

poration, political subdivision or municipality, or any public commission.

SEC. 9. That sections 8011, 8012, 8013 and 8014 of Remington's Compiled Statutes be and the same are hereby repealed, but such repeal shall not be construed to invalidate or affect any lease of harbor area or tideland heretofore made.

Repeals Rem.
Comp. Stat.
§ 8011, 8012,
8013 and 8014;
Pierce's Code
§ 4486, 4487,
4488 and 4489.

Passed the Senate February 23, 1923.

Passed the House March 2, 1923.

Permitted to become a law without the signature of the Governor.

J. GRANT HINKLE,
Secretary of State.

CHAPTER 172.

[S. B. 241.]

INDUSTRIAL LOAN COMPANIES.

AN ACT relating to Industrial Loan Companies, providing for their creation, supervision, examination and dissolution; prohibiting certain acts and providing a penalty therefor.

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

SECTION 1. The term "industrial loan company" as used in this act means any corporation which in the regular course of its business loans money and issues its own choses in action under the provisions of this act.

Term defined.

SEC. 2. (a) When authorized by the supervisor of banking, as hereinafter provided, five or more natural persons, citizens of the United States, may incorporate an industrial loan company in the manner herein prescribed.

Incorporation.

(b) Persons desiring to incorporate an industrial loan company shall execute articles of incorporation in quadruplicate, which shall be submitted

Articles.

for examination to the supervisor of banking at his office in Olympia.

Contents.

(c) Articles of incorporation shall state:

1. The name of the Industrial Loan Company.
2. The city, village or locality and county where such corporation is to be located.
3. The nature of its business.
4. The amount of its capital stock.
5. The period for which such corporation is organized, which shall not exceed fifty years.
6. The names and places of residence of the persons who as directors are to manage the corporation until the first annual meeting of its stockholders, which meeting shall be held within six months after the issuance of the certificate of authority.
7. Such articles shall be acknowledged before an officer authorized to take acknowledgements.

Fees.

SEC. 3. The supervisor of banking shall collect in advance the following fees:

For filing application for certificate of authority—\$100.00.

For filing articles of incorporation, or amendments thereof, or certified copies of articles of incorporation or other certificates required to be filed in his office—\$10.00.

For issuing a certificate of increase or decrease of capital stock—\$10.00.

For issuing each renewal certificate of authority—\$10.00.

For furnishing copies of papers filed in his office, per folio—\$.20.

Every Industrial Loan Company shall also pay to the Secretary of State or County Auditor for filing any instrument with him the same fees as are required of general corporations for filing corresponding instruments, and also the same license fees as are required of general corporations.

SEC. 4. When articles of incorporation complying with the foregoing requirements have been received by the supervisor of banking, together with the fees required by law, he shall ascertain from the best source of information at his command and by such investigation as he may deem necessary, whether the character, responsibility and general fitness of the persons named in such articles are such as to command confidence and warrant belief that the business of the proposed Industrial Loan Company will be honestly and efficiently conducted in accordance with the intent and purpose of this act, whether the resources in the neighborhood of such place and in the surrounding country afford a reasonable promise of adequate support for the proposed company and whether the proposed Industrial Loan Company is being formed for other than legitimate objects covered by this act. After the supervisor shall have satisfied himself of the above facts, and, within sixty days after the receipt of such articles of incorporation for examination, he shall endorse upon each of the quadruplicates thereof, over his official signature, the word "Approved," or the word "Refused," with the date of such endorsement. In case of refusal he shall forthwith return one of the quadruplicates, so endorsed, to the person from whom the articles were received which refusal shall be conclusive, unless the incorporators, within ten days of the issuance of such notice of refusal, shall appeal to the superior court of Thurston County, which appeal shall be triable *de novo* in said court. In case of approval the supervisor shall forthwith give notice thereof to the proposed incorporators, and file one of the quadruplicate articles of incorporation in his own office, and shall transmit another quadruplicate to the county auditor of the county in which such Industrial Loan Company is located, and another quadruplicate to the secretary

Investigation
by supervisor
of banking.

