

## CHAPTER 41.

[H. B. 85.]

## INVESTMENT OF TRUST FUNDS.

AN ACT relating to and regulating investment of funds held in trust by corporations doing a trust business and repealing sections 3255, 3255a, 3255b, 3255c, 3255d, 3255e, 3255f, 3255g, 3255h, 3255i, 3255j, 3255k, 3255l, 3255m, 3255n, 3255o, 3255p, 3255q, 3255r, 3255s and 3255t, Remington's Revised Statutes.

*Be it enacted by the Legislature of the State of Washington:*

SECTION 1. A corporation doing a trust business may invest funds held in trust in the securities and in the manner hereinafter in this act specified and not otherwise.

Investments authorized.

SEC. 2. Trust funds may be invested in:

(a) Bonds, notes or other securities constituting the direct and general obligation of any instrumentalities of the United States, the interest and principal of which is unconditionally guaranteed by the United States. Discount on non-interest bearing securities of the United States such as savings bonds may be accrued and treated the same as income.

Guaranteed United States obligations.

(b) Notes or bonds secured by mortgage insured by the Federal Housing Administration, in obligations of National Mortgage Association and in debentures issued by the Federal Housing Administration.

U. S. insured mortgage bonds and notes.

SEC. 3. Trust funds may be invested in bonds or notes which are the direct and general obligation of the Dominion of Canada, or the payment of which, both principal and interest, is unconditionally guaranteed by the Dominion of Canada: *Provided*, That said obligations are payable in legal funds of the United States at some place within the United States.

Guaranteed obligations of Canada.

Restrictions.

SEC. 4. Trust funds may be invested in the following obligations of the State of Washington and

State and  
municipal  
obligations.

certain political subdivisions thereof: *Provided*, That the body issuing the securities named in this section has not within ten years immediately preceding the investment of trust funds in such securities made default in the payment of either principal or interest of any of its obligations described in this section for a longer period than ninety (90) days: *And provided further*, That payment by way of compromise of a reduced amount of the principal of such obligations shall be considered a default.

Restrictions.

Default  
defined.

State general  
bonds and  
warrants.

(a) Direct and general obligation bonds and warrants of the State of Washington.

General  
obligations  
of municip-  
alities.

(b) Direct and general obligation bonds and warrants of any city, town, county, school district, port district or other political subdivision in the State of Washington, having the power to levy general taxes, which are payable from general ad valorem taxes without limit as to rate or amount.

Water  
revenue  
bonds.

(c) Water revenue bonds and warrants payable at a definite time, of any city of the first, second or third class of the State of Washington for the payment of which a sufficient amount of the revenues of the city's water system, over and above all maintenance and operation costs, is irrevocably pledged.

Light and  
power  
revenue  
bonds.

(d) Light and power revenue bonds of any city of the first or second class in this state for the payment of which a sufficient amount of the revenues of the city's light and power system, over and above all maintenance and operation costs, has been irrevocably pledged.

Pledge.

Miscel-  
laneous in-  
vestments.

SEC. 5. Trust funds may be invested in the following obligations: *Provided*, That the body issuing the securities named in this section has not within ten (10) years immediately preceding the investment of trust funds in such securities made default in the payment of either principal or interest of any of its obligations described in this section for a longer period than ninety (90) days: *And pro-*

Restrictions.

*vided further*, That payment by way of compromise of a reduced amount of the principal of such obligations shall be considered a default.

Default defined.

(a) Direct and general obligations of the various states of the United States, where the state has power to levy general taxes and such obligations are payable from general ad valorem taxes without limit as to rate or amount.

General obligations of other states.

(b) Direct and general obligations of any political subdivision of any state other than the State of Washington, where such political subdivision has a population according to the 1940 Census of not less than 20,000, and has full power to levy general taxes, and such obligations are payable from general ad valorem taxes without limit as to rate or amount: *Provided*, That in municipalities in the States of Idaho and Oregon, it shall be sufficient if a county has 5,000 population and any other political subdivision 1,500 population according to the 1940 census.

General obligations of municipality of other states.

Restrictions.

Exceptions for Idaho and Oregon.

