

MAINE STATE LEGISLATURE

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SEVENTY-SIXTH LEGISLATURE

SENATE

NO. 6

In Senate, Jan. 8, 1913.

*On motion of Senator Morcy of Androscoggin, laid on table
for printing pending reference in concurrence.*

W. E. LAWRY, Secretary.

STATE OF MAINE

IN THE YEAR OF OUR LORD ONE THOUSAND NINE
HUNDRED AND THIRTEEN.

*To the Honorable Senate and House of Representatives of
the State of Maine in Legislature assembled:*

We, the undersigned, members of a commission appointed by the governor under a resolve of the Legislature approved March 30, 1911, to consider a revision of the law governing investments for savings banks and institutions for savings and report to the Legislature by bill or otherwise, respectfully report the bill hereto annexed and recommend its passage.

Augusta, January 1, 1913.

ROBERT F. DUNTON,

F. E. RICHARDS,

J. H. MONTGOMERY,

Members of Commission.

AN ACT to Amend Chapter forty-eight of the Revised Statutes, relating to Investment of Deposits in Savings Banks and Institutions for Savings.

Be it enacted by the People of the State of Maine, as follows:

Section 1. Section twenty-three of chapter forty-eight of 2 the Revised Statutes is hereby amended by striking out all 3 of said section and the amendments thereto and substitut- 4 ing therefor the following:

First. (a) In the public funds of the United States and 6 public funds for the payment of principal and interest of 7 which the faith of the United States is pledged.

(b) In the public funds of any state of the United States 9 which has not during the ten years next preceding such 10 investment made default in payment of any part of its debt 11 or interest thereon.

Second. (a) In the legally authorized bonds, notes or 13 other interest bearing obligations of any county, city, town 14 or incorporated district in any of the New England States 15 or the state of New York.

(b) In the legally authorized bonds, notes or other interest 17 bearing obligations of any county, city or incorporated dis- 18 trict in any state of the United States, other than the New 19 England States and state of New York, which are a direct 20 obligation on all the taxable property of such county, city 21 or incorporated district, provided such county, city or in- 22 corporated district has a population of more than one hun-

23 dred thousand inhabitants as established by the last national
24 or state census preceding such investment, and that the
25 net indebtedness of such county, city or incorporated dis-
26 trict does not exceed seven per centum of the valuation
27 of the taxable property therein, as shown by the last pre-
28 ceding valuation for the assessment of taxes.

(c) In the legally authorized bonds, notes or other in-
30 terest bearing obligations of any county, city or incorpo-
31 rated district in any state of the United States, other than
32 the New England States and state of New York, which are
33 a direct obligation on all the taxable property of such
34 county, city or incorporated district, provided such county,
35 city or incorporated district has a population of not less
36 than twenty-five thousand, nor more than one hundred
37 thousand inhabitants, as established by the last national
38 or state census previous to such investment, and that the
39 net indebtedness of such county, city or incorporated dis-
40 trict does not exceed five per centum of the last preceding
41 valuation of the taxable property therein for the assessment
42 of taxes.

(d) In the legally authorized bonds, notes or other in-
44 terest bearing obligations of any county, or city in either
45 of the states of New Jersey, Delaware, Pennsylvania, Mary-
46 land, Ohio, Indiana, Kentucky, Michigan, Wisconsin, Min-
47 nesota, Iowa, Illinois, Missouri, Texas, Kansas, Nebraska,
48 California, Oregon or Washington, having a population of
49 more than ten thousand and not exceeding twenty-five thou-

50 sand inhabitants, as shown by the last national or state cen-
51 sus, provided that such bonds, notes or other interest bear-
52 ing obligations are a direct obligation on all the taxable prop-
53 erty of such county or city, and that the net indebtedness
54 of such county or city does not exceed five per centum of
55 the last preceding valuation of the property therein for the
56 assessment of taxes.

Third. (a) In the bonds of any steam railroad company
58 incorporated under the laws of this state, whose railroad is
59 located wholly or in part in this state.

(b) In the mortgage bonds of any steam railroad com-
61 pany incorporated under the laws of any other state of the
62 United States, whose road is located wholly or in part there-
63 in, which owns and operates not less than one hundred miles
64 of standard guage road, exclusive of sidings, and whose net
65 earnings for each of three years next preceding such invest-
66 ment have been at least twice the amount of interest on all
67 its indebtedness outstanding secured by the mortgage under
68 which said bonds are issued and by any prior lien or liens.

(c) In the bonds, stocks or notes of any steam railroad
70 company incorporated under the laws of any New England
71 state whose road is located wholly or in part therein, which
72 has earned and paid an annual dividend equivalent to five
73 per centum on an amount of capital stock equal to at least
74 one-half of its funded debt for a period of ten years next
75 prior to such investment.

