

CHAPTER 121.

[S. B. 62.]

WASHINGTON CROP CREDIT ACT.

AN ACT relating to rural credits and agricultural co-operation providing for the organization and regulation of crop credit associations; the duties of the director of marketing in relation thereto, and prescribing penalties for the violation of the provisions hereof.

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

Title. SECTION 1. This act shall be known and may be cited as the "Washington Crop Credit Act."

Purpose of act. SEC. 2. The purpose of this act is to promote the orderly marketing of standard crops grown in the State of Washington by providing credit facilities whereby the growers thereof may finance the harvesting, storing and marketing of same.

Requirements for association. SEC. 3. Any number of *bona fide* growers of standard crops in the State of Washington, not less than ten, may associate themselves together to form a crop credit association in the manner hereinafter provided. The term "standard crops" as herein used means wheat, hay, apples, potatoes, and such other crops as the director of marketing of the State of Washington shall hereafter designate.

Classification of associations. SEC. 4. Such crop credit associations shall be divided into two classes:

(a) Temporary Crop Credit Associations, which shall exist for one year and for the purpose of establishing credit facilities for the handling of one crop.

(b) Permanent Crop Credit Associations, which may incorporate for a term not exceeding fifty years, with such powers and privileges as are hereinafter set forth or may be conferred thereon by law.

Supervision. SEC. 5. The director of farm marketing of the State of Washington shall have general charge and

supervision of all such crop credit associations as herein provided. Before beginning his duties as the director of crop credit associations he shall make and file in the office of the secretary of state a bond in the penal sum of five thousand dollars (\$5,000.00), to be approved by the secretary of state, conditioned upon the faithful discharge of his duties as such director of crop credit associations. The word "director" wherever it shall hereafter appear in this act shall mean the director of farm marketing of the State of Washington.

SEC. 6. Any qualified persons desiring to form a crop credit association as herein provided shall execute in quadruplicate and acknowledge before some officer authorized to take the acknowledgment of deeds articles of association, one copy of which shall be filed in the office of the director, one copy in the office of the secretary of state of the State of Washington, one copy in the office of the county auditor of the county where the principal place of business of such association is located, and one copy shall be kept as part of the permanent records and files of such association.

Articles of
association.

SEC. 7. If such association is to be a temporary association, said articles shall state the name of the association, its principal place of business, the amount of the membership fee to be charged and the amount of credit in the aggregate which it is estimated its members will require. In addition thereto, the organizers of such association shall file the application for a permit to transact business as hereinafter more fully set forth. The organizers of such temporary organization shall also pay to the director a fee of five dollars (\$5.00), and to the secretary of state of Washington a fee of ten dollars (\$10.00).

Temporary
association
articles.

Permanent
association
articles.

SEC. 8. The organizers of a permanent crop credit association shall likewise execute in quadruplicate and file as above provided original copies of proposed articles of association therefor. Said articles of association shall set forth:

(a) The name of the association which shall contain the words "Crop Credit Association".

(b) Its principal place of business.

(c) The term for which it is to exist, which shall not exceed fifty years.

(d) The amount of membership fees required of its members, not to exceed one hundred dollars (\$100.00) each.

(e) The business desired to be transacted by said association, if any, in addition to the powers and privileges hereinafter set forth.

Issue of
certificate.

SEC. 9. If the director shall be convinced that there is a need for the proposed crop credit association and that the business which it is to do, as shown by said articles of association, is in accordance with the provisions of this act, he shall issue a certificate authorizing the filing of the said articles of association in the office of the secretary of state of Washington and in the office of the county auditor of the county wherein is located the principal place of business of said association.

Filing fee.

SEC. 10. The organizers of any permanent crop credit association shall pay the following filing and license fees: To the director, ten dollars (\$10.00); to the secretary of state, fifteen dollars (\$15.00), and the annual license fee required of corporations to be collected by the secretary of state as in the case of other corporations; and thereafter said association shall pay to the secretary of state, annually on or before the first day of July, a license fee of fifteen dollars (\$15.00).

