

CHAPTER 169.

[H. B. 78.]

AMENDMENTS OF SAVINGS AND LOAN ASSOCIATIONS
LAWS.

AN ACT relating to savings and loan societies or associations, providing for the voluntary dissolution thereof, prescribing certain penalties, amending sections 2, 3, 4, 5, 6, 7, 10, 14, 15, 16, 18, 19, 20, 23 and 24 of chapter 110 of the laws of 1913, and repealing section 27 of chapter 110 of the laws of 1913, and making an appropriation therefor.

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

SECTION 1. That section 2 of chapter 110 of the laws of 1913 be amended to read as follows:

By-laws.

Section 2. Each association shall adopt by-laws for its government and therein describe the manner in which its business shall be transacted, which by-laws shall be in conformity with the provisions of this act, and the laws of this state, and at all times be open to the inspection of the state auditor and the members of the association at its home office. All by-laws shall be subject to the approval of the state auditor before going into effect, and in case any provision in such by-laws shall be contrary to the provisions of this act, or to the laws of this state, or be detrimental to the interests of the members of such organization, or against public policy, he shall require the same to be stricken out.

Approval
by state
auditor.

SEC. 2. That section 3 of chapter 110 of the laws of 1913 be amended to read as follows:

Certification
by auditor.

Section 3. Whenever said articles of incorporation are in due form and regularly executed and the by-laws have been duly approved as above required, and it shall be made to appear to the satisfaction of the state auditor that at least \$1500.00 have been actually paid in in cash upon the subscriptions for shares, the state auditor thereupon shall ascertain

from the best source of information at his command the responsibility, character and general fitness of the incorporators. If he shall be satisfied concerning the several matters, specified above, he shall, within a reasonable time, issue under his hand and official seal a certificate reciting in substance the filing in his office of the articles of incorporation and by-laws; that said articles and by-laws conform to all the requirements of law; that he has approved the same, and that he verily believes the incorporators are fit and proper to conduct the business of a savings and loan association as defined in this act and said by-laws. Said certificate shall be made in quadruplicate and attached to each copy of the articles of incorporation, one of which shall be retained by the state auditor and the other three shall be returned to the incorporators who shall forthwith file one copy thereof in the office of the secretary of state, one in the office of the auditor of the county in which the chief place of business of said association is located, and the other shall be retained by the association, whereupon the incorporation of said association shall be deemed complete.

Completion
of incor-
poration.

SEC. 3. That section 4 of chapter 110 of the laws of 1913 be amended to read as follows:

Section 4. No person shall be a director of an association unless he shall have subscribed and paid in in cash at least \$200.00 on his stock subscription, and such subscription shall not be reduced below the sum of \$200.00, either by withdrawal or by pledge for a loan with the association, or in any other manner, so long as he remains a director of the association. Any officer or director may be removed by the state auditor for cause. Any officer or director so removed by the state auditor and feeling himself aggrieved by such removal shall have a right of appeal from the order of removal

Directors.

Removal.

Court
review.

to the Superior Court of Thurston County by filing a written notice of appeal with the state auditor, who shall, upon the filing of such notice, certify to the court the causes upon which the order of removal was based, and all records and files in his office pertaining to the matter of the removal. The court shall hear the matter *de novo* and enter an order affirming or cancelling the order of removal.

Oath of
officers.

Each officer and director, when appointed or elected, shall take an oath that he will, so far as the duty devolves upon him, diligently and honestly administer the affairs of such association, and will not knowingly violate the by-laws or any of the provisions of law applicable to such association.

Bond.

Each officer or agent having the custody of money or securities of an association shall be required to give bond to such association in an amount to be determined by the board of directors of such association commensurate with his liability, and said bonds shall be deposited with the state auditor.

SEC. 4. That section 5 of chapter 110 of the laws of 1913 be amended to read as follows:

Section 5. The membership of the association shall consist of those persons holding shares therein.

Fees and
fines.

