

FORM OF ORDER AND TRANSMITTAL BY AGENCY HAVING SINGLE HEAD

State of Washington

Department of General Administration
(agency name)

Administrative Order No. 87-1

(1) I, Mary Faulk, director of the Department of General Administration

do promulgate and adopt at Olympia, Washington (place)

the annexed rules relating to:

the establishment, operation and regulation of the Washington loan bank, implementing the provisions of RCW 31.30

(2) ALTERNATIVE A. Use only for Adoption of Permanent Rules.

This action is taken pursuant to Notice No. 87-10-046 filed with the code reviser on May 5, 1987. These rules shall take effect: [X] thirty days after they are filed with the code reviser pursuant to RCW 34.04.040(2). [] at a later date, such date being

(2) ALTERNATIVE B. Use only for Adoption of Emergency Rules.

I, find that an emergency exists and that this order is necessary for the preservation of the public health, safety, or general welfare and that observance of the requirements of notice and opportunity to present views on the proposed action would be contrary to public interest. A statement of the facts constituting the emergency is:

These rules are therefore adopted as emergency rules to take effect upon filing with the code reviser.

(3) Pursuant to the requirements of RCW 34.04.026 that "every agency shall incorporate the most specific, but in no case omit all, of the following language alternatives when adopting or amending rules" fill in statement (a), (b), or (c) as appropriate:

[] (a) This rule is promulgated pursuant to RCW and is intended to administratively implement that statute.

[X] (b) This rule is promulgated pursuant to RCW 31.30.010 which directs that the

Director of the Department of General Administration (agency)

has authority to implement the provisions of Chapter 31.30

(name of act or RCW citation)

[] (c) This rule is promulgated under the general rule-making authority of the

(agency)

as authorized in RCW

(4) The undersigned hereby declares that the agency has complied with the provisions of the Open Public Meetings Act (chapter 42.30 RCW), the Administrative Procedure Act (chapter 34.04 RCW) and the State Register Act (chapter 34.08 RCW) in the adoption of these rules.

(5) This order, after being first recorded in the order register of this agency, is herewith transmitted to the Code Reviser for filing pursuant to chapter 34.04 RCW and chapter 1-12 WAC.

APPROVED AND ADOPTED June 10 19 87

STATE OF WASHINGTON FILED

By Mary Faulk Mary Faulk Director of General Administration Title

JUN 11 1987

[Form CR-7: Rev. 7/23/82]

CODE REVISER'S OFFICE WSR 87-13-030

Chapter 50-52 WAC
WASHINGTON LAND BANK

WAC

50-52-010
50-52-020
50-52-030

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NEW SECTION

WAC 50-52-010 PURPOSE. The purpose of this chapter shall be to provide regulations for the implementation of chapter 31.30 RCW which was adopted as amended on March 5, 1986. This chapter shall establish requirements and guidelines necessary to comply with statutory provisions in establishing, incorporating, operating, and regulating the borrower-owned corporate entity to be known as the Washington land bank.

NEW SECTION

WAC 50-52-020 ESTABLISHMENT. The Washington land bank shall be patterned after the federal land banks organized under the Farm Credit Act of 1971, as amended, within state constitutional limits. The Washington land bank shall be an institution organized by eligible borrowers to provide long-term credit to farmers, ranchers, and producers of privately cultured aquatic products, and their close family members and affiliated legal entities as provided herein.

NEW SECTION

WAC 50-52-030 DEFINITIONS. (1) Person - A "person" means (a) an individual who is a citizen of the United States or who has been lawfully admitted into the United States for permanent residence and is so domiciled and is a bona fide resident of the state of Washington; or (b) a legal entity in which essentially all of the outstanding stock or equity and voting control is directly or indirectly owned by, or held for the benefit of, a person or persons.

(2) Legal entity - A "legal entity" means any partnership, corporation, estate, trust, or other entity which is established pursuant to the laws of the United States, or any state thereof, including the Commonwealth of Puerto Rico or the District of Columbia, and which is legally vested with the authority to conduct a business.

(3) Affiliated legal entity - A legal entity in which essentially all of the voting stock or equity and voting control is directly or indirectly owned by, or held for the benefit of, a person.

(4) Bona fide farmer, rancher, or producer of privately cultured aquatic products - A person who owns and/or operates agricultural or aquacultural property, and is engaged, directly or through a close family member or an affiliated legal entity, in the production of agricultural products, including privately cultured aquatic products under controlled conditions.

(5) Close family member - Means a spouse, sibling, child, grandchild, parent, grandparent, fathers-in-law or mothers-in-law, and sons-in-law or daughters-in-law.

(6) "Supervisor" shall mean the supervisor of banking of the state of Washington.

(7) "Aquaculture" shall have the meaning set forth in RCW 15.85.020.

(8) "Aquatic farmer" shall have the meaning set forth in RCW 15.85.020.

(9) "Privately cultured aquatic product" shall have the meaning set forth in RCW 15.85.020.

ORGANIZATION AND POWERS

NEW SECTION

WAC 50-52-040 INCORPORATORS. When authorized by the supervisor, as herein provided, the Washington land bank may be organized, in the manner herein prescribed, by any group of three or more persons eligible to borrow money from the bank. The bank shall not incorporate for a lesser amount nor commence business unless it has a paid-in capital stock, surplus and undivided profits in the amount as may be determined by the supervisor after consideration of the proposed location, management, the size and economic characteristics of the market area, the proposed activities and operation of the bank, and other factors deemed pertinent by the supervisor. The proposed bank shall, before commencing business, have subscribed and paid into it in the same manner as is required for capital stock, an additional amount equal to at least ten percent of the capital stock above required, which shall be carried in the undivided profit account and may be used to defray organization and operating expenses of the company. Any sum not so used shall be transferred to the capital stock of the bank before any dividend shall be declared to the stockholders.

NEW SECTION

WAC 50-52-050 NOTICE OF INTENTION TO ORGANIZE. Eligible persons desiring to incorporate the Washington land bank shall file with the supervisor a notice of their intention to organize the bank containing the following information, which shall be organized and submitted under the following basic general headings or factors with appropriate supporting schedules, statements, and data:

(1) Financial history and condition.

(a) Pro forma statement of condition - beginning of business.

(b) Premises to be occupied by proposed bank. Detailed description of form of ownership, costs, from whom purchased or leased, insurance coverage, and estimated annual depreciation.

(c) Details as to proposed investment in and rental of furniture, fixtures, and equipment.

(d) Relationships and associations with proposed bank of any of the sellers or lessors of land, buildings, or equipment, either directly or indirectly.

