WAC 208-630-260 Do I have any alternative to maintaining a surety bond? With the approval of the director, you may substitute one of the following alternatives for the surety bond required under this chapter. Any alternative to the surety bond must secure the same obligations the surety bond would. The amount of a bond alternative substituted under subsection (1) or (2) of this section must be equal to or greater than the amount of the required surety bond.

(1) **Time deposit.** You may purchase and maintain a certificate of deposit assigned in favor of the director. The certificate of deposit must be issued by a financial institution in the state and whose deposits or shares are insured by an agency of the government of the United States. The deposit must be in an amount equal to or greater than the required surety bond. You are entitled to receive all interest and dividends on the certificate of deposit.

(2) **Demonstration of sufficient net worth.** You must demonstrate net worth of at least three times the amount of the required bond. You must notify the director within ten business days of any date upon which your net worth decreases below the required amount. If you fail to maintain the required level of net worth and continue to operate under a small loan endorsement, you must immediately obtain a surety bond and maintain it for five years after the date of noncompliance. During this five-year period, the director will not accept a demonstration of net worth in lieu of a surety bond.

(3) **Reports required.** If you maintain net worth in lieu of a surety bond, you must submit to the director an annual audited financial statement and a supplementary year-to-date financial statement within forty-five days after the close of each quarter, both prepared in accordance with generally accepted accounting principles. The financial statements must include at a minimum a statement of assets and liabilities and a profit and loss statement. The director may continue to require other documents, agreements or information necessary to properly evaluate and ensure that you comply with this section.

(4) **Bad debts and judgments.** If you maintain net worth in lieu of a surety bond you must not consider bad debts and certain judgments as assets. The director may approve exceptions in writing. You must charge off your books any debt upon which any payment is six months or more past due. You may not count as an asset any unpaid judgment more than two years old. Time consumed by an appeal from a judgment is not counted in the two-year limit.

(5) **Noncompliance.** If you do not comply with this section you must obtain and file with the director a surety bond in the required amount in WAC 208-630-240 and 208-630-250 by the date specified by the director.