

CHAPTER 95.

[S. B. 172.]

INVESTMENTS OF MUTUAL SAVINGS BANKS.

AN ACT relating to and regulating investments of mutual savings banks, amending sections 3, 5, 6, 7, 8, 11, 13, 14, 15, 16 and 20 of, and adding sections 8a and 8b to chapter 74 of the Laws of 1929.

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

Amends
§ 3381-3 Rem.
Rev. Stat.
(§ 365-23
P. C.)

SECTION 1. That section 3 of chapter 74 of the Laws of 1929 (sec. 3381-3, Rem. Rev. Stat.) be amended to read as follows:

Investments:
Bonds of U. S.
and Dominion
of Canada.

Section 3. A mutual savings bank may invest its funds in the bonds or obligations of the United States or the Dominion of Canada or those for which the faith of the United States or the Dominion of Canada is pledged to provide for the payment of the interest and principal, including bonds of the District of Columbia: *Provided*, That in the case of bonds of the Dominion or those for which its faith is pledged the interest and principal be payable in the United States or with exchange to a city in the United States and in lawful money of the United States or its equivalent.

Amends
§ 3381-5 Rem.
Rev. Stat.
(§ 365-25
P. C.)

SEC. 2. That section 5 of chapter 74 of the Laws of 1929 (sec. 3381-5, Rem. Rev. Stat.) be amended to read as follows:

Bonds of
other states.

Section 5. A mutual savings bank may invest its funds in the bonds or obligations of any other state of the United States upon which there is no default.

Amends
§ 3381-6 Rem.
Rev. Stat.
(§ 365-26
P. C.)

SEC. 3. That section 6 of chapter 74 of the Laws of 1929 (sec. 3381-6, Rem. Rev. Stat.) be amended to read as follows:

Bonds or
warrants of
city or other
municipal
corporation
of State.

Section 6. A mutual savings bank may invest its funds in the valid warrants or bonds of any city, town, county, school district, port district or other municipal corporation in the State of Washington

issued pursuant to law and for the payment of which the faith and credit of such municipality, county or district is pledged and taxes are leviable upon all taxable property within its limits.

A mutual savings bank may invest its funds in the water revenue or sewer revenue bonds of any city of this state for the payment of which the entire revenue of the city's water system or sewer system, less maintenance and operating costs, is irrevocably pledged.

Water or sewer revenue bonds.

SEC. 4. That section 7 of chapter 74 of the Laws of 1929 (sec. 3381-7, Rem. Rev. Stat.) be amended to read as follows:

Amends § 3381-7 Rem. Rev. Stat. (§ 365-27 P. C.)

Section 7. A mutual savings bank may invest its funds in the valid bonds of any incorporated city having a population in excess of three thousand inhabitants as shown by the last decennial Federal census or of any county or school district situated in one of the states of the United States which adjoins the State of Washington: *Provided*, The indebtedness of such city or school district, together with the indebtedness of any other district or other municipal corporation or subdivision (except a county) which is wholly or in part included within the boundaries or limits of the city or school district, less its water debt and sinking fund, does not exceed twelve per centum, or the indebtedness of the county less its sinking fund does not exceed seven per centum, of the valuation thereof for the purposes of taxation.

Municipal bonds of adjoining state.

SEC. 5. That section 8 of chapter 74 of the Laws of 1929 (sec. 3381-8, Rem. Rev. Stat.) be amended to read as follows:

Amends § 3381-8 Rem. Rev. Stat. (§ 365-28 P. C.)

Section 8. A mutual savings bank may invest its funds in the bonds of any county, incorporated city, or the school district of any such city, situated in the United States: *Provided*, Such county, city or school district has a population as shown by the Fed-

Bonds of city or any state of U. S.

eral census next preceding the investment, of not less than forty-five thousand inhabitants, and has power to levy taxes on the taxable real property therein for the payment of such obligations without limitation of rate or amount, and at the time of such investment the indebtedness of such county does not exceed seven per centum of the valuation of such county for the purposes of taxation, or the indebtedness of such city, or school district, together with the indebtedness of any district (other than local improvement district) or other municipal corporation or subdivision, except a county, which is wholly or in part included within the bounds or limits of said city or school district, less its water debt and sinking fund, does not exceed twelve per centum of the valuation of such city or school district for purposes of taxation: *Or provided*, Such county, city or school district has a population as shown by the last decennial Federal census of not less than 150,000 inhabitants, and has taxable real property with an assessed valuation in excess of \$200,000,000, and has power to levy taxes on the taxable real property therein for the payment of such obligations without limitation of rate or amount.