SEC. 6. Trust funds may be invested in loans evidenced by notes signed by the borrower, secured by first mortgages on real estate within the State of Washington, subject to the following restrictions:

First mortgages on real estate within state.

(1) The borrower shall furnish either—

Restrictions.

(a) A complete abstract of title of the mortgaged property, which abstract shall be signed by the person or corporation furnishing the abstract of title, and which abstract shall be examined by a competent attorney and shall be accompanied by his opinion approving the title and showing that the mortgage is a first lien; or

Abstract approved by attorney.

(b) A policy of title insurance; or

Title insurance.

(c) A duplicate certificate of ownership issued by a registrar of titles.

Certificate of ownership.

No mortgage loan shall be made except upon written application signed by the applicant nor except upon a written appraisal of the security by a

Written application and appraisal.

competent appraiser, to be kept with the mortgage papers.

Minimum value and income.

The real estate subject to such first mortgage must be improved to such extent that the net annual income thereof or reasonable annual rental value thereof in the condition existing at the time of making the loan is sufficient to pay the annual interest accruing on such loan in addition to taxes, special assessments and insurance premiums.

Maximum loan value.

No such mortgage loan shall be for an amount greater than sixty per cent (60%) of the value of such real estate, including improvements: *Provided*, No mortgage loan shall be made in excess of fifty per cent (50%) of the appraised value of the security

Restrictions.

unless its terms require the payment of principal and interest in annual, semi-annual, quarterly or monthly payments at a rate which if continued would repay the loan in full in not more than twenty (20) years: *And provided further*, That any mortgage loan not so amortized shall not be for a longer period than five (5) years.

Maximum term.

Restrictions.

Insurance provisions.

The mortgage shall contain provisions requiring the mortgagor to maintain insurance on the buildings on the mortgaged premises to such reasonable amount as shall be stipulated in the mortgage.

Loans on real estate to be improved.

A loan may be made on real estate which is to be improved by a building or buildings to be constructed with the proceeds of such loan, if it is arranged that such proceeds will be used for that purpose and that when so used the property will be improved to the extent required by this section.

Mortgage deemed first mortgage.

A mortgage on real estate shall be deemed a first mortgage within the meaning of this section, even though (1) there is outstanding upon the real estate a lease to which the mortgage is subject where a majority of the trust investment committee or executive committee of the mortgagee deems a lease advantageous to the owner of the mortgaged property

Subject to lease.

and the mortgagee in case of foreclosure can compel the application upon the mortgage debt of substantially all of the rents thereafter to accrue; and/or (2) there are outstanding non-delinquent taxes or special assessments or both, and the sum of the taxes and assessments and the amount of the loan does not exceed the limits herein specified.

Mortgagee can compel application of rents upon foreclosure.

Subject to taxes and assessments.

SEC. 7. Trust funds may be invested in railroad obligations as provided in this section.

Railroad obligations.

(1) Obligations issued, assumed or guaranteed as to principal and interest by endorsement, or so guaranteed which guaranty has been assumed; or

To be guaranteed.

(2) Obligations for the payment of the principal and interest of which a railroad corporation such as is described in this section is obligated under the terms of a lease made or assumed; or

Obligations under lease.

(3) Equipment trust obligations in respect of which liability has been incurred.

Equipment.

All such obligations to be issued by a railroad corporation incorporated under the laws of the United States, or any state thereof, and owning and operating within the United States not less than five hundred miles of standard-gauge railroad line, exclusive of sidings, or if the mileage so owned shall be less than five hundred miles, the railroad operating revenues from the operation of all railroad operated by it, including such revenues from the operation of all railroad controlled through ownership of all (except directors' qualifying shares) of the voting stock of the owning corporation, shall have been not less than ten million dollars each year for at least five of the six fiscal years next preceding such investment: *Provided, however,* (1) That in each year for at least five of the six fiscal years, and in the last fiscal year, next preceding such investment, the amount of income of such railroad corporation, available for its fixed charges, as hereinafter defined, shall have been not less than

Requisites of company.

Revenue limitations.