A membership fee of not over \$2.00 per share may be charged: *Provided, however,* that on all applications written in the State of Washington for more than fifteen shares, such fee shall be collected in one payment in cash, which shall accompany the application and shall in no case be more than one-half of such payment. No other fees, fines, penalties or forfeitures shall be charged against the shares of any association, except that serial associations declaring dividends to all stock and maturing same at one time may charge a fine which shall not exceed the earnings on the delinquent installments.

SEC. 5. That section 6 of chapter 110 of the laws of 1913 be amended to read as follows:

Section 6. The capital of every such association shall consist of the accumulated payments made by its members and dividends credited thereon, and shall be represented by shares. Every share issued shall have a matured value of one hundred dollars. Every such association shall be either permanent or serial in character as provided by the terms of its by-laws. A permanent association may issue shares at any time and credit its dividends upon the pass books of its members. A serial association may issue shares in series and credit its dividends equally upon each share issued in such series. No shares of a prior series shall be issued after the issuing of shares in a later series, when issued upon the serial plan, except at the book value at the last distribution of profits plus the dues and accumulated earnings thereon since such distribution. Shares which have not been transferred to the association as security for the repayment of a loan shall be called free shares. Shares that have been so transferred shall be called pledged shares.

No preferred stock shall be issued, i. e., stock upon which a different or stipulated rate of dividends shall be guaranteed or paid before or regardless of the amount of dividends distributed to other classes of shares, neither shall any shares be issued which shall be exempt from bearing their pro rata portion of loss: *Provided, however,* that nothing herein contained shall be held to prohibit any association already having reserve stock outstanding from continuing to have an equal amount of such stock outstanding, and from issuing, if necessary, additional reserve fund stock so as to equal five per cent of the capital as defined in this section; and when so provided in its by-laws, such reserve fund stock may participate in all earnings equitably with

Capital and shares.

Permanent and serial associations.

Preferred stock prohibited.

Reserve fund stock.

the general stock and be chargeable with all real estate taken under foreclosure or otherwise in the adjustment of delinquent loans together with all direct losses of whatever nature sustained by the association in the general course of business and in consideration of such guaranty against loss, and when provided in the by-laws such stock may receive additional dividends, and such stock shall not be subject to withdrawal until all other classes of stock and all other liabilities of the association shall first have been liquidated, and any such association may agree to mature its other classes of stock at a fixed time, provided any deficiency arising therefrom shall be chargeable only to such reserve fund stock.

Shares
classified.

Any association may issue the shares classified below when so provided by its by-laws:

(a) Installment shares upon which a regular stipulated payment of dues shall be made at stated periods expressed in the by-laws.

(b) Savings shares, upon which payments shall be made in such sums and at such times as the holder thereof may elect until the shares reach their matured value or are withdrawn.

(c) Fully paid shares, upon which a single payment amounting to one hundred dollars per share shall be paid at the time of subscription.

Issuance
to minors.

Any association may issue shares to, or in the name of, any minor which shall be held for the exclusive right and benefit of such minor and free from the control or lien of all other persons; and the accumulated savings on these shares together with the dividends credited thereon shall be paid to the persons in whose name the shares have been issued and the receipt or acquittance of such minor shall be valid and sufficient discharge and release

to the association for such accumulated savings, together with the dividends credited thereon or any part thereof.

Any association may issue shares to or in the name of two or more persons, whether husband or wife or otherwise, withdrawable by any one of such persons, and the receipt or acquittance of any one of such persons shall be valid and sufficient release and discharge to the association for such withdrawals, regardless of the death or disability of any other such joint shareholder.

Joint
shares.

SEC. 6. That section 7 of chapter 110 of the laws of 1913 be amended to read as follows:

Section 7. Profits and losses shall be ascertained and distributed semi-annually. Dividends shall be taken from the net earnings of the association and, subject to the provisions of section 6 relating to reserve fund stock, shall be distributed ratably to all classes of shares and to each share in proportion to the accumulation made thereon. No dividends shall be credited or paid except by a vote of the board of directors duly entered upon the minutes, whereupon shall be recorded the vote by ayes and nays. It shall be lawful for the association, in addition to the contingent fund required by section thirteen of this act, to hold in its fund of undivided earnings such sum as the board of directors may from time to time deem necessary or wise: *Provided, however,* that when the undivided earnings, including the contingent fund, exceed fifteen per cent of the dues and dividends credited to members, the board of directors shall declare such extra dividend in excess of the dividend regularly apportioned, as may be necessary to distribute among the shareholders the accumulation in excess of such authorized surplus.