SEC. 11. Upon the issuance of said certificate of ^{Powers.} authority by the director and the issuance of a license by the secretary of state, every such association shall be a body corporate and politic in fact and in name, by the name stated in the articles of association, and shall have power:

(1) To sue and be sued in any court having competent jurisdiction.

(2) To make and use a common seal.

(3) To purchase, hold, own, mortgage, sell and convey real and personal property to borrow money as shall be necessary for the needs of said corporation and to lend same, or any part thereof, or any of the funds of the association to its members upon such security, real or personal, as it shall require; and to execute, as evidence of money borrowed, any and all forms of notes, bonds, debentures and certificates, and secure same by the execution of any mortgage, lien, deed of trust or the surrender of any property owned or held by it, and to pay, cancel, satisfy and renew the same, and to receive any of the above evidences of indebtedness and securities for money loaned.

(4) To engage in the warehouse and storage business for the benefit of its members, and to handle, prepare for market, store, ship and sell all agricultural crops for or on account of its members, and to charge and receive compensation for any such service.

(5) To appoint such officers, agents and servants as the business of the corporation shall require, to define their powers, prescribe their duties, and fix their compensation.

(6) To require of them such security as may be thought proper for the fulfillment of their duties and to remove them at will; except that no trustee shall

be removed from office unless by vote of a majority of the members thereof.

(7) To make by-laws not inconsistent with the laws of this state or of the United States.

(8) To manage its property, to regulate its affairs, to provide for the transfer of membership therein, and to carry on all kinds of business within the objects and purposes of said association as expressed in the articles of said association or contained in this act.

(9) To act as broker for its members in disposing or selling of their crops, and to advance and lend money to any such member on the security of such crops or such other security, real or personal, as it may require.

(10) To hold, own and vote stock or other evidence of ownership in any other co-operative association or corporation.

(11) To buy, sell and deal in and to procure for its members such supplies as shall be necessary or useful in and about the growing, harvesting and marketing of any agricultural crop grown or to be grown by them.

Restrictions.

SEC. 12. No crop credit association shall engage in the business of buying or selling for its own account, directly or indirectly, any crop grown, raised or produced by its members, or others, but such association may be and act as broker, as in this act provided, for the sale of the crops of its members. None of the funds or assets of any such association shall ever be used for or expended in and about the business of buying, selling or dealing in any such crops.

By-laws.

SEC. 13. The organizers of every crop credit association shall, before it commences business, adopt by-laws for the government of said association, in which provision shall be made for the admission of members thereto; the terms of admission,

lapsation and expulsion, and the membership fee of not to exceed one hundred dollars (\$100.00) which shall be required from each member. Upon the full payment of any such membership fee the association shall issue a certificate of membership which shall be transferable only to bona fide growers of standard farm crops under such conditions and regulations as shall be provided in such by-laws. No person shall become a member of any crop credit association who is not, at the time of becoming such member, a bona fide grower of standard farm crops in the state of Washington. Such by-laws shall also contain rules and regulations for the proper and orderly government of such association and the exercise of its lawful powers. Every association shall submit its proposed by-laws to the director for his approval that the government of all crop credit associations in the state of Washington shall be uniform. If said by-laws are not approved by the said director, the same shall be suspended by his order until by-laws approved by him shall be adopted by such crop credit association.

SEC. 14. Such association shall be managed by a board of not less than three trustees. The trustees shall be elected by and from the members of the association at such time and for such term of office as the by-laws may prescribe and shall hold office during the term for which they are elected and until their successors are elected and qualified; but a majority of the members shall have the power, at any regular or special meeting legally called for that purpose, to remove any trustee or officer for cause, and fill the vacancy. The officers of every such association shall be a president, vice-president, secretary and treasurer, who shall be elected by the trustees. Each of said officers must be a member of the association. All

Board of
trustees and
officers.

elections shall be by ballot. Each member of the association shall be entitled to one vote only.

Loans and securities.