Approved.

Refused.

Appeal to
court.

Articles filed.

of state, and the fourth quadruplicate to the incorporators. Upon receipt from the proposed incorporators of the same fees as are required for filing and recording other articles of incorporation the secretary of state and county auditor shall file such articles in their respective offices, and the secretary of state shall record the same. Upon the filing of articles of incorporation in quadruplicate, approved as aforesaid by the supervisor of banking, with the secretary of state and county auditor; all persons named therein and their successors shall become and be a corporation, which shall have the powers and be subject to the duties and obligations prescribed by this act, and whose existence shall continue for the period of fifty years from the date of the filing of such articles, unless sooner terminated pursuant to law; but such corporation shall not transact any business except as is necessarily preliminary to its organization until it has received a certificate of authority as provided herein.

Capital paid in.

SEC. 5. Before any Industrial Loan Company shall be authorized to do business, the supervisor of banking shall be satisfied that such corporation has a paid-in capital in the amount fixed by this act, and that it has in good faith complied with all the requirements of law and fulfilled all the conditions precedent to commencing business imposed by this act. When so satisfied and within ninety days after the date upon which such proposed articles of incorporation were filed with him for examination, but in no case after the expiration of that period, the supervisor of banking shall issue under his hand and official seal, in quadruplicate, a certificate of authority for such corporation. The certificate shall state that the corporation therein named has complied with the requirements of law, that it is authorized to transact at the place designated in its articles of

Certificate of authority.

incorporation, the business of an Industrial Loan Company. One of the quadruplicate certificates shall be transmitted by the supervisor, to the corporation and the other three shall be filed by the supervisor in the same offices where the articles of incorporation are filed and shall be attached to said articles of incorporation, and the one filed with the Secretary of State shall be recorded.

SEC. 6. Before the Articles of Incorporation of any corporation, incorporated under the provisions of this act, are filed, there must be paid in cash for the benefit of the corporation to a treasurer selected by the subscribers, not less than twenty-five per cent of the amount of the capital stock; the balance of the capital stock shall be paid in cash to the corporation at the rate of not less than ten per cent per month, following the initial payment thereon. No corporation organized hereunder shall expend for a plan of operation, organization expense and the sale of its capital stock an amount in excess of ten per cent of the paid in capital stock.

Capital paid
in cash.

SEC. 7. (a) The capital stock of any corporation incorporated under the provisions of this act shall not be less than fifty thousand dollars in any city having a population of one hundred thousand inhabitants, or less; and shall not be less than one hundred thousand dollars in any city having one hundred thousand or more inhabitants and less than two hundred thousand; and shall not be less than two hundred thousand dollars in any city having two hundred thousand or more inhabitants, according to the last official census. The capital stock of any such corporation shall be divided into shares of the par value of One Hundred Dollars each. No corporation organized hereunder shall create more than two classes of stock.

Capital stock,
amount
required.

(b) Any Industrial Loan Company may increase or decrease its capital stock or otherwise amend its

Increase,
decrease.

Amendment of
articles.

articles of incorporation, in any manner not inconsistent with the provisions of this act, by a vote of the stockholders representing two-thirds of its capital at any regular meeting, or special meeting duly called for that purpose in the manner prescribed by its by-laws: *Provided*, That notice of a meeting to increase or decrease capital stock shall first be published once a week for four weekly issues in a newspaper published in the county 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 the present capital of the Industrial Loan Company and the proposed new capital. 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. No increase of capital stock shall be valid, until twenty-five per cent of the amount thereof shall have been subscribed and actually paid in and a certificate of increase received from the supervisor of banking. 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 until such reduction has been approved by said supervisor of banking.

Powers.

