

ALASKA STATE LEGISLATURE
SENATE LABOR AND COMMERCE STANDING COMMITTEE

March 18, 2010

2:19 p.m.

MEMBERS PRESENT

Senator Joe Paskvan, Chair
Senator Bettye Davis
Senator Con Bunde

MEMBERS ABSENT

Senator Joe Thomas, Vice Chair
Senator Kevin Meyer

COMMITTEE CALENDAR

SENATE BILL NO. 300

"An Act relating to loan participations and development finance projects of the Alaska Industrial Development and Export Authority; and relating to loans from the rural development initiative fund."

- MOVED SB 300 OUT OF COMMITTEE

SENATE BILL NO. 292

"An Act relating to the registration and operation of pawnbrokers and to the exemption for pawnbrokers under the Alaska Small Loans Act; and providing for an effective date."

- MOVED CSSB 292(L&C) OUT OF COMMITTEE

SENATE BILL NO. 304

"An Act adopting the Alaska Entity Transactions Act; relating to changing the form of entities, including corporations, partnerships, limited liability companies, business trusts, and other organizations; amending Rule 79, Alaska Rules of Civil Procedure, and Rules 602(b)(2), 602(c), and 605.5, Alaska Rules of Appellate Procedure; and providing for an effective date."

- HEARD AND HELD

PREVIOUS COMMITTEE ACTION

BILL: SB 300

SHORT TITLE: AIDEA LOANS
SPONSOR(s): RULES BY REQUEST OF THE GOVERNOR

02/26/10 (S) READ THE FIRST TIME - REFERRALS
02/26/10 (S) L&C, FIN
03/18/10 (S) L&C AT 1:30 PM BELTZ 105 (TSBldg)

BILL: SB 292

SHORT TITLE: PAWNBROKERS
SPONSOR(s): HUGGINS

02/24/10 (S) READ THE FIRST TIME - REFERRALS
02/24/10 (S) L&C, JUD
03/18/10 (S) L&C AT 1:30 PM BELTZ 105 (TSBldg)

BILL: SB 304

SHORT TITLE: ENTITY TRANSACTIONS ACT
SPONSOR(s): LABOR & COMMERCE

03/08/10 (S) READ THE FIRST TIME - REFERRALS
03/08/10 (S) L&C, JUD
03/18/10 (S) L&C AT 1:30 PM BELTZ 105 (TSBldg)

WITNESS REGISTER

TED LEONARD, Executive Director
Alaska Industrial Development and Export Authority (AIDEA)
Department of Commerce, Community and Economic Development
(DCCED)

POSITION STATEMENT: Supported SB 300.

MARK DAVIS, Economic Development Officer
Alaska Industrial Development and Energy Authority (AIDEA)
Department of Commerce, Community and Economic Development
(DCCED)

POSITION STATEMENT: Presented detailed explanation of SB 300.

CATHY JEANS, Systems Branch Manager
Division of Investments
Department of Commerce, Community and Economic Development
(DCCED)

POSITION STATEMENT: Supported SB 300.

JOSH TEMPLE
Staff to Senator Huggins
Alaska State Legislature
Juneau, AK

POSITION STATEMENT: Commented on SB 292 for the sponsor.

NOEL LOWE

Alaska Fast Cash

Wasilla, AK

POSITION STATEMENT: Supported SB 292.

JOHN MINNICK

A-1 Pawn Shop

Wasilla, AK

POSITION STATEMENT: Supported SB 292.

FERNANDO PENA, Director

Government Affairs

Cash America

POSITION STATEMENT: Supported SB 292.

ALEX VAUGHN

Cash America

POSITION STATEMENT: Supported SB 292.

MIKE GERAGHTY, Private Practice Attorney

Commissioner, Uniform Law Commission

State of Alaska

POSITION STATEMENT: Supported SB 292.

ACTION NARRATIVE

[2:19:37 PM](#)

CHAIR JOE PASKVAN called the Senate Labor and Commerce Standing Committee meeting to order at 2:19 p.m. Present at the call to order were Senators Davis, Bunde, and Paskvan.

