

**WAC 44-10-230 Resale of motor vehicle determined or adjudicated as having a nonconformity.** (1) Resale of a motor vehicle in the state of Washington, pursuant to RCW 19.118.061(3) and 19.118.061(4), must conform to the following procedures:

(a) A manufacturer, its agent or motor vehicle dealer to whom a motor vehicle with a nonconformity is returned shall affix a "Lemon Law resale notice" to the lower center of the front windshield of the vehicle in a manner so as to be readily visible from the exterior of such vehicle. The "Lemon Law resale notice" will set forth that the vehicle was determined to have a nonconformity and the specific nonconformity(ies) shall be enumerated. The "Lemon Law resale notice" shall be supplied by the attorney general's office. The "Lemon Law resale notice" may only be removed by the manufacturer, its agent or motor vehicle dealer upon receipt of a signed copy of the consumer disclosure form.

(b) The consumer disclosure form sets forth the specific nonconformity found in the motor vehicle. The motor vehicle dealer shall ensure that the purchaser of a motor vehicle signs the consumer disclosure form and that a signed copy is delivered to the attorney general's office. The purchaser shall receive a copy of the signed disclosure form.

(c) The manufacturer, if it chooses to have the nonconformity corrected, must ensure that a copy of the signed certificate of correction and warranty is received by the motor vehicle dealer that is to sell the vehicle, the vehicle services division of the Washington state department of licensing and attorney general's office. Upon sale of the vehicle, the motor vehicle dealer shall provide a copy of the certificate of correction and warranty to the consumer.

(2)(a) If a manufacturer delivers a motor vehicle that has been found to have a nonconformity under the Lemon Law, to a motor vehicle dealer outside of Washington state, the manufacturer shall fill out an out of state disposition postcard indicating the vehicle identification number and the destination state, and send the postcard to the attorney general's office.

(b) If a motor vehicle dealer in Washington state has received, for purposes of resale, a motor vehicle that has been found to have a nonconformity, and such dealer sells, delivers or disposes of such vehicle outside of Washington state, the motor vehicle dealer shall fill out an out of state disposition postcard indicating the vehicle identification number and destination state, and send the postcard to the attorney general's office.

[Statutory Authority: RCW 19.118.061 and 19.118.080. 88-13-039 (Order 88-7), § 44-10-230, filed 6/9/88.]

**WAC 44-10-240 Warranty period for certificate of correction and warranty.** Any warranty of a correction of a defect issued pursuant to the provisions of RCW 19.118.061 shall be for the duration of one year from the date of resale or an additional twelve thousand miles from the date of resale, whichever occurs first.

[Statutory Authority: RCW 19.118.061 and 19.118.080. 88-09-064 (Order 88-5), § 44-10-240, filed 4/20/88.]

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### Chapter 50-12 WAC BANKS AND TRUST COMPANIES

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**WAC 50-12-110 Investment securities—Permissible investments.** A bank or trust company may purchase or hold obligations of a single obligor which are "investment securities," as defined below, and meet the following guidelines for proper "investment security" management. The term "investment security" shall mean a marketable obligation evidencing indebtedness of any person, copartnership, association, or corporation; of the government of the United States or any agency thereof; of any state, or political subdivision thereof; or of any publicly-owned entity that is an instrumentality of a state or municipal corporation in the form of bonds, notes, and/or debentures. They exclude investments which are predominately speculative but shall include:

(1) Type I securities which a bank may deal in, purchase, and sell for its own account without limitation. These securities include:

(a) Obligations of the United States;

(b) Obligations issued, insured, or guaranteed by a department or agency of the United States, including obligations of such departments or agencies representing an interest in a loan or pool of loans;

(c) General obligations of a state or political subdivision including but not limited to obligations of a county, city, town, municipal corporation, or any publicly-owned entity that is an instrumentality of a state or municipal corporation;

(d) Obligations of any state or political subdivision of a state if a state or political subdivision of a state having general powers of taxation has unconditionally promised to make sufficient funds available for full repayment of the obligation; and

(e) Revenue bonds issued by public improvement agencies.

(2) Type II securities which a bank may deal in, purchase and sell for its own account subject to a twenty percent of capital and surplus limitation and any limitation set forth in WAC 50-12-115 (2)(c). These include obligations issued by any state or political subdivision, or any agency of a state or political subdivision for housing, university or dormitory purposes. Such obligations include:

(a) Obligations issued by any state or a political subdivision for the purpose of financing the construction or improvement of facilities at or used by a university or a degree-granting college-level institution, or financing loans for studies at such institutions; and

(b) Obligations which finance the construction or improvement of facilities used by a hospital, provided that the hospital is a department or a division of a university, or otherwise provides a sufficient nexus with university purposes.

(3) Type III securities which a bank may purchase and sell for its own account with a twenty percent of capital and surplus limitation and any limitation set forth in WAC 50-12-115 (2)(c), but may not deal in. These include investment securities issued by corporations, provided that such securities have received in the most recent edition one of the four highest rating grades by Standard and Poor's, Moodys, or equivalent rating service. Unrated securities must be investment grade and be of equivalent quality to the four highest rating grades and where the investment characteristics are distinctly or predominately not speculative.

[Statutory Authority: RCW 30.08.140. 87-20-036 (Order 70), § 50-12-110, filed 9/30/87. Statutory Authority: RCW 30.12.060. 85-19-052 (Order 62), § 50-12-110, filed 9/13/85.]

**WAC 50-12-115 Investment securities--Proper management.** (1) A bank may purchase a Type I security for its own account, provided it is permissible under the provisions of Title 30 RCW and this regulation, if through prudent banking judgment it determines there is adequate evidence that the obligor will be able to perform all necessary undertakings in connection with the security, including all debt service requirements.

(2)(a) A bank may purchase a Type II or III security for its own account when through prudent banking judgment (which may be based in part upon estimates which it believes to be reliable), it determines that there is adequate evidence that the obligor will be able to perform all that it undertakes to perform in connection with the security, including all debt service requirements, and that the security is marketable so that it can be sold with relative promptness at a fair market value.

(b) A bank may, subject to the limitations set forth in (c) of this subsection, purchase a security of Type II or

III for its own account although its judgment with respect to the obligor's ability to perform is based predominantly upon estimates it believes to be reliable. This subsection permits a bank to exercise a somewhat broader range of judgment with respect to a more restricted portion of its investment portfolio.

(c) If a bank holds at any time Type II or III securities which would not be eligible for purchase pursuant to (a) of this subsection in a total amount in excess of five percent of the bank's capital and surplus, they are to be charged down to market value or a specific reserve is to be established within ninety days.

