chapter 33, Laws of 1955, as amended by section 3, chapter 106, Laws of 1959, and RCW 30.12.080, are each amended to read as follows:

RCW 30.12.080 amended.

A director, officer or employee of a bank or trust company shall not:

Restrictions on officers and employees.

(1) Have any interest, direct or indirect, in the profits of the corporation except to receive reasonable compensation for services actually rendered, which, in the case of an officer or director, shall be determined by the board of directors; and except to receive dividends upon any stock of the corporation that he may own, the same as any other stockholder and under the same regulations and conditions; and except to receive interest upon deposits he may have with the corporation, the same as other like depositors and under the same regulations and con-

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ditions: *Provided*, That nothing in this section shall be construed to prevent the payment to an employee of a salary bonus in addition to his normal salary, when such bonus is authorized by a resolution adopted by a vote of a majority of the board of directors of such corporation: *Provided further*, That nothing in this section shall be construed to prevent the establishment by vote of the stockholders of such bank or trust company, of a profit-sharing retirement trust or plan and the making of contributions thereto by such bank or trust company: *Provided further*, That nothing in this section shall be construed to prevent the establishment by the corporation of stock purchase option plans as otherwise permitted by law.

(2) Become a member of the board of directors of any other bank or trust company or a national banking association, of which board enough other directors, officers or employees of the corporation are members to constitute with him a majority of its board of directors.

(3) Receive directly or indirectly and retain for his own use any commission or benefit from any loan made or other transaction had by the corporation, or any pay or emolument for services rendered to any borrower from the corporation or from any person transacting business with it, in connection with the loan or transaction, except that an attorney for the corporation, though he be a director thereof, may receive reasonable compensation for professional services rendered the borrower or other person.

Passed the Senate March 11, 1965.

Passed the House March 10, 1965.

Approved by the Governor March 20, 1965.