

MAINE STATE LEGISLATURE

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October 15, 1946

To Honorable Edward E. Chase, President, Board of Trustees, and
Chairman, Finance Committee, University of Maine

. . . I received your letter of October 4th enclosing a vote which was passed by the Board of Trustees of the University of Maine at its regular meeting held on October 3rd; and I note in paragraph 3 thereof reference to the Attorney General of Maine:- that you undertook to provide an opinion by the Attorney General as to the validity of notes executed in conformity with this Vote and with respect to tax exemption. You therefore request that I give the trustees an opinion as to what I think would be satisfactory to all the banks which are interested in joining in making the loan.

Confirming my conversation with you on the telephone and your conversation with my Deputy, Mr. BReitbard, during my absence from the office, I give the following opinion:

In re: University of Maine Loan under the provisions of Chapter 149, Private and Special Laws of 1945, approved by the Governor and effective as of July 26, 1948.

The provisions of this act authorize the University of Maine to construct a dormitory or dormitories with a capacity of six hundred or more students and to borrow money in an amount not to exceed \$1,000,000 to provide funds to aid in the construction of said dormitory or dormitories.

The statute further provides that any loan so made shall not be deemed a pledge of the faith and credit of the State, and that the authorizations to borrow money under this statute shall expire on July 1, 1947. Any loan made prior to July 1, 1947 may be renewed or extended during a period of ten years from the date of the original loan.

Section 3 of said Act authorizes the Trustees of the University of Maine to negotiate a construction contract with the approval of the Governor and Council, and the Legislature appropriated the sum of \$1,000,000 from the Maine Post War Public Works Reserve to carry out the provisions of this Act.

The Trustees on October 3rd voted as follows:

"1. The notes are to be direct and unconditional obligations of the University of Maine, maturing in equal annual installments of \$100,000 on December 1 of each year, . . .

"2. The notes shall be of the participation type, to be held by one bank in the interest of all participants, and payable principal and interest at that bank. The annual rate of interest shall be 1 1/3%, payable in equal quarterly payments. . . The participation servicing fee, if any, shall be paid by the University.

"3. The Trustees authorize the Finance Committee to represent that the interest on the loan is deemed to be exempt from state taxes and from Federal income taxes, and that the opinion of the Attorney General of Maine, or of other counsel satisfactory to the lenders, will be given to that effect, and that notes issued in conformity with this vote will be legally executed. . .

"4. The Treasurer of the University and the President of the Board of Trustees are authorized to sign notes of the above tenor and description."

The issue of University of Maine notes to the amount of \$1,000,000 as passed under the provisions of Chapter 149 of the Private and Special Laws of 1945 and the Vote of the Board of Trustees passed pursuant to said legislative Act on October 3, 1946, being regular, the issuance of these notes, in my opinion, will be legally issued and they are a pledge of the faith and credit and the lawful debt of the University of Maine.

In regard to tax exemption of these notes, it is my opinion that they are tax exempt by the State of Maine.

I prefer not to give an opinion in regard to exemption from federal taxes and recommend that you get same from the Treasury Department.

Ralph W. Farris
Attorney General