Dividends.

Undivided
earnings.

SEC. 7. That section 10 of chapter 110 of the laws of 1913 be amended to read as follows:

Right to earnings of securities deposited.

Section 10. All interest and dividends which may accrue on securities held by the state auditor or such trust company as provided for herein and all dues, or monthly payments, which may become payable on stock pledged as security for loans, the notes and mortgages for which are deposited in accordance with the provisions of this act, may be collected and retained by the association depositing such securities or mortgages, so long as such association remains solvent and faithfully performs all contracts with its members and when any mortgage shall have been fully paid to said association the same shall be surrendered by said state auditor, or upon his order, upon filing with him a certificate of the auditor of the county where the real estate is situated, to the effect that the satisfaction of said mortgage has been filed for record. Any mortgage may be surrendered to the association upon filing with the state auditor an affidavit sworn to by the president and secretary of the association owning the same, showing to the satisfaction of the state auditor that it would be to the advantage of the association to assign the said mortgage without recourse, or that such mortgage is in default and that it is withdrawn for the purpose of foreclosure.

Surrender of mortgages.

SEC. 8. That section 14 of chapter 110 of the laws of 1913 be amended to read as follows:

Charging losses.

Section 14. Whenever the losses of an association exceed the contingent fund, or the reserve fund, if reserve fund stock has been issued as provided in section 6 of this act, they may be charged against the undivided earnings, if any, and in the event that they also exceed such undivided earnings, the state auditor may proceed to wind up the affairs of such association as hereinafter provided.

SEC. 9. That section 15 of chapter 110 of the laws of 1913 be amended to read as follows:

Section 15. The expenses of such association shall be paid from its earnings, and no deduction from dues shall be made either directly or indirectly for that purpose. No such association shall pay or be or become liable to pay either directly or indirectly in the course of any calendar year as salaries, commissions, fees, or other compensation to its officers, directors, auditor, attorneys, agents, clerks and all other employes and for rent, advertising, and all other operating expenses, sums of money the aggregate of which shall exceed two and one-half per cent of the average amount of assets of such association during such year. The term "operating expenses" as used in this connection shall not be construed to include membership fees, taxes, assessments, repairs or insurance on real estate or commissions on the sale of real estate, or on the placing of loans, or any interest which the association may have paid or become liable to pay, proper legal charges for searching titles or the preparation of legal papers, expenses of foreclosure suits or other bona fide litigation, nor charges for state license. The provisions of this section, insofar as they limit the expenditure for expenses, shall not apply to any association whose accumulated capital is less than forty thousand dollars: *Provided, however,* that the annual expenses of every such latter association shall not exceed a total of one thousand dollars. The provisions of this section shall apply as well to foreign as to domestic corporations doing business under the permission and certificate of the state auditor and said auditor shall not renew such permission or issue such certificate to any corporation that shall have violated the provisions of this section.

Expenses.
limitation
on.

Operating
expenses.

Provisions
apply to
foreign
companies.

SEC. 10. That section 16 of chapter 110 of the Laws of 1913 be amended to read as follows:

