

government, or any such organization which has given such notice, for the purpose of engaging in authorized volunteer services: PROVIDED, That such person shall be deemed to be a volunteer although he may be granted maintenance and reimbursement for actual expenses necessarily incurred in performing his assigned or authorized duties.

Any and all premiums or assessments due under this title on account of such volunteer service for any such unit of local government, or any such organization shall be the obligation of and be paid by such organization which has registered and accepted the services of volunteers and exercised its option to secure the medical aid benefits under chapter 51.36 RCW for such volunteers.

Passed the Senate April 11, 1975.

Passed the House May 16, 1975.

Approved by the Governor May 26, 1975.

Filed in Office of Secretary of State May 26, 1975.

CHAPTER 80

[Engrossed Senate Bill No. 2411]

WASHINGTON CREDIT UNION SHARE GUARANTY ASSOCIATION ACT

AN ACT Relating to credit unions; creating the Washington credit union share guaranty association; providing for a board of directors thereof; setting out certain powers, duties and functions; providing for certain qualifications of membership; establishing the share guaranty association contingency reserve; providing for the funding, assessments, liquidity and investment thereof; providing for the termination of membership; providing for the management of the association; providing for payment to shareholders; authorizing subrogation; exempting the association from certain taxes; providing immunity from actions; adding new sections to chapter 173, Laws of 1933 and to Title 31 RCW as chapter 31.12A thereof; creating new sections; and providing an effective date.

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

NEW SECTION. Section 1. LEGISLATIVE DIRECTION. Sections 2 through 21 of this act are added to chapter 173, Laws of 1933 and to Title 31 RCW as chapter 31.12A thereof.

NEW SECTION. Sec. 2. PURPOSE. The purpose of this act is to provide funds arising from assessments upon member credit unions chartered by the state of Washington to guarantee payment, to the extent herein provided, to credit union shareholders of the amount of loss to their share and deposit accounts in a liquidating member credit union, and to provide other services to promote the stability of state-chartered credit unions. In the judgment of the legislature, the foregoing purposes not being capable of accomplishment by a corporation created under general laws, the creation of the nonprofit association hereinafter in this act described is deemed essential for the protection of the general welfare.

NEW SECTION. Sec. 3. DEFINITIONS. As used in this act unless the context otherwise requires:

(1) "Association" means the credit union share guaranty association created in section 4 of this act;

(2) "Board" means board of directors of the guaranty association;

(3) "Credit union" means a credit union organized and authorized under laws contained in chapter 31.12 RCW, as now or hereafter amended;

(4) "Initial member" means a member qualified by the supervisor within sixty days after the effective date of this act but not yet ratified by the board;

(5) "Member" means a member of the guaranty association, ratified by the board.

(6) "Share account" of a credit union shareholder includes the share accounts and/or deposit accounts of which the shareholder is owner of record with the credit union; and

(7) "Supervisor" means the state supervisor of the division of savings and loan associations, or his successor in the event of a departmental restructuring.

NEW SECTION. Sec. 4. GUARANTY ASSOCIATION CREATED. There is hereby created a nonprofit unincorporated legal entity to be known as the Washington credit union share guaranty association, which shall be comprised of state chartered credit unions in the state of Washington and governed by a board of directors as in section 8 of this act provided.

NEW SECTION. Sec. 5. POWERS OF THE ASSOCIATION. The association shall have power:

(1) To use a seal, to contract, to sue and be sued;

(2) To make bylaws for conduct of its affairs, not inconsistent with the provisions of this act;

(3) To lend and to borrow money, and require and give security;

(4) To receive, collect, and enforce by legal proceedings, if necessary, payment of all assessments for which any member may be liable under this act, and payment of any other debt or obligation due the association;

(5) To invest and reinvest its funds in investments permitted for credit unions in RCW 31.12.260, as now or hereafter amended, provided such investments do not exceed a maximum maturity of ninety days;

(6) To acquire, hold, convey, dispose of and otherwise engage in transactions involving or affecting real and personal property of all kinds; and

(7) To carry out the applicable provisions of this act.

NEW SECTION. Sec. 6. MEMBERSHIP—ASSOCIATION OPERATIVE DATE. (1) Every credit union meeting the following qualifications is eligible for membership in the association:

(a) Must be in business as a duly authorized credit union.

(b) Must be operating in compliance with applicable laws and the rules and regulations of the supervisor.