SEC. 8. Every corporation under the provisions of this act shall have power:

(a) To loan money on personal security, or otherwise, and to deduct interest therefor in advance at the rate of eight per cent per annum, or less. To require the borrower to purchase simultaneously with the loan transaction or otherwise and pledge as security therefor, an investment certificate not to exceed one-fifth more than the loan made; and to receive weekly, semi-monthly or monthly installment

payments thereon with or without an allowance of interest on such installments. To charge a delinquency charge of five cents or less on each dollar delinquent one full week or more—no interest shall be collected on delinquent installments. At the time the certificate is paid for in full the company shall liquidate the loan by cancelling an equal amount of the certificate pledged as security therefor.

(b) To charge for a loan, made pursuant to this section a fee of two dollars or less on loans under one hundred dollars, and a maximum fee of two per cent on loans of one hundred dollars or more for expenses in examining and investigating the character and circumstances of the borrower, no additional charge shall be made except to reimburse the corporation for money actually expended for additional services actually rendered the borrower. No charge shall be collected unless a loan shall have been made.

(c) To sell or negotiate written evidences of debt for the payment of money at any time either fixed or uncertain, and to receive payments therefor in installments or otherwise, with or without an allowance of interest on such installments. Nothing herein contained shall be construed to authorize corporations hereunder to receive deposits nor to issue certificates of deposit or to create any liability due on demand. The issuance of choses in action herein authorized shall be approved as to form by the commissioner of banking and shall bear the endorsement on the face of the instrument, "This is not a certificate of deposit."

(d) To establish branches and subsidiaries subject to the approval and authority of the supervisor of banking provided such corporation shall have a minimum capital of five hundred thousand dollars.

See Rem.
Comp. Stat.
§ 3809;
Pierce's Code
§ 4515.

(e) Conferred upon corporations by Section 3809 of Remington's Compiled Statutes.

SEC. 9. No corporation under the provisions of this act shall:

Prohibited
acts.

(a) Make any loan, on the security of makers, co-makers, endorsers, sureties or guarantors, for a longer period than one year from the date thereof, or to any person, firm or corporation who is not a resident of the county in which the corporation maintains an office.

(b) Hold at any one time the obligation or obligations of any person, firm or corporation, for more than one per cent of the amount of the capital and surplus of such industrial loan company.

(c) Hold at any one time the obligation or obligations of persons, firms, or corporations purchased from any person, firm or corporation for more than ten per cent of the total resources of such industrial loan company.

(d) Hold at any one time the obligation or obligations of persons, firms or corporations secured by real estate aggregating more than ten per cent of the total resources of such industrial loan company.

(e) Make any loan or discount on the security of its own capital stock, or be the purchaser or holder of any such shares, unless such security or purchase shall be necessary to prevent loss upon a debt previously contracted in good faith. Stock so purchased or acquired shall be sold at public or private sale or otherwise disposed of within ninety days from the time of its purchase or acquisition.

(f) Invest any of its funds, otherwise than as herein authorized, except in such investments as are by law legal investments for commercial banks, or in the securities of its branches or subsidiaries authorized by the supervisor of banking.

(g) Make any loan or discount, nor shall any officer or employee thereof on behalf of such corpora-

tion, make any loan or discount, directly or indirectly to any director, officer or employee of such corporation unless the same shall have been approved by a majority of the board of directors, or the discount committee if empowered by the board of directors to act, at a meeting at which no director, officer or employee to whom the loan is to be made shall be present. The resolution approving said loan shall be made a part of the corporate minutes.

(h) Have outstanding at any time its investment certificates in an aggregate sum in excess of five times the aggregate amount of its paid up capital and surplus, exclusive of those hypothecated with the corporation issuing them.

(i) Exact a surrender charge on investment certificates issued by the corporation.

(j) Deposit any of its funds with any other moneyed corporation, unless such corporation has been designated as such depository by a vote of the majority of the directors or the executive committee, exclusive of any director who is an officer, director or trustee of the depository so designated.