Ratio of  
income to  
fixed charges.

one and one-half times such fixed charges as hereinafter defined; (2) that in each year for at least five of the six fiscal years next preceding such investment, such railroad corporation shall have paid dividends in cash upon its capital stock equivalent to at least one-fourth of such fixed charges, or if such railroad corporation shall not have paid such dividends, that the amount of income available for such fixed charges shall have been not less than one and one-half times such fixed charges for at least nine of the ten fiscal years, and in the last fiscal year, next preceding such investment; (3) that at no time within such period of six years such railroad corporation shall have failed regularly and punctually to pay the matured principal and interest on its mortgage and funded indebtedness; and (4) that the security, if any, for such obligations shall be property wholly or in part within the United States and which obligation shall be:

Ratio of  
dividends to  
fixed charges.

Not in  
default on  
indebtedness.

Property  
in U. S.

Secured  
bonds.

(a) Fixed interest-bearing bonds secured by direct mortgage on railroad owned or operated by such railroad corporation; or

Secured  
bonds on  
terminal  
property.

(b) Bonds secured by first mortgage upon terminal, depot or tunnel property, including lands, buildings and appurtenances, used in the service of transportation by one or more such railroad corporations: *Provided*, That such bonds be the direct obligation of, or that payment of principal and interest thereof be guaranteed by endorsement by, or guaranteed by endorsement which guaranty has been assumed by, one or more such railroad corporations; or

Restrictions.

Equipment  
obligations.

(c) Equipment trust obligations, comprising bonds, notes and certificates, issued in connection with the purchase for use on railroads of new standard-gauge rolling stock through the medium of an equipment trust agreement, and which obligations, so long as any thereof shall be outstanding

and unpaid or unprovided for, shall be secured by an instrument (1) vesting title to such equipment in a trustee free of encumbrance, or (2) creating a first lien on such equipment, or, pending such vesting of title, by the deposit of cash in trust to an amount equal to the face amount of such obligations issued in respect of such equipment title to which is not yet so vested: *Provided further*, That the maximum amount of such obligations so issuable shall not exceed eighty per centum (80%) of the cost of such equipment: *And provided further*, That the owner, purchaser or lessee, or the owners, purchasers or lessees, of such equipment shall be obligated by the terms of such obligations or of such instrument (a) to maintain such equipment in proper repair; (b) to replace any thereof that may be destroyed or released with other equipment of equal value, or, if released in connection with a sale thereof to deposit the proceeds of such sale in trust for the benefit of the holders of such obligations pending replacement of such equipment; (c) to pay any and all taxes or other governmental charges that may be required by law to be paid upon such equipment; (d) to pay, in accordance with the provisions of such obligations or of such instrument, to holders, or to such trustee for the benefit of holders, of such obligations the amount of interest due thereon or of the dividends payable in respect thereof; and (e) to pay the amount of the entire issue of such obligations in such annual or semi-annual installments each year throughout a period of not exceeding fifteen years from the first date of issue of any thereof that the amount of the respective unmatured installments at any time outstanding shall be approximately equal: *Provided further*, That unless the owner, purchaser or lessee of such equipment or one or more of such owners, purchasers, or lessees

Restrictions.

Title or first lien.

Loan not to exceed 80% of cost.

Maintenance of equipment.

To deposit proceeds of sale.

Pay all taxes.

Pay all interest or dividends.

To pay entire obligation in 15 years.

Obligations to be guaranteed. shall be such railroad corporation as is described in and meets the requirements of this section preceding paragraph (a), such obligations shall be guaranteed by endorsement as to principal and as to interest or dividends by such railroad corporations; or

Secured bonds under trust agreement. (d) Bonds of such railroad corporation secured by irrevocable pledge as collateral under a trust agreement of other railroad bonds having a maturity not earlier than the bonds that they secure and of a total face amount not less than the total face amount of the bonds that they secure; or

Mortgage bonds. (e) Fixed interest-bearing mortgage bonds other than those described in paragraphs (a) or (b) hereof, income mortgage bonds, collateral trust bonds or obligations other than those described in

Unsecured bonds guaranteed. paragraph (d) hereof, or unsecured bonds or obligations, issued, assumed or guaranteed as to principal and interest by endorsement by, or so guaranteed which guaranty has been assumed by, such

Restrictions. railroad corporation: *Provided*, That in each year for at least five of the six fiscal years, and in the last fiscal year, next preceding such investment (a) the amount of income of such railroad corporation available for its fixed charges, as hereinafter defined, shall have been not less than twice the sum of (1) such fixed charges, as hereinafter defined, and (2) full interest on such income mortgage bonds, if any, and (b) the net income of which after such deductions shall have been not less than ten million dollars, and which railroad corporation shall have made the dividend and principal and interest payments hereinbefore required.