(c) Must not be in the process of liquidation, either voluntary or involuntary.

(2) Prior to the operative date stated in subsection (3) hereof, application for membership shall be made by the credit union in writing to the association on forms designed and furnished by the association, and filed with the secretary-treasurer. An application fee, as fixed in the bylaws for operation expense, payable to the order of the association, shall accompany each such application. Should additional operational funds become necessary, an assessment not to exceed an amount, as fixed in the bylaws, per year may be levied by the board against each member. If the application is found to be:

(a) Complete, and the applicant qualified for membership: The association shall issue and deliver to the applicant a certificate of membership in appropriate form.

(b) Incomplete: The association shall require the applicant to refile said application in its entirety within thirty days.

(c) Not qualified: The association shall notify said applicant within thirty days of filing: PROVIDED, That said applicant will be allowed to meet qualification standards under conditions as provided in the bylaws of the association.

(3) The initial membership of the association shall be comprised of all those credit unions qualified under subsection (1) hereof by the supervisor within sixty days after the effective date of this act, with final ratification by the initial board of directors subject to full compliance of all qualifications for membership within one hundred twenty days after the effective date of this act.

(4) Membership in either this association or the federal share insurance program under the national credit union administration shall be mandatory.

NEW SECTION. Sec. 7. FUNDING—LIQUIDITY—INVESTMENTS—TERMINATION. (1) Establishment of the share guaranty association contingency reserve shall be accomplished by setting aside from each member's guaranty fund an amount equal to one-half of one percent of the total insurable outstanding shares and deposit balances as of the 31st of December preceding the effective date of this act. Such sum shall be retained in the credit union share guaranty contingency reserve as an integral part of its guaranty fund until such time and if necessary to be drawn for the purpose set forth in this act.

(2) Continued funding of the association shall be by assessment at the rate of one-forty-fifth of one percent of each member's insurable outstanding share and deposit balance as of December 31st each year commencing the year subsequent to the effective date of this act. Such funds shall be retained by the member in its share guaranty contingency reserve. Such sum may be offset from the statutory transfer requirement to the guaranty fund. The board, with concurrence of the supervisor, shall have authority to assess an additional amount not to exceed one-forty-fifth of one percent of each member's insurable share and deposit balance in any one year, as conditions may warrant.

(3) Members' share guaranty association contingency reserve funds shall be invested in investments as permitted in the bylaws of the association.

(4) The board, in concurrence with the supervisor, may also suspend or diminish the assessment in any given period after reaching a normal operating sufficiency as provided in the bylaws.

(5) Membership in this association may be terminated upon approval by a majority of the credit union members responding to such a proposal and subject further to acceptance by the national credit union administration of continued share insurance coverage under the national credit union administration share insurance program. Notice of such intentions shall be in writing to the association's board of directors at least twelve months prior to such contemplated action: PROVIDED, That in the event of conversion from state to federal credit union charter the converting member will notify the association in compliance with RCW 31.12.390. Share guarantee coverage through the association will terminate with the effective date of the federal charter.

NEW SECTION. Sec. 8. MANAGEMENT. (1) The affairs and operations of the association shall be managed and conducted by a board of directors and officers.

(2) The board shall consist of not more than five directors, as provided by the bylaws. Directors shall be elected by members for terms, as fixed by the bylaws, of not more than three years. The board shall have power to fill vacancies occurring during the interim between annual meetings and until an election is held at the next annual meeting, to fill that portion of the unexpired term.

(3) The officers shall be elected by the board, and shall be a chairman of the board, a vice chairman, and a secretary-treasurer. The officers shall have the usual and customary powers and responsibilities of the respective offices, as fixed by the bylaws.

(4) The directors shall be compensated only to the extent of actual out-of-pocket travel and meeting expenses as provided in the bylaws.

NEW SECTION. Sec. 9. FIRST MEETING OF MEMBERS AND BOARD OF DIRECTORS. (1) Within thirty days after the operative date of this act, the supervisor shall call a first meeting of the initial members of the association for the purpose of electing directors and shall give written notice of the time and place of such meeting. The meeting shall be held within sixty days after such operative date, at a place in this state selected by the supervisor and of convenience to members. The supervisor shall preside at the meeting.

(2) The initial board of directors shall meet within thirty days after the first meeting of members, to elect officers, consider bylaws, and transact such other business relating to the association as may properly come before it.