SEC. 10. Corporations, under the provisions of this act, shall at all times maintain a cash reserve equal to five (5) per cent of its issued and outstanding investment certificates, exclusive of those hypothecated with the corporation issuing them. Cash reserve.

SEC. 11. Corporations, under the provisions of this act, may purchase, hold and convey real estate for the following purposes, but for no other: Real estate.

(a) Such as shall be necessary for the convenient transaction of its business, including with its business offices other apartments in the same building to rent as a source [source] of income, provided however, the corporation shall not invest an amount in excess of twenty-five per cent of its capital, surplus and undivided profits in such real estate.

(b) Such as shall be conveyed to it in satisfaction of debts previously contracted in the course of its business.

(c) Such as it shall purchase at sale under judgments, decrees or mortgage foreclosures under securities held by it, but no such corporation shall bid at any such sale a larger amount than shall be necessary to satisfy its debt and costs.

(d) Real estate shall be conveyed under the corporate seal of such corporation and the hand of its president or vice-president and manager or treasurer. No real estate acquired in the cases contemplated above shall be held for a longer period than five years unless used as business quarters by the corporation.

Dividends.

Reserve fund
for losses.

SEC. 12. The directors of every corporation under the provisions of this act, may at certain times and in such manner as its by-laws prescribe, after providing for all expenses, interest and taxes accrued, or due, declare and pay dividends to the stockholders of such corporation as may be appropriated for that purpose under its by-laws, but before any dividend is declared the corporation shall reserve for losses an amount equal to one half of one per cent of the total outstanding loans and discounts; and shall set aside to surplus not less than ten per cent of the dividend to be declared until such surplus shall amount to twenty-five per cent of its capital stock. Unearned interest, accrued and uncollected interest shall not be distributed as a part of the profits, nor carried on the books as such.

Taxation.

SEC. 13. Corporations, under the provisions of this act, shall be taxed the same as other general corporations.

Annual
report.

SEC. 14. Every corporation under the provisions of this act, shall make to and file with, the supervisor of banking a regular report on, or before,

January tenth and July tenth of each year, showing the true condition of the corporation as of the preceding December thirty-first and June thirtieth, according to form prescribed by said supervisor, verified by the president, manager or treasurer and attested by at least two directors. Every such corporation shall make and file special reports when and as called for by said supervisor.

SEC. 15. It shall be the duty of the supervisor of banking, his deputy, or examiner without previous notice to visit each corporation under the provisions of this act, at least once in each year and oftener if necessary, for the purpose of making a full investigation into the condition of such corporation, and for that purpose they are hereby empowered to administer oaths and to examine under oath any director, officer, employee or agent of such corporation. Said supervisor of banking may make such other full or partial examinations as he deems necessary; any willful false swearing in any examination shall be perjury.

Examination
by supervisor.

SEC. 16. The director of taxation and examination; through and by means of the division of banking, shall collect from each corporation under the provisions of this act, for each complete examination of its condition the cost thereof, but not less than fifty (50) dollars. For each partial examination he shall collect the cost thereof, but not less than twenty-five (25) dollars.

Examination
fees.

SEC. 17. The board of directors of each corporation, under the provisions of this act, shall require its active officers and employees and such other officers as they designate, each to give a surety bond in such sum as the board shall specify and the supervisor of banking shall approve, conditioned for the faithful and honest discharge of his duties and for the faithful application of all moneys, funds and val-

Officers
bonded.

ables which shall come into his possession, or under his control.

Debts due. SEC. 18. Any debt due a corporation under the provisions of this act, upon which no payment has been made upon the principal thereof for six months, unless such debt be well secured and in course of collection by legal process or probate proceedings shall be considered a bad debt, and shall be charged off of the books of such corporation. A judgment Judgments. held by such corporation shall not be considered an asset of the corporation after two years from the date of its rendition, unless with the written permission of the bank commissioner specifying an additional period; *provided*, that time consumed by any appeal from such judgment shall be excluded.