Income for fixed charges. The amount of income available for fixed charges shall be the amount obtained by deducting from a gross income all items deductible in ascertaining net income other than contingent income interest and those constituting fixed charges. Fixed

charges shall be: rent for leased roads, miscellaneous rents, fixed interest on funded debt, interest on unfunded debt and amortization of discount on funded debt.

Definition:  
fixed charges.

Accounting terms used in the preceding paragraph shall be deemed to refer to those used in the accounting reports prescribed by the accounting regulations for common carriers subject to the provisions of the interstate commerce act. If the interstate commerce commission shall prescribe accounting regulations wherein shall be defined the term income available for fixed charges and the term fixed charges, the definitions thereof as so prescribed shall be taken and used in lieu of the definitions set forth in the preceding paragraph of this section for all purposes hereof.

Terms construction.

I. C. C. may  
define terms.

For all purposes of this section, the revenues, earnings, income and fixed charges of, and dividends paid by, any railroad corporation all or substantially all of the railroad lines of which shall have been acquired, through merger, consolidation, conveyance or lease, by another railroad corporation and shall remain in its possession shall be deemed to be revenues, earnings, income and fixed charges of, and dividends paid by the latter corporation.

Revenues  
defined.

Street railroad corporations shall not be considered railroad corporations within the meaning of this section.

Street Rail-  
ways not  
included.

SEC. 8. Trust funds may be invested in bonds of any corporation which at the time of such investment is incorporated under the laws of the United States or any state thereof, or the District of Columbia, and transacting the business of supplying electrical energy, or artificial gas or natural gas purchased from another corporation and supplied in substitution for, or in mixture with, artificial gas, for light, heat, power and other purposes, or trans-

May invest  
in electric  
or gas  
corporation.

U. S. and  
District of  
Columbia.

**Restrictions.** acting any or all of such business, provided at least seventy-five per centum (75%) of the gross operating revenues of any such corporation are derived from such business, and not more than fifteen per centum (15%) of the gross operating [revenues] are derived from any one kind of business other than supplying electricity or gas or electricity and gas; and provided such corporation is subject to regulation by a public service commission or public utility commission, or other similar regulatory body duly established by the laws of the United States or the states in which such corporation operates, subject to the following conditions:

**Necessary franchises.** (a) Such corporation shall have all franchises necessary to operate in territory in which at least seventy-five per centum (75%) of its gross income is earned, which franchises shall either be indeterminate permits or agreements with, or subject to the jurisdiction of a public service commission, or other duly constituted regulatory body, or shall extend at least five years beyond the maturity of such bonds.

**Requisites.**

**Ratio of paid-up stock to debt.** (b) The outstanding full paid capital stock of such corporation shall be equal to at least two-thirds of the total debt secured by mortgage lien on any part or all of its property: *Provided, however,* That in case of a corporation having non-par value shares, the amount of capital which such shares represent shall be the capital as shown by the books of the corporation.

**Financial condition of corporation.** (c) Such corporation shall have been in existence for a period of not less than eight fiscal years and at no time within such period of eight fiscal years next preceding the date of such investment shall said corporation have failed to pay promptly and regularly the matured principal and interest of all its indebtedness direct, assumed or guaranteed, but the period of life of the corporation, to-

gether with the period of life of any predecessor corporation or corporations from which a major portion of its property was acquired by consolidation, merger or purchase shall be considered together in determining the required period.

(d) For a period of five fiscal years next preceding such investment the net earnings of such corporation shall have averaged per year not less than twice the average annual interest charges on its total funded debt applicable to that period, and for the last fiscal year preceding such investment such net earnings shall have been not less than twice the interest charges for a full year on its total funded debt outstanding at the time of such investment, and for such period the gross operating revenues of any such corporation shall have averaged per year not less than one million dollars, and such corporations shall have for each such year either earned an amount available for dividends or paid in dividends an amount equal to four per centum (4%) upon a sum equivalent to two-thirds of its funded debt.