Adds § 8a,
ch. 74,
Laws 1929.

SEC. 6. That there be added to chapter 74 of the Laws of 1929 (chapter 4, title 18, Rem. Rev. Stat.) a new section to be known as section 8a to read as follows:

Water revenue bonds of any city in U. S.

Section 8a. A mutual savings bank may invest its funds in the water revenue bonds of any incorporated city situated in the United States: *Provided*, The city has a population as shown by the last decennial Federal census of at least forty-five thousand inhabitants, and the entire revenue of the city's water system less maintenance and operating costs is irrevocably pledged to the payment of the interest and principal of the bonds.

SEC. 7. That there be added to chapter 74 of the Laws of 1929 (chapter 4, title 18, Rem. Rev. Stat.) a new section to be known as section 8b to read as follows:

Adds § 8b,
ch. 74,
Laws 1929.

Section 8b. A mutual savings bank may invest its funds in the bonds of any port district, water district, sanitary district, sewer district, tunnel district, bridge district, flood control district, park district or highway district in the United States which has a population as shown by the last decennial Federal census of not less than 150,000 inhabitants, and has taxable real property with an assessed valuation in excess of \$200,000,000 and has power to levy taxes on the taxable real property therein for the payment of the bonds without limitation of rate or amount.

Bonds of
port, water,
sanitary,
sewer, tunnel,
bridge, flood
control, park
or highway
district in
U. S.

SEC. 8. That section 11 of chapter 74 of the Laws of 1929 (sec. 3381-11, Rem. Rev. Stat.) be amended to read as follows:

Amends
§ 3381-11 Rem.
Rev. Stat.
(§ 365-31
P. C.)

Section 11. A mutual savings bank may invest its funds in the obligations of a railroad corporation, other than a street railroad corporation, which comply with the following requirements:

Railroad
obligations.

1. For a period of six years prior to the investment the railroad corporation shall have paid punctually the matured principal and interest of its bond indebtedness and shall either (a) own and operate not less than 500 miles of standard gauge railroad, exclusive of sidings, in the United States or the Dominion of Canada, or (b) have had operating revenues of at least \$10,000,000 each year for at least five of the six fiscal years next preceding the investment, and

Mileage.

2. In each of the six fiscal years next preceding the investment the railroad corporation shall either (a) have had earnings, after deducting rent for hire of equipment and joint facilities from total income, of not less than the remaining deductions from total income as defined in the accounting regulations of the

Annual
operating
revenue.

Interstate Commerce Commission, and in the fiscal year next preceding the investment have had earnings, after deducting rent for hire of equipment and joint facilities from total income, of not less than one and one-half times the remaining deductions from total income as defined in the accounting regulations of the Interstate Commerce Commission, and which obligations shall be either (i) fixed interest bearing bonds secured by a mortgage on railroad property operated by the railroad corporation, or (ii) bonds secured by a first mortgage upon terminal, depot, bridge or tunnel property, including lands, building and appurtenances used in the service of transportation by a railroad corporation, or (iii) collateral trust bonds secured by irrevocable pledge of other railroad bonds, which pledged bonds are legal investments for mutual savings banks under this act, and which pledged bonds have a par value not less than the par value of the bonds they secure, or (b) in at least five of the six fiscal years next preceding the investment have had earnings, after deducting rent for hire of equipment and joint facilities from total income, of not less than twice the remaining deductions from total income as defined by the accounting regulations of the Interstate Commerce Commission.

Investment limited.

Not more than fifteen per centum of the funds of any savings bank shall be invested in the bonds, notes and certificates defined herein and in section 12 of this act and not more than three per centum of its funds shall be invested in the bonds, notes and certificates of any one such railroad corporation.

Amends
§ 3381-13 Rem.
Rev. Stat.
(§ 365-33
P. C.)