NEW SECTION. Sec. 10. BYLAWS. (1) The first bylaws of the association shall be as adopted by its initial board, and the board shall so adopt bylaws within three months after the association has become operative. All bylaws, and amendments thereof, shall be promptly filed with, and are subject to the approval of, the supervisor, and shall be approved if found by the supervisor to be reasonable, and fair and equitable to the association and its members. Among the customary, useful, and desirable provisions the bylaws shall provide:

- (a) For the date and place of holding the annual meeting of members.
- (b) Procedure for holding of special meetings.
- (c) For voting privilege.
- (d) For quorum requirements.
- (e) For qualifications of directors, for procedures for nomination, election and removal of directors; and number, term and compensation of directors.
- (f) For the bonding of any individual who may be expected to handle funds for the association.
- (g) Qualifications for membership.
- (h) Duties of officers.
- (i) Application fees and assessment fees.
- (j) Fines, if any.
- (k) Coverage loss limits.
- (l) Powers and duties of the board.
- (m) Types of investments, liquidity, and normal operating sufficiency.
- (n) Such other regulations as may be deemed necessary.

(2) After adoption of initial bylaws by the board, the bylaws shall be subject to amendments only by vote of the members. The secretary-treasurer of the association shall promptly file all bylaws and amendments with the supervisor. No bylaws or amendments thereto, except the adoption of initial bylaws, shall be effective until approved by the supervisor as hereinabove in this section provided.

NEW SECTION. Sec. 11. LIQUIDATION OF MEMBERS—ASSESSMENT. (1) In the event a member of the association is placed in liquidation, either voluntary or involuntary, the supervisor or his representative shall determine as soon as is reasonably possible the probable net assessment, if any, resulting therefrom to its shareholders. If a net assessment seems to be indicated, the supervisor or his representative shall promptly inform the association in writing of the probable amount of such assessment. In determining the probable net assessment of the liquidating member, charges, if any, for services of the supervisor or his representative, or his staff, as well as accrued but unpaid interest or dividends on share accounts, shall not be deemed liabilities of the liquidating credit union; and, with the consent of the association, all illiquid holdings (furniture, fixtures and other personal property) of the liquidating member, at the fair recoverable value thereof, as determined by the supervisor or his representative, may be excluded as assets. In determining the net assessment as to a particular share account, the supervisor or his representative shall first deduct the amount of any accrued and currently payable obligation of the shareholder to the liquidating credit union.

(2) Within thirty days after receipt by the association of the foregoing information, the board shall notify the remaining members of the association of the aggregate amount required to make good the probable net loss to share accounts, subject to the following conditions:

(a) The amount of loss to be made good to any shareholder shall not be less than provided by the national credit union administration share insurance program, with authority vested in the association to increase the coverage.

(b) To the amount of the assessment as otherwise determined pursuant to this section, the board may add such amount as it may deem to be reasonably necessary to cover its clerical, mailing and other expense connected with the assessment and distribution of the proceeds thereof to shareholders of the liquidating credit union, not to exceed actual costs of such mailing and clerical services.

(c) The gross amount of the assessment shall be prorated among the assessed members against their share guaranty contingency reserve: **PROVIDED**, That members shall not be liable for any amount of assessment exceeding their share guaranty contingency reserve or for any assessments exceeding those permitted in sections 6 and 7 of this act as now or hereafter amended.

(d) That a plan for an orderly and expeditious liquidation be presented to the board of directors for their consideration and approval. In cases where a central or other eligible credit union is authorized to act as liquidator or liquidating agent, the association would provide an indemnity against loss to such authorized credit union.

(3) In case of liquidation the board shall cause written notice to each member stating whether a potential assessment is indicated and, if so, the probable amount

of such contingency as it relates to a percentage of their total share guaranty contingency reserve. Actual assessment, if any, shall be paid by members upon completion of liquidation or sooner, as determined by the board of directors. In all cases the total reserve structure of a liquidating credit union, including its share guaranty contingency reserve, shall be utilized in concluding the liquidation.

NEW SECTION. Sec. 12. PAYMENT TO SHAREHOLDERS—SUBROGATION. (1) Upon collection in full of the amount assessed against members as provided for in section 11 of this act, or other provision satisfactory to the board, the association shall conclude the liquidation subject to acceptance by the supervisor.