SB 300-AIDEA LOANS

[2:21:03 PM](#)

CHAIR PASKVAN announced SB 300 to be up for consideration.

[2:21:13 PM](#)

TED LEONARD, Executive Director, Alaska Industrial Development and Export Authority (AIDEA), Department of Commerce, Community and Economic Development (DCCED), said they had been working on a strategic plan to improve the Authority's effectiveness and this bill takes the first steps in allowing them better use of capital for businesses and helps them better invest in projects

as they move forward. The first section modernizes the way interest rates are set for loans that are actually funded through their own internal funds - in essence, pretending they are going out to market and asking at what rate it would buy a bond from them. He said for a period of time there was no municipal bond market because of the financially tumultuous market, so their rates went up to 9.5-10 percent in seven months.

He said the second part of the bill helps the Authority help businesses expand. This one is an incentive rebate program which allows the agency certain loans or investments into areas that are economically distressed or for businesses that would be startups that would add true new jobs to the economy to the tune of 100 basis points (1 percent) of the loan for a term of five years. This would help give businesses that are investing in needs the state identifies a better cash flow for five years.

[2:24:44 PM](#)

The third section of the bill is to clarify whether AIDEA can invest in a project partially rather than having to own and operate the whole project. This is important when looking at infrastructure development in the future that these projects could be in the billions of dollars, which would be far beyond AIDEA's capacity to own, and that layering of funding and working with partners like a Native corporation or an investment bank would be the best way to move forward. It would also spread the risk to the private sector.

[2:25:55 PM](#)

The fourth and fifth sections deal with their Rural Development Initiative Fund (RDIF) and how to better promote it.

SENATOR BUNDE asked what impact 1 percent would have on AIDEA's bottom line.

MR. LEONARD replied that 1 percent shouldn't affect it. Additionally, they are partitioning off that risk by allowing only 5 percent of their loan portfolio to be used in this program. He added that for the most part, AIDEA makes money when it is loaning money rather than investing its own internal funds.

SENATOR BUNDE said it would be 1 percent less money coming in and he wondered what that impact would be.

MR. LEONARD calculated that 5 percent of their portfolio would be about \$15-16 million and 100 basis points of that would be about \$150,000.

2:28:11 PM

MARK DAVIS, Economic Development Officer, Alaska Industrial Development and Energy Authority (AIDEA), Department of Commerce, Community and Economic Development (DCCED), explained that the first change in SB 300 is to AS 44.88.159(e) and that is about how they set the minimum rate for the commercial finance program, known as the loan participation program. This program works by having banks bring clients in to AIDEA, and AIDEA participates with the bank. That provides a filter for credit evaluation and underwriting. It has been a successful program creating 4,720 jobs since 2002 and about 2900 construction jobs. The portfolio stands at \$376 million now and they have \$24 million pending in applications. Unfortunately, he said, the minimum rate had become uncompetitive over time, because by statute it is tied to a bond rate. In fact, AIDEA has not floated a bond since 1987 to raise money for this program.

So he explained that under current statute they contact Goldman Sacks every month and have them calculate what it would cost AIDEA to float a bond to fund the program and that sets the rate. In 2008 the markets collapsed and the municipal bond market is still collapsed. So, in the mid-2009, AIDEA's rate was calculated to be 9.64 percent at a time when the commercial rate for money was 5.48 percent. As of the end of February their rate was 1.33 percent over what it would be if they used the market rate. This costs companies that want to use their loan participation program - more than an extra point for really no benefit.

MR. DAVIS said that AIDEA is charged with making money, but it is actually charging a little bit too much. The economic benefit of these large construction projects is pretty obvious; they also provide long-term jobs.

So, he said, instead of using the bond market AIDEA is proposing to use the nationally recognized market index. That does two things. First, it ties their minimum rate to the cost of money. He reminded them that they could have a higher rate for the purposes of underwriting; they could also calculate credit risk into the portfolio, which they do. So, not every loan gets the minimum rate. They might look at the Federal Home Loan Bank of Seattle, a well recognized rate in the Northwest, treasury bills, the Federal Farm Credit Banks Funding Corporation Funding

Index (the other major federal index used in the United States), or Fannie Mae. If they use those, it would also be more transparent. Right now everyone has to wait every month for Goldman Sacks to recalculate. Tying the rate to an index would help business planning because a customer or a bank could just look at an index and figure out what their rate would be.