SEC. 9. That section 13 of chapter 74 of the Laws of 1929 (sec. 3381-13, Rem. Rev. Stat.) be amended to read as follows:

Railroad
equipment
obligations.

Section 13. A mutual savings bank may invest not to exceed fifteen per cent of its funds in railroad equipment obligations or equipment trust certificates which comply with the following requirements:

(a) They must be the whole or part of an issue originally made payable within not more than fifteen years in annual or semiannual installments substantially equal in amount beginning not later than one year after the date of the issue;

Payable
within
15 years.

(b) They must be secured by or be evidence of a prior or preferred lien upon or interest in, or of reservation of title to, the equipment in respect of which they have been issued or sold, or by an assignment of or prior interest in the rent or purchase notes given for the hiring or purchase of such equipment;

Security.

(c) The total amount of principal of such issue of equipment obligations or trust certificates shall not exceed eighty-five per centum of the cost or purchase price of the equipment in respect of which they were issued.

Amount
of issue.

SEC. 10. That section 14 of chapter 74 of the Laws of 1929 (sec. 3381-14, Rem. Rev. Stat.) be amended to read as follows:

Amends
§ 3381-14 Rem.
Rev. Stat.
(§ 365-34
P. C.)

Section 14. A mutual savings bank may invest its funds in the bonds of any corporation which at the time of the investment is incorporated under the laws of the United States or any state thereof, or the District of Columbia, and is transacting the business of supplying electrical energy, or artificial gas or natural gas purchased and supplied in substitution for, or in mixture with, artificial gas, for light, heat, power and other purposes, or of supplying water for municipal, industrial and domestic use, or is transacting any or all of such business: *Provided*, At least seventy-five per centum of the gross operating revenues of the corporation are derived from such business, and not more than fifteen per centum of the gross operating revenues are derived from any one kind of business other than supplying electricity or gas or electricity and gas or water: *Provided, further*, The corporation is subject to regulation by a public service commission or public utility commis-

Electrical
energy or
artificial
gas bonds.

Corporation
subject to
regulation.

sion, or other similar regulatory body duly established by the laws of the United States or the states in which the corporation operates, subject to the following conditions:

Annual
statement.

(a) The corporation shall make public in each year a statement and a report giving the income account covering the previous fiscal year and a balance sheet showing in reasonable detail the assets and liabilities at the end of the year;

Capital
stock.

(b) The outstanding fully paid capital stock of the corporation shall be equal to at least two-thirds of the total debt secured by mortgage lien on any part or all of its property: *Provided*, In the case of a corporation having nonpar value shares, the amount of capital which the shares represent shall be the capital as shown by the books of the corporation;

Period of
existence.

(c) The corporation shall have been in existence for a period of not less than eight fiscal years and at no time within the period of eight fiscal years next preceding the date of the investment shall the corporation have failed to pay promptly and regularly the matured principal and interest of all its indebtedness direct, assumed or guaranteed, but the period of life of the corporation, together with the period of life of any predecessor corporation or corporations from which a major portion of its property was acquired by consolidation, merger or purchase shall be considered together in determining the required period;

Average net
earnings.

(d) For a period of five fiscal years next preceding the investment the net earnings of the corporation shall have averaged per year not less than twice the average annual interest charges on its total funded debt applicable to that period, and for the last fiscal year preceding such investment such net earnings shall have been not less than twice the interest charges for a full year on its total funded debt

outstanding at the time of such investment, and for such period the gross operating revenues of the corporation shall have averaged per year not less than one million dollars;

(e) In determining the qualifications of any bond under this section where a corporation shall have acquired its property or any substantial part thereof within five years immediately preceding the date of the investment by consolidation or merger, or by the purchase of all or a substantial portion of the property of any other corporation or corporations, the gross operating revenues, net earnings, and interest charges of the several predecessor or constituent corporations shall be consolidated and adjusted so as to ascertain whether the requirements of paragraph (d) of this section have been complied with;

Qualifica-
tions of bonds
determined.

