

October 25, 1976

REPORT TO THE CONVENTION  
BY THE COMMITTEE ON FINANCE, LOCAL  
GOVERNMENT AND OTHER MATTERS

Subject: COMMITTEE RECOMMENDATION NO. 3: CORPORATIONS

Your Committee on Finance, Local Government and Other Matters recommends that the Convention meeting in Committee of the Whole adopt in principle the attached recommendation with respect to private business corporations.

The Committee examined a range of possible constitutional provisions respecting private business, non-profit, educational, and public benefit (governmental) corporations. It examined relevant constitutional provisions from the states and Puerto Rico, as well as provisions of law of the Trust Territory and the Mariana Islands District Codes. The principal issue that emerged from such reviews was the possible danger of misuse of private business corporate franchises and privileges. It was regarded by the Committee as important to establish a constitutional framework for attracting business investment while retaining essential controls over corporate activity for the protection of the Commonwealth..

- 2 -

The Committee recognized that the Constitution is a document of fundamental law and should contain basic principles and requirements. It should avoid, to the extent feasible, detail that properly belongs in statutes enacted by the legislature.

The Committee concluded that the Constitution should specify that, in regard to private business corporations, corporate charters be granted, amended or altered only pursuant to general laws. This would prevent individual corporations from being singled out for preferential or discriminatory treatment and would assure general applicability of corporation laws. Special laws dealing with individual business corporations would be prohibited by the Constitution.

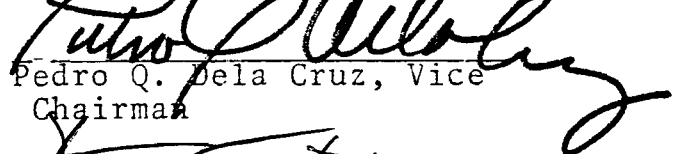
The Committee considered further the feasibility of including constitutional provisions defining a "corporation," the subject of the status of pre-existing corporations, limitations of shareholder liability, consideration to be paid for corporate stock, ultra vires acts (that is, actions by a corporation beyond the scope of its corporate charter), and registration of "foreign" corporations to do business in the Commonwealth. In line with modern constitutional practice on business corporations, the Committee concluded that these detailed matters should be left to action by the Commonwealth legislature, within the recommended constitutional framework.

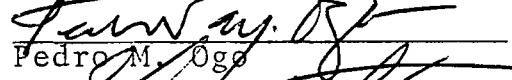
The Committee expressed concern regarding the possible utilization by non-Marianans of corporate entities as a device to acquire land. The Committee recognized that this matter will be dealt with by the Committee on Personal Rights and Natural Resources in its consideration of constitutional provisions in land alienation.

Finally, the Committee considered the subjects of nonprofit, educational, public (governmental) corporations. Because of their specialized nature and the limited experience of the Northern Mariana Islands respecting them, it was the Committee's judgment that these matters should not be encompassed within the scope of the Committee's recommendations. The legislature, within the general grant of legislative power to it, would have adequate authority to deal with such entities and any special problem regarding them. Accordingly, the Committee's attached proposed constitutional provision is directed to the private business corporations.

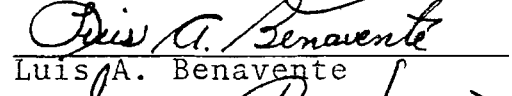
Respectfully submitted,


  
Benigno R. Fitial, Chairman

  
Pedro Q. Dela Cruz, Vice  
Chairman

  
Pedro M. Ogo

  
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Luis A. Benavente

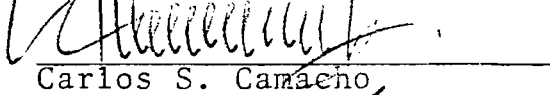
  
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ARTICLE \_\_\_\_

CORPORATIONS

Section 1: Corporations Organized By General Laws. No private business corporation shall be organized and no existing corporate charter shall be extended or amended except by general laws.