MR. DAVIS said this would protect their dividend by setting a floor for the five-year rate of return on the interest rates; so it would actually protect the agency's economic performance.

He said the second change the creation of a potential rebate on that same loan participation program that would be no more than 1 percent of the interest rate charged going back to the customer through the bank. They would provide that rebate if the project creates jobs, furthers rural development or meets other economic criteria, which would be set by regulation. He said their proposals and regulations would probably be development in stressed areas following the Recovery Zone Act federal standards, for startup companies, new technology or alternative energy. He said protecting the Authority is important, so they would cap it at 5 percent of the total loan participation portfolio and the rebate would be only for the first five years of the loan. It is designed to help a business start up; after that they would float up to the full rate. It's a pretty limited rebate, but he said having worked as a private transaction attorney in the state, he found that it's usually the first five years that are the tough ones before things cash flow efficiently.

[2:32:57 PM](#)

MR. LEONARD emphasized that this is a rebate, so the businesses in this program would have to show proof of hiring those 50 people every year in order to get the rebate.

MR. DAVIS said he found that the United State has 44 other entities similar to AIDEA and several of them have this kind of program. They also put reporting requirements in place for all their loan participations through regulation asking how many construction jobs were used with this loan program and how many permanent jobs to get a better feel for the impact on the economy. The rebate program would work in conjunction with the strategic plan to target the loan participation program towards economic development and job creation.

He said as they face the recession, the two-fold approach is to preserve the jobs you have and to find out legitimate ways to

create new jobs. Large term retail and commercial construction can be useful here and that is what this program is being used for.

MR. DAVIS said the final thing would be to change the other side of AIDEA which is the development finance program. That is the program in AIDEA that owns big projects like the Red Dog Mine or the Skagway Ore Terminal. Right now the statute, AS 44.88.080(5), is a little unclear. It says they can "acquire an interest in a project as necessary or appropriate." However, he said, AS 44.88.010(a) says they can incur debt "to own and operate facilities" and the definition of facility under AS 44.88.909 says a plant or facility.

Throughout the years, Mr. Davis said, the interchange between those three statutes has been interpreted that AIDEA has to own a discreet portion of a project. As they approach more modern financing, it's their view that AIDEA should be able to own an indivisible interest in a project. That would mean they could invest 20 percent into a project like hydro, renewable wind farms or other projects that meet their criteria. For example, they were in negotiations yesterday with the US Department of Energy to qualify under Section 17.05 financing and this bill would allow them to have more access to federally guaranteed loans - another benefit. It would also let AIDEA have partners, so someone else could also look at the same project - to do the math to make sure that it works. A consortium of partners usually makes it a safer investment. If other people aren't interested, you have to ask yourself why you would be interested. He explained that this would be a change, but it is already consistent with the statute that says they can own an interest. It's more of a clarification.

[2:36:18 PM](#)

CHAIR PASKVAN asked if he believed these changes would advance the underlying purpose of AIDEA's initial authority.

MR. DAVIS answered yes. The statutes, with regard to the partial interest, already says AIDEA can own an interest in a project as necessary, but the definition of project is inconsistent. He didn't think a definition should override statutory purpose, but that is kind of what had happened here.

As for the loan participation program, when the Legislature used the bond rating to float bonds, they envisioned two things: first that they would actually go the market to raise money for the loan participation program, which they have not done. And

secondly, the municipal bond market for the last 30 years was a fairly low rate, so it made sense to tie it to a low rate, but, unfortunately in our country the municipal bond market is no longer a competitive rate. In this sense they are just modernizing but with the same purpose. The rebate program is consistent with the goal of alleviating unemployment and creating economic development, which is in the preamble of their statutes.

CHAIR PASKVAN asked if any portion of the first three sections of SB 300 materially increases the risk to AIDEA's funds overall.