(e) Organization expenses: A complete and detailed accounting is required for all income and expenses related to organization, including a detailed account of actual legal accounting and consulting expenses, together with any additional costs anticipated prior to opening or costs incurred or work performed during the organization period for which disbursement has been deferred beyond the opening date.

(2) Adequacy of the capital structure.

(a) Source of capital funds and proposed allocations within total capital structure.

(i) Amount of paid-in capital stock (No. shares x par value.)

(ii) Amount of paid-in surplus.

(iii) Amount of paid-in undivided profits.

(iv) Amount of other segregations, including the organization or expense fund, if planned.

(b) The adequacy of the proposed capital structure shall be discussed in the notice, and will be evaluated, in part, in relation to:

(i) The size and economic characteristics of the market to be served.

(ii) Ratio the projected net total capital structure will bear to the estimated volume of debt at the end of each of the first six years of operations.

(3) Future earnings prospects. A detailed projection of earnings and expenses is to be submitted showing the breakdown of income and expenses for each of the first six years of operations. Provision should be made for loan losses and a bad debt reserve based upon a realistic evaluation of anticipated losses to be sustained in each of the major types of loan demands the proposed bank expects to serve and total loans expected by the end of each of the first six years of operations.

(4) General character of management.

(a) A financial report and a biographical report of each proposed officer and director is required together with a report by each officer and director stating the proposed compensation of such officer, director, and any other financial interest such officer or director shall have or expect to have in the bank.

(b) The subscribers (proposed shareholders) for each class of stock are to be listed alphabetically with name and address, occupation and number of shares being purchased indicated by number of shares being purchased indicated by number of shares and total subscription price. The list should indicate "D" for the directors designee, "O" for officers.

(c) For any subscribers for five percent or more of any class of the proposed capital stock, the same financial information shall be provided as is required for directors and officers.

(d) The membership of the committees of the directorate if any, are to be designated and duties outlined, including:

(i) Loan and/or executive committee.

(ii) Investment committee.

(iii) Audit committee.

(e) The notice shall state the amount of anticipated surety bond coverage and the basis upon which it was determined that this amount is sufficient and conforms with generally accepted banking practices.

(f) Any changes contemplated in the proposed directorate or active management during the first year are to be reported, or, if none, so state.

(5) Convenience and needs of the community to be served.

(a) Applicants have the responsibility of developing as fully as possible the proposed business plan, together with economic support and justification for the proposed bank, including the trade or market area which the proposed bank will serve (which will be the state of Washington), including the manner in which various regions, markets, and producers of particular agricultural products are to be served. This shall identify the location of branch offices or other direct

sources of providing services to borrowers, such as agent banks or other agency or loan production offices.

(b) The notice shall state the total indebtedness anticipated, and the nature and term thereof anticipated during the early period of operations together with totals expected by the end of each of the first six years. To the extent relevant, the notice shall state the economic characteristics of the trade territory specified above for the most recent five-year period, including manufacturing, agricultural, and other industrial data, construction activity, retail and wholesale sales, housing starts, school population, census figures and projections.

(c) The notice shall provide information relevant to the economic characteristics of the agricultural community for the most recent five-year period, together with projections for the ensuing six-year period indicating support for and viability of the proposed bank. In the event an economic survey or feasibility study has been prepared it may provide much of the needed information.

(6) Articles and bylaws. The proposed articles of incorporation and bylaws for the bank shall be submitted as part of the notice.

Investigation. When the notice of intention to organize and propose articles of incorporation complying with the foregoing requirements have been received by the supervisor, together with the fees required by law, he shall ascertain from the best source of information at his command and by such investigation as he may deem necessary, whether the character, responsibility, and general fitness of the persons named in such articles are such as to command confidence and warrant belief that the business of the proposed bank will be honestly and efficiently conducted in accordance with the intent and purpose of this chapter; whether the resources of the market to be served afford a reasonable promise of adequate support for the proposed bank; whether the operation of the bank in the manner proposed offers a reasonable promise of viability and continued financial safety and soundness of the proposed bank; and whether the proposed bank is being formed for other than the legitimate objects covered by this chapter.

Notice to file articles--Articles approved or refused--Hearing. After the supervisor shall have satisfied himself of the above facts, and, within three months of the date the notice of intention to organize has been received in his office, he shall notify the incorporators to file executed and acknowledged articles of incorporation with him in triplicate. Unless the supervisor otherwise consents in writing, such articles shall be in the same form and shall contain the same information as the proposed articles and shall be filed with him within ten days of such notice. Within ten days after the receipt of such articles of incorporation, he shall endorse upon each of the triplicates thereof, over his official signature, the word "approved," or the word "refused," with the date of such endorsement. In case of refusal he shall forthwith return one of the triplicates, so endorsed, together with a statement explaining the reason for refusal to the person from whom the articles were received, which refusal shall be conclusive, unless the incorporators, within ten days of the issuance of such notice of refusal, shall request a hearing pursuant to the Administrative Procedure Act, chapter 34.04 RCW, as now or hereafter amended.

Approved articles to be filed and recorded--Organization complete. In case of approval the supervisor shall forthwith give notice thereof to the proposed incorporators and file one of the triplicate articles of incorporation in his own office, and shall transmit another triplicate to the secretary of state, and the last to the incorporators. Upon receipt from the proposed incorporators of the same fees as are required for filing and recording other articles of incorporation the secretary of state shall file such articles and record the same. Upon the filing of articles of incorporation, approved as aforesaid by the supervisor, with the secretary of state, all persons named therein and their successors shall become and be a corporation, which shall have the powers and be subject to the duties and obligations prescribed by chapter 31.30 RCW and this chapter, and whose existence shall continue from the date of the filing of such

articles for the term mentioned in its articles of incorporation unless sooner terminated pursuant to law; but such corporation shall not transact any business except as is necessarily preliminary to its organization until it has received a certificate of authority as provided herein.

Certificate of authority--Issuance--Contents. Before the Washington land bank shall be authorized to do business, and within ninety days after approval of the articles of incorporation, it shall furnish proof satisfactory to the supervisor that such corporation has a paid-in capital in the amount fixed by its articles of incorporation, that any requisite surplus or reserve fund has been accumulated or paid in cash, and that it has in good faith complied with all the requirements of law and fulfilled all the conditions precedent to commencing business imposed by this title. If so satisfied, and within ten days after receipt of such proof, the supervisor shall issue under his hand and official seal, in triplicate, a certificate of authority for such corporation. The certificate shall state that the corporation therein named has complied with the requirements of law, that it is authorized to transact at the place designated in its articles of incorporation the business of the Washington land bank. One of the triplicate certificates shall be transmitted by the supervisor to the corporation and the other two shall be filed by the supervisor in the same offices where the articles of incorporation are filed and shall be attached to said articles of incorporation, and the one filed with the secretary of state shall be recorded.

