

MAINE STATE LEGISLATURE

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August 11, 1937

James H. McCann, Esquire
98 Exchange Street
Portland, Maine

Dear Brother McCann:

I have discussed with the Bank Commissioner the question raised in your letter of August 10, relative to the sale of its own stock by a corporation.

It is true that the provisions in the original statute (Section 163 of Chapter 57) apparently permitting the sale of its own stock by a corporation to its own members, was stricken out by Chapter 9, P. L. 1931, and left out in the next revision of this section which was Chapter 240 P. L. 1933. The reason it was taken out, Mr. Cooper tells me, was because of certain glaring abuses of it that occurred; the most notable of these being the sale of Page & Shaw securities. This company, taking advantage of this paragraph, offered through the mails to sell its own candy for \$2. and to give a bonus of a share of its stock. Then, to the people who had thus acquired a share, they went around and sold them large blocks of additional stock in the corporation and you know the regrettable outcome of this.

The Banking Department now rules that if a corporation wishes to sell any of its own stock it must be licensed by the Department. This, of course, would not prohibit a corporation selling any of its stock to one of its stockholders who went in to the corporation and offered to buy some of the stock, but would prevent it from soliciting even its own officers or stockholders for such sale.

I trust I have made the position of the Banking Department clear in this matter, but if not, I should be very glad to amplify this letter or ask Mr. Cooper to write you.

Very truly yours,

Franz U. Burkett
Attorney General

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