(3) Each bank shall maintain in its files credit information adequate to demonstrate that it has exercised prudence in making the determinations and carrying out the transactions involving underwriting, dealing in, and purchase and sale of investment securities. This information shall be retained:

(a) When securities are purchased for the bank's own portfolio, as long as the security remains in the portfolio;

(b) When securities are underwritten by the bank, for the maturity or the life of the security; and

(c) With regard to dealer activities, for periods set forth in the relevant rules of the municipal securities rule-making board.

(4) When a bank purchases an investment security convertible into stock or with stock purchase warrants attached, entries must be made by the bank at the time of purchase to write down the cost of such security to an amount which represents the investment value of the security considered independently of the conversion feature or attached stock purchase warrants. Purchase of securities convertible into stock at the option of the issuer is prohibited.

(5) When an investment security is purchased at a price exceeding par or face value, the bank shall:

(a) Charge off the entire premium at the time of purchase; or

(b) Provide for a program to amortize the premium paid or that portion of premium remaining after the write-down subject to subsection (2) of this section so that such premium or portion thereof shall be entirely extinguished at or before the maturity of the security.

(6) Each bank shall take measures to insure the cumulative investment holdings do not exceed the limitations for a specific investment set forth in Title 30 RCW.

(7) The board of directors, a committee thereof, or a duly appointed committee of senior level management shall review at least quarterly the bank's investment portfolio to insure compliance with the provisions contained in WAC 50-12-110 through 50-12-116.

(8) The restrictions and limitations set forth in this section do not apply to securities acquired through foreclosure on collateral, or acquired in good faith by way of compromise of a doubtful claim or to avoid a loss in connection with a debt previously contracted.

[Statutory Authority: RCW 30.08.140. 87-20-036 (Order 70), § 50-12-115, filed 9/30/87.]

**WAC 50-12-116 Investment securities—Investment in investment companies.** A bank or trust company may invest in shares of an investment company provided that all of the following conditions are met:

(1) The investment company must be registered with Securities and Exchange Commission under the Investment Company Act of 1940 and the Securities Act of 1933 or be a privately offered fund sponsored by an affiliated commercial bank.

(2) The shareholder has an equitable and equal proportionate undivided interest in the underlying assets of the investment company.

(3) When an investment company's assets consist solely of and are expressly limited to obligations that are eligible for unlimited investment (Type I) as described in WAC 50-12-100, there is no limit on the bank's investment. However, where the investment companies portfolio contains, or is permitted to contain, securities subject to the bank's investment or lending limitations, investment by the bank shall be subject to a twenty percent of capital and surplus limitation.

(4) The shareholders are protected against personal liability for acts or obligations of the investment company.

(5) The bank's investment policy, as formally approved by its board of directors, specifically provides for such investments; prior approval of the board of directors is obtained for initial investments in specific investment companies and recorded in the official board minutes; and procedures, standards, and controls for managing such investments are implemented prior to acquirement of these investments.

(6) If the investment company makes use of futures, forwards, options, repurchase agreements and securities lending arrangements, their use must be consistent with standards adopted for use of such instruments in the bank's portfolio.

(7) Regulatory reporting of holdings in investment companies is consistent with established standards for "marketable equity securities."

[Statutory Authority: RCW 30.08.140. 87-20-036 (Order 70), § 50-12-116, filed 9/30/87.]

**WAC 50-12-117 Investments in corporations.** Nothing in WAC 50-12-110, 50-12-115, or 50-12-116 shall limit the authority of a bank or trust company to invest in corporations or entities, with the prior authorization of the supervisor, pursuant to RCW 30.04.\_\_\_\_ (section 1, chapter 498, Laws of 1987).

[Statutory Authority: RCW 30.08.140. 87-24-042 (Order 71), § 50-12-117, filed 11/25/87.]

**WAC 50-12-210 Promulgation.** The division of banking, hereinafter referred to as the "division," after due and proper notice, and pursuant to the provisions of RCW 30.04.111 hereby adopts and promulgates the following rules and regulations, effective September 9, 1987.

[Statutory Authority: RCW 30.04.111. 87-20-022 (Order 69), § 50-12-210, filed 9/30/87.]

**WAC 50-12-220 Purpose.** These rules and regulations are intended to prevent one individual, or relatively small group, from borrowing an unduly large amount of the bank's funds. Further, the intention is also to safeguard the bank's depositors by spreading the loans among a relatively large number of persons engaged in different lines of business.

[Statutory Authority: RCW 30.04.111. 87-20-022 (Order 69), § 50-12-220, filed 9/30/87.]

**WAC 50-12-230 Definitions.** (1) The term "person" shall include an individual, sole proprietor, partnership, joint venture, association, trust, estate, business trust, corporation, sovereign government or agency, instrumentality, or political subdivision thereof, or any similar entity or organization.

(2) The term "loans and extensions of credit" means 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. "Loans and extensions of credit" also includes a "contractual commitment to advance funds" as that term is defined in this section, and includes a renewal, modification, or extension of the maturity date of a loan or extension of credit. Provided, the term "loan or extension of credit" does not include a renewal, extension or restructuring of an existing loan, with interest paid current and no further advance of funds, by a bank under the direction and control of a conservator appointed by the supervisor.

(3) The term "contractual commitment to advance funds" means:

(a) An obligation on the part of the bank to make payments (directly or indirectly) to a designated third party contingent upon a default by the bank's customer in the performance of an obligation under the terms of that customer's contract with the third party; or

(b) An obligation to guarantee or stand as surety for the benefit of a third party. The term includes, but is not limited to, standby letters of credit, guarantees, puts, and other similar arrangements. Undisbursed loan funds, loan commitments not yet drawn upon which do not fall under this definition, and commercial letters of credit or similar instruments are not considered contractual commitments to advance funds.

(4) The term "readily marketable collateral" means financial instruments and bullion which are saleable under ordinary circumstances with reasonable promptness at a fair market value determined by daily quotations based on actual transactions on an auction or a similarly available daily bid and ask price market.

(5) The term "financial instruments" shall include stocks, notes, bonds, and debentures traded on a national securities exchange, "OTC margin stocks" (as defined in Regulation U of the Federal Reserve Board), commercial paper, negotiable certificates of deposit, bankers' acceptances, and shares in money market and mutual funds of the type which issue shares in which banks may perfect a security interest.

(6) The term "current market value" means the bid or closing price listed for an item in a regularly published listing or an electronic reporting service.

(7) The term "capital" will include the amount of common stock outstanding and unimpaired, the amount of preferred stock outstanding and unimpaired, and capital notes or debentures issued pursuant to chapter 30.36 RCW.

(8) The term "surplus" shall include capital surplus, reflecting the amounts paid in excess of the par or stated value of capital stock, or amounts contributed to the bank other than for capital stock, and amounts transferred to surplus from undivided profits pursuant to resolution of the board of directors.