MR. DAVIS replied no; the rebate program is limited to 5 percent of their portfolio as a firewall and it's at AIDEA's discretion. And it only goes for 5 years of a probably 25-year loan. This is a useful tool to get a project going - to make something pencil out when otherwise it wouldn't pencil out. There is no risk to changing a rate; having a lower rate that makes sense allows them to do more business. They are not forced to use that minimum.

MR. LEONARD added that putting in the floor for their five-year annualized rate of return sets a clearer definition of how low their rates can go and protects their bottom line even more.

[2:39:20 PM](#)

SENATOR BUNDE asked if their list of organizations they might use to establish a minimum interest rate is a flexible group. Would they require it to be changed from year to year?

MR. DAVIS answered that the way the bill reads they could set up by regulation and they would look at each rate and put out in regulation their proposal. They would get back comments from banks and financial institutions that use it. Right now they would probably want to use the Federal Home Loan Bank, which is the bank that Alaska's banks want to borrow from when they don't want to go to the Federal Reserve Board window. So, it's a rate that they use already and it's a rate that is favorable to borrowers but isn't so low they can't make money.

[2:40:27 PM](#)

SENATOR BUNDE asked why they removed the section that prohibited someone from receiving an additional loan until the original loan had been repaid on page 3, line 25.

CHAIR PASKVAN responded that Cathy Jeans would answer that and they were just about at that point.

[2:41:12 PM](#)

MR. LEONARD remarked the way the way the Rural Development Initiative Fund (RDIF) fund works is that originally AIDEA funded that fund and it is run by the Division of Investments and is in their financial statements.

[2:41:33 PM](#)

MR. DAVIS said it evolved into a revolving fund, which is excellent.

[2:41:53 PM](#)

CATHY JEANS, Systems Branch Manager, Division of Investments, Department of Commerce, Community and Economic Development (DCCED), said her agency administers a number of state loan programs including the Rural Development Initiative Fund that would be amended by sections 4 and 5. She explained that their RDIF program was established in 2000 to provide loans to small businesses, creating jobs in rural communities around the state. It is based on a similar program that was operated for many years by the former Department of Community and Regional Affairs. She said they administer the program for AIDEA and the portfolio currently consists of about 40 loans totaling about \$4.1 million in debt. The program is set up as a revolving loan fund which means all repayments and earnings that come back into the fund are retained in it and all operating expenses are paid out of it. They currently have about \$1.5 million available to lend.

She said the changes proposed in SB 300 come about as a result of input from the public as well as internal discussions that focused on improvements that could be made to this program. So section 4 removes the restriction that a borrower can have only one loan at a time and increases the dollar amount that is allowed under the program from \$100,000 per person to \$150,000 and from \$200,000 to \$300,000 for two or more persons. Section 5 allows them to reduce the minimum interest rate that can be charged from 6 percent to 4 percent. They do support the changes because they believe these changes will increase utilization of the program, thereby increasing jobs and economic benefits to rural communities.

MS. JEANS said they submitted a zero fiscal note because overseeing the changes had no administrative cost.

[2:44:26 PM](#)

SENATOR BUNDE asked why allow people to have more than one loan after what has happened recently with toxic mortgages in the U.S. Maybe people "would get in over their head."

MS. JEANS replied back when the program first started in 2000, people could get a loan, but maybe they paid it off after five or six years, but they want to get another one and couldn't. So they thought by removing the number of loans one could have at one time and increasing the dollar amount because things cost a lot more these days would give them more opportunity to expand and start up their business.

SENATOR BUNDE asked what their process is for judging whether a person could get more money. The section clearly said they can't have another loan until the first one was paid off.

MS. JEANS answered they can get do that now, but when they can't get another loan if they already have one under the current statute.

SENATOR BUNDE said his concern is that if they already have a loan, they could start pyramiding and get under water with another loan.

MS. JEANS replied that their agency would evaluate the loss and credit risk again if the borrower were to fill out another application. They would look at how much capital they were putting into the process and other types of financing records.

[2:47:18 PM](#)

MR. LEONARD added when this provision was originally discussed with the Division of Investments, it was a challenge to decide if startup businesses should they come in when they start or a couple of years down the line. If they had the first loan for \$50,000, for example, they would be stuck for the five years - even if they were being very successful and expanding, they couldn't come back to this program. So they set a limit of \$150,000 for the increase, but if the business had good credit and was expanding, the idea was to give them the flexibility to increase their investment and keep moving forward.