Failure to commence business--Effect--Extension of time. In the event the Washington land bank shall have failed to organize and commence business within six months after the certificate of authority to commence business has been issued by the supervisor, it shall forfeit its rights and privileges as such corporation, which fact the supervisor shall certify to the secretary of state, and such certificate of forfeiture shall be filed and recorded in the office of the secretary of state in the same manner as the certificate of authority; however, the supervisor may, upon showing of cause satisfactory to him, issue an order under his hand and seal extending for not more than three months the time within which such organization may be effected and business commenced, such order to be transmitted to the office of the secretary of state and filed and recorded therein.

NEW SECTION

WAC 50-52-060 ARTICLES OF INCORPORATION. (1) The articles of incorporation shall set forth:

(a) The name of the corporation, which shall be "The Washington Land Bank."

(b) The period of duration, which may be perpetual or for a stated term of years.

(c) That the purposes for which the corporation is organized shall be to engage in the lending and borrowing of money and any or all lawful business which may be allowed to it under chapter 31.30 RCW, or subsequent amendments thereto.

(d) That the voting stock of the Washington land bank shall be held only by borrowers who are farmers or ranchers, which stock shall not be transferred, pledged, or hypothecated except to other eligible borrowers.

(e) The aggregate number of shares which the corporation shall have the authority to issue and if such shares are to be divided into classes, the number of shares of each class.

(f) If the shares are to be divided into classes, the designation of each class and a statement of the preferences, limitations, and relative rights in respect of the shares of each class.

(g) If the corporation is to issue the shares of any preferred or special class in series, then the designation of each series and a

statement of the variations in the relative rights and preferences as between series insofar as the same are to be fixed in the articles of incorporation, and a statement of any authority to be vested in the board of directors to establish series and fix and determine the variations in the relative rights and preferences as between series.

(h) Any provision limiting or denying to shareholders the preemptive right to acquire additional shares of the corporation.

(i) The address of its initial registered office and the name of its initial registered agent at such address.

(j) The number of directors constituting the initial board of directors and the names and addresses of the persons who are to serve as directors until the first annual meeting of shareholders or until their successors have been elected and qualified. Not less than a majority of such directors shall be persons eligible to borrow from the Washington land bank.

(k) The name and address of each incorporator.

(2) The articles shall be accompanied by a statement signed by each of the organizers of Washington land bank establishing his eligibility to borrow from the Washington land bank.

(3) In addition to the provisions required under this section, the articles of incorporation may also contain provisions not inconsistent with law regarding:

(a) The direction of the management of the business and the regulation of the affairs of the corporation;

(b) The definition, limitation, and regulation of the powers of the corporation, the directors, and the shareholders, or any class of the shareholders, including restrictions on the transfer of shares;

(c) The par value of any authorized shares or class of shares; and

(d) Any provision which under this title is required or permitted to be set forth in the bylaws.

NEW SECTION

WAC 50-52-070 ORGANIZATION MEETING OF DIRECTORS. After the issuance of the certificate of incorporation an organization meeting of the board of directors named in the articles of incorporation shall be held, either within or without this state, at the call of a majority of the directors named in the articles of incorporation, for the purpose of adopting bylaws, electing officers, and the transaction of such other business as may come before the meeting. The directors calling the meeting shall give at least three days' notice thereof by mail to each director so named, unless such notice is waived in writing, which notice shall state the time and place of the meeting. Any action permitted to be taken at the organization meeting of the directors may be taken without a meeting if each director signs an instrument which states the action so taken.

NEW SECTION

WAC 50-52-080 AMENDMENT TO ARTICLES OF INCORPORATION. With the approval of the supervisor, the Washington land bank may amend its articles of incorporation, from time to time, in any and as many respects as may be desired, so long as its articles of incorporation as amended contain only such provisions as might be lawfully contained in original articles of incorporation at the time of making such amendment. Not less than ten days before the proposed adoption of any such amendments a written notice setting forth the proposed amendment shall be given to the supervisor for approval.

NEW SECTION

WAC 50-52-090 STOCK/VOTING STOCK. The Washington land bank shall have power to create and issue the number of shares stated in its articles of incorporation. Such shares may be divided into one or more classes with such designations, preferences, limitations, and relative rights as shall be stated in the articles of incorporation. Voting stocks shall be issued to and held only by borrowers who are farmers or ranchers or producers of privately cultured aquatic products, which stock shall not be transferred, pledged, or hypothecated except to other eligible borrowers.

NEW SECTION

WAC 50-52-100 ISSUANCE OF SHARES. Subject to any restrictions in the articles of incorporation:

(1) Shares may be issued for such consideration as shall be authorized by the board of directors.

(2) Upon authorization by the board of directors, the Washington land bank may issue its own shares in exchange for or in conversion of its outstanding shares, or distribute its own shares, pro rata to its shareholders or the shareholders of one or more classes or series, to effectuate stock dividends or splits, and any such transaction shall not require consideration. However, such issuance of shares of any class or series shall not be made to the holders of shares of any other class or series unless it is either expressly provided for in the articles of incorporation, or is authorized by an affirmative vote or the written consent of the holders of at least a majority of the outstanding shares of the class or series in which the distribution is to be made.

(3) The board of directors shall from time to time authorize the issuance of additional capital stock so that borrowers purchasing stock or participation certificates therein may be eligible for loans from the bank.

NEW SECTION

WAC 50-52-110 PAR VALUE--DETERMINATION OF PRICE--PAYMENT FOR SHARES. (1) The voting stock of Washington land bank shall be divided into shares of par value of not less than five dollars each.

(2) The capital stock of Washington land bank may be of such classes as its board of directors may determine.

(3) Consideration for shares may consist of cash, promissory notes, services performed, contracts for services to be performed, or any other tangible or intangible property. If shares are issued for other than cash, the board of directors shall determine the value of the consideration. Shares issued when the Washington land bank received the consideration determined by the board are validly issued, fully paid, and nonassessable. A good faith judgment of the board of directors as to the value of the consideration received for shares is conclusive. Washington land bank may place shares issued for a contract for future services or a promissory note in escrow, or make other arrangements to restrict the transfer of the shares, and may credit distributions in respect of the shares against their purchase price, until the services are performed or the note is paid. If the services are not performed or the note is not paid, the shares escrowed or restricted and the distributions credited may be cancelled in whole or in part.