(9) The term "subsidiary" means:

(a) Any company twenty-five percent or more of whose voting shares (excluding shares owned by the United States or by any company wholly owned by the United States) is directly or indirectly owned or controlled by such person, or is held by it with power to vote;

(b) Any company the election of a majority of whose directors is controlled in any manner by such person; or

(c) Any company with respect to the management or policies of which such person has power, directly or indirectly, to exercise a controlling influence, as determined by the division, after notice and opportunity for hearing.

[Statutory Authority: RCW 30.04.111. 88-16-066 (Order 74), § 50-12-230, filed 8/1/88; 87-20-022 (Order 69), § 50-12-230, filed 9/30/87.]

**WAC 50-12-240 General limitations.** The total loans and extensions of credit by a state bank or trust company to a person outstanding at one time and not fully secured by collateral in a manner defined in WAC 50-12-250 shall not exceed twenty percent of the capital and surplus of the bank or trust company.

[Statutory Authority: RCW 30.04.111. 87-20-022 (Order 69), § 50-12-240, filed 9/30/87.]

**WAC 50-12-250 General limitation—Loans fully secured by readily marketable collateral.** (1) Loans or extensions of credit by a state bank to a person outstanding at one time and fully secured by readily marketable collateral having a market value, as determined by reliable and continuously available price quotations, shall not be subject to any limitations based on capital and surplus. However, if the total of such loans and extensions of credit, together with loans made under general limitations pursuant to WAC 50-12-240 exceed forty-five percent, the division of banking will review the credits as a possible concentration, with regard to both risk diversification within the bank's asset structure and diversification or other risk in the marketable collateral securing the loan. This limitation shall be separate and in addition to the general twenty percent limitation set forth in WAC 50-12-240.

(2) Each loan or extension of credit based on the foregoing limitation shall be secured by readily marketable collateral having a current market value of at least

one hundred fifteen percent of the amount of the loan or extension of credit at all times.

(3) Financial instruments may be denominated in foreign currencies which are freely convertible to United States dollars. If collateral is denominated and payable in a currency other than that of the loan or extension of credit which it secures, the bank's procedures must require that the collateral be revalued at least monthly, using appropriate foreign exchange rates, in addition to being repriced at current market value.

(4) Each bank must institute adequate procedures to ensure that the collateral value fully secures the outstanding loan at all times. If collateral values fall below one hundred fifteen percent of the outstanding loan, to the extent that the loan is no longer in conformance with this section and exceeds the general twenty percent limitation, the loan must be brought into conformance within five business days, except where judicial proceedings, regulatory actions, or other extraordinary occurrences prevent the bank from taking actions.

[Statutory Authority: RCW 30.08.140. 87-24-042 (Order 71), § 50-12-250, filed 11/25/87. Statutory Authority: RCW 30.04.111. 87-20-022 (Order 69), § 50-12-250, filed 9/30/87.]

**WAC 50-12-260 Combining loans to separate borrowers.** (1) Loans or extensions of credit to one person will be attributed to other persons when:

(a) The proceeds of the loans or extensions of credit are to be used for the direct benefit of the other person or persons; or

(b) A "common enterprise" exists between the persons.

(2) Determination of whether a "common enterprise" exists depends upon a realistic evaluation of the facts and circumstances of the particular transaction. A "common enterprise" is presumed to exist when:

(a) The expected source of repayment for each loan or extension of credit is the same for each person; or

(b) Separate persons borrow from a bank for the purpose of acquiring a business enterprise of which those persons will own more than fifty percent of the voting securities; or

(c) The loans or extensions of credit are made to persons who are related by common control and (i) are engaged in interdependent business or (ii) there is substantial financial interdependence among them.

(3) Substantial financial interdependence occurs when fifty percent or more of one person's gross receipts or gross expenditures (on an annual basis) are derived from transactions with one or more persons related through common control. Gross receipts and expenditures include gross revenues/expenses, intercompany loans, dividends, capital contributions, and similar receipts or payments.

(4) Throughout this section the term "control" is presumed to exist when one or more persons acting in concert directly or indirectly:

(a) Own, control, or have power to vote twenty-five percent or more of any class of voting securities of another person;

(b) Exercise a controlling influence over the management or policies of another person; or

(c) Control in any manner the election of a majority of the directors, trustees or other persons exercising similar functions of another person. "Common control" includes control of one person by another person.

[Statutory Authority: RCW 30.04.111. 87-20-022 (Order 69), § 50-12-260, filed 9/30/87.]

**WAC 50-12-270 Loans to corporations.** Loans or extensions of credit to a person and its subsidiaries or to subsidiaries of one person need not be combined where the bank has determined that the person and subsidiaries involved are not engaged in a "common enterprise." If members of a corporate group (a person and all its subsidiaries) are either:

(1) Substantially financially interdependent; or

(2) Engaged in "common enterprise," then the total amount of loans or extensions of credit to these persons must be attributed to each of the other persons in the corporate group. Conversely, if members of a corporate group are neither substantially financially interdependent nor engaged in "common enterprise," then the loans to different members are separately subject to a twenty percent limitation. In no event may the total amount of loans or extensions of credit by a state bank to a corporate group exceed fifty percent of the bank's capital and surplus.

[Statutory Authority: RCW 30.04.111. 87-20-022 (Order 69), § 50-12-270, filed 9/30/87.]

**WAC 50-12-280 Loans to partnerships, joint ventures, and associations.** (1) Loans or extensions of credit to a partnership, joint venture, or association shall, for purposes of WAC 50-12-210 through 50-12-300, be considered loans or extensions of credit to each member of such partnership, joint venture, or association.

(2) Loans or extensions of credit to members of a partnership, joint venture, or association are considered loans or extensions of credit to the partnership, joint venture, or association if one or more of the tests presented in WAC 50-12-260(1) is satisfied with respect to one or more of the members. However, loans to members of a partnership, joint venture or association will not be attributed to other members of the partnership, joint venture, or association unless one or more of the tests set forth in WAC 50-12-260(1) is satisfied with respect to such other members. The tests set forth in WAC 50-12-260(1) shall be deemed satisfied when loans or extensions of credit are made to members of a partnership, joint venture, or association for the purpose of purchasing an interest in such partnership, joint venture, or association.

(3) The rule set forth in subsection (1) of this section is not applicable to limited partners in limited partnerships or to members of joint ventures if such partners or members, by the terms of the partnership or membership agreement are not to be held liable for the debts or actions of the partnerships, joint venture, or association. However, the rules set forth in WAC 50-12-260(1) are applicable to such partners or members.