Section 16. Shares shall not be withdrawn until after a lapse of three months from the time of issuance of such shares and not then except at the option of the association; but shares may be withdrawn at any time after one year from the time of issuance. The withdrawing shareholder shall be paid the amount of the withdrawal value of the shares, as shown by the last prior distribution of profits together with all the dues paid thereon since such distribution: *Provided*, that upon withdrawal of shares pledged to the association for a stock loan, or stock loans, the association shall first deduct therefrom the indebtedness due the association. Withdrawals shall be paid in the order of their filing, except as hereinafter provided, and it shall be the duty of the secretary or other officer discharging such duties to enter upon each notice the order and date of such filing. Except as hereinafter provided, not more than two-thirds of the receipts of the association in any month shall be applied to the payment of withdrawals and matured shares without the consent of the board of directors. Whenever an application for withdrawal shall have been on file or the payment of matured shares demanded and either shall have remained unpaid for a period of six months, all the receipts of the association in any month from dues, loans repaid, and the proceeds of all other investments, shall, after the payment of expenses and general indebtedness, be applied toward the payment of withdrawals and matured stock; and the board of directors, or the state auditor, in his discretion, may direct that withdrawals be paid upon a ratable and proportionate basis. After filing the notice of withdrawal provided herein, the withdrawing member shall be entitled to the dividends credited to the same class of

Withdrawal
of shares.

Payment.

shares, until the final payment of his shares is made; and membership in the association shall remain unimpaired so long as any accumulation remains to his credit. No officer, director, attorney, clerk or agent of such association, and no person in any way interested or concerned in the management of its affairs shall discount or directly or indirectly purchase a share of any such association, whether filed for withdrawal or not, except by payment therefor of the withdrawal value of such share as determined herein. The board of directors of any association may retire all classes of free shares by enforcing withdrawals of the same: *Provided*, that the by-laws shall clearly state the manner in which such withdrawals may be enforced: *And provided also*, that the holders thereof shall be paid the full value of the shares, including, in such case, their proportion of the contingent fund.

Officers not to discount shares.

Enforcement of withdrawals.

SEC. 11. That section 18 of chapter 110 of the Laws of 1913 be amended to read as follows:

Section 18. On or before the first day of September in each year every savings and loan association doing business in this state shall deposit with the state auditor a report of its affairs and operations for the year ending on the 30th day of June immediately preceding. Such report shall be verified under oath by the president and secretary or by three directors of the association, and shall contain such information as the state auditor from time to time requests. Upon filing such report, there shall be paid to the state auditor for the state general fund, in lieu of all other corporation fees or licenses, a fee determined as follows: If the assets of the association as shown by said report amount to one hundred thousand dollars or less a fee of twenty dollars; if more than one hundred thousand dollars and less than two hundred fifty thousand dollars, a fee of thirty dollars; if more

Annual reports.

License fees.

than two hundred fifty thousand dollars and less than five hundred thousand dollars, a fee of forty dollars; if more than five hundred thousand dollars and less than one million dollars, a fee of sixty dollars; and if more than one million dollars, a fee of one hundred dollars; and in addition to the fees above specified there shall be further paid to the state auditor for the state general fund, a fee of twenty-five cents for each one thousand dollars of assets of the association up to three million dollars of assets, and ten cents for each one thousand dollars of assets above three million dollars of assets: *Provided, however,* that foreign associations doing business as a savings and loan association within the State of Washington shall pay a fee of three hundred dollars per annum and no more: *Provided further,* that foreign associations, doing a loan business only, in the State of Washington, shall pay a fee of \$100.00 per annum and no more. If such association shall fail to furnish to the auditor of the state any report required by this act, at the time so required, it shall forfeit the sum of twenty-five dollars per day for every day such report shall be delayed or withheld; and an action shall be started in the name of the state to recover such penalty and the same shall be paid into the treasury of the state. After receiving such report, the auditor, if satisfied that such association has complied with all the provisions of this act and is entitled to do business in this state, shall issue a certificate stating the compliance with such provisions, and that such association is entitled to do business in this state, which certificate shall be in force for the period of one year unless sooner revoked.

Foreign
associations.

Penalty
for failure
to report.

SEC. 12. That section 19 of chapter 110 of the Laws of 1913 be amended to read as follows:

Examina-
tions.

