

circumstances; and validating stock options, pensions and allowances heretofore granted," as to nonprofit corporations.

APPROVED—The 13th day of October, A. D. 1959.

DAVID L. LAWRENCE

No. 433

AN ACT

Amending *the act of April 18, 1945 (P. L. 253), entitled "An act relating to suits by shareholders against officers or directors in a corporation, domestic or foreign, to enforce a secondary right because the corporation refuses to enforce rights, which may be asserted by it, requiring that plaintiff be a shareholder at the time of the transaction of which he complains, or that his shares thereafter devolved upon him by operation of law; requiring security for defendant's expenses, including attorneys' fees; and providing for the assessment and recovery of such expenses, including attorneys' fees," extending the provisions thereof to corporations having no capital stock and authorizing corporations to indemnify directors, officers and other persons against certain expenses.

Corporations.

The General Assembly of the Commonwealth of Pennsylvania hereby enacts as follows:

Sections 1 and 2,
act of April 18,
1945, P. L. 253
amended.

Section 1. Sections 1 and 2, act of April 18, 1945 (P. L. 253), entitled "An act relating to suits by shareholders against officers or directors in a corporation, domestic or foreign, to enforce a secondary right because the corporation refuses to enforce rights, which may be asserted by it, requiring that plaintiff be a shareholder at the time of the transaction of which he complains, or that his shares thereafter devolved upon him by operation of law; requiring security for defendant's expenses, including attorneys' fees; and providing for the assessment and recovery of such expenses, including attorneys' fees," are amended to read:

Suits by share-
holders to en-
force secondary
rights.

Section 1. In any suit brought to enforce a secondary right on the part of one or more shareholders *or members of a corporation organized on a mutual plan without capital stock* against any officer, or director, or former officer or director of a corporation, domestic **or foreign, because such corporation refuses to enforce rights which may properly be arrested by it, the plaintiff or plaintiffs must aver and it must be made to appear, that the plaintiff or each plaintiff was a stockholder *or was a member of such corporation* at the time of the transaction of which he complains, or that his stock *or membership*

* "te" in original.

** "of" in original.

devolved upon him by operation of law from a person who was a stockholder or member at such time. *For the purposes of this act, depositors in a mutual savings bank are included within the term "members," and the term "director" means any director or person performing a similar function regardless of title.*

Section 2. In any such suit instituted or maintained by holder or holders of less than five per centum of the outstanding shares of any class of such corporation's stock or voting trust certificates, or by a member or members of a corporation organized on a mutual plan without capital stock which has outstanding contracts or *accounts with its members if the value of such contracts or accounts held or owned by the member or members instituting or maintaining such suit is less than five per centum of the value of all such contracts or accounts outstanding, the corporation in whose right such action is brought shall be entitled, at any stage of the proceedings, to require the plaintiff or plaintiffs to give security for the reasonable expenses, including attorneys' fees, which may be incurred by it in connection with such suit, and by the other parties defendant in connection therewith, for which it may become liable pursuant to section three of this act, to which security the corporation shall have recourse in such amount as the court having jurisdiction shall determine upon the termination of such action. The amount of such security may, from time to time, be increased in the discretion of the court having jurisdiction of such action upon showing that the security provided has or may become inadequate.

Corporation may require plaintiff to give security.

Section 2. The act is amended by adding, after section 3, a new section to read:

Section 4. Any corporation, organized under the laws of this Commonwealth, whether a stock corporation or organized on the mutual plan without capital stock, shall have power to indemnify any and all of its directors or officers, or former directors or officers, or any person who may have served at its request as a director or officer of another corporation in which it owns shares of capital stock or of which it is a creditor, against expenses actually and necessarily incurred by them in connection with the defense of any action, suit or proceeding in which they, or any of them, are made parties or a party by reason of being or having been directors or officers or a director or officer of the corporation or of such other corporation, except that no corporation shall have power to so indemnify any such person against expenses incurred in defense of any action, suit or proceeding in which he shall be adjudged liable for negligence or mis-

Act of April 18, 1945, P. L. 253, amended by adding a new section 4.

Corporation empowered to indemnify directors, officers and others, against expenses in suits in certain cases.

* "accocunts" in original.

conduct in the performance of duty, or in defense of suits described in section 1 of this act to the extent that the court having jurisdiction thereof has assessed such expenses upon such person in accordance with section 3 of this act. Such indemnification shall not be deemed exclusive of any other rights to which those indemnified may be entitled under any by-law, agreement, vote of shareholders or otherwise.

Act effective immediately.

Section 3. This act shall take effect immediately.

APPROVED—The 13th day of October, A. D. 1959.

DAVID L. LAWRENCE

No. 434

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," increasing the investment powers.

Fiduciaries Investment Act of 1949.

Section 7, act of May 26, 1949, P. L. 1828, amended as to first paragraph, and by adding a new clause (2.1)

The General Assembly of the Commonwealth of Pennsylvania hereby enacts as follows:

Section 1. Section 7, act of May 26, 1949 (P. L. 1828), known as the "Fiduciaries Investment Act of 1949," is amended by amending the first paragraph and adding, after clause (2), a new clause to read:

Section 7. Mortgages.—One or more bonds or other obligations secured by one or more mortgages, or in connection with which the obligor gives one or more mortgages to indemnify the insurer of the obligation, shall be an authorized investment if—

* * * * *

(2.1) Insured by the Farmers Home Administration, United States Department of Agriculture. Insured by the Farmers Home Administration, United States Department of Agriculture, pursuant to the Bankhead-Jones Farm Tenant Act of July twenty-second, one thousand nine hundred thirty-seven (50 Stat 522), and its amendments and supplements heretofore or hereafter enacted, or pursuant to the act of August twenty-eight, one thousand nine hundred thirty-seven (50 Stat 869), and its amendments and supplements heretofore or hereafter enacted; or

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APPROVED—The 13th day of October, A. D. 1959.

DAVID L. LAWRENCE