

MAINE STATE LEGISLATURE

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May 11, 1965

Honorable Peter Bernard
Senate Chambers
State House
Augusta, Maine

Re: H. B. 505 - An Act Authorizing Conversion of Augusta Mutual Insurance Company to a Stock Company.

Dear Senator Bernard:

This office has been contacted relative to the constitutionality of the above bill, together with the proposed Committee Amendment:

The pertinent constitutional provision is Article IV, Part Third, Section 14:

"Corporations shall be formed under general laws, and shall not be created by special Acts of the Legislature, except for municipal purposes, and in cases where the objects of the corporation cannot otherwise be attained; and, however formed, they shall forever be subject to the general laws of the State."

This means that the legislature may enact general laws relating to the procedure for forming of corporations. However, if no general law is enacted, a corporation can only be created by special legislation.

Once a corporation is created by a special Act of the legislature, it is subject to the general laws. If there is no general law relating to the specific type of corporation, then the corporation must return to the legislature for charter amendment.

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A mutual insurance company wishes to convert from a mutual to a stock company. Normally it would do this under the general law. The legislature has not enacted a general law for that purpose. In order to make such a change the company must return to the legislature for permission.

In short, the constitution gives the legislature control of corporations. It may control them by general laws. The failure to enact general laws indicates that the legislature intended to retain jurisdiction to control them by special Acts.

Therefore, the proposed amendment is within the power of the legislature and hence constitutional.

Very truly yours,

George C. West
Deputy Attorney General

ccn/eh