NEW SECTION

WAC 50-52-120 BYLAWS. The initial bylaws of Washington land bank shall be adopted by its board of directors. The power to alter, amend, or repeal the bylaws or adopt new bylaws, subject to repeal or change by action of the shareholders, shall be vested in the board of directors unless reserved to the shareholders by the articles of incorporation except that the power to amend any bylaw relating to compensation of officers or directors shall be reserved to shareholders. The bylaws may contain any provisions for the regulation and management of the affairs of Washington land bank not inconsistent with law or the articles of incorporation.

NEW SECTION

WAC 50-52-130 BYLAWS AND OTHER POWERS IN EMERGENCY. The board of directors of Washington land bank may adopt emergency bylaws, subject to repeal or change by action of the shareholders, operative during any emergency in the conduct of the business of Washington land bank resulting from an attack on the United States or any nuclear or atomic disaster. The emergency bylaws may make any provision that may be practical and necessary for the circumstances of the emergency.

NEW SECTION

WAC 50-52-140 MEETINGS OF SHAREHOLDERS. Meetings of shareholders may be held at such place within this state as may be stated in or fixed in accordance with the bylaws. If no place is stated or so fixed, meetings shall be held at the principal place of business of Washington land bank.

An annual meeting of the shareholders shall be held at such time as may be stated in or fixed in accordance with the bylaws. If the annual meeting is not held within any thirteen-month period the superior court may, on the application of any shareholder for a writ of mandamus, summarily order a meeting to be held.

Special meetings of the shareholders may be called by the board of directors, the holders of not less than one-tenth of all the shares entitled to vote at the meeting, or such other persons as may be authorized in the articles of incorporation or the bylaws.

NEW SECTION

WAC 50-52-150 NOTICE OF SHAREHOLDER MEETINGS. Written notice stating the place, day, and hour of the meeting and, in case of a special meeting, the purpose or purposes for which the meeting is called, shall be delivered not less than ten or more than fifty days before the date of the meeting, either personally or by mail, by or at the direction of the president, the secretary, or the officer or persons calling the meeting, to each shareholder of record entitled to vote at such meeting. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail addressed to the shareholder at his address as it appears on the stock transfer books of Washington land bank with postage thereon prepaid.

NEW SECTION

WAC 50-52-160 RECORD OF SHAREHOLDERS ENTITLED TO VOTE. The officer or agent having charge of the stock transfer books for shares of Washington land bank shall make, at least ten days before each meeting of shareholders, a complete record of the shareholders entitled to vote at such meeting or any adjournment thereof, arranged in alphabetical order, with the address of and the number of shares held by each, which record, for a period of ten days prior to such meeting, shall be kept on file at the registered office of Washington land bank. Such record shall be produced and kept open at the time and place of the meeting and shall be subject to the inspection of any shareholder during the whole time of the meeting for the purposes thereof.

Failure to comply with the requirements of this section shall not affect the validity of any action taken at such meeting.

An officer or agent having charge of the stock transfer books who shall fail to prepare the record of shareholders, or keep it on file for a period of ten days, or produce and keep it open for inspection at the meeting, as provided in this section, shall be liable to any shareholder suffering damage on account of such failure to the extent of such damage.

NEW SECTION

WAC 50-52-170 QUORUM OF SHAREHOLDERS. (1) A quorum at a meeting of shareholders is constituted by the representation in person or by proxy of:

(a) The percentage of shares entitled to vote set forth in the articles of incorporation, except that no such percentage shall be less than ten percent; or

(b) In the absence of any provision in the articles of incorporation, a majority of shares entitled to vote.

(2) If a quorum is present, the affirmative vote of the majority of the shares represented at the meeting and entitled to vote on the subject matter shall be the act of the shareholders, unless the vote of a greater number or voting by classes is required by this title or the articles of incorporation or bylaws.

NEW SECTION

WAC 50-52-180 VOTING OF SHARES. A shareholder may vote either in person or by proxy executed in writing by the shareholder or by his duly authorized attorney-in-fact. No proxy shall be valid after eleven months from the date of its execution, unless otherwise provided in the proxy. Unless the articles of incorporation otherwise provide, at each election for directors every shareholder entitled to vote at such election shall have the right, in person or by proxy, to cast one vote for as many persons as there are directors to be elected and for whose election he has a right to vote, or to cumulate his votes by giving one candidate as many votes as the number of such directors shall equal, or by distributing such votes on the same principle among any number of such candidates.

Shares standing in the name of a corporation, domestic or foreign, may be voted by such officer, agent, or proxy as the bylaws of such corporation may prescribe, or, in the absence of such provision, as the board of directors of such corporation may determine.

Shares held by an administrator, executor, guardian or conservator may be voted by him, either in person or by proxy without a transfer of such shares into his name. Shares standing in the name of a trustee may be voted by him, either in person or by proxy, but no trustee shall be entitled to vote shares held by him without a transfer of such shares into his name.

Shares standing in the name of a receiver may be voted by such receiver, and shares held by or under the control of a receiver may be voted by such receiver without the transfer thereof into his name if authority so to do be contained in an appropriate order of the court by which such receiver was appointed.

A shareholder whose shares are pledged shall be entitled to vote such shares until the shares have been transferred into the name of the pledgee, and thereafter the pledgee shall be entitled to vote the shares so transferred.

NEW SECTION

WAC 50-52-190 BOARD OF DIRECTORS. All corporate powers shall be exercised by or under authority of, and the business and affairs of Washington land bank shall be managed under the direction of, a board of directors. Directors shall be residents of this state and not less than a majority of the directors shall be persons eligible to borrow from the Washington land bank. The articles of incorporation or bylaws may prescribe other qualifications for directors. The shareholders shall have authority to fix the compensation of directors, which shall be set forth in the bylaws.

NEW SECTION

WAC 50-52-200 DUTIES OF DIRECTORS. A director shall perform the duties of a director, including the duties as a member of any committee of the board upon which the director may serve, in good faith, in a manner such director believes to be in the best interests of Washington land bank, and with such care, including reasonable inquiry, as an ordinarily prudent person in a like position would use under similar circumstances.