Insolvent, receiving money. SEC. 19. Every officer, director, agent, stockholder, or employee of a corporation under the provisions of this act who shall fraudulently receive money or money's worth in exchange for the issuance of any choses in action of such corporation, when he knows or has good reason to believe that such corporation is insolvent shall be deemed guilty of a felony, and punished upon conviction, thereof, by a fine not exceeding one thousand (1000) dollars, or imprisoned in the state penitentiary not exceeding ten years, or both such fine and imprisonment, at the discretion of the court. Penalty.

Bonus, commission by officers, employes. (b) Every officer, director, agent, stockholder, or employee of a corporation under the provisions of this act, who shall directly or indirectly, receive a bonus, commission, compensation, remuneration, gift, speculative interest or gratuity of any kind from any person, firm, or corporation for granting, procuring or endeavoring to procure, for any person, firm or corporation, any loan by or out of the funds of such corporation, or the purchase or sale of any securities or property for or on account of such corporation, shall be guilty of a felony.

(c) Every officer, director or employee of such corporation who shall borrow or shall knowingly permit any of its officers, directors or employees to borrow any of its funds in violation of the provisions of this act, shall be personally liable for any loss or damages which the corporation, its shareholders or any person may sustain in consequence thereof, and shall also be guilty of a felony.

Loans to
officers,
employees.

(d) Every corporation under the provisions of this act, which fails to file any report, required to be filed by this act within the time herein specified shall be subject to a penalty of ten (10) dollars per day for each day's delay—a civil action for the recovery of any such penalty may be brought by the Attorney General in the name of the state.

Failure to re-
port, penalty.

(e) Every person who shall violate, or knowingly aid or abet the violation of any provision of this act; for which no penalty has been prescribed, and every person who fails to perform any act which it is made his duty to perform herein and for which failure no penalty has been prescribed, shall be guilty of a misdemeanor. No person who has been convicted for the violation of the banking laws of this or any other state, or of the United States shall be permitted to engage in, or become an officer or official of any corporation organized under the provisions of this act.

Penalty for
violation.

SEC. 20. (a) If it shall appear to the supervisor of banking that any corporation hereunder has violated or failed to comply with the provisions of its Articles of Incorporation, or law of this State, or whenever it shall appear from the report of any corporation hereunder, or the supervisor shall have reason to conclude that the capital of any corporation hereunder is impaired or reduced below the amount required by law, he may, by an order under his hand and official seal, addressed to such corporation, direct such corporation to discontinue such

Impairment of
capital, viola-
tion of act.

Orders by
supervisor.

violation and to comply with the law or to make good the deficiency or impairment of capital alleged by him to exist within sixty days after the date of such requisition; or if it shall appear to the supervisor that such corporation is conducting business in an unsafe or injurious manner, he may in like manner, direct the discontinuance of any such unsafe or injurious practices. Such orders shall require such corporation to show why said order should not be observed. If upon such hearing it shall appear to the supervisor that such order should be made final he shall proceed to do so, and such corporation shall immediately comply with the order made by the supervisor of banking.

Restraining
enforcement
of order.

(b) Such corporation shall have ten days after such order is made final in which suit may be commenced to restrain enforcement of such order and unless such action be so commenced and enforcement of such order be enjoined within ten days by the court in which suit is brought, then such corporation shall comply with such order.

Examination,
refusal to
permit.

(c) Upon failure of any corporation to comply with such order or if any such corporation shall refuse to submit its books, papers and concerns to the inspection or examination of the supervisor of banking, or to any one authorized by him to make such examination, or if any officer of such corporation, shall refuse to be examined upon oath touching the concerns of such corporation, or if such corporation shall neglect or refuse to observe any order made by the supervisor of banking pursuant to his supervision as authorized by this act the supervisor of banking may forthwith take possession of the property and business of such corporation and retain such possession until such corporation shall resume business or its affairs be finally liquidated. On taking possession of the property and business

Possession by
supervisor.

of any such corporation, the supervisor of banking may proceed to liquidate the same in the manner provided by the bank act.

