
THE GENERAL ASSEMBLY OF PENNSYLVANIA

SENATE BILL

No. **469** Session of
1961

INTRODUCED BY MESSRS. McMENAMIN AND SHAFER,
APRIL 4, 1961.

REFERRED TO COMMITTEE ON BANKING, APRIL 4, 1961.

AN ACT

Amending the act of May 26 1949 (P L 1828) entitled "An act concerning the investment powers and duties of guardians committees trustees and other fiduciaries except personal representatives and prescribing the nature and kind of investments which may be made and retained by such fiduciaries" making further provisions concerning authorized investments in corporate bonds and stock

The General Assembly of the Commonwealth of Pennsylvania

hereby enacts as follows

EXPLANATION—CAPITAL LETTERS indicate new matter added to bill. Matter stricken-through is to be omitted from bill. Underscoring indicates new matter added to existing law. [Brackets] indicate matter stricken from existing law.

1 Section 1 Section 6 act of May 26 1949 (P L 1828) known as
2 "Fiduciaries Investment Act of 1949" is amended to read

3 Section 6 Corporate Bonds Any [fixed] interest-bearing obliga-
4 tion including bonds notes debentures and car-trust certificates issued
5 guaranteed or assumed by a corporation organized under the laws of
6 the United States of any commonwealth or state thereof or of the Dis-
7 trict of Columbia shall be an authorized investment if

8 [(1)] purchased or retained in the exercise of that degree of
9 judgment and care under the circumstances then prevailing which
10 men of prudence discretion and intelligence exercise in the management
11 of their own affairs not in regard to speculation but in regard to the
12 permanent disposition of their funds considering the probable income
13 to be derived therefrom as well as the probable safety of their capital

14 [(2) either the issuing corporation or a guaranteeing or assuming
15 corporation has earned a net profit in eight of the preceding ten fiscal
16 years as reflected in its statements and

17 (3) either the issuing corporation or an assuming corporation has
18 not defaulted in the payment of principal or interest on any of its out-
19 standing funded indebtedness during the preceding ten fiscal years]

1 [When a corporation has acquired a substantial part of its property
2 within ten years immediately preceding such investment by consolidation
3 or merger or by the purchase of a substantial part of the property of
4 any other corporation or corporations the earnings of the predecessor
5 or constituent corporations shall be consolidated so as to ascertain
6 whether the requirements of this section have been satisfied]

7 "Corporation" as used in this section shall include a voluntary as-
8 sociation a joint-stock association or company a business trust a Massa-
9 chusetts trust a common-law trust a municipal or quasi-municipal cor-
10 poration by whatever named called and any other organization organized
11 and existing for any lawful purpose and which like a corporation con-
12 tinues to exist notwithstanding changes in the personnel of its members
13 or participants and conducts its affairs through a committee a board or
14 some other group acting in a representative capacity

15 Section 2 Subsection (a) section 9 of the act amended February
16 28 1956 (P L 1190) is amended to read

17 Section 9 Stocks

18 (a) Preferred and Common Stock Preferred and common stock
19 of any corporation organized under the laws of the United States or

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1 of any Commonwealth or State thereof or of the District of Columbia

2 shall be an authorized investment if

3 [(1)] purchased or retained in the exercise of that degree of judg-

4 ment and care under the circumstances then prevailing which men of

5 prudence discretion and intelligence exercise in the management of

6 their own affairs not in regard to speculation but in regard to the perma-

7 nent disposition of their funds considering the probable income to be de-

8 rived therefrom as well as the probable safety of their capital

9 [(2)] in the case of preferred stock the corporation issuing the stock

10 has earned a net profit in eight of the preceding ten fiscal years as re-

11 flected in its statements and during each of the preceding ten fiscal

12 years has paid dividends in the specified amounts upon all its preferred

13 stock if any outstanding during such year

14 [(3)] in the case of common stock the corporation issuing the stock

15 has earned a net profit in twelve of the preceding sixteen years as re-

16 flected in its statements and during each of the preceding sixteen fiscal

17 years has paid dividends in the specified amounts upon all its preferred

18 stock if any outstanding during said year and in each of at least twelve

19 of the preceding sixteen fiscal years has paid dividends in some amount

20 upon all its common stock if any outstanding during such year and]

1 [(4) in the case of any stock other than stock of a bank or insurance
2 company or of an investment company (as hereinafter defined) the
3 stock is listed or traded (or if unlisted or not entitled to trading
4 privileges shall be eligible for listing and application for such listing
5 shall have been made) on the New York Stock Exchange or any other
6 exchange approved by the Secretary of Banking

7 No investment in common stock shall be made which at that time
8 would cause the market value of the investments in common stocks to
9 exceed one-third of the market value of the estate not including in such
10 market value the value of any participation in a common trust fund
11 No sale or other liquidation of any investment shall be required solely
12 because of any change in market values whereby the percentages of
13 stocks hereinabove set forth are exceeded In determining the market
14 value of an estate a fiduciary may rely upon published market quota-
15 tions as to those investments for which such quotations are available and
16 upon such valuations of other property as in his best judgment seem
17 fair and reasonable according to available information

18 When a corporation has acquired a substantial part of its property
19 within sixteen years immediately preceding the investment by consolida-
20 tion or merger or by the purchase of a substantial part of the property].

1 [of any other corporation or corporations the earnings of the predecessor
2 or constituent corporations shall be consolidated so as to ascertain
3 whether the net profit requirements of this section have been satisfied
4 and the dividend requirements of this section shall be satisfied by pay-
5 ment of the required dividends by any predecessor or constituent cor-
6 poration]

7 "Corporation" as used in this section shall include an invest-
8 ment company (as hereinafter defined) a voluntary association a joint-
9 stock association or company a business trust a Massachusetts trust a
10 common-law trust and any other organization organized and existing
11 for any lawful purpose and which like a corporation continues to exist
12 notwithstanding changes in the personnel of its members or participants
13 and conducts its affairs through a committee a board or some other
14 group acting in a representative capacity

15 "Investment Company" as used in this section shall mean a cor-
16 poration (as defined in this section) which is registered as an invest-
17 ment company under the Federal Investment Company Act of 1940
18 as from time to time amended and which has no preferred stock bonds
19 loans or any other outstanding securities having preference or priority
20 as to assets or earnings over its common stock and which shall have

1 net assets of not less than ten million dollars (\$10,000,000) at the
2 date of purchase

3 "Common Stock" as used in this section shall include the stock
4 certificates certificates of beneficial interests or trust participation cer-
5 tificates issued by any corporation or unincorporated association in-
6 cluded under the definition of "corporation" in [the preceding para-
7 graph] this section

8 * * *

9 Section 3 This act shall take effect immediately

We certify that this bill has passed the Senate and the House of
Representatives.

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Chief Clerk, Senate

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President pro tempore, Senate

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Speaker, House of Representatives

Approved The day of A. D. 1961.

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Governor