In performing the duties of a director, a director shall be entitled to rely on information, opinions, reports, or statements, including financial statements and other financial data, in each case prepared or presented by:

(1) One or more officers or employees of Washington land bank whom the director believes to be reliable and competent in the matter presented;

(2) Counsel, public accountants, or other persons as to matters which the director believes to be within such person's professional or expert competence; or

(3) A committee of the board upon which the director does not serve, duly designated in accordance with a provision in the articles of incorporation or bylaws, as to matters within its designated authority, which committee the director believes to merit confidence; so long as, in any such case, the director acts in good faith, after reasonable inquiry when the need therefor is indicated by the circumstances and without knowledge that would cause such reliance to be unwarranted.

NEW SECTION

WAC 50-52-210 NUMBER AND ELECTION OF DIRECTORS. The board of directors of Washington land bank shall consist of five or more members. The number of directors shall be fixed by the articles of incorporation. The number of directors may be increased or decreased from time to time by amendment to or in the manner provided in the articles of incorporation, but no decrease shall have the effect of shortening the term of any incumbent director nor shall the number of directors be reduced to less than five. The names and addresses of the members of the first board of directors shall be stated in the articles of incorporation. Such personnel shall hold office until the first annual meeting of shareholders, and until their successors shall have been elected and qualified. At the first annual meeting of shareholders and at each annual meeting thereafter the shareholders shall elect directors to hold office until the next succeeding annual meeting, except in case of the classification of directors as permitted by this title. Each director shall hold office for the term for which he is elected and until his successor shall have been elected and qualified.

NEW SECTION

WAC 50-52-220 CLASSIFICATION OF DIRECTORS. In lieu of electing the whole number of directors annually, the articles of incorporation may provide that the directors be divided into either two or three classes, each class to be as nearly equal in number as possible, the term of office of directors of the first class to expire at the first annual meeting of shareholders after their election, that of the second class to expire at the second annual meeting after their election, and that of the third class, if any, to expire at the third annual meeting after their election. At each annual meeting after such classification the number of directors equal to the number of the class whose term expires at the time of such meeting shall be elected to hold office until the second succeeding annual meeting, if there be two classes, or until the third succeeding annual meeting, if there be three classes. No classification of directors shall be effective prior to the first annual meeting of shareholders.

NEW SECTION

WAC 50-52-230 VACANCIES. Any vacancy occurring in the board of directors may be filled by the affirmative vote of a majority of the remaining directors though less than a quorum of the board of directors. A director elected to fill a vacancy shall be elected for the unexpired term of his predecessor in office. Any directorship to be filled by reason of an increase in the number of directors may be filled by the board of directors for a term of office continuing only until the next election of directors by the shareholders.

NEW SECTION

WAC 50-52-240 REMOVAL OF DIRECTORS. At a meeting of shareholders called expressly for that purpose, directors may be removed in the manner provided in this section. Any director of the entire board of

directors may be removed, with or without cause, by a vote of the holders of a majority of the shares then entitled to vote at an election of directors.

If less than the entire board is to be removed, no one of the directors may be removed if the votes cast against his removal would be sufficient to elect such director if then cumulatively voted at an election of the entire board of directors, or, if there be classes of directors, at an election of the class of directors of which such director is a part.

Whenever the holders of the shares of any class are entitled to elect one or more directors by the provisions of the articles of incorporation, the provisions of this section shall apply, in respect to the removal of a director or directors so elected, to the vote of the holders of the outstanding shares of that class and not to the vote of the outstanding shares as a whole.

NEW SECTION

WAC 50-52-250 QUORUM OF DIRECTORS. (1) Except as provided in subsection (2) of this section:

(a) A majority of the number of directors fixed by the articles of incorporation shall constitute a quorum for the transaction of business.

(b) The act of the majority of the directors present at a meeting at which a quorum is present shall be the act of the board of directors, unless the act of a greater number is required by the articles of incorporation or the bylaws.

(2) A transaction with Washington land bank in which a director or an officer has a direct or indirect interest shall be authorized, approved, or ratified only in the manner prescribed for approval of a loan to such director in chapter 50-52 WAC, and only directors with no direct or indirect interest in the transaction shall be eligible to vote thereon.

NEW SECTION

WAC 50-52-260 DISSENT BY DIRECTORS. A director of Washington land bank who is present at a meeting of its board of directors at which action on any corporate matter is taken shall be presumed to have assented to the action taken unless his dissent shall be entered in the minutes of the meeting or unless he shall file this written dissent to such action with the person acting as the secretary of the meeting before the adjournment thereof or shall forward such dissent by registered mail to the secretary of the Washington land bank immediately after the adjournment of the meeting. Such right to dissent shall not apply to a director who voted in favor of such action.

NEW SECTION

WAC 50-52-270 EXECUTIVE AND OTHER COMMITTEES. If the articles of incorporation or the bylaws so provide, the board of directors, by resolution adopted by a majority of the full board of directors, may designate from among its members an executive committee and one or more other committees each of which, to the extent provided in such resolution or in the articles of incorporation or the bylaws of the

corporation, shall have and may exercise all the authority of the board of directors, except that no such committee shall have the authority to: (1) Authorize distributions, except at a rate or in periodic amount determined by the board of directors, (2) approve or recommend to shareholders actions or proposals required by this title to be approved by shareholders, (3) fill vacancies on the board of directors or any committee thereof, (4) amend the bylaws, or (5) appoint other committees of the board of directors or the members thereof.

NEW SECTION

WAC 50-52-280 PLACE AND NOTICE OF DIRECTORS' OR DESIGNATED COMMITTEE MEETINGS--PRESENCE. Meetings of the board of directors, regular or special, shall be held within the state of Washington.

Regular meetings of the board of directors or of any committee designated by the board of directors may be held with or without notice as prescribed in the bylaws. Special meetings of the board of directors or any committee designated by the board of directors shall be held upon such notice as is prescribed in the bylaws. Attendance of a director or a committee member at a meeting shall constitute a waiver of notice of such meeting, except where a director or a committee member attends a meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the board of directors or any committee designated by the board of directors need be specified in the notice or waiver of notice of such meeting unless required by the bylaws.

Except as may be otherwise restricted by the articles of incorporation or bylaws, members of the board of directors or any committee designated by the board of directors may participate in a meeting of such board or committee by means of a conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other at the same time and participation by such means shall constitute presence in person at a meeting.

NEW SECTION

WAC 50-52-290 LOANS TO DIRECTORS--GUARANTEES OF OBLIGATIONS OF DIRECTORS. (1) The Washington land bank may not lend money to, or lend money upon the guaranty of, or guarantee the obligation of, a director of the bank unless the particular loan or guarantee is approved by the affirmative vote of at least a majority of the directors of the Washington land bank. Neither the benefited director nor any other director having a direct or indirect interest in the transaction may vote for approving such a loan.