(f) The gross operating revenues and expenses of a corporation for the purposes of this section shall be respectively the total amount earned from the operation of, and the total expense of maintaining and operating, all property owned and operated by or leased and operated by the corporation, as determined by the system of accounts prescribed by the public service commission, or public utility commission or other similar regulatory body having jurisdiction. The gross operating revenues and expenses as defined above, of subsidiary companies may be included: *Provided*, All the mortgage bonds and a controlling interest in the stock or stocks of the subsidiary companies are pledged as part security for the mortgage debt of the principal company;

Gross
operating
revenue.

The net earnings of any corporation for the purpose of this section shall be the balance obtained by deducting from its gross operating revenues, its operating and maintenance expenses, taxes other than Federal and state income taxes, rentals and provision for renewals and retirements of the physical assets of the corporation, and by adding to said balance its

Net earnings.

income from securities and miscellaneous sources but not, however, to exceed fifteen per centum of said balance;

Require-
ments.

(g) The bonds must be part of an issue of not less than one million dollars and must be mortgage bonds secured by a first or refunding mortgage secured by property owned and operated by the corporation issuing or assuming them, or must be underlying mortgage bonds secured by property owned and operated by the corporations issuing or assuming them: *Provided*, Such bonds are to be refunded by a junior mortgage providing for their retirement: *Provided, further*, The bonds under the junior mortgage comply with the requirements of this section, and that the underlying mortgage is either a closed mortgage or remains open solely for the issue of additional bonds which are to be pledged under the junior mortgage. The aggregate principal amount of bonds secured by the first or refunding mortgage plus the principal amount of all the underlying outstanding bonds shall not exceed sixty per centum of the value of the physical property owned as shown by the books of the corporation and subject to the lien of the mortgage or mortgages securing the total mortgage debt: *Provided*, If a refunding mortgage, it must provide for the retirement on or before the date of their maturity of all bonds secured by prior liens on the property.

Investment
limited.

Not more than fifteen per centum of the funds of any mutual savings bank shall be invested in the bonds defined herein and in section 15 of this act and not more than three per centum of its funds shall be invested in the bonds of any one such corporation.

Amends
§ 3381-15 Rem.
Rev. Stat.
(§ 365-35
P. C.)

SEC. 11. That section 15 of chapter 74 of the Laws of 1929 (sec. 3381-15, Rem. Rev. Stat.) be amended to read as follows:

Utility
mortgage
bonds.

Section 15. A mutual savings bank may invest its funds in the bonds of any corporation which at

the time of the investment is incorporated under the laws of the United States, or any state thereof, or the District of Columbia, and is authorized to engage, and is engaging, in the business of furnishing telephone service in the United States: *Provided*, The corporation is subject to regulation by the Federal Communications Commission or a public service commission, or public utility commission or other similar Federal or state regulatory body duly established by the laws of the United States or the states in which such corporation operates, subject to the following conditions:

(a) The corporation shall have been in existence for a period of not less than eight fiscal years and at no time within the period of eight fiscal years next preceding the date of the investment shall the corporation have failed to pay promptly and regularly the matured principal and interest of all its indebtedness direct, assumed, or guaranteed, but the period of life of the corporation together with the period of life of any predecessor corporation or corporations from which a major portion of its property was acquired by consolidation, merger or purchase shall be considered together in determining the required period; and the corporation shall make public in each year a statement and a report giving the income account covering the previous fiscal year and a balance sheet showing in reasonable detail the assets and liabilities at the end of the year;

Period of
existence.

(b) The outstanding fully paid capital stock of the corporation shall at the time of the investment be equal to at least two-thirds of the total debt secured by all mortgage liens on any part or all of its property;

Capital stock.

(c) For a period of five fiscal years next preceding the investment the net earnings of the corporation shall have averaged per year not less than twice the average annual interest charges on its total

Average net
earnings.

funded debt applicable to that period, and for the last fiscal year preceding such investment such net earnings shall have been not less than twice the interest charges for a full year on its total funded debt outstanding at the time of such investment, and for such period the gross operating revenues of the corporation shall have averaged per year not less than one million dollars;

Restrictions.