Minimum of net earnings.

Ratio of net earnings to interest charges.

Annual minimum revenues.

Amount available for dividends.

(e) In determining the qualifications of any bond under this section where a corporation shall have acquired its property or any substantial part thereof within five years immediately preceding the date of such investment by consolidation or merger or by the purchase of all or a substantial portion of the property of any other corporation or corporations, the gross operating revenues, net earnings, and interest charges of the several predecessor or constituent corporations shall be consolidated and adjusted so as to ascertain whether the requirements of paragraph (d) of this section have been complied with.

Revenues to be consolidated on merged corporations.

(f) The gross operating revenues and expenses of a corporation for the purposes of this section shall be respectively the total amount earned from

Revenues and expenses defined.

the operation of, and the total expense of maintaining and operating, all property owned and operated by or leased and operated by such corporations, as determined by the system of accounts prescribed by the public service commission, or public utility commission or other similar regulatory body having jurisdiction in the matter. The gross operating revenues and expenses as defined above, of subsidiary companies may be included, provided all the mortgage bonds and a controlling interest in stock or stocks of such subsidiary companies are pledged as part security for the mortgage debt of the principal company.

System of accounts prescribed by commission.

Revenues and expenses of subsidiaries may be included.

Net earnings defined.

The net earnings of any corporation for the purpose of this section shall be the balance obtained by deducting from its gross operating revenues, its operating and maintenance expenses, taxes other than federal and state income taxes, rentals and provision for renewals and retirements of the physical assets of the corporation, and by adding to said balance its income from securities and miscellaneous sources but not, however, to exceed fifteen per centum (15%) of said balance. The term funded debt shall be construed to mean all interest-bearing debt maturing more than one year from date of issue.

Funded debt define.

Limitation of bond issue.

(g) Such bonds must be part of an issue of not less than one million dollars and must be mortgage bonds secured by a first or refunding mortgage secured by property owned and operated by the corporation issuing or assuming them, or must be underlying mortgage bonds secured by property owned and operated by the corporations issuing or assuming them, provided that such bonds are to be refunded by a junior mortgage providing for their retirement, and provided the bonds under such junior mortgage comply with the requirements of this section and that such underlying mortgage is

Security.

either a closed mortgage or remains open solely for the issue of additional bonds which are to be pledged under such junior mortgage. The aggregate principal amount of bonds secured by such first or refunding mortgage plus the principal amount of all the underlying outstanding bonds shall not exceed sixty per centum (60%) of the value of the physical property owned as shown by the books of the corporation and subject to the lien of such mortgage or mortgages securing the total mortgage debt and provided further that if a refunding mortgage, it must provide for the retirement on or before the date of their maturity of all bonds secured by prior liens on the property.

Maximum  
loan ratio.

SEC. 9. Trust funds may be invested in bonds of any corporation which at the time of such investment is incorporated under the laws of the United States, or any state thereof, or the District of Columbia, and authorized to engage, and engaging, in the business of furnishing telephone service in the United States, and provided such corporation is subject to regulation by the interstate commerce commission or a public service commission, or public utility commission or other similar federal or state regulatory body duly established by the laws of the United States or the states in which such corporation operates, subject to the following conditions:

May invest  
in bonds of  
telephone  
corporations.

Company to  
be subject to  
regulation.

(a) Such corporation shall have been in existence for a period of not less than eight fiscal years and at no time within such period of eight fiscal years next preceding the date of such investment shall said corporation have failed to pay promptly and regularly the matured principal and interest of all its indebtedness direct, assumed, or guaranteed, but the period of life of the corporation together with the period of life of any predecessor corporation or corporations from which a major

Requisites  
of company.

Financial  
condition.

portion of its property was acquired by consolidation, merger or purchase shall be considered together in determining the required period.

Ratio of stock to debt.

(b) The outstanding full paid capital stock of such corporation shall at the time of such investment be equal to at least two-thirds of the total debt secured by all mortgage liens on any part or all of its property.

Ratio of net income to interest charges.