[2:48:50 PM](#)

CHAIR PASKVAN, finding no further comments, closed public testimony.

[2:48:56 PM](#)

SENATOR BUNDE said he wished they could hear from the banking community.

CHAIR PASKVAN noted letters of support in their packets from Key Bank, Wells Fargo, First National Bank Alaska, Alaska USA Federal Credit Union, Alaska Bankers' Association, Alaska Pacific Bank, Mt. McKinley Bank, and more.

SENATOR BUNDE said he liked to have those things on the record.

SENATOR DAVIS moved to report SB 300 from committee with individual recommendations and attached fiscal note(s). There were no objections and it was so ordered.

[2:50:28 PM](#)

CHAIR PASKVAN announced an at ease from 2:50 p.m. to 2:51 p.m.

SB 292-PAWNBROKERS

[2:51:57 PM](#)

CHAIR PASKVAN called the meeting back to order and announced SB 292 to be up for consideration.

SENATOR BUNDE moved to bring CSSB 292(), 26-LS1487\S, before the committee. There were no objections and it was so ordered.

[2:52:17 PM](#)

JOSH TEMPLE, Staff to Senator Huggins, sponsor of SB 292, said it is an act relating to the registration and operation of pawnbrokers, to the exemption for pawnbrokers under the Alaska Small Loans Act, and to the exclusion of pawnbrokers under certain definitions in the Uniform Commercial Code and providing for an effective date. He explained that currently in Alaska statute only a few paragraphs deal with pawnbrokers and from city to city and borough to borough pawnbroker regulation would create an even standard across Alaska. It would protect consumers and businesses in Alaska.

MR. TEMPLE said this effort started four years ago and has had a lot of input. It basically codifies what good pawnshops are currently doing and good pawnshops support it.

He explained that basically pawnshops loan people money on items they bring in for collateral. When people get some money, they pay off their loan with a little interest and get their collateral item back. That licensing would now fall to the Division of Community and Economic Development. This bill

restricts who pawnbrokers can work with. They must be 18 years or older, they have to be sober and have a valid form of I.D., and they can't be pawning stolen items. The pawnbroker must keep a written or electronic log of these transactions for a period of one year and they must give receipts, called transaction agreements, for their transactions. SB 292 includes restrictions on interest and fees and requires pawnbrokers to safely store any items they use as collateral. It offers guidelines for people who come in and aren't able to pay for their item in the appropriate amount of time including a 30-day grace period. If a service member pawns an item and gets deployed, that item and any interest in it gets frozen in the pawnshop until he gets back from deployment when it goes back to the original agreement.

MR. TEMPLE said this bill limits employees that can be hired in a pawnshop. A person with a felony or a misdemeanor dealing with dishonesty can't be hired. It offers guidelines to both police and to the property owners that find their property in a pawnshop. It requires pawnshops to give weekly inventory reporting to local law enforcement agencies. It also allows for the department to discipline pawnbrokers who end up going against these regulations. He said the thing to remember is that good pawn shops already do these things. This bill would eliminate a lot of confusion and offer protection from the unethical few that will always be out there and protect consumers of those businesses in Alaska.

SENATOR BUNDE asked if records have to be kept for one year after redemption or from the time something is pawned.

MR. TEMPLE answered that the record has to be maintained well for one year from the date it was pawned in case the police need to come back and check for stolen property.

SENATOR BUNDE asked if there was any discussion of raising the \$500 maximum loan amount for articles that are worth more.

MR. TEMPLE answered yes. Independent pawn brokers have agreed that the best thing for them is to keep it at \$500, but they are in discussion with the bigger pawn brokers that might be able to afford more.

SENATOR BUNDE reflected that AIDEA is increasing the amount of their loans in the previous bill because the world has changed and things cost more. He encouraged the sponsor to look at that number.