Section 19. The state auditor shall have supervision of all such associations doing business in

this state, and shall be charged with the execution of the laws of this state relating thereto. At least annually he shall make or cause to be made an examination into the affairs of all such associations doing business in this state. Such examinations shall be made by an inspector of savings and loan associations to be appointed by the state auditor, and who shall hold office during his pleasure. Such inspector shall be paid a salary of two hundred fifty dollars per month and actual traveling expenses from the State General Fund. All examinations made by such inspector shall be full and complete, and in making the same he shall have full access to, and may compel the production of all books, papers, moneys, and records of the association under examination, and may administer oaths to and examine the officers of such association or any person connected therewith as to its business and affairs, and any willful false swearing shall be deemed perjury and be punishable as such: *Provided*, whenever by the laws of the state under which any foreign association is organized, annual examinations of such association are required and are made pursuant thereto, then such foreign association shall not be examined hereunder: *Provided*, such foreign association shall furnish to the auditor of this state annually a certificate of the proper officer of such other state that he has made an examination pursuant to the laws of such other state, and that the affairs of such association are in accord with the laws of such other state: *And provided further*, that the auditor of this state may, whenever he deems it advisable, cause examination of such foreign association to be made as is required in the case of associations organized under the laws of this state.

Salary of
inspector.

Foreign
associations.

SEC. 13. That section 20 of chapter 110 of the Laws of 1913 be amended to read as follows:

Insolvency.

Section 20. Whenever it shall appear to the state auditor that the affairs of any savings and loan association are in an unsound condition or that it is conducting its business in an unsafe or unlawful manner, the state auditor may direct the inspector of savings and loan associations to take possession of all books, records and assets of every description of such association and hold and retain the possession of same pending the further proceedings herein specified. Should the board of directors, secretary or person in charge of such association refuse to permit the said inspector to take possession as aforesaid, the state auditor shall communicate such fact to the attorney general, whereupon it shall become the duty of the attorney general at once to institute such proceedings as may be necessary to place such inspector in immediate possession of the property of such association.

Possession taken by inspector.

Upon taking possession of the effects of the association as aforesaid said inspector shall prepare a full and true statement of the affairs and condition of such association, including an itemized statement of its assets and liabilities, and shall receive and collect all debts, dues and claims belonging to it and pay the immediate and reasonable expenses of his trust. Such inspector shall be required to execute to the state auditor a good and sufficient bond in a sum required by the state auditor conditioned upon the faithful discharge of his duties as custodian of such association, which said bond shall be approved by the state auditor, and the expenses of which shall be borne by the association under examination.

Restoration of sound condition.

When the condition of such association has been fully ascertained, and it shall appear that the affairs of said association are in fact in an unsound condition, the state auditor shall at once notify in writing the board of directors of such association of his decision, giving them 20 days in which to restore the

affairs of such association to a sound condition. Meanwhile, the auditor shall remain in charge of the books, records and assets of every description of such association, attend or be represented at all directors' and stockholders' meetings held, suggest such steps as he may deem necessary to restore such association to a sound condition; and if same is not done within the 20 days allowed by the statute he shall report the facts to the attorney general and it shall thereupon become the duty of the attorney general to institute proceedings in the superior court of the proper county for the appointment of the state auditor as receiver and for the dissolution of such association, or such other proceedings as the occasion may require.

Receiver-
shp.

SEC. 14. That section 23 of chapter 110 of the Laws of 1913 be amended to read as follows:

Section 23. After the passage and approval of this act, it shall be unlawful for any person, association or persons or domestic associations not already organized and doing business under sections 3601 to 3638, both inclusive, of Remington & Ballinger's Annotated Codes and Statutes of Washington, to conduct a business in the form or of a character similar to that authorized by this act without first incorporating under this act. After the passage and approval of this act no foreign association not already lawfully engaged in the State of Washington in the business of a savings and loan association shall be permitted to conduct such a business in this state.

Application
of act.

Foreign
companies.

SEC. 15. That section 24 of chapter 110 of the Laws of 1913 be amended to read as follows:

Section 24. It shall be unlawful for any savings and loan association to make, publish, or circulate any advertisement, sign, circular or statement intended or calculated to misrepresent in any way any of the powers or liabilities of such association,

Deceptive
advertising.

Penalty.

and any person who violates any provision of this section shall be guilty of a misdemeanor.

Repealing clause.

SEC. 16. That section 27 of chapter 110 of the Laws of 1913 is hereby repealed.