[Statutory Authority: RCW 30.04.111. 87-20-022 (Order 69), § 50-12-280, filed 9/30/87.]

**WAC 50-12-290 Exceptions to the lending limits.**

(1) Discount of commercial or business paper: Loans or extensions of credit arising from the discount of commercial or business paper evidencing an obligation to the person negotiating it with recourse shall not be subject to any limitation based on capital and surplus.

(a) This exception applies to negotiable paper given in payment of the purchase price of commodities in domestic or export transactions purchased for resale or to be used in the fabrication of a product, or to be used for any other business purposes which may reasonably be expected to provide funds for payment of the paper. Loans or extensions of credit arising from the discount of paper must bear the full recourse endorsement of the owner. However, loans or extensions of credit arising from the discount of such paper in export transactions may be endorsed by such owner without recourse or with limited recourse, or may be accompanied by a separate agreement for limited recourse; provided, that if transferred without full recourse the paper must be supported by an assignment of appropriate insurance covering the political, credit, and transfer risks applicable to the paper.

(b) Since the basis for unlimited credit stems from the anticipated sale of a commodity to provide funds for payment of the paper, failure to pay either principal or interest when due removes the reason for unlimited credit. Consequently, although the line of credit to the maker or endorser should not be classified as excessive by reason of such default, the paper on which the default occurred must thereafter be taken into consideration in determining whether additional loans or extensions of credit may be made. These same principles of disqualification apply to any renewal or extension of either the entire loan or an installment thereof.

(2) Bankers' acceptances: The purchase of banker's acceptances of the kind described in section 13 of the Federal Reserve Act and issued by other banks shall not be subject to any limitation based on capital and surplus.

(a) Acceptances by a state bank of "ineligible" drafts, i.e., time drafts which do not meet the requirements for discount with a Federal Reserve Bank, are subject to the general twenty percent limitation of RCW 30.04.111.

(b) During any period within which a state bank holds its own acceptances, eligible or ineligible, having given value therefor, the amount given is considered to be a loan or extension of credit to the customer for whom the acceptance was made and is subject to the lending limits. To the extent that a loan or extension of credit created by discounting the acceptance is covered by a bona fide participation agreement, the discounting bank need only consider that portion of the discounted acceptance which it retains as being subject to appropriate limitations.

(3) Loans secured by bills of lading or warehouse receipts covering readily marketable staples: Loans and extensions of credit secured by bills of lading, warehouse receipts, or similar documents transferring or securing title to readily marketable staples shall be subject to a limitation of thirty-five percent of capital and surplus in addition to the general limitations if the market value of

the staples securing each additional loan or extension of credit at all times equals or exceeds one hundred fifteen percent of the outstanding amount of such loan or extension of credit. The staples shall be fully covered by insurance whenever it is customary to insure such staples.

(a) This exception allows a state bank to make loans or extensions of credit to one person in an amount equal to thirty-five percent of its capital and surplus in addition to the general twenty percent limitation.

(b) A readily marketable staple means an article of commerce, agriculture, or industry of such uses as to make it the subject of dealings in a ready market with sufficiently frequent price quotations as to make (i) the price easily and definitely ascertainable, and (ii) the staple itself easy to realize upon sale at any time at a price which would not involve any considerable sacrifice from the amount at which it is valued as collateral. Staples eligible for this exception must be nonperishable, may be refrigerated or frozen, and must be fully covered by insurance when such insurance is customary. This exception is intended to apply primarily to basic commodities, such as wheat and other grains, cotton, wool, and basic metals such as tin, copper, lead, and the like. Whether a commodity is readily marketable depends upon existing conditions and it is possible that a commodity that qualifies at one time may cease to qualify at a later date. Fabricated commodities which do not constitute standardized interchangeable units and do not possess uniformly broad marketability do not qualify as readily marketable staples.

(c) Commodities sometimes fail to qualify as nonperishable because of the manner in which they are handled or stored during the life of the loan or extension of credit. Accordingly, the question as to whether a staple is nonperishable must be determined on a case-by-case basis.

(d) This exception is applicable to a loan or extension of credit arising from a single transaction or secured by the same staples for (i) not more than ten months if secured by nonperishable staples, and (ii) not more than six months if secured by refrigerated or frozen staples.

(e) The important characteristic of warehouse receipts, order bills of lading, or other similar documents is that the holder of such documents has control of the commodity and can obtain immediate possession. (However, the existence of brief notice periods, or similar procedural requirements under state law, for the disposal of the collateral will not affect the eligibility of the instruments for this exception.) Only documents with these characteristics are eligible security for loans under this exception. In the event of default on a loan secured by one of these documents, the bank must be in a position to sell the underlying commodity and promptly transfer title and possession to the purchaser, thus being able to protect itself without extended litigation. Generally, documents qualifying as "documents of title" under the Uniform Commercial Code are "similar documents" qualifying for this exception.

(f) Field warehouse receipts are an acceptable form of collateral when they are issued by a duly bonded and licensed grain elevator or warehouse having exclusive possession and control of the commodities even though the grain elevator or warehouse is maintained on the commodity owner's premise.

(g) Warehouse receipts issued by the borrower-owner which is a grain elevator or warehouse company, duly bonded and licensed and regularly inspected by state or federal authorities, may be considered eligible collateral under this exception only when the receipts are registered with a registrar whose consent is required before the commodities can be withdrawn from the warehouse.

(4) Loans secured by United States obligations: Loans or extensions of credit secured by bonds, notes, certificates of indebtedness, or treasury bills of the United States or by other such obligations wholly guaranteed as to principal and interest by the United States shall not be subject to any limitation based on capital and surplus.

(a) This exception applies only to loans or extensions of credit which are fully secured by the current market value of obligations of the United States or guaranteed by the United States.

(b) If the market value of the collateral declines so that the loan is no longer in conformance with this exception and exceeds the general twenty percent limitation, the loan must be brought into conformance within five business days.

(c) Securities issued by any department, agency, bureau, board, commission or establishment of the United States, or any corporation wholly owned, directly or indirectly, shall not be considered eligible collateral for purposes of this section, unless such securities shall be direct obligation of or fully guaranteed as to principal and interest by the United States.

(5) Loans to or guaranteed by a federal agency: Loans or extensions of credit to or secured by unconditional takeout commitments or guarantees of any department, agency, bureau, board, commission, or establishment of the United States or any corporation wholly owned directly or indirectly by the United States shall not be subject to any limitation based on capital and surplus.

(a) This exception may apply to only that portion of a loan or extension of credit that is covered by a federal guarantee or commitment.

(b) For purposes of this exception, the commitment or guarantee must be payable in cash or its equivalent within sixty days after demand for payment is made.