(d) Nothing in this act contained shall be deemed or construed as a limitation or restriction of or as in anyway affecting the power or discretion of the supervisor of banking to issue a permit authorizing any corporation under the provisions of this act to issue and dispose of choses in action in such amounts and upon such terms and conditions as he may in such permit provide and to impose such conditions as he may deem necessary to the issue of such securities and to establish such rules and regulations as may be reasonable or necessary to insure the disposition of the proceeds of such securities in the manner and for the purpose provided in such permit and from time to time to amend, alter or revoke any permit issued by him or to refuse to issue such permit or otherwise authorize the issue of such securities.

Sale of securities under direction of supervisor.

SEC. 21. Every corporation contemplating doing business in this state, under the provisions of this act shall if organized in any county, state or territory of the United States other than this state, be known as a foreign industrial loan company.

Foreign companies.

SEC. 22. It shall not be lawful for any foreign industrial loan company, directly or indirectly, to transact any business in this state without first complying with the law covering the domestication of foreign corporations and without procuring the certificate of approval and authorization of the supervisor of banking. Before obtaining such certificate, such foreign industrial loan company shall furnish the supervisor with a statement sworn to by the president and treasurer and two directors of the corporation, showing; the name of the corporation, the state in which it is incorporated, an itemized account of its assets and liabilities, and a list of its

Unlawful without certificate of authority.

Application to supervisor, requirements.

officers and directors, the amount of capital stock subscribed, paid for and held by each of them, and all such other information touching its affairs as said supervisor may require. Said corporation shall also file a certified copy of the laws of the state, territory or government under which it is incorporated, and of its Articles of Incorporation, and By-laws, and all amendments thereto and shall appoint an attorney in each county in which it operates an office, who shall be a resident thereof, and shall file with the bank commissioner a written instrument duly signed and sealed, authorizing such attorney to acknowledge the service of process in behalf of such corporation, consenting that service of process mesne or final, upon such attorney, shall be taken and held as if served upon the corporation according to the laws of this or any other state, and waiving all claims or right of error by reason of such acknowledgment of service. If after examination of such statements and certified copies of instruments, and after said corporation shall have complied with all of the requirements of this act and the supervisor may be satisfied that such corporation is solvent and that the capital and investments are secure and that the laws, charters, articles of incorporation and by-laws governing it afford as ample protection to the interests of its investment certificate holders as is afforded by the laws of this state to investment certificate holders in corporations incorporated under the laws of this state, then said supervisor may grant such corporations a certificate of approval authorizing it to transact business until the thirty-first day of December of the ensuing year.

Certificate of
authority.

Revocation.

SEC. 23. The supervisor may for cause, at any time revoke the certificate of approval and authorization of any foreign corporation authorized to do business in this state under the provisions of this act.

SEC. 24. Any person, agent or corporation doing business, or attempting to do business in this state for any foreign industrial loan corporation which shall not at the time be the holder of a valid certificate of approval as provided for in this act, shall be deemed guilty of a misdemeanor.

Doing business without authority.

SEC. 25. All acts and parts of acts in conflict with this act are hereby repealed.

Repeal.

SEC. 26. There is hereby appropriated from the general fund of the State Treasury the sum of ten thousand (\$10,000) dollars, or so much thereof as may be necessary, but not to exceed the amount collected in fees under this act, to be expended by the Supervisor of Banking in carrying out the provisions of this act.

Appropriation \$10,000.00.

Passed the Senate February 27, 1923.

Passed the House March 3, 1923.

Permitted to become a law without the signature of the Governor.

J. GRANT HINKLE,
Secretary of State.