(d) In the first mortgage bonds of any steam railroad

77 company incorporated under the laws of any state of the
78 United States whose road is located wholly or in part in the
79 same, including any such road located partly in Canada,
80 guaranteed as to principal and interest or assumed by a rail-
81 road company which operates such road and whose bonds
82 are a legal investment under subdivision (b) or (c) of this
83 subsection.

(e) In the first mortgage bonds of any steam railroad com-
85 pany incorporated under the laws of any of the New Eng-
86 land states, whose road is located wholly or in part therein
87 and leased to any railroad company, whose bonds are a legal
88 investment under subdivision (a), (b) or (c) of this sub-
89 section upon terms guaranteeing the payment of a regular
90 stated dividend upon the stock of such leased road and the
91 interest on its bonds.

(f) In the bonds of any street railroad constructed in this
93 state prior to April 27, 1895, and in the bonds of any street
94 railroad in this state constructed since that date; provided,
95 that in the case of street railroads constructed since that date
96 an amount of capital stock equal to thirty-three and one-third
97 per cent of the mortgage debt shall have been paid in, in
98 cash, and expended upon the road, in addition to the amount
99 of the mortgage debt, evidenced by a certificate of the rail-
100 road commissioners, or other board or commission having
101 jurisdiction over street railroads in this state, filed in the
102 office of the secretary of state.

(g) In the first mortgage bonds of any completed street

104 railroad in the states of New Hampshire, Vermont, Massa-
105 chusetts, Rhode Island, Connecticut, New York, New Jer-
106 sey, Pennsylvania, Maryland, Ohio, Indiana, Kentucky,
107 Michigan, Wisconsin, Minnesota, Iowa, Illinois, Missouri,
108 Kansas or Nebraska, which has earned and paid annual
109 dividends in amount equal to five per centum on an amount
110 of capital stock equal to one-third of its mortgage debt for
111 a period of three years next prior to such investment,
112 *provided* that an amount of capital stock equal to one-third
113 of the mortgage debt shall have been paid in, in cash, and
114 expended upon the road evidenced by a certificate of the
115 railroad commissioners, or other board or commission hav-
116 ing jurisdiction over street railroads in the state or states
117 in which said road is located, or by certificate of the bank
118 commissioner of this state made on proof satisfactory to
119 him, filed in the office of the secretary of state of this state,
120 that said percentage has been paid in and expended in addi-
121 tion to the amount of the mortgage debt. The persons
122 making such investigation and certificate may charge and
123 collect in addition to any compensation now provided by
124 law for their regular official duties, a reasonable compen-
125 sation for such service and all expenses attendant thereon,
126 including the employment of experts, the same to be paid
127 by the railroad company seeking to make its bonds a legal
128 investment under this section, whether the same are ad-
129 mitted or not. No bonds secured by an open mortgage
130 shall be legal under this section unless the mortgage pro-

131 vides that the total amount of bonds certified and outstand-
132 ing under it shall at no time exceed seventy-five per cent
133 of the amount of cash expended upon the road, or unless
134 an amount of cash equal to one and one-third times the
135 full amount of bonds authorized under such open mortgage
136 has actually been expended upon the road.

(h) In the first mortgage bonds of any company, incorpo-
138 rated under the laws of any state of the United States, for
139 the purpose of supplying artificial gas, electric light and
140 power, or electric railway facilities, or any combination of
141 the above, and actually conducting in such state the busi-
142 ness for which it was incorporated, the gross earnings of
143 which, in its last fiscal year preceding such investment,
144 shall have amounted to not less than five hundred thousand
145 dollars, and the net earnings of which, in each of its three
146 fiscal years preceding such investment, shall have been not
147 less than twice the amount of interest on all its outstand-
148 ing indebtedness.

(i) In the first mortgage bonds of any electric railway
150 company incorporated under the laws of any state of the
151 United States, whose road is located wholly or in part in
152 the same, guaranteed as to principal and interest or as-
153 sumed by a steam railroad company or electric railway
154 company which operates such road, and whose bonds are
155 a legal investment under subdivision (b), (c) or (h) of
156 this subsection.

Fourth. (a) In the bonds or notes of any corporation

158 other than steam and electric railroad companies, incorpo-
159 rated under the authority of this state, and actually con-
160 ducting in this state the business for which such corpora-
161 tion was created, which is earning an amount in excess of
162 fixed charges, interest on its debts and running expenses
163 equivalent to five per cent per annum on an amount of
164 capital stock equal to one-half of its entire funded debt.

(b) In the stock of any corporation, other than steam and
166 electric railroad companies, incorporated under authority
167 of this state and actually conducting in this state the busi-
168 ness for which such corporation was created, which earns
169 and is paying a regular dividend of not less than five per
170 cent a year.

Fifth. (a) In the stock of any railroad company of this
172 state unencumbered by mortgage.