(2) The fact that a loan is made to or guaranteed by a director in violation of this section does not affect the borrower's or guarantor's liability on the loan.

NEW SECTION

WAC 50-52-300 OFFICERS. The officers of Washington land bank shall consist of a president, one or more vice presidents as may be

prescribed by the bylaws, a secretary, and a treasurer, each of whom shall be elected by the board of directors at such time and in such manner as may be prescribed by the bylaws. Such other officers and assistant officers and agents as may be deemed necessary may be elected or appointed by the board of directors, or chosen in such other manner, as may be prescribed by the bylaws.

NEW SECTION

WAC 50-52-310 REMOVAL OF OFFICERS. Any officer or agent may be removed by the board of directors whenever in its judgment the best interests of Washington land bank will be served thereby, but such removal shall be without prejudice to the contract rights, if any, of an officer or agent and shall not of itself create contract rights.

NEW SECTION

WAC 50-52-320 BOOKS, RECORDS AND MINUTES. Washington land bank shall keep correct and complete books and records of account and shall keep minutes of the proceedings of its shareholders and board of directors, and shall keep at its registered office or principal place of business, or at the office of its transfer agent or registrar, a record of its shareholders, giving the names and addresses of all shareholders and the number and class of the share held by each. Any books, records, and minutes may be in written form or any other form capable of being converted into written form within a reasonable time.

LENDING

NEW SECTION

WAC 50-52-330 ELIGIBILITY. (1) To be eligible to borrow, a person must be a bona fide farmer, rancher, or producer of privately cultured aquatic products, as defined in WAC 50-52-030 (4), which status shall be established as a part of the application for credit.

(2) When the borrower does not own the real estate pledged as collateral, the loan shall be made on the following basis:

- (a) The borrower must be a bona fide farmer or rancher.
- (b) The loan shall be secured by the agricultural land on which the borrower is farming.
- (c) The land shall be leased to the borrower on a long term basis.
- (d) The owner of the land shall sign a hypothecation agreement for the purpose of securing the bank's interest in the collateral for the loan.

(3) A legal entity shall meet the requirements in subsection (1) of this section and the following qualifications to be eligible to borrow:

- (a) A majority of the shares of its outstanding voting stock or equity must be owned by the individuals conducting the farming, livestock, or aquatic operation.

(b) It shall own assets primarily related to the production of agricultural products or production of privately cultured aquatic products.

(c) A majority of its income must originate from its production of agricultural products or production of privately cultured aquatic products.

(4) A legal entity engaged in agriculture or production of privately cultured aquatic products for the primary purpose of conducting its operation at a loss to absorb taxable income from nonagricultural or nonaquatic sources shall not be eligible. The legal entity shall demonstrate compliance with this subsection.

NEW SECTION

WAC 50-52-340 COMBINED OPERATIONS. Where applications include a combination of farming or producing privately cultured aquatic products, the determination of eligibility can be made on the basis of the criteria set out for either or any combination of these operations.

NEW SECTION

WAC 50-52-350 ASSUMPTION OF LCANS. Loans made by the Washington land bank may be assumed by a person eligible to borrow from the Washington land bank. Loans may not be assumed without the prior approval of the Washington land bank. A person proposing to assume a loan shall submit an application in the form designated by the board of directors. In approving or denying approval of such assumption, the Washington land bank shall apply the same standards applied by the Washington land bank to comparable loans then being made by Washington land bank.

NEW SECTION

WAC 50-52-360 LONG-TERM REAL ESTATE MORTGAGES. Washington land bank may make, or participate with other lenders in, only long-term loans to eligible farmers, ranchers, or producers of privately cultured aquatic products, as defined in WAC 50-52-030(4), for a term of not less than five years nor more than forty years, which loans must be secured by a first lien in real property located in the state of Washington, conveyed to Washington land bank by mortgage executed by all parties necessary, in the opinion of Washington land bank counsel, for the proper conveyance thereof. Subject to limitations applicable to making long-term real estate mortgage loans, Washington land bank may make continuing commitments to make such loans under specified circumstances. Policies established by the bank's board shall be followed in making loans and in making commitments for loans. Borrowers shall be permitted to make advance payments on their loans or, under agreement with Washington land bank, to make advance conditional payments for the purpose of establishing reserves to pay off the loan upon maturity or to make these funds available to the borrowers as needed. Washington land bank may pay interest on advance conditional payments at a rate not to exceed the rate charged on related loans.

NEW SECTION

WAC 50-52-370 NONDISCRIMINATION IN LENDING AND OTHER SERVICES. Washington land bank shall not, because of the race, color, religion, national origin, sex or marital status, or age (provided the applicant has the capacity to contract) of an eligible person, deny a loan, or refuse to allow, receive, or consider any application, request, or inquiry with respect to a loan, or refuse to perform any other service it customarily makes available to borrowers, applicants, and members, or discriminate in fixing the amount, interest rate, duration, application procedures, collection or enforcement procedures, or other terms or conditions of a loan or other service on any such basis.

NEW SECTION

WAC 50-52-380 NONDISCRIMINATORY ADVERTISING. Washington land bank advertising shall not use words, phrases, symbols, directions, forms, or models in such advertising which imply or suggest a policy of discrimination or exclusion in violation of the provisions of Title VIII of the Civil Rights Act of 1968.

NEW SECTION

WAC 50-52-390 DEFERRAL OF PAYMENTS. With the approval of the Washington land bank, during the first five years after the loan is originated, the borrower may elect to defer payment of all or any portion of the principal or interest due from the borrower if the following conditions are met:

(1) If approved, deferral of such payment shall be made on the date such payment is due during the first five years after the loan is originated.

(2) The deferral of such payment shall not cause or allow the principal and accrued interest on the outstanding loan, including interest accruing during the period of deferral, to exceed sixty-five percent of the original appraised value or the current appraised value of the collateral, whichever is less. Values of the collateral shall be determined according to the appraisal standards set forth in WAC 50-52-440.

(3) The borrower shall notify Washington land bank of its intention to defer payments not more than ninety nor less than thirty days prior to making such election, and shall have received approval of such deferral in writing. If the outstanding principal and accrued interest exceeds, or would during the deferral period exceed, sixty-five percent of the appraised value, the borrower shall make partial payments until such principal, accrued interest, and interest which will accrue during the deferral period are reduced to comply with subsection (2) of this section. Application of such payments shall be first made against accrued interest and any other charges or fees and then to reduction of outstanding principal.

