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Veto Message: Governor Peck
1874 (H. 51)

An act to incorporate the Frontier Navigation and Transportation Company.

STATE OF VERMONT
Executive Department.
Montpelier, Vt., Nov. 11, 1874

The Speaker laid before the House, a communication from his Excellency, the Governor, as follows:

To the Speaker of the House of Representatives:

I have the honor, herewith, to return to the House of Representatives, House Bill No. 51, entitled, " An act to incorporate the Frontier Navigation and Transportation Company," without the Executive approval.

The Bill constitutes certain persons therein named, their associates and successors, a body corporate, by the name of the Frontier Navigation and Transportation Company, for the purpose, and with the right of carrying persons, property, and mails by land or water. It provides that the capital stock shall consist of one hundred shares of the par value of fifty dollars each, with the right to increase it to an amount not exceeding two thousand shares.

Under this general grant of corporate powers to prosecute the business of carrying persons, property, and mails by land and water, without limit as to place or route, a very extensive business may be done, debts contracted, and grave liabilities may be incurred by loss of property and injury to persons, incident to the business of common carriers,

The bill also grants to the corporation the exclusive right of ferriage between St. Albans Bay and the Island of North Hero, in Lake Champlain. A prudent exercise of the power to grant an

exclusive right of this character, would seem to require the grant to be limited in point of time; but the provision in the bill that it may be altered amended or repealed, by the Legislature, obviates this objection. But as the effect of the act of incorporation is to exempt the incorporators from all personal liability, there should be some substitute required for the security of those who deal with the corporation, or entrust their persons and property with it for safe carriage or transportation.

This act of incorporation provides for no such security. It gives the right to organize, when fifty shares of the capital stock shall have been subscribed, but it contains no provision that any part of the stock subscribed shall be paid in before the commencement of business by the corporation, or ever. It also provides that the corporation shall not divert its capital stock from the business of the company, or incur any debts exceeding three-fourths of the subscribed stock. Stock subscribed, and wholly unpaid, affords no security to creditors or to others having claims on the corporation growing out of the risks and liabilities incident to the business of common carriers of persons and property.

The general policy of the State on this subject may fairly be considered as indicated by the act of 1870, entitled " An act relating to private corporations by voluntary association," the substantial provisions of which have been on our statute books many years. That act enables persons, for the purpose of carrying on any manufacturing, mechanical, mining or quarrying business, or for the purpose of building wharves, storehouses, hotels, factories, or other buildings, within this State, to constitute themselves a corporation by complying with the provisions of the act. That act provides, among other things, in substance, that all stockholders in such corporation shall be severally and individually liable to the creditors of such corporation, to an amount of stock held by them respectively, for all contracts and debts made by such corporation until the whole amount of stock fixed and limited by the company, shall have been paid in; and also, that one-half of the capital stock shall be paid in before such corporation shall contract any debts; and that no debts shall at any time be contracted by such corporation, exceeding in amount two-thirds the capital stock actually paid in, and that the directors assenting

to the creation of such indebtedness, shall be liable personally for such excess.

It is true the business for which this corporation is created by the bill in question, is not such as comes within that general law as to private corporations by voluntary association; but in view of the nature of its business, and the character and extent of liabilities it may incur, there seems to be no apparent reason why similar guarantees for the protection of the public should not be required in this case as in the case of such corporations by voluntary association.

For the reason that this bill enables the corporation thereby created, to enter upon and prosecute its business, without any payment ever being made upon the subscriptions for its capital stock, and without imposing any liabilities upon the stockholders or directors, for debts and liabilities incurred by the corporation, while the stock subscriptions remain wholly unpaid, I feel constrained to withhold from it the Executive sanction; and I therefore return the bill, with my objections, to the House in which it originated, without my approval or signature.

ASAHEL PECK,
Governor

Governor's Veto Sustained
H.51 1874

The Governor's veto was sustained in the House:
Yeas 1 Nays 194

Sources: *Journal of the House*, November 11, 1874 (pages 280-284)