(c) A guarantee or commitment is unconditional if the protection afforded the bank is not substantially diminished or impaired in the case of loss resulting from factors beyond the bank's control. Protection against loss is not materially diminished or impaired by procedural requirements, including default over a specific period of time, a requirement that notification of default be given within a specific period after its occurrence, or a requirement of good faith on the part of the bank.

(6) Loans secured by segregated deposit accounts: Loans or extensions of credit secured by a segregated deposit account in the lending bank shall not be subject to any limitation based on capital and surplus.

(a) Deposit accounts which may qualify for this exception include deposits in any form generally recognized as deposits. In the case of the secured loan, the bank must establish internal procedures which will prevent the release of the security.

(b) The bank must ensure that a security interest has been perfected in the deposit, including the assignment of a specifically identified deposit and any other actions required by state law.

(c) A deposit which is denominated and payable in a currency other than that of the loan or extension of credit which it secures may be eligible for this exception if it is freely convertible to United States dollars. The deposit must be revalued at least monthly, using appropriate foreign exchange rates, to ensure that the loan or extension of credit remains fully secured. This exception applies to only that portion of the loan or extension of credit that is covered by the United States dollar value of the deposit. If the United States dollar value of the deposit falls to the extent that the loan is in nonconformance with this exception and exceeds the general twenty percent limitation, the loan must be brought into conformance within five business days, except where judicial proceedings, regulatory actions, or other extraordinary occurrences prevent the bank from taking such action. This exception is not authority for state banks to take deposits denominated in foreign currencies.

(7) Unpaid purchase price of sale of bank property: The unpaid portion of the purchase price of a sale of bank property, if secured by that property, shall not be subject to any limitation based on capital and surplus.

(a) Any sale of bank property, resulting in an unpaid purchase price exceeding the bank's lending limit must be approved in advance of the sale by the board of directors, including the terms of payment of such unpaid purchase price, and if the purchase is by a director, officer or employee of the bank, shall conform to Regulation O of the Federal Reserve System and RCW 30.12.050.

(b) The bank must ensure that a security interest has been perfected in the collateral, including execution and recording or filing of documents and any other action required by state law.

(8) Discount of installment consumer paper.

(a) Loans and extensions of credit arising from the discount of negotiable or nonnegotiable installment consumer paper which carries a full recourse endorsement or unconditional guarantee by the person transferring the paper shall be subject under this section to a maximum limitation equal to twenty per centum of capital and surplus.

(b) If the bank's files or the knowledge of its officers of the financial condition of each maker of such consumer paper is reasonably adequate, and an officer of the bank designated for that purpose by the board of directors of the bank certifies in writing that the bank is relying primarily upon the responsibility of each maker for payment of such loans or extensions of credit and not upon any full or partial recourse endorsement or guarantee by the transferor, the limitations of this section as

to the loans or extensions of credit of each such maker shall be the sole applicable loan limitations.

(c) This exception allows a bank to discount negotiable or nonnegotiable installment consumer paper of one person in an amount equal to twenty per centum of its capital and surplus if the paper carries a full recourse endorsement or unconditional guarantee by the seller transferring such paper. The unconditional guarantee may be in the form of a repurchase agreement or a separate guarantee agreement. A condition reasonably within the power of the bank to perform, such as the re-possession of collateral, will not be considered to make conditional an otherwise unconditional agreement.

(d) For purposes of this subsection, "consumer" means the user of any products, commodities, goods, or services, whether leased or purchased, and does not include any person who purchases products or commodities for the purpose of resale or for fabrication into goods for sale.

(e) For purposes of this subsection, "consumer paper" includes paper relating to automobiles, mobile homes, residences, office equipment, household items, tuition fees, insurance premium fees, and similar consumer items. Also included is paper covering the lease (where the bank is not the owner or lessor) or purchase of equipment for use in manufacturing, farming, construction, or excavation.

(f) Under certain circumstances, installment consumer paper which otherwise meets the requirements of this exception will be considered a loan or extension of credit to the maker of the paper rather than the seller of the paper. Specifically, where (i) through the bank's files it has been determined that the financial condition of each maker is reasonably adequate to repay the loan or extension of credit, and (ii) an officer designated by the bank's chairman or chief executive officer pursuant to authorization by the board of directors certifies in writing that the bank is relying primarily upon the maker to repay the loan or extension of credit, the loan or extension of credit is subject only to the lending limits of the maker of the paper. Where paper is purchased in substantial quantities, the records, evaluation, and certification may be in such form as is appropriate for the class and quantity of paper involved.

(g) If a loan under this section is in default and the dealer or seller of the loan has contractually committed to repurchase the paper, then the loan will be aggregated with the dealer or seller's other outstanding debt for lending limit purposes and will be subject to the twenty per centum limitation.

(h) If loan payments are received and/or controlled by the dealer or seller of the paper and remitted to the bank, then those loans will be aggregated with the dealer or seller's other outstanding debt for lending limit purposes and will be subject to the twenty per centum limitation.

[Statutory Authority: RCW 30.04.111. 87-20-022 (Order 69), § 50-12-290, filed 9/30/87.]

**WAC 50-12-300 Transitional rules.** (1) Loans or extensions of credit which were in violation of RCW 30.04.111 prior to the relevant effective dates of WAC 50-12-210 through this section will be considered to remain in violation of law until they are paid in full, regardless of whether the loans or extensions of credit conform to the rules established in WAC 50-12-210 through this section. Renewals or extensions of such loans or extensions of credit will also be considered violations of law.

(2) A state bank which has outstanding loans or extensions of credit to a person in violation of RCW 30.04.111 as of the relevant effective dates of WAC 50-12-210 through this section may make additional advances to such person after those dates if the additional advances are permitted under WAC 50-12-210 through this section. The additional advances, however, may not be used directly or indirectly to repay any outstanding illegal loans or extensions of credit.

(3) Loans or extensions of credit which were in conformance with RCW 30.04.111 prior to the relevant effective dates of WAC 50-12-210 through this section but are not in conformance with the rules established in WAC 50-12-210 through this section will not be considered to be violations of law during the existing contract terms of such loans or extensions of credit. Renewals or extensions of such loans or extensions of credit which are not in conformance with WAC 50-12-210 through this section may be made on or after the effective dates of WAC 50-12-210 through this section, if the nonconformity is caused by the amendments to Title 30 RCW contained in ESSB 4917; however, all loans or extensions of credit made under such renewals or extensions must conform with WAC 50-12-210 through this section no later than April 1, 1988. Loans or extensions of credit which are not in conformance with WAC 50-12-210 through this section for any other reason (i.e., a reduction in the bank's capital) must conform to this section upon renewal or extension.