(d) The bonds must be part of an issue of not less than one million dollars and must be secured by a first or refunding mortgage, and the aggregate principal amount of bonds secured thereby, plus the principal amount of all underlying outstanding bonds shall not exceed sixty per centum of the value of the property real and personal owned absolutely and subject to the lien of the mortgage: *Provided*, If a refunding mortgage, it must provide for the retirement of all bonds secured by prior liens on the property. Not more than thirty-three and one-third per centum of the property required as security for the bonds in order to comply with the provisions of this paragraph may consist of stock or unsecured obligations of affiliated or other telephone companies, or both;

Consolidated or merged corporations.

(e) In determining the qualifications of any bond under this section where a corporation shall have acquired its property or any substantial part thereof within five years immediately preceding the date of the investment by consolidation or merger or by the purchase of all or a substantial portion of the property of any other corporation or corporations, the gross operating revenues, net earnings and interest charges of the several predecessor or constituent corporations shall be consolidated and adjusted so as to ascertain whether the requirements of paragraph (c) of this section have been complied with;

Gross operating revenue.

(f) The gross operating revenues and expenses of a corporation for the purpose of this section shall

be respectively the total amount earned from the operation of, and the total expense of maintaining and operating, all property owned and operated by or leased and operated by the corporation, as determined by the system of accounts prescribed by the Federal Communications Commission or the public service commission, or public utility commission, or other similar Federal or state regulatory body having jurisdiction;

(g) The net earnings of any corporation for the purpose of this section shall be the balance obtained by deducting from its gross operating revenues, its operating and maintenance expenses, provision for depreciation of the physical assets of the corporation, taxes other than Federal and state income taxes, rentals and miscellaneous charges, and by adding to the balance its income from securities and miscellaneous sources but not, however, to exceed fifteen per centum of the balance. The term funded debt shall be construed to mean all interest bearing debt maturing more than one year from date of issue.

SEC. 12. That section 16 of chapter 74 of the Laws of 1929 (sec. 3381-16, Rem. Rev. Stat.) be amended to read as follows:

Section 16. A mutual savings bank may invest not to exceed five per cent of its funds in the bonds, notes or debentures of corporations engaged in the business of furnishing telephone service or electrical energy, meeting the following requirements, even though less than seventy-five per cent of the gross revenues is derived from the operation of such property:

(1) Such corporation shall be subject to regulation by the Interstate Commerce Commission, or by the Federal Communications Commission or by a similar regulatory body of the United States, or by the public service commission or similar regulatory body of the states in which it operates;

Net earnings.

Amends
§ 3381-16 Rem.
Rev. Stat.
(§ 365-36
P. C.)

Telephone
and electrical
energy bonds.

Corporation
subject to
regulation.

Annual gross revenue.

(2) The official reports issued by the corporation for a period of ten fiscal years next preceding the investment in any such bonds, notes or debentures shall show annual gross revenues of not less than \$50,000,000.00 during any year;

Regular payment of indebtedness.

(3) Such corporation shall have paid regularly and promptly each and every year for ten years next preceding the investment, the matured interest and matured principal of all its indebtedness, direct, guaranteed or assumed;

Average net earnings.

(4) The net earnings of the corporation available for fixed charges for the ten year period next preceding such investment shall have been not less than three times such fixed charges during any year;

Part of original issue.

(5) Such bonds, notes or debentures shall be part of an original issue of at least \$5,000,000.00; and

Investment limited.

(6) Not more than two per cent of the funds of any mutual savings bank shall be invested in such bonds, notes or debentures of any one such corporation.

Amends § 3381-20 Rem. Rev. Stat. (§ 365-40 P. C.)

SEC. 13. That section 20 of chapter 74 of the Laws of 1929 (sec. 3381-20, Rem. Rev. Stat.) be amended to read as follows:

First mortgage real estate.

Section 20. A mutual savings bank may invest not to exceed seventy per cent of its funds in loans secured by first mortgages on real estate subject to the following restrictions:

Note required.

In all cases of loans upon real property, a note secured by a mortgage on the real estate upon which the loan is made shall be taken by the savings bank from the borrower;

Clear title.

The savings bank shall also be furnished by the borrower, either

(a) A complete abstract of title of the mortgaged property, which abstract shall be signed by the person or corporation furnishing the abstract of title, and which abstract shall be examined by a competent attorney and shall be accompanied by his

opinion approving the title and showing that the mortgage is a first lien; or

(b) A policy of title insurance; or

(c) A duplicate certificate of ownership issued by a registrar of titles.