(c) For a period of five fiscal years next preceding such investment the net earnings of such corporation shall have averaged per year not less than twice the average annual interest charges on its total funded debt applicable to that period, and for the last fiscal year preceding such investment such net earnings shall have been not less than twice the interest charges for a full year on its total funded debt outstanding at the time of such investment, and for such period the gross operating revenues of any such corporation shall have averaged per year not less than five million dollars, and such corporation shall have for each of said years either earned an amount available for dividends or paid in dividends an amount equal to four per centum (4%) upon all its outstanding capital stock.

Minimum revenues.

Minimum dividends.

Minimum bond issue.

Requisites.

Ratio of debt to value of property.

(d) Such bonds must be part of an issue of not less than five million dollars and must be secured by a first or refunding mortgage, and the aggregate principal amount of bonds secured thereby, plus the principal amount of all underlying outstanding bonds shall not exceed sixty per centum (60%) of the value of the property, real and personal owned absolutely and subject to the lien of such mortgage; and provided further that if a refunding mortgage, it must provide for the retirement of all bonds secured by prior liens on the property. Not more than thirty-three and one-third per centum ( $33\frac{1}{3}\%$ ) of the property required as security for such bonds in order to comply with the provisions

of this paragraph may consist of stock or unsecured obligations of affiliated or other telephone companies, or both.

(e) In determining the qualifications of any bond under this section where a corporation shall have acquired its property or any substantial part thereof within five years immediately preceding the date of such investment by consolidation or merger or by the purchase of all or a substantial portion of the property of any other corporation or corporations, the gross operating revenues, net earning and interest charges of the several predecessor or constituent corporations shall be consolidated and adjusted so as to ascertain whether the requirements of paragraph (c) of this section have been complied with.

Income of merged companies to be consolidated.

(f) The gross operating revenues and expenses of a corporation for the purpose of this section shall be respectively the total amount earned from the operation of, and the total expense of maintaining and operating, all property owned and operated by or leased and operated by such corporation, as determined by the system of accounts prescribed by the interstate commerce commission or the public service commission, or public utility commission, or other similar federal or state regulatory body having jurisdiction in the matter.

Revenues and expenses defined.

System of accounts by commission.

(g) The net earnings of any corporation for the purpose of this section shall be the balance obtained by deducting from its gross operating revenues, its operating and maintenance expenses, provision for depreciation of the physical assets of the corporation, taxes other than federal and state income taxes, rentals and miscellaneous charges, and by adding to said balance its income from securities and miscellaneous sources but not, however, to exceed fifteen per centum (15%) of said balance. The term funded debt shall be construed to mean all in-

Net earnings defined.

Funded debt defined.

terest-bearing debt maturing more than one year from date of issue.

May invest in industrial corporations.

SEC. 10. Trust funds may be invested in secured or unsecured obligations of industrial corporations, incorporated under the laws of the United States, or any state thereof, or the District of Columbia, subject to the following restrictions:

(a) As shown by the published balance sheet of the corporation for the last fiscal year immediately preceding the date of the investment

Minimum assets requirements.

(1) The total assets of the corporation after accrued depreciation and depletion shall have been not less than one hundred million dollars; and

Working capital to equal total debt.

(2) The working capital (net current assets) of the corporation shall have been at least equal to the total of the secured and unsecured funded debt of the corporation.

(b) As shown by the published annual income accounts of the corporation

Ratio between net earnings and fixed charges.

(1) The net earnings of the corporation after depreciation and depletion, for a period of five fiscal years immediately preceding the date of the purchase, shall have averaged three times total fixed charges; and

(2) In the latest of such five fiscal years the net earnings shall have been at least two times total fixed charges:

(3) *Provided*, That if the corporation shall not have had fixed charges in one or more of the five fiscal years immediately preceding the date of purchase, the coverage ratio of fixed charges for such years, as hereinabove required, shall be determined, for the purposes of this section, by assuming such fixed charges to be the same as at the date of purchase.

(c) The unsecured obligations of such corporation shall not qualify under this act if

(1) The total secured funded debt of the corporation is greater than ten per centum (10%) of the total unsecured funded debt of the corporation; or

Restrictions.