(4) If a state bank, prior to the relevant effective dates of WAC 50-12-210 through this section, entered into a legally binding commitment to advance funds on or after those dates, and such commitment was in conformance with RCW 30.04.111, advances under such commitment may be made notwithstanding the fact that such advances are not in conformance with WAC 50-12-210 through this section. The bank must, however, demonstrate that the commitment represents a legal obligation to fund, either by a written agreement or through file documentation. Advances under renewals or extensions of such extension of the commitment is made on or after the relevant effective dates of WAC 50-12-210 through this section.

[Statutory Authority: RCW 30.04.111. 87-20-022 (Order 69), § 50-12-300, filed 9/30/87.]

## Chapter 50-20 WAC INDUSTRIAL LOAN COMPANIES

WAC  
50-20-040      Contents of statement to borrower.

50-20-050      Restrictions as to charges.

### WAC 50-20-040 Contents of statement to borrower.

(1) The company shall deliver to the borrower at the time any loan is made, a statement which shall disclose in clear and distinct terms the following information:

(a) The name and address of the industrial loan company.

(b) The name and address of the borrower.

(c) The number and date of the loan.

(d) The total amount of the loan.

(e) List of charges, including:

(i) Interest rate and amount. This shall be disclosed both as (A) the annual percentage rate (APR) as defined in Regulation Z, 12 CFR 226, and (B) the simple interest rate, which is the single nominal annual interest rate (stated as a percentage), which if applied to the unpaid amounts of principal outstanding from time to time would produce the same total of interest paid at maturity as originally contracted for, based upon the assumption that all payments were made on the loan according to the schedule of payments agreed to by the borrower and calculations were made according to the actuarial method. For purposes of this calculation only, the original principal amount of a discount interest loan shall be deemed to be the amount of the total note less the interest deducted in advance.

(ii) Investigation fee.

(iii) Filing and releasing fee.

(iv) Title insurance premium.

(v) Appraisal fee.

(f) Date of maturity of the loan.

(g) Rate of interest after original maturity date.

(h) Description of the security, if any, including adequate description of the investment certificate.

(i) Agreement to permit payment in full before maturity. Refund of unearned interest shall be made in accordance with WAC 50-20-050(5).

(j) Amount and date of installment investment certificate.

(k) The terms of payment of the investment certificate, showing due dates and amount of installments.

(l) Penalty for payments which are delinquent one week or more.

(m) Service fees, if any.

(n) Any other requirements imposed by Regulation Z. (Titles I and V of Consumer Credit Protection Act, P.L. 90-321, 82 Stat. 146 1/5 U.S.C. 1601-1665.)

(2) Sufficient information must be maintained in the companies' files to show compliance with state and federal law.

[Statutory Authority: Chapter 31.04 RCW. 88-21-031 (Order 75), § 50-20-040, filed 10/11/88; Order 5, § 50-20-040, filed 12/4/69; § 4, filed 3/23/60.]

**WAC 50-20-050 Restrictions as to charges.** (1) No company shall charge the borrower for notarial fees.

(2) No industrial loan company shall require the purchasing of property insurance from the company or any employee, affiliate or associate of the company or from any agent, broker, or insurance company designated by

the company as a condition precedent to the making of a loan nor shall any company decline existing insurance which meets or exceeds the standards set forth in this section.

A company may provide insurance on the life and disability of one borrower and on the life of the spouse of the borrower if both are obligors, provided that such insurance coverage shall not exceed the approximate unpaid balance of the total amount repayable under contract of indebtedness scheduled to be outstanding. The premium or cost for all such insurance when written pursuant to the Washington insurance code and regulations issued thereunder, shall not be deemed interest, charges or consideration in connection with the loan transaction and any gain or advantage to the lender arising out of the premium or cost of the insurance or from its sale shall not be a violation of any provision of chapter 31.04 RCW. The amount of the premium or cost of such insurance may be included in the original loan amount and may be paid from the proceeds of the loan.

If the loan contract is prepaid in full by cash, a new loan, renewal, refinancing, or otherwise, the credit life and/or accident and health insurance coverage shall be cancelled and a portion of the charge made for such insurance shall be rebated as provided by the Washington insurance code and regulations issued thereunder.

(3) No company shall charge to or collect from the customer any funds for the cost of filing, recording, releasing, or reconveyance of mortgages, deeds of trust, security agreements, or other documents, or for transferring title certificates to vehicles, or for any other fees paid or to be paid to public officials, unless such charges are paid or are to be paid within sixty days by the company to public officials or other third parties for such filing, recording, transferring, releasing, or reconveyance thereof. Fees for releasing or reconveying security for the obligation owed to the company may be charged and collected at the time of final payment of the loan.

(4) In the event a company makes a new loan where any part of the proceeds is used to pay the amount due it on an existing loan within four months from date of origination or of the most recent advance upon an existing loan, an investigation fee shall be permitted only to the extent that new money is advanced or the existing credit line increased, unless the investigation fee on the existing loan is refunded.

(5) No industrial loan company may charge and collect an annual fee in excess of eighteen dollars payable each year in advance for the privilege of opening and maintaining an open-end loan account.

(6) No industrial loan company may charge or collect an appraisal fee incurred or to be incurred in appraising security offered by the borrower in excess of the actual costs paid or to be paid to an independent third party professional appraiser. Such charge may be made or collected from the borrower for costs of an appraisal at the time of application for the loan or at any time thereafter except as prohibited herein. If the appraisal

fee is not collected at the time of application, the customer shall be advised of the company's good faith estimate of the amount of that fee at the time of application. If the loan application is rejected by the company, or if the appraisal is inadequate to meet reasonable appraisal requirements for comparable loans from other lending institutions, the company must refund to the borrower any appraisal fee already collected.

(7) Any note which is prepaid in full by cash, a new loan, refinancing, or otherwise before the final due date, the unearned portion of the interest shall be refunded using the sum of the digits method commonly known as the "Rule of 78's."

*Provided, however,* That in the case of any loan originally scheduled to be repaid in thirty-seven months or more which is secured by an investment certificate, the refund of the unearned portion of the interest shall be computed as follows: Interest shall be considered earned at the single nominal annual interest rate (stated as a percentage), which if applied to the unpaid amounts of principal outstanding from time to time would produce the same total of interest paid at maturity as originally contracted for, based upon the assumption that all payments were made on the loan according to the schedule of payments due on the certificate and calculations were made according to the actuarial method. Interest earned so calculated up to the scheduled due date nearest the date of prepayment shall be subtracted from the original amount of interest included in the note and the balance of such interest shall be refunded.