SEC. 17. Any savings and loan association incorporated under the laws of the State of Washington may dissolve itself voluntarily in the following manner:

Dissolution of associations.

A majority of the board of directors shall publish a notice in some newspaper of general circulation in the county wherein is the principal place of business of the association once each week for eight consecutive weeks calling a meeting of the shareholders to determine whether said savings and loan association shall voluntarily dissolve. If at such meeting two-thirds of the shareholders then present and voting shall vote to dissolve, and the state auditor shall approve of such dissolution, the officers of the association, under the direction of the directors of the association, shall thereupon proceed to liquidate the affairs of the association and reduce the assets thereof to cash, and, after paying all indebtedness and expenses, distribute the same among the shareholders in proportion to the withdrawal value of the holdings of each shareholder at the time of the passage of the resolution to dissolve.

Falsification of records.

SEC. 18. Every person who shall knowingly subscribe to or make or cause to be made any false statement or false entry in the books of any savings and loan association or shall knowingly subscribe to or exhibit any false or fictitious paper or security, instrument or paper, with the intent to deceive any person authorized to examine into the affairs of any savings and loan association or shall make, state or publish any false statement of the amount of the assets or liabilities of any savings and loan association shall be guilty of a felony.

Penalty.

SEC. 19. Every officer, director or employee or agent of any savings and loan association who, for the purpose of concealing any fact or suppressing any evidence against himself, or against any other person, abstracts, removes, mutilates, destroys or secretes any paper, book or record of any savings and loan association, or of the state auditor, shall be guilty of a felony.

Suppression of evidence.

Penalty.

SEC. 20. The directors of the association shall call a special meeting of its shareholders at the office of the association at any time when requested so to do by one-fourth of the qualified shareholders. The request for a meeting shall be duly signed by at least one-fourth of its qualified shareholders and filed with the secretary of the association and it shall thereupon become the duty of the directors to call a meeting of the shareholders within twenty days thereafter.

Special meetings of shareholders.

SEC. 21. It shall be unlawful for any savings and loan association doing business within the State of Washington to employ any agent for the purpose of soliciting the sale of stock in said company unless he shall first be licensed by the state auditor, and no agent representing any savings and loan association doing business within the State of Washington shall solicit the sale of stock in such company unless he shall first be licensed by the state auditor.

Stock agents to be licensed.

SEC. 22. No license shall be issued to any applicant for an agent's license until such applicant shall have first made and filed in the office of the state auditor an application therefor upon a form to be prescribed and furnished by the auditor, which must show the applicant's name, business and residence address, the name of the company to be represented, present occupation, occupation for the last twelve months, and such other information as the auditor may require. If the state auditor is satisfied that

Application for agent's license.

the applicant is a fit and proper person to engage in the sale of stock he shall issue the license. The state auditor may revoke the license of any agent for misrepresentation or when convicted in any court for violation of the criminal statutes, or when satisfied that said agent is not a fit and proper person to be engaged in the business of selling savings (building) and loan association stock.

License fee.

SEC. 23. Each agent granted a license under this provision shall pay an annual fee to the state auditor of two dollars (\$2.00).

Appropriation,
\$10,000.00.

SEC. 24. An appropriation is hereby made from the general fund of the state in the sum of ten thousand dollars (\$10,000.00) to pay the salary and expenses of the state inspector.

Passed the House February 25, 1919.

Passed the Senate March 11, 1919.

Approved by the Governor March 19, 1919.

CHAPTER 170.

[S. B. 119.]

TAX LEVIES IN CITIES OF LESS THAN 20,000 INHABITANTS.

AN ACT amending section 5131, Remington and Ballinger's Annotated Codes and Statutes of Washington and relating to tax levies in certain municipalities.

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

SECTION 1. That section 5131, Remington and Ballinger's Annotated Codes and Statutes of Washington be amended to read as follows:

Current expense levy.

Section 5131. Such municipal corporations shall levy and collect annually a property tax for the payment of current expenses, not exceeding fifteen mills on the dollar; a tax for the payment of in-