

MAINE STATE LEGISLATURE

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N I N E T I E T H L E G I S L A T U R E

Legislative Document

No. 40

S. P. 66

In Senate, January 15, 1941.

Referred to Committee on Judiciary. Sent down for concurrence and 500 copies ordered printed.

ROYDEN V. BROWN, Secretary.

Presented by Senator Laughlin of Cumberland.

STATE OF MAINE

IN THE YEAR OF OUR LORD NINETEEN HUNDRED
FORTY-ONE

**AN ACT Relating to the Reorganization of Corporations Under The
National Bankruptcy Act.**

Emergency preamble. Whereas, as a result of the world-wide unsettled business conditions heretofore and now existing, the National Bankruptcy Act of the United States of America has been amended to permit the reorganization of corporations and the reclassification of corporate structures, and

Whereas, a certain corporation organized under the laws of the state of Maine, namely, Brown Company, is in the process of being reorganized in proceedings under the National Bankruptcy Act now pending in the United States District Court for the District of Maine, Southern Division, and a plan of reorganization for said Brown Company was accepted by the required percentages of the creditors and stockholders of Brown Company and was confirmed by said court as fair, equitable and feasible on October 21, 1940, and

Whereas said plan of reorganization cannot become effective and Brown Company cannot be reorganized under said plan of reorganization as a corporation existing under and by virtue of the laws of the state of Maine unless the law relating to the pre-emptive rights of stockholders be amended to provide that the pre-emptive rights of stockholders of a corporation re-

organized under the provisions of the National Bankruptcy Act may be negatived by the provisions of the plan of reorganization of said corporation, and

Whereas, to re-submit the plan of reorganization of Brown Company to the many thousands of creditors and security owners thereof would entail a long delay, a very substantial expense, and might entirely prevent a reorganization of such corporation, and

Whereas, the securities of said corporation are largely held by citizens and institutions of this state and many of the citizens of this state are dependent upon it for their livelihood and further delay in the reorganization of Brown Company may have serious consequences to the security owners thereof and to the citizens of this state employed thereby, and

Whereas in the judgment of this legislature, the facts hereinbefore set forth create an emergency, within the meaning of section 16 of Article XXXI of the constitution of Maine; and require the following legislation as immediately necessary for the purposes therein stated; now, therefore,

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

R. S., c. 56, § 48, amended. The last paragraph of section 48 of chapter 56 of the revised statutes, as amended by section 2 of chapter 182 of the public laws of 1931 and by chapter 62 of the public laws of 1939, is hereby further amended to read as follows:

'Whenever the authorized capital stock of any corporation is increased by an issue of shares having a right to vote, all stockholders having a right to vote at the time of the issuance of such new shares shall enjoy a pre-emptive right to subscribe thereto, unless such right shall be negatived either (1) by some statute applicable thereto, ~~or~~ (2) by a vote of 80% of the shares voting to authorize such new issue in accordance with an appropriate prior provision of the charter or by-laws of the company authorizing such vote, which provision or by-laws must have been adopted by the stockholders either at the time of organization or by a subsequent unanimous vote of those stockholders present and voting, or (3) by the provisions of the plan of reorganization of any corporation at any time reorganized under the provisions of the Act of Congress of July 1, 1898 entitled "An Act to Establish a Uniform System of Bankruptcy Throughout the United States" as now or hereafter amended or supplemented.'

Emergency clause. In view of the emergency cited in the preamble, this act shall take effect when approved.