

386.550 Corporate powers -- Limitations and restrictions.

Every fiduciary investment company in which a trust institution or foreign trust institution is authorized by KRS 386.510 to 386.590 to own and hold corporate stock or shares, in order to qualify for such investments, shall have such corporate powers as may be granted by the Kentucky Business Corporation Act by virtue of its incorporation under that law and shall, in addition, have the following corporate powers under its articles of incorporation and, by its articles of incorporation or its bylaws, be subject to the limitations and restrictions hereinafter set forth.

- (1) The stock of any such fiduciary investment company shall be owned and held only by trust institutions and foreign trust institutions acting as fiduciaries or co-fiduciaries but may be registered in the name of the nominee or nominees of any such institution or foreign trust institution. Such stock shall not be subject to transfer or assignment except to the trust institution or foreign trust institution on whose behalf the stock is held by any such nominee or nominees, or to a fiduciary or co-fiduciary which becomes successor to the shareholder and which is also a trust institution or foreign trust institution qualified to hold such stock.
- (2) A fiduciary investment company shall have no less than five (5) directors who need not be shareholders but shall be officers or directors of trust institutions or foreign trust institutions holding stock in such fiduciary investment company; provided, however, no one trust institution or foreign trust institution shall have more than a forty percent (40%) representation on the board of directors of any fiduciary investment company.
- (3) In acquiring, investing, reinvesting, exchanging, selling and managing its assets, every fiduciary investment company shall exercise the judgment and care under the circumstances then existing which men of prudence, discretion and intelligence exercise in the management of their own affairs, not in regard to speculation but in regard to the permanent disposition of their funds, considering the probable income as well as the safety of their capital. Within the foregoing limitations, a fiduciary investment company may acquire and retain every kind of investment, specifically including (but not by way of limitation) bonds, debentures and other corporate obligations, corporate stocks, preferred or common, which men of prudence, discretion and intelligence acquire or retain for their own account; provided, a fiduciary investment company shall not at any time:
 - (a) Invest in real estate, commodities or commodity contracts, except that a fiduciary investment company may invest in securities secured by real estate or interests therein, in securities issued by companies which deal in real estate or investments therein, and in certificates of beneficial interest issued by real estate investment trusts;
 - (b) Participate on a joint or joint and several basis in any securities trading account;
 - (c) Invest in companies for the purpose of exercising control or management;
 - (d) Make loans to any person or persons, except that the purchase of a portion of an issue of debt securities, convertible debt securities, debt securities with

warrants, rights or options attached or other similar securities when originally issued or thereafter, of a character commonly distributed publicly shall not be considered the making of a loan;

- (e) Purchase or retain the securities of any issuer if immediately after such acquisition and as a result thereof the following requirements would not be met: at least seventy-five percent (75%) of the total assets in the fiduciary investment company taken at market value are represented by (i) cash and cash items, securities issued or guaranteed by the United States or any instrumentality thereof, and (ii) other securities which, as to any one (1) issuer, do not represent more than ten percent (10%) of the voting securities of such issuer or more than five percent (5%) of the value of the total assets of the fiduciary investment company;
- (f) Act as underwriter of the securities of other issuers;
- (g) Borrow money; or
- (h) Engage in margin transactions or short sales, or write, put or call options for the purchase or sale of securities.

Effective: July 13, 1984

History: Amended 1984 Ky. Acts ch. 111, sec. 197, effective July 13, 1984. -- Created 1974 Ky. Acts ch. 300, sec. 6.