(2) If illiquid holdings of the liquidating member have not been included as assets in determining net loss to share accounts, as provided for in section 11(1) of this act, the association shall be subrogated to all rights of shareholders with respect to such holdings and to the extent of the value thereof so excluded and reflected in the assessment of association members; and the officers of the liquidating member or other persons having authority with respect thereto shall execute such conveyances, assignments, or other documents as may be requested by the association to facilitate recovery by the association in due course of the amount of its interest in such assets or so much thereof as may in fact be recoverable. The association shall have the right to bring and maintain suit or other action in its own name for the enforcement of any right of the insolvent member or its shareholders with respect to any such asset.

NEW SECTION. Sec. 13. DISPOSITION OF AMOUNTS RECOVERED. Amounts recovered by the association pursuant to its right of subrogation as provided in section 12(2) of this act shall be refunded pro rata to those members who paid assessments out of which right of subrogation arose.

NEW SECTION. Sec. 14. REPORTS—RECOMMENDATIONS—EXAMINATION. (1) Within sixty days after expiration of each calendar year, the association shall render a report in writing of its financial affairs and transactions for the year, and of its financial condition at year-end. The association shall furnish a copy of the report to each member and to the supervisor.

(2) The financial affairs of the association shall be subject to examination by the supervisor at such intervals as he may deem advisable in relation to the extent of the association's activities. The cost of examination shall be borne by the association. In lieu of his own examination, the supervisor may accept the report of any competent accountant, satisfactory to the supervisor.

NEW SECTION. Sec. 15. TAXATION. The association shall be exempt from all taxes and fees now or hereafter imposed by the state of Washington or any county, municipality, or local authority or subdivision; except that any real property owned by the association shall be subject to taxation to the same extent according to its value as other real property is taxed.

NEW SECTION. Sec. 16. IMMUNITY. There shall be no separate and individual liability on the part of and no cause of action of any nature shall arise against any member insurer, agents or employees of the association, the board of directors, or the supervisor or his representatives, for any action taken by them in the performance of their powers and duties under this act.

NEW SECTION. Sec. 17. **SHORT TITLE.** This act shall be known and may be cited as the Washington credit union share guaranty association act.

NEW SECTION. Sec. 18. **CONSTRUCTION.** This act shall be liberally construed to effect the purpose stated in section 2 of this act, which shall constitute an aid and guide to interpretation.

NEW SECTION. Sec. 19. **SECTION HEADINGS NOT PART OF LAW.** Section headings in this act do not constitute any part of the law.

NEW SECTION. Sec. 20. **SEVERABILITY.** If any clause, sentence, paragraph, section or part of this act shall for any reason be adjudged by any court of competent jurisdiction to be invalid, such judgment shall not affect, impair or invalidate the remainder thereof but shall be confined in its operation to the clause, sentence, paragraph, section or part thereof directly involved in the controversy in which such judgment has been rendered.

NEW SECTION. Sec. 21. **EFFECTIVE DATE.** This act shall become effective on September 1, 1975.

Passed the Senate April 15, 1975.

Passed the House May 16, 1975.

Approved by the Governor May 26, 1975.

Filed in Office of Secretary of State May 26, 1975.

CHAPTER 81

[Engrossed Senate Bill No. 2434]

STATE FINANCE COMMITTEE—AUTHORIZED INVESTMENTS—EQUIPMENT TRANSACTIONS

AN ACT Relating to investments; and amending section 12, chapter 103, Laws of 1973 1st ex. sess. and RCW 43.84.150.

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

Section 1. Section 12, chapter 103, Laws of 1973 1st ex. sess. and RCW 43.84.150 are each amended to read as follows:

Except where otherwise specifically provided by law, the state finance committee and those boards otherwise responsible for the management of their respective funds shall have full power to invest and reinvest funds in the following classes of securities, and not otherwise:

(1) Bonds, notes, or other obligations of the United States or its agencies, or of any corporation wholly owned by the government of the United States, or those guaranteed by, or for which the credit of the United States is pledged for the payment of the principal and interest or dividends thereof, or the obligation of any other government sponsored corporation whose obligations are or may become eligible as collateral for advances to member banks as determined by the board of governors of the federal reserve system.

(2) Bonds, debentures, notes, or other obligations issued, assumed, or unconditionally guaranteed by the international bank for reconstruction and development, the inter-American development bank, or by the federal national mortgage association; in addition to bonds, debentures, or other obligations issued by a