SEC 15. Any crop credit association organized under the provisions of this act shall have authority to make loans to its members, in accordance with their credit needs, not to exceed $66\frac{2}{3}\%$ of the fair market value of the standard farm crops grown by such member, and in turn may mortgage, transfer or hypothecate the said crops as direct or collateral security for the borrowing of money necessary to make such advances and loans to its members. Each loan by the association to its members shall be evidenced by the negotiable promissory note of the member borrower in an amount exceeding the credit extended to such member by 10%, with interest at a rate fixed by the association and maturing at least fifteen days prior to the maturity of the crop credit notes herein provided for, which note shall be secured by a negotiable warehouse receipt covering said standard agricultural product; a policy of insurance against loss by fire, and a certificate of inspection by the proper authority of the state of Washington as to the quality and variety of the farm product offered as such security. All such crops so offered as security for such loans must be free and clear of all incumbrances, except inspection, warehouse and insurance charges accruing against same: *Provided*, That when the standard crop used as the basis of credit is wheat, 75% of the fair market value may be loaned thereon and no certificate of inspection thereof shall be required.

Application for issue of crop credit notes of association.

SEC. 16. Every crop credit association which shall desire to issue its notes or commercial paper, secured by the crops of its members as hereinabove provided, shall make application to the director for authority to issue crop credit notes of the associa-

tion, which application shall be made upon blanks furnished for that purpose by said director and shall show:

(1) The name and place of business of the association making such application.

(2) The kind of standard farm crop to be used by it for credit purposes, and only one standard farm crop shall be used for each issue of crop credit notes.

(3) The estimated quantity and quality of the crop to be so used.

(4) The estimated amount of money desired to be borrowed against any such crop.

(5) The period of credit desired, not to exceed six months.

(6) The estimated number of growers of such standard crop.

(7) The name of the trustee.

Said application shall be signed by the president and secretary of such association and attested by its seal, and shall be accompanied by a fee of five dollars (\$5.00).

SEC. 17. Upon the receipt of said application and the filing fee by the director he shall cause investigation thereof to be made covering the information contained in such application, and if he finds the said application in all respects in accordance with this act, he shall issue a certificate of authority to the trustee named in said application, in which certificate shall be stated a fair price for credit purposes of the farm crops mentioned in said application, to be used as the basis of credit in the issue of crop credit notes. Said fair price shall be determined by said director from any and all information obtained by him with reference to the particular farm crop, covering the condition of the markets in the United States and elsewhere; the visible supply of such product and the kind, quality and condition of same.

Action on application.

Said fair price shall not be considered as in any manner fixing the price at which said products may or shall be bought or sold, but same shall be fixed only for the purpose of further assuring the purchasers of any securities or paper issued on the basis of the credit of such farm crop.

Security for
crop credit
notes.

SEC. 18. Upon the issuance of said certificate of authority to the trustee named in any such application, said trustee shall immediately so inform the officers of the association making such application. The association shall thereupon forthwith deliver to the said trustee all notes, warehouse receipts, securities, insurance policies and certificates of inspection held by it or which shall be required by the director as security for the proposed issue of crop credit notes, and shall convey full title of all property and securities represented by any evidence of indebtedness or constituting a lien thereon to the said trustee, to be by said trustee used as the security for the issuance of the proposed crop credit notes by said association.

Notes, issue
and pay-
ment.

SEC. 19. Thereupon said crop credit association may issue, under the seal and signed by the president and secretary of such association, crop credit notes in the aggregate not to exceed the amount of such issue of notes stated in the certificate of authority of the director to the trustee. Said notes shall be in denominations of not less than fifty dollars (\$50.00) nor more than five thousand dollars (\$5,000.00), payable at a fixed period of maturity, not to exceed six months from the date of the certificate of authority, as shall be determined by the said board of trustees. Said notes shall thereupon be delivered to said trustee, who shall countersign same and deliver them at such times and in such amounts and at such discount as shall be determined by the board of trustees by resolution entered upon the minutes of their pro-

ceedings. Said notes shall contain the number of the certificate of authority and the date of issuance thereof, together with the facsimile signature of the director and a series number, and shall state the kind of standard crop held by said trustee as security therefor, and shall otherwise be in such form as the director shall prescribe.