(b) In the stock or notes of the New York Central and
174 Hudson River, the Illinois Central, the Lake Shore and
175 Michigan Southern, and the Pennsylvania Railroad Com-
176 panies.

(c) In the stock of any railroad leased to any dividend
178 paying railroad company in New England upon terms guar-
179 anteeing the payment of a regular stated dividend upon
180 the stock of such leased road and the interest on its bonds.

Sixth. (a) In loans secured by first mortgages of real
182 estate in this state and New Hampshire to an amount not
183 exceeding sixty per cent of the value of such real estate.

(b) In notes with a pledge as collateral of any funds.

185 bonds, notes or stocks which the bank or institution would,
186 by this section, be authorized to purchase, provided the
187 market value of said collateral shall at all times be at least
188 ten per cent in excess of the amount of the loan.

(c) In notes with a pledge as collateral of any savings
190 deposit book issued by any savings bank, trust company, or
191 national bank in this state.

(d) In notes with a pledge as collateral of such funds,
193 bonds, notes or stocks, listed on the stock exchange of Bos-
194 ton or New York, or having an established market value,
195 as in the judgment of the trustees it is safe and for the
196 interest of the bank to accept, to an amount not exceeding
197 seventy-five per cent of the market value of such funds,
198 bonds, notes or stock.

(e) In loans to any municipal corporation in this state.

Seventh. (a) The term “net indebtedness” used in this
201 section, as applied to counties, shall be construed to include
202 all debts and obligations of the county, direct or indirect,
203 less the amount of any sinking fund available in reduction
204 of such debts or obligations.

(b) The term “net indebtedness” used in this section, as
206 applied to cities, towns and districts shall be construed to
207 include all debts and obligations of the city, town or dis-
208 trict, direct or indirect, exclusive of any such debt created
209 for a water supply for domestic use, and for the extin-
210 guishment of fires, and the amount of any sinking fund
211 available in reduction of such debts and obligations.

(c) "Net earnings" as applied to public service corporations in this act shall be determined by deducting from the gross earnings of the corporation, all operating expenses, maintenance charges, taxes, interest and dividends guaranteed by it, and rentals on all leased or controlled properties, the earnings of which are included in the gross earnings of the corporation.

Eighth. (a) No bonds of any public service corporation, which do not mature at least five years before the expiration of the franchise or franchises under which such corporation operates at least seventy-five per cent in physical and productive value of its plant and property, shall be a legal investment under this act.

(b) This act shall not render illegal any investment legally made by any savings bank previous to its passage, nor require the change of any such investment.

Ninth. All investments having a fixed maturity shall be charged and entered on the books of the bank at their cost to the bank, or at par when a premium is paid. The bank commissioner may require any investment to be charged down to such sum as in his judgment represents its fair value. He may at any time call for a report of the financial condition of any corporation offering, or likely to offer, its bonds, stocks or notes to any savings bank, as much in detail as he may require, verified by the oath of such officers of said corporation as he may specify. He may communicate any such report, or an abstract thereof, to the

239 officers of any of said savings banks. If such report is
240 not furnished the bank commissioner within the time speci-
241 fied in his call therefor, or within such extension of time
242 as he may grant, the bonds, stocks and notes of such cor-
243 poration shall thereupon cease to be a legal investment for
244 savings banks under this section, and shall not again become
245 a legal investment until a report in all respects satisfactory
246 to the bank commissioner is furnished. Any officer of a
247 corporation who wilfully makes a false report hereunder,
248 and any officer, trustee, director, clerk or employee of a
249 savings bank, trust company or loan and building asso-
250 ciation who wilfully and knowingly undertakes in any man-
251 ner to deceive or mislead the bank commissioner, or any
252 officer or representative of the state banking department,
253 as to the true condition or value of any of the investments
254 of such savings bank or of any trust company or loan and
255 building association, or wilfully conceals any material fact
256 connected therewith shall be punished by a fine not exceed-
257 ing five hundred dollars or imprisonment not exceeding
258 two years, or by both such fine and imprisonment.

Sect. 2. Section twenty-five of chapter forty-eight of the
2 revised statutes is hereby amended by striking out the words
3 "not exceeding sixty thousand dollars" in the fifth line of
4 said section, so that said section as amended, shall read as
5 follows:

'Sect. 25. No such bank or institution shall hold by way
7 of investment, or as security for loans, or both, more than

8 one-fifth of the capital stock of any corporation, nor invest
9 more than ten per cent of its deposits in the capital stock or
10 notes of any corporation, nor have more than fifty per cent
11 of its deposits in mortgages of real estate. This section and
12 the two preceding do not apply to real estate, or other as-
13 sets, acquired by the foreclosure of a mortgage thereon,
14 or upon judgment for debts, or in settlements to secure debts.
15 This section does not apply to bonds enumerated in the first
16 five subdivisions of section twenty-three of this chapter.'