For purposes of this calculation only, the original principal amount of the loan shall be deemed to be the amount of the total note less the interest deducted in advance. Actuarial method means the method of allocating payments made between principal and interest whereby a payment is applied first to the interest accumulated to date and the remainder then applied to the unpaid principal amount. In computing an actuarial refund, the lender may round the single annual interest rate used to the nearest quarter of one percent.

In computing any required refund, any prepayment made on or before the fifteenth day following the scheduled payment date on the investment certificate shall be deemed to have been made on the payment date preceding such prepayment. In the case of prepayment prior to the first installment date, the company may retain an amount not to exceed 1/30 of the first month's interest charge for each date between the origination date of the loan and the actual date of prepayment.

(8) The maximum amount which may be charged as an investigation fee is two percent of the loan proceeds advanced to or for the direct benefit of the borrower. For a closed-end loan, this means two percent of the "amount financed" disclosed to the borrower pursuant to the federal Truth-in-Lending Act. For an open-end loan, this means two percent of the line of credit established for the borrower under the open-end loan account, not including any "prepaid finance charge."

(9) A company may agree with the borrower for the payment by the borrower of the fees charged by a title company in connection with title insurance required by

the company in connection with a loan. The borrower has the right to select the person or company by or through whom such title insurance will be offered, subject to the company's reasonable conditions, such as the type of coverage or endorsements, or financial soundness and proper licensing of the company to do business in the state of Washington. The company may select the person or company by or through whom such title insurance will be offered if the borrower does not do so within a reasonable time before the loan transaction is consummated.

[Statutory Authority: Chapter 31.04 RCW. 88-21-031 (Order 75), § 50-20-050, filed 10/11/88. Statutory Authority: RCW 31.04.150. 85-19-053 (Order 63), § 50-20-050, filed 9/13/85; 84-06-001 (Order 59), § 50-20-050, filed 2/23/84. Statutory Authority: RCW 31.04.150(2). 82-24-074 (Order 48), § 50-20-050, filed 12/1/82; 80-13-024 (Order 43), § 50-20-050, filed 9/9/80; 79-04-042 (Order 40), § 50-20-050, filed 3/23/79; Order 5, § 50-20-050, filed 12/4/69; § 5, filed 3/23/60.]

**Chapter 50-48 WAC**

**ACQUISITION OF BANKS, TRUST COMPANIES, NATIONAL BANKING ASSOCIATIONS OF BANK HOLDING COMPANIES BY OUT-OF-STATE BANK HOLDING COMPANIES**

WAC

50-48-100 Interstate acquisition reciprocity—States possessing.

**WAC 50-48-100 Interstate acquisition reciprocity—States possessing.** The supervisor of banking, having reviewed the laws of the following states as they relate to a domestic (Washington) bank holding company acquiring more than five percent of the shares of the voting stock or all or substantially all of the assets of a bank, trust company, or national banking association the principal operations of which are conducted within such states, has determined, pursuant to RCW 30.04-.232, that the laws of such states allow a domestic bank holding company to acquire a bank, trust company, or national banking association, the principal operations of which are conducted within such states, and permit the operation of the acquired bank, trust company, or national banking association within such states on terms and conditions no less favorable than other banks, trust companies, or national banking associations doing a banking business within such states: (1) Alaska, (2) California, (3) Idaho, (4) New York, and (5) Oregon.

[Statutory Authority: RCW 30.04.232. 87-13-015 (Order 68), § 50-48-100, filed 6/9/87; 87-10-047 (Order 67), § 50-48-100, filed 5/5/87.]

**Chapter 50-52 WAC**

**WASHINGTON LAND BANK**

WAC

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**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.

[Statutory Authority: RCW 31.30.010. 87-13-030 (Order 87-1), § 50-52-010, filed 6/11/87.]

**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.

[Statutory Authority: RCW 31.30.010. 87-13-030 (Order 87-1), § 50-52-020, filed 6/11/87.]

**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.

[Statutory Authority: RCW 31.30.010. 87-13-030 (Order 87-1), § 50-52-030, filed 6/11/87.]

## ORGANIZATION AND POWERS

**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.

[Statutory Authority: RCW 31.30.010. 87-13-030 (Order 87-1), § 50-52-040, filed 6/11/87.]

**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 work "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.

[Statutory Authority: RCW 31.30.010. 87-13-030 (Order 87-1), § 50-52-050, filed 6/11/87.]

**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.

[Statutory Authority: RCW 31.30.010. 87-13-030 (Order 87-1), § 50-52-060, filed 6/11/87.]

**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.

[Statutory Authority: RCW 31.30.010. 87-13-030 (Order 87-1), § 50-52-070, filed 6/11/87.]

**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.

[Statutory Authority: RCW 31.30.010. 87-13-030 (Order 87-1), § 50-52-080, filed 6/11/87.]

**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.

[Statutory Authority: RCW 31.30.010. 87-13-030 (Order 87-1), § 50-52-090, filed 6/11/87.]

**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.

[Statutory Authority: RCW 31.30.010. 87-13-030 (Order 87-1), § 50-52-100, filed 6/11/87.]

**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.

[Statutory Authority: RCW 31.30.010. 87-13-030 (Order 87-1), § 50-52-110, filed 6/11/87.]

**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.

[Statutory Authority: RCW 31.30.010. 87-13-030 (Order 87-1), § 50-52-120, filed 6/11/87.]

**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.

[Statutory Authority: RCW 31.30.010. 87-13-030 (Order 87-1), § 50-52-130, filed 6/11/87.]

**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.

[Statutory Authority: RCW 31.30.010. 87-13-030 (Order 87-1), § 50-52-140, filed 6/11/87.]

**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.

[Statutory Authority: RCW 31.30.010. 87-13-030 (Order 87-1), § 50-52-150, filed 6/11/87.]

**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.

[Statutory Authority: RCW 31.30.010. 87-13-030 (Order 87-1), § 50-52-160, filed 6/11/87.]

**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.

[Statutory Authority: RCW 31.30.010. 87-13-030 (Order 87-1), § 50-52-170, filed 6/11/87.]

**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.

[Statutory Authority: RCW 31.30.010. 87-13-030 (Order 87-1), § 50-52-180, filed 6/11/87.]

**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.

[Statutory Authority: RCW 31.30.010. 87-13-030 (Order 87-1), § 50-52-190, filed 6/11/87.]

**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.

[Statutory Authority: RCW 31.30.010. 87-13-030 (Order 87-1), § 50-52-200, filed 6/11/87.]

**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.

[Statutory Authority: RCW 31.30.010. 87-13-030 (Order 87-1), § 50-52-210, filed 6/11/87.]

**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.

[Statutory Authority: RCW 31.30.010. 87-13-030 (Order 87-1), § 50-52-220, filed 6/11/87.]

**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.

[Statutory Authority: RCW 31.30.010. 87-13-030 (Order 87-1), § 50-52-230, filed 6/11/87.]