(2) If the agreement under which the unsecured obligations of the corporation to be purchased shall permit the creation of mortgage debt maturing after one year without the said unsecured obligations being equally secured except in the case of the creation of mortgage debt for the purchase or acquisition of new properties.

(d) The term funded debt shall be construed to mean all interest-bearing debt maturing more than one year from date of issue.

Funded debt defined.

SEC. 11. A corporation doing a trust business may hold during the life of the trust, all property real and/or personal, received by it into the trust from any source, through [though] such property be not legal for the investment of trust funds, in the same manner and upon the same conditions as if such property were legal for the investment of trust funds, unless the instrument creating the trust specifically provides to the contrary: *Provided further*, That any investment of trust funds made under this act or any prior act, which was a legal investment at the time the same was made shall be considered as and remain a legal investment.

Trust Company may hold property from any source.

Exception.

Prior investment remains legal.

SEC. 12. A corporation doing a trust business may invest and deposit trust funds in savings accounts in banks, trust companies, mutual savings banks, or national banking associations, including the bank or trust company acting as trustee, to the extent that such deposits are insured by the Federal Deposit Insurance Corporation or in savings share or investment share accounts of any savings and loan association, wherever located, to the extent that such share accounts are insured by the Federal Savings and Loan Insurance Corporation.

May invest in or deposit in banks where deposits insured.

Insured savings and loan association.

May invest as provided in trust agreement.

SEC. 13. A corporation doing a trust business may invest funds held in trust under an instrument creating such trust, in any manner and/or in any investment and/or in any class of investments authorized by such instrument, whether or not the same be otherwise eligible for the investment of trust funds.

Trustee may invest generally in authorized securities.

SEC. 14. If the instrument creating the trust authorizes the corporation doing a trust business in its discretion to invest trust funds in such securities as the trustee may determine or words to that effect, the trustee may, in the exercise of such discretion, invest the trust funds in any securities in this act authorized or in any other securities or form of property including common and preferred stocks or in improved real estate, that it shall deem advantageous to the beneficiaries of such trust unless the instrument creating the trust specifically provides to the contrary.

May exchange securities authorized.

SEC. 15. A corporation doing a trust business may exchange investments in the securities of any corporation held by it in trust, which investments are authorized to be held or made under the other provisions of this act, for investments in any reorganized, consolidated, successor or merged corporation, or holding company, and may exercise any option granted in respect of any such investments for the conversion of the same into other investments in such reorganized, consolidated, successor or merged corporation or holding company, and may exercise any rights to subscribe to additional investments in respect of investments so held by it in trust, whether or not such new investments received in exchange or by reason of the exercise of any option or rights as above described, are eligible for the investment of trust funds, and such new investments may be held in the same manner and upon the same conditions as if they were eligible

for the investment of trust funds, unless the instrument creating the trust specifically provides to the contrary.

SEC. 16. Nothing in this act contained shall be construed as authorizing any corporation doing a trust business, to invest any funds held in trust, in any bonds, mortgages, notes or other securities, during any default in payment of either principal or interest thereof, except as provided by section fifteen hereof. Restrictions.

SEC. 17. Unless the instrument creating the trust expressly provides to the contrary, a corporation doing a trust business may not buy or sell investments from or to itself or any affiliated or subsidiary company or association. May not deal with self or subsidiary.

SEC. 18. It shall be the duty of any corporation doing a trust business which shall invest trust funds as in this act provided to retain in its possession such circulars, letters or other data that it may have acquired for the purpose of establishing that the securities it has purchased comply with the requirements of this act. Duty to keep record to establish validity of securities.

SEC. 19. Sections 3255, 3255a, 3255b, 3255c, 3255d, 3255e, 3255f, 3255g, 3255h, 3255i, 3255j, 3255k, 3255l, 3255m, 3255n, as amended by Chapter 61, Session Laws of 1939 (sections 3255o, 3255p, 3255q, 3255r, 3255s, 3255t of Remington's Revised Statutes), and all other acts or parts of acts in conflict herewith, are hereby repealed. Statutes repealed.

Passed the House February 26, 1941.

Passed the Senate February 19, 1941.

Approved by the Governor March 4, 1941.