The real estate subject to such first mortgage must be improved to such extent that the net annual income thereof or reasonable annual rental value thereof in the condition existing at the time of making the loan is sufficient to pay the annual interest accruing on such loan in addition to taxes and insurance and all accruing charges and expenses.

Improved
real estate.

No loan on real estate shall be for an amount greater than sixty per cent of the value of such real estate, including improvements, except that in the case of property improved with a single family occupancy detached dwelling not more than five years old, such loan may be for an amount not greater than two-thirds of the value of such real estate including improvements; and in the event such savings bank obtains, as additional collateral, an assignment of a policy or policies of life insurance issued by a company authorized to do business in this state, such loan may exceed the limits herein specified, but such excess shall not be more than eighty per cent of the cash surrender value of such assigned life insurance.

Loan value.

No mortgage loan shall be made in excess of fifty per cent of the value of the security unless its terms require the payment of principal and interest in annual, semiannual, quarterly or monthly payments, at a rate which if continued would repay the loan in full in not more than twenty years, beginning within one year and continuing until the loan is reduced to fifty per cent or less of the value of the security.

The mortgage shall contain provisions requiring the mortgagor to maintain insurance on the buildings on the mortgaged premises to such reasonable

Insurance.

amount as shall be stipulated in the mortgage, the policy to be deposited with the savings bank and to be payable to it in event of loss: *Provided, however,* That the savings bank may, at its option, forego insurance in either of the following cases:

(a) A loan upon agricultural land, or

(b) A loan upon a feehold interest in urban property subject to an outstanding lease.

Real estate to be improved by building.

A loan may be made on real estate which is to be improved by a building or buildings to be constructed with the proceeds of such loan, if it is arranged that such proceeds will be used for that purpose and that when so used the property will be improved to the extent required by this section.

Mortgage loan for more than one year.

No mortgage loan, or renewal or extension thereof for a period of more than one year, shall be made except upon written application showing the date, name of the applicant, the amount of loan requested, and the security offered, nor except upon the written report of at least two members of the board of investment of the bank certifying on such application according to their best judgment the value of the property to be mortgaged and recommending the loan; and the application and written report thereon shall be filed and preserved with the savings bank records.

Mortgages and assignments taken in name of bank.

Every mortgage and assignment of a mortgage taken or held by a savings bank shall be taken and held in its own name, and shall immediately be recorded in the office of the county auditor of the county in which the mortgaged property is located.

Deemed first mortgage.

A mortgage on real estate shall be deemed a first mortgage and lien within the meaning of this section even though

Outstanding lease.

(1) There is outstanding upon the real estate a lease to which the mortgage is subject, and two members of the board of investment of the bank deem the lease advantageous to the owner of the

mortgaged property, and the mortgagee in case of foreclosure of the mortgage can compel the application upon the mortgage debt of substantially all of the rents thereafter to accrue; and/or

(2) There are outstanding nondelinquent taxes or special assessments or both, and the sum of the assessments and the amount of the loan does not exceed the limits herein specified.

Non-delin-
quent taxes.

Passed the Senate February 16, 1937.

Passed the House March 3, 1937.

Approved by the Governor March 13, 1937.

CHAPTER 96.

[S. B. 203.]

FORESTS AND FOREST FIRES.

AN ACT relating to forests, fire protection therefor and amending section 5788 of Remington's Revised Statutes.

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

SECTION 1. That section 5788 of Remington's Revised Statutes be amended to read as follows:

Amends
§ 5788 Rem.
Rev. Stat.
(§ 2565 P. C.)

Section 5788. No one shall burn any forest material within any county in this state in which there is a warden or ranger during the period beginning the fifteenth day of April, and ending on the fifteenth day of October in each year, unless a different date for such beginning and ending is fixed by proclamation of the governor, which period is hereby designated as the closed season, without first obtaining permission in writing from the supervisor of forestry, or a warden, or a ranger, and afterwards complying with the terms of said permit; and anyone violating any provisions contained in the preceding portions of this section shall, upon conviction thereof, be fined not less than twenty-five dollars (\$25) nor

Permit to
burn forest
material.

Penalty for
violation
of act.