

CERTIFICATION OF ENROLLMENT

**SENATE BILL 5384**

Chapter 114, Laws of 1993

53rd Legislature  
1993 Regular Session

PERFORMANCE-BASED COMPENSATION OF INVESTMENT ADVISERS

EFFECTIVE DATE: 7/25/93

Passed by the Senate March 13, 1993  
YEAS 46 NAYS 0

JOEL PRITCHARD  
\_\_\_\_\_  
**President of the Senate**

Passed by the House April 6, 1993  
YEAS 95 NAYS 1

BRIAN EBERSOLE  
\_\_\_\_\_  
**Speaker of the  
House of Representatives**

Approved April 23, 1993

MIKE LOWRY  
\_\_\_\_\_  
**Governor of the State of Washington**

CERTIFICATE

I, Marty Brown, Secretary of the Senate of the State of Washington, do hereby certify that the attached is **SENATE BILL 5384** as passed by the Senate and the House of Representatives on the dates hereon set forth.

MARTY BROWN  
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**Secretary**

FILED

April 23, 1993 - 3:28 p.m.

**Secretary of State  
State of Washington**

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SENATE BILL 5384

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Passed Legislature - 1993 Regular Session

State of Washington                      53rd Legislature                      1993 Regular Session

By Senators Moore, Newhouse, McAuliffe and Erwin; by request of  
Department of Licensing

Read first time 01/26/93. Referred to Committee on Labor & Commerce.

1            AN ACT Relating to performance-based compensation of investment  
2 advisers; and amending RCW 21.20.030.

3 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

4            **Sec. 1.** RCW 21.20.030 and 1959 c 282 s 3 are each amended to read  
5 as follows:

6            It is unlawful for any investment adviser to enter into, extend, or  
7 renew any investment advisory contract unless it provides in writing:

8            (1) That the investment adviser shall not be compensated on the  
9 basis of a share of capital gains upon or capital appreciation of the  
10 funds or any portion of the funds of the client; however, this  
11 subsection does not prohibit: (a) An investment advisory contract  
12 which provides for compensation based upon the total of a fund averaged  
13 over a definite period, or as of definite dates or taken as of a  
14 definite date; or (b) performance compensation arrangements permitted  
15 under any rule the director may adopt in order to allow performance  
16 compensation arrangements permitted under the Investment Advisers Act  
17 of 1940 and regulations promulgated by the securities and exchange  
18 commission thereunder;

1 (2) That no assignment of the contract may be made by the  
2 investment adviser without the consent of the other party to the  
3 contract; and

4 (3) That the investment adviser, if a partnership, shall notify the  
5 other party to the contract of any change in the membership of the  
6 partnership within a reasonable time after the change.

7 (~~Subsection (1) above does not prohibit an investment advisory~~  
8 ~~contract which provides for compensation based upon the total of a fund~~  
9 ~~averaged over a definite period, or as of definite dates or taken as of~~  
10 ~~a definite date.~~) "Assignment", as used in subsection (2) (~~above~~)  
11 of this section, includes any direct or indirect transfer or  
12 hypothecation of an investment advisory contract by the assignor or of  
13 a controlling block of the assignor's outstanding voting securities by  
14 a security holder of the assignor; but, if the investment adviser is a  
15 partnership, no assignment of an investment advisory contract is  
16 considered to result from the death or withdrawal of a minority of the  
17 members of the investment adviser having only a minority interest in  
18 the business of the investment adviser, or from the admission to the  
19 investment adviser of one or more members who, after admission, will be  
20 only a minority of the members and will have only a minority interest  
21 in the business.

Passed the Senate March 13, 1993.

Passed the House April 6, 1993.

Approved by the Governor April 23, 1993.

Filed in Office of Secretary of State April 23, 1993.