(4) The repayment of the principal amount and all interest accrued and to accrue, including any and all interest charges or fees earned during the period of deferral and thereafter, shall be recomputed and amortized over a term equal to the original term of the loan. Interest rate or rates may vary from time to time during the repayment period of the loan, in accordance with the interest rates and charges policy set forth in WAC 50-52-460.

(5) In connection with a request to defer repayment, the borrower shall provide to Washington land bank such current financial statements, budgets and projections, current land appraisal and other loan documentation as Washington land bank may require.

NEW SECTION

WAC 50-52-400 BASIS OF LOAN. Loans made by the Washington land bank shall be made on the basis of long-term profitability rather than short-term cash flow. For this purpose, the term "long-term profitability" shall mean the ability of the borrower to repay the money borrowed and all accrued interest and the charges during the term of the loan as written including deferral periods as allowed herein, from the borrower's existing resources and from reasonably anticipated future income and resources based upon the borrower's demonstrated abilities, as disclosed by the loan application and supporting documentation. The board of directors shall establish written lending policies, which shall set forth the criteria which shall be applied in granting or extending credit, and the relative weight to be accorded to each factor. The factors shall include, in addition to collateral value, the ability and willingness of the borrower to meet the repayment terms, the borrower's financial condition, the borrower's reputation, and the borrower's earning projections from farming operations and other sources. Lending policies shall include provisions for adequate collateral and loan documentation.

NEW SECTION

WAC 50-52-410 BORROWER LIABILITY. All primary borrowers shall be fully liable for loans obtained from Washington land bank. Where personal guaranty is required, each guarantor shall be fully liable unless the primary borrower or other guarantors provide adequate financial strength to result in a sound loan even though the personal liability of an individual guarantor may be limited.

NEW SECTION

WAC 50-52-420 LOAN TERMS AND CONDITIONS. (1) Loans may be made for not less than five years nor more than forty years. The written loan approval prepared by Washington land bank shall set out the terms and conditions under which a loan is approved. To assure proper understanding, provide needed controls, and protect the lender, a formal written loan agreement shall be entered into between the borrower and the bank. The Washington land bank may participate in loans with other lenders, provided that such loans would be lawful loans if made directly by Washington land bank.

(2) The outstanding loan balance, including all accrued and unpaid interest, costs, and fees, on any loan shall not at any time during the life of the loan exceed sixty-five percent of the appraised value established by the appraisal of the primary real estate security made at the time the loan was originated or at the time of any subsequent deferral of payment, whichever is less. This shall not, however, prohibit the Washington land bank from advancing taxes,

advancing insurance premiums with respect to the real estate, capitalizing past due interest, rescheduling loan payments, or granting partial releases of security interests in the real estate when, (a) there is adequate collateral to support the total amount of the outstanding debt without exceeding the sixty-five percent loan to value ratio, and such action will increase the ability of the debtor to repay the debt, or, (b) if there is not adequate collateral to support the debt, litigation is in process for the collection of the debt, the actions are in connection with such litigation, and the actions are considered by Washington land bank to be necessary to protect the financial interest of Washington land bank in the collateral.

NEW SECTION

WAC 50-52-430 SECURITY REQUIREMENTS. The primary security for a Washington land bank loan shall consist of a first lien on interests in real estate located in the state of Washington comprising agricultural property, or real estate used as an integral part of an eligible aquatic operation. The real estate interest must be mortgageable under deeds or leases which would allow the bank to have first lien security interest in the property and all parties who are necessary, in the opinion of Washington land bank counsel, for the proper conveyance of a first mortgage on said property shall join in the execution of all necessary instruments. Fixtures which are an integral part of, and normally sold with, the real estate may be included in the appraised value of property upon which the loan is based, provided that Washington land bank shall receive a first lien in such fixtures. The board of directors shall develop policies to assure that the appraised value of nonagricultural assets such as mineral deposits, commercial buildings, and improvements are properly identified in the report.

NEW SECTION

WAC 50-52-440 APPRAISALS. Appraised value shall be the basis for valuing all collateral. The board of directors shall establish written appraisal standards for the Washington land bank, which shall be utilized in determining the present value of the property. Value shall be determined by a qualified appraiser, as established by the board of directors, utilizing methods and procedures generally recognized in the industry for determining the fair market value of real estate. All appraisal reports or values shall be rendered in writing, setting forth the appraiser's opinion as to value and the basis, including all relevant facts and assumptions, upon which such value is determined.

NEW SECTION

WAC 50-52-450 ADDITIONAL SECURITY. When necessary to protect the interest of the Washington land bank after a loan has been made, or to prevent default in the repayment or allow reasonable forbearance in collection of a delinquent loan, additional security may be required to supplement primary real estate security. Such additional security shall be considered only for additional collateral protection, and may not be included as part of the value of the security

upon which the loan or any deferral is based. Recovery value shall be the basis for measuring the collateral worth of such additional security. Recovery value is defined as the anticipated sale price expected to be received in a liquidation sale of such collateral, less any selling or maintenance costs and any prior liens and encumbrances.

NEW SECTION

WAC 50-52-460 INTEREST RATES AND CHARGES POLICY. In setting rates and charges, it shall be the objective to provide the types of credit needed by eligible borrowers at the lowest reasonable cost on a sound business basis, taking into account the cost of money, necessary reserves and expenses, capital requirements, and services provided to borrowers and members.

NEW SECTION

WAC 50-52-470 INTEREST RATES. Loans made by Washington land bank shall bear interest at a rate or rates as may be determined by the board of directors. The board shall set interest rates or establish in writing the basis for the setting of rates by management. Any interest rate plan shall set loan-pricing policies and objectives, provide guidance regarding the circumstances under which management may adjust rates, and provide the upper and lower limits on management authority. The board of directors may not delegate its ultimate responsibilities for setting interest rates, and any interest rate plan adopted shall be reviewed on at least a quarterly basis by the bank's board, as well as in conjunction with its review and approval of the bank's annual fiscal plan and long-range financial plan.

NEW SECTION

WAC 50-52-480 INTEREST ON PAST DUE LOANS. Provisions may be made in the approved interest rate program for the collection of interest at a higher rate after maturity of a loan or installment if provision is made in the note or loan document.

NEW SECTION

WAC 50-52-490 OTHER CHARGES AND FEES. Washington land bank may impose reasonable charges or fees in connection with loans, deferral of payments, and other services rendered.