SEC. 20. Said trustee shall deliver said notes, properly countersigned, and receive the proceeds of the sale thereof, which proceeds shall be by said trustee immediately distributed to the members of said association in accordance with their credit requirements as shown by a schedule signed by the officers of said association and filed with the trustee showing the name and address of each member borrower, the kind, quantity and value of the crop pledged by him as security for his loan, and the amount borrowed thereon, less a brokerage charge of not to exceed two per cent (2%) thereof for the use of the association as determined by its trustees.

Distribution
of proceeds
of notes.

SEC. 21. The trustee holding the said securities herein provided shall be entitled, as compensation for all of its services rendered under this act, to a fee not to exceed one per cent (1%) of the par value of the notes issued by it where such issue shall be fifty thousand dollars (\$50,000.00) or less, and not to exceed one-half of one per cent for any such issue of more than fifty thousand dollars (\$50,000.00), payable from the brokerage charged by the association, as shall be agreed between the association and said trustee, which agreement shall be approved by the director.

Compensa-
tion of
trustee hold-
ing securi-
ties.

SEC. 22. All such crop credit notes shall be general obligations of the crop credit association issuing same and shall be secured by the entire number of collateral notes of the members of said association,

Notes, gen-
eral obliga-
tion.

participating in such issue, deposited with said trustee.

Members' indebtedness, collection and disposition of.

SEC. 23. Upon maturity of the notes evidencing the members' indebtedness to the association, the said trustee shall collect and place same in a fund for the retirement of said crop credit notes. Upon the collection of said indebtedness, which shall include the ten per cent (10%) excess, as hereinbefore provided, any and all warehouse receipts, insurance policies, certificates of inspection, or other security deposited for the security of the indebtedness of said member, shall be delivered to the said member or to his order. The funds so repaid by the members of the association, upon the order of the trustees of such association may be used for the immediate retirement of any outstanding crop credit notes of said issue, at a price not to exceed the face value of such crop credit notes. All members' notes, money, certificates and securities remaining in the hands of said trustee, after permission given it by the director, shall be returned to the crop credit association issuing same, which association shall collect as quickly as possible any remaining indebtedness under said issue then due to it. All sums so collected, less collection fees and expenses, shall be divided among and paid to the members of said association in proportion to the loans severally made to its members: *Provided, however,* That before any such division of moneys remaining after the retirement of any issue of crop credit notes, a full report of the issuance and sale of said notes and the retirement thereof shall be made to the director, and same shall not be distributed to the members of such association until the approval thereof by said director has been made in writing.

Trustee to make reports.

SEC. 24. A full report of every issue of such crop credit notes shall be made to the director by the

trustee at the time of sale of said notes and again at the time of the redemption thereof, said reports to be made upon blanks furnished therefor by said director. The director shall at all times have the right and privilege of inspecting the crops, securities, warehouse receipts and accounts of the said association or the said trustee until the issue secured by same shall have been fully paid and retired. Each association shall make an annual report to the director of markets, showing the gross returns to said association from the business of the previous year; an itemized statement of its expenses; the amount of its net gain, if any, which shall have been transferred to a surplus account; and the amount of money distributed to its members.

SEC. 25. Every permanent association organized under this act may establish a capital account which shall be its working capital. It may transfer thereto any membership fees, commissions, fees or charges against its members or profits from sale of supplies to its members, and may use said capital fund in the transaction of any lawful business conducted by the association.

SEC. 26. Any bank, trust company or mutual savings bank organized under the laws of the state of Washington may be and act as the trustee for the issuance of any crop credit notes provided for herein, and any bank organized under the laws of the United States, may also act as such trustee, subject to the supervision of the directors as in this act provided.

SEC. 27. No issue of crop credit notes shall be made without first having secured the authority of the director, nor shall any such issue be founded upon any other than standard agricultural crops grown in this state. The director shall make general rules and regulations governing the issuance of such

Capital.

Who may act as trustee.