**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.

[Statutory Authority: RCW 31.30.010. 87-13-030 (Order 87-1), § 50-52-240, filed 6/11/87.]

**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.

[Statutory Authority: RCW 31.30.010. 87-13-030 (Order 87-1), § 50-52-250, filed 6/11/87.]

**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.

[Statutory Authority: RCW 31.30.010. 87-13-030 (Order 87-1), § 50-52-260, filed 6/11/87.]

**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.

[Statutory Authority: RCW 31.30.010. 87-13-030 (Order 87-1), § 50-52-270, filed 6/11/87.]

**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.

[Statutory Authority: RCW 31.30.010. 87-13-030 (Order 87-1), § 50-52-280, filed 6/11/87.]

**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.

[Statutory Authority: RCW 31.30.010, 87-13-030 (Order 87-1), § 50-52-290, filed 6/11/87.]

**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.

[Statutory Authority: RCW 31.30.010, 87-13-030 (Order 87-1), § 50-52-300, filed 6/11/87.]

**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.

[Statutory Authority: RCW 31.30.010, 87-13-030 (Order 87-1), § 50-52-310, filed 6/11/87.]

**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.

[Statutory Authority: RCW 31.30.010, 87-13-030 (Order 87-1), § 50-52-320, filed 6/11/87.]

## LENDING

**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.

[Statutory Authority: RCW 31.30.010, 87-13-030 (Order 87-1), § 50-52-330, filed 6/11/87.]

**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.

[Statutory Authority: RCW 31.30.010, 87-13-030 (Order 87-1), § 50-52-340, filed 6/11/87.]

**WAC 50-52-350 Assumption of loans.** 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.

[Statutory Authority: RCW 31.30.010, 87-13-030 (Order 87-1), § 50-52-350, filed 6/11/87.]

**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.

[Statutory Authority: RCW 31.30.010. 87-13-030 (Order 87-1), § 50-52-360, filed 6/11/87.]

**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.

[Statutory Authority: RCW 31.30.010. 87-13-030 (Order 87-1), § 50-52-370, filed 6/11/87.]

**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.

[Statutory Authority: RCW 31.30.010. 87-13-030 (Order 87-1), § 50-52-380, filed 6/11/87.]

**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.

[Statutory Authority: RCW 31.30.010. 87-13-030 (Order 87-1), § 50-52-390, filed 6/11/87.]

**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.

[Statutory Authority: RCW 31.30.010. 87-13-030 (Order 87-1), § 50-52-400, filed 6/11/87.]

**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.

[Statutory Authority: RCW 31.30.010. 87-13-030 (Order 87-1), § 50-52-410, filed 6/11/87.]

**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.

[Statutory Authority: RCW 31.30.010. 87-13-030 (Order 87-1), § 50-52-420, filed 6/11/87.]

**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.

[Statutory Authority: RCW 31.30.010. 87-13-030 (Order 87-1), § 50-52-430, filed 6/11/87.]

**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.

[Statutory Authority: RCW 31.30.010. 87-13-030 (Order 87-1), § 50-52-440, filed 6/11/87.]

**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.

[Statutory Authority: RCW 31.30.010. 87-13-030 (Order 87-1), § 50-52-450, filed 6/11/87.]

**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.

[Statutory Authority: RCW 31.30.010. 87-13-030 (Order 87-1), § 50-52-460, filed 6/11/87.]

**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.

[Statutory Authority: RCW 31.30.010. 87-13-030 (Order 87-1), § 50-52-470, filed 6/11/87.]

**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.

[Statutory Authority: RCW 31.30.010. 87-13-030 (Order 87-1), § 50-52-480, filed 6/11/87.]

**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.

[Statutory Authority: RCW 31.30.010. 87-13-030 (Order 87-1), § 50-52-490, filed 6/11/87.]

**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.

[Statutory Authority: RCW 31.30.010. 87-13-030 (Order 87-1), § 50-52-500, filed 6/11/87.]

**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.

[Statutory Authority: RCW 31.30.010. 87-13-030 (Order 87-1), § 50-52-510, filed 6/11/87.]

**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.

[Statutory Authority: RCW 31.30.010. 87-13-030 (Order 87-1), § 50-52-520, filed 6/11/87.]

**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.

[Statutory Authority: RCW 31.30.010. 87-13-030 (Order 87-1), § 50-52-530, filed 6/11/87.]

**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.

[Statutory Authority: RCW 31.30.010. 87-13-030 (Order 87-1), § 50-52-540, filed 6/11/87.]

**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.

[Statutory Authority: RCW 31.30.010. 87-13-030 (Order 87-1), § 50-52-550, filed 6/11/87.]

**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.

[Statutory Authority: RCW 31.30.010. 87-13-030 (Order 87-1), § 50-52-560, filed 6/11/87.]

**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.

[Statutory Authority: RCW 31.30.010. 87-13-030 (Order 87-1), § 50-52-570, filed 6/11/87.]

### BORROWING—SECURITIES—INVESTMENTS

**WAC 50-52-580 Borrowings from commercial banks.** The board of directors by resolution, shall authorize all commercial bank borrowings.

[Statutory Authority: RCW 31.30.010. 87-13-030 (Order 87-1), § 50-52-580, filed 6/11/87.]

**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.

[Statutory Authority: RCW 31.30.010. 87-13-030 (Order 87-1), § 50-52-590, filed 6/11/87.]

**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.

[Statutory Authority: RCW 31.30.010. 87-13-030 (Order 87-1), § 50-52-600, filed 6/11/87.]

**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.

[Statutory Authority: RCW 31.30.010. 87-13-030 (Order 87-1), § 50-52-610, filed 6/11/87.]

**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.

[Statutory Authority: RCW 31.30.010. 87-13-030 (Order 87-1), § 50-52-620, filed 6/11/87.]

**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.

[Statutory Authority: RCW 31.30.010. 87-13-030 (Order 87-1), § 50-52-630, filed 6/11/87.]

**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.

[Statutory Authority: RCW 31.30.010. 87-13-030 (Order 87-1), § 50-52-640, filed 6/11/87.]

## Title 51 WAC BUILDING CODE COUNCIL

### Chapters

51-10

Barrier-free facilities.

51-16

State Building Code update and amendment—Adoption of the 1988 editions of the Uniform Codes.

### Chapter 51-10 WAC BARRIER-FREE FACILITIES

**Reviser's note:** This chapter has been exempted from the publication, style, and format requirements of the Washington Administrative Code.

Copies of chapter 51-10 WAC (Barrier-free facilities) may be obtained from the State Building Code Council, Department of Community Development, Local Government Assistance Division, Ninth and