

MAINE STATE LEGISLATURE

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1 FIRST REGULAR SESSION
2

3 ONE HUNDRED AND ELEVENTH LEGISLATURE
4

5 Legislative Document

No. 1640

6
7 H.P. 1233

House of Representatives, May 18, 1983

8 Submitted by the Department of Business Regulation pursuant to Joint
Rule 24.

9 Received by the Clerk of the House on May 18, 1983. Referred to the
10 Committee on Business Legislation, and ordered printed pursuant to Joint
Rule 14.

EDWIN H. PERT, Clerk

Presented by Representative Racine of Biddeford.

11 Cosponsors: Senator Charette of Androscoggin and Representative
Conary of Oakland.

12 STATE OF MAINE
13

14 IN THE YEAR OF OUR LORD
15 NINETEEN HUNDRED AND EIGHTY-THREE
16

17 AN ACT to Amend the Maine Business
18 Corporation Act to Permit Preferred Stock
19 Redeemable with Property or Securities.
20

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

23 Sec. 1. 13-A MRSA §501, sub-§2, ¶A, as enacted
24 by PL 1971, c. 439, §1, is repealed and the following
25 enacted in its place:

26 A. Subject to redemption by the corporation at
27 its option or at the option of the holder of
28 those shares or upon the happening of a specified
29 event or events, for cash, property or rights,
30 including securities of the same or another cor-
31 poration, at such time or times, price or prices,
32 or rate or rates, and with such adjustments, as
33 shall be stated in the articles of incorporation
34 or the resolution of the board of directors pro-
35 viding for the issue of those shares, if the

1 board has authority under the articles of
2 incorporation to fix and determine those terms.
3 The term "redemption price" or "price" when used
4 in reference to redeemable stock of a corporation
5 shall include the types of consideration de-
6 scribed in this paragraph;

7 **Sec. 2.** 13-A MRSA §502, sub-§1, as enacted by PL
8 1971, c. 439, §1, is repealed and the following
9 enacted in its place:

10 1. The rate or rates of dividend, which may be
11 subject to adjustment, whether the dividends are to
12 be cumulative, and the terms and conditions thereof;

13 **Sec. 3.** 13-A MRSA §519, sub-§3, as enacted by PL
14 1971, c. 439, §1, is repealed and the following
15 enacted in its place:

16 3. Nothing in this subsection may invalidate or
17 otherwise affect a note, debenture or other obli-
18 gation of a corporation given by it as consideration
19 for its acquisition by purchase, redemption or
20 exchange of its redeemable shares, if, at the time
21 that note, debenture or obligation was delivered by
22 the corporation, its redeemable shares could have
23 been redeemed or purchased by it as provided in this
24 subsection.

25 **Sec. 4.** **Effective date.** This Act shall be
26 effective with respect to the shares of a corpora-
27 tion, whether those shares have been issued prior to
28 the effective date of this Act or are issued there-
29 after.

30 STATEMENT OF FACT

31 Under Maine law, it is unclear whether preferred
32 stock of Maine corporations can be redeemed for prop-
33 erty other than money. Such securities provide
34 flexibility to the corporation issuing them and have
35 recently been well received by the invest-
36 ment markets. Delaware has long permitted this.
37 This bill amends the Maine Business Corporation Act
38 to ensure that Maine corporations have this added
39 flexibility. The bill also clarifies the ability of

1 Maine corporations to issue preferred stock with a
2 floating dividend rate.

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