NEW SECTION

WAC 50-52-500 INTEREST RATE PROGRAMS. (1) The following types of interest rate programs may be employed:

(a) Fixed rates. The rate of interest specified in the note or loan document shall be the rate chargeable to the borrower during the period of the loan.

(b) Variable rates. The interest rate(s) on outstanding loan balances may be changed from time to time during the period of the loan, if appropriate provisions are made in the note or loan document.

(c) Fixed interest spread. Interest rates shall be expressed in terms of a percentage to be added to the cost of money to the Washington land bank.

(2) Differential rates. Differential interest rates may be established for loans based on type, purpose, amount, quality, funding, or operating costs, any combination of these factors, or such other factors as may be approved by the board of directors.

NEW SECTION

WAC 50-52-510 PARTICIPATIONS. Washington land bank may enter into loan participation agreements with one or more other lenders, including Federal Land Banks existing under the Farm Credit Act of 1971, as amended, provided the loan participation results in significantly beneficial or improved loan terms or conditions or services to the borrower which could not be obtained as a result of a direct loan. Such benefits to the borrower shall be documented in the loan file. All participations must be in loans which, in all respects, would be lawful for Washington land bank to make.

NEW SECTION

WAC 50-52-520 LENDING LIMITS. The total amount of loans, advances, commitments, financial assistance, or other extension of credit, including the purchase of loan participation(s) and the retained portion of any participations sold without recourse, which Washington land bank may have outstanding to any one borrower shall not exceed twenty percent of the capital and surplus of the bank.

NEW SECTION

WAC 50-52-530 COMPUTATION OF OBLIGATION FOR LENDING LIMIT DETERMINATION. The obligation of an individual or legal entity shall be the total unpaid principal amount of loans or extensions of credit by Washington land bank which the individual or entity is liable to repay, including any direct or indirect advance of funds to a person made on a basis of any obligation of that person to repay the funds, or repayable from specific property pledged by or on behalf of a person. The term "loans or extension of credit" includes a renewal, modification, or extension of the maturity date of a loan or extension of credit but shall include only that portion of any participation loans held by the Washington land bank.

NEW SECTION

WAC 50-52-540 NOTICE OF ACTION ON LOAN APPLICATION. Every applicant for a loan from Washington land bank is entitled to a prompt notice of action on his application and, if the loan is denied or reduced, the reason for such action.

NEW SECTION

WAC 50-52-550 APPLICANT'S RIGHT TO APPEAL. An applicant who has reason to believe he was denied credit or was offered credit in a reduced amount because Washington land bank failed to take into account facts pertinent to his application, or misinterpreted or failed to properly apply the rules and regulations governing his application, shall be entitled to an informal hearing. That informal hearing shall be in person before the loan committee, or officer, or employee of Washington land bank authorized to act on that application. The applicant must make the request for such a hearing in writing within thirty days of notice of the original action. Promptly after such a hearing he shall be notified of the decision reached and the reasons therefor.

NEW SECTION

WAC 50-52-560 RECORDS. Washington land bank shall maintain a complete file of all such written requests for hearing, along with all other written inquiries from applicants or borrowers concerning credit denials.

NEW SECTION

WAC 50-52-570 SPECIAL LENDING PROGRAMS. To provide the best possible credit service to farmers, ranchers, and producers of cultured aquatic products, the board may adopt policies permitting Washington land bank to enter into agreements with other entities, including cooperative associations, to facilitate the making of loans to eligible farmers, ranchers, and producers of privately cultured aquatic products. Entities who are the originating lenders shall be responsible for the servicing of the loans they make. However, loan participation agreements may designate specific loan servicing efforts to be accomplished by a participating institution. The board of directors shall direct Washington land bank to adopt loan servicing policies and procedures to assure that loans will be serviced fairly and equitably for the borrower while minimizing the risk for Washington land bank. Procedures shall include specific plans which help preserve the quality of loans and which help resolve credit deficiencies as they develop.

BORROWING/SECURITIES/INVESTMENTS

NEW SECTION

WAC 50-52-580 BORROWINGS FROM COMMERCIAL BANKS. The board of directors by resolution, shall authorize all commercial bank borrowings.

NEW SECTION

WAC 50-52-590 BORROWINGS FROM FINANCIAL INSTITUTIONS OTHER THAN COMMERCIAL BANKS. The Washington land bank may borrow from other financial institutions, such as insurance companies, thrift institutions or other public or private sources upon such terms and in such amounts as may be determined by the board of directors.

NEW SECTION

WAC 50-52-600 RESOLUTION REQUIRED. The board of directors shall by resolution authorize the issuance of notes, bonds, debentures, and similar obligations in such amounts as may be required to meet the Washington land bank's needs. Such resolution shall specify the maximum amount of obligations which shall be outstanding at any one time, as well as the amount, maturities, and rates of interest in each issue, and shall authorize the president of the bank, the executive committee or appropriate officers to do all things necessary and proper to issue such obligations.

NEW SECTION

WAC 50-52-610 DEBT POLICY. The board of directors shall adopt a written policy regarding the management of its debt, and the sources of funding for the repayment of such debt.

NEW SECTION

WAC 50-52-620 SECURITIES ISSUANCE--REGISTRATION AND DISCLOSURE. In connection with the offering or sale of any "security," as defined by RCW 21.20.005(12) or any federal securities law, the Washington land bank shall comply with the provisions of the Securities Act of Washington, chapter 21.20 RCW, and any other applicable federal or state securities law.

NEW SECTION

WAC 50-52-630 INVESTMENTS. Washington land bank is authorized to hold investment portfolios for the purposes of maintaining sufficient liquidity, investing short-term surplus funds, and managing short-term debt. The bank is not authorized to maintain investment portfolios primarily as a means of generating additional income.

The board of directors shall adopt a policy regarding the management of its investments. Within this policy, the following items shall be addressed:

- (1) The purpose of the bank's investments.
- (2) The portfolio objectives.
- (3) The bank's liquidity needs.
- (4) The portfolio size and quality.
- (5) Maturity guidelines.
- (6) Authorization to manage investment activities.
- (7) Reporting and monitoring requirements.

Additional areas may be addressed in the policy as deemed appropriate.

NEW SECTION

WAC 50-52-640 DEBT TO CAPITAL RATIOS REQUIREMENTS. Washington land bank shall not incur aggregate liabilities exceeding twelve times its capital and surplus.

The term "capital and surplus" as used in this section, represents total net worth including undistributed earnings or losses but excluding valuation reserves and liability reserves. The term "aggregate liabilities" as used in this section, represents all amounts owed to others.