Authority to issue crop credit notes.

notes and for the proper administration and enforcement of this act.

Refunding
notes.

SEC. 28. For good cause shown the director may permit the issuance of refunding notes to take up any balance of a series upon maturity thereof: *Provided*, There shall be ample security for said refunding issue in accordance with the requirements of this act, said refunding series to be issued at or prior to the maturity of said first series of notes covering any such crop.

Default by
association.

SEC. 29. Upon default by any crop credit association in the payment of its crop credit notes promptly at the maturity thereof, notice of protest of which shall be immediately given by the trustee to the director, said director shall take charge of all the business, property, security and assets of said association whether the same be in possession of said association or in the hands of the trustee of its issue of crop credit notes, and shall have the power and authority immediately to market to the best advantage any crops remaining on hand as security for the remainder of said notes. He may make composition with the creditors of said association holding its crop credit notes; he may arrange for an extension of the time of payment thereof, and may otherwise fully liquidate the affairs of said association with all the powers of a receiver, duly and regularly appointed by the court having jurisdiction of the association involved, and said director may make application to the superior court in the county where the principal place of business of such association is located for any additional authority necessary to enable him properly and promptly to liquidate the affairs of said association and to pay its creditors. In any such liquidation the creditors holding crop credit notes shall be considered to have a first lien upon all the property and assets securing said notes, and there-

after shall share equally with the unsecured creditors of said association in any unencumbered assets thereof.

SEC. 30. No liability shall attach to the director; nor to the trustee issuing said certificates by reason of the exercise of the authority granted by this act, except that said trustee shall be liable for misfeasance or malfeasance in the administration of said trust. No liability in excess of the membership fee charged by said association shall accrue to or against any member thereof by reason of such membership.

Liability
under act.

SEC. 31. Any co-operative marketing association, stock company or association engaged exclusively in harvesting, storing, preparing for market or marketing the crops or products of its members or stockholders, may take advantage of the provisions of this act and shall be entitled to all of the privileges hereof upon filing the application for authority to issue crop credit notes as hereinbefore provided for temporary and permanent crop credit associations. Any certificate of authority issued to or for any corporation so applying shall be deemed to be for one crop season only as in the case of a temporary crop credit association.

Scope of act.

SEC. 32. Every member borrower personally or through his duly authorized agent or broker shall have the exclusive right to sell and dispose of the crop pledged by him for his loan: *Provided*, That after the maturity of the indebtedness from him to the association, the association may forthwith and without notice to the borrower, sell said crops to the best advantage and discharge said indebtedness.

Right of
borrower to
sell own
crop.

SEC. 33. All fees collected by the director shall inure to the benefit of the State College of Washington for use in the work of the director of marketing and shall be available therefor without any other or

Director's
fees.

further appropriation thereof. A statement of all receipts and expenditures by the director shall be made in his annual report.

Violations
of act.

SEC. 34. Every person who shall violate or knowingly aid or abet the violation of any provision of this act, and every person who fails to perform any act which it is made his duty to perform herein shall be guilty of a gross misdemeanor.

Partial
validity.

SEC. 35. If any section or part of a section of this act shall, for any cause, be held unconstitutional, such holding shall not affect the rest of this act or any other section hereof.

Exercise of
directors'
powers and
duties.

SEC. 36. When the Director of Agriculture shall have been appointed and qualified and shall assume and exercise the duties of his office, all powers and duties herein conferred and imposed upon the Director of Farm Marketing shall be transferred to the office of the Director of Agriculture and be assumed and exercised by the incumbent thereof.

Passed the Senate February 28, 1921.

Passed the House March 7, 1921.

Approved by the Governor March 19, 1921.

CHAPTER 122.

[H. B. 147.]

INTOXICATING LIQUORS.

AN ACT relating to intoxicating liquors, and amending sections 3193, 3194, Pierce's Code.

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

SECTION 1. That section 3193 Pierce's Code (Laws 1917 p. 46) be amended to read as follows:

Penalties for
violations.

Section 3193. Every person convicted of a violation of the provision of this act, for which the pun-