[3:01:01 PM](#)

NOEL LOWE, Alaska Fast Cash, Wasilla, supported SB 292. They also supported raising the loan maximum amount from \$500 to \$750.{'

JOHN MINNICK, A-1 Pawn Shop, Wasilla, supported SB 292.

[3:02:50 PM](#)

FERNANDO PENA, Director, Government Affairs, Cash America, supported SB 292. He said they operate five pawnshops in Anchorage. He reminded them that this bill had been introduced in 2008 and the original spirit and intent had been preserved. He said that Alaska is the only state in the U.S. that doesn't have comprehensive pawn shop regulations. They are trying to be proactive for both consumers and operators. People will know what to expect. This mirrors the best practices of the Lower 48 states. It also provides for due process for stolen property and honors the military by not having them lose their property while they are deployed overseas.

[3:06:38 PM](#)

ALEX VAUGHN, Cash America, supported SB 292 and said he would answer questions.

[3:07:35 PM](#)

CHAIR PASKVAN closed public testimony.

SENATOR BUNDE moved to report CSSB 292(L&C), version S, from committee with individual recommendations and attached fiscal note(s). There were no objections and it was so ordered.

[3:08:07 PM](#)

CHAIR PASKVAN announced an at ease from 3:08 p.m. to 3:09 p.m.

SB 304-ENTITY TRANSACTIONS ACT

[3:09:36 PM](#)

CHAIR PASKVAN called the meeting back to order at 3:09 p.m. and announced SB 304 to be up for consideration. He wanted to begin the discussion on what a model entities transaction act is and what is intended.

[3:10:21 PM](#)

MIKE GERAGHTY, Private Practice Attorney, said he is a Uniform Law Commissioner for the State of Alaska. He said the Uniform

Law Commission is a body that was formed over 100 years ago with the general goal of trying to develop uniform laws for consideration and enactment by the various states. He said as a Republic of 50 states it is not difficult to imagine the mayhem that could be wreaked if businesses or individuals had to cope with erratically different laws as they cross state lines. So, the goal of the Commission has been to draft and enact these types of laws in particular to enhance commerce and economic development by making them more uniform.

In 1914, the Uniform Law Commission first enacted the Uniform Partnership Act. Today familiar entities such as partnerships, limited partnerships, limited liability partnerships, limited liability companies and corporations form the basic entities under American law that provide the means to aggregate capital, limit liability where applicable and provide a structure to organize and govern an enterprise whether it be for profit or non profit.

Most of this work has been done by the Uniform Law Commission in collaboration with the American Bar Association, but the development of these model acts and uniform acts has made American law particularly efficient for entrepreneurs. Anyone who establishes and develops a business has choices available for the entity and they can choose the entity form that would best benefit their business. As a business grows, these options also allow for some changes in form to the business. For example, a small enterprise may choose to be a partnership initially, but once it grows it has the opportunity to reorganize as a corporation when the business is big enough to warrant the advantages of the corporate form. He emphasized that this is also true for non-profit businesses. Today, a great array of these same organizational forms can be used for non-profit businesses such as limited liability companies and limited partnerships. Flexibility in development of these business entities along with a well developed body of law has really made America law the envy of the rest of the world.

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MR. GERAGHTY said the Model Entity Transactions Act (META) is a significant development in the growth of these various entities. Today changing entity form has no real comprehensive statutory framework whether it's for merger of entities, conversion of one entity to another, exchange of interests, or changing the location of an entity (domestication).

Some of the more recent model acts like the Model Corporations Code have provisions dealing with mergers of corporations and like kind entities (partnerships with partnerships and corporations with corporations), but SB 304 allows for the conversion of one entity to another and all in one statutory framework.

He explained that the problem with conversions and mergers is that many times it involves dissolving one entity to accomplish a desired end. Technically, one would have to wind down one business satisfying creditors and interest holders and potentially incurring adverse tax consequences in the process of forming a new business. This is a burden when the object is not to dissolve the business, but to simply continue it in another form or another location. "The hazards of the process are many and they are costly."

He said a statute that allows these events to occur without dissolving at least one of the entities involved would certainly increase efficiency and lower costs for entrepreneurs and for business in general. A general statute which is not limited to corporations or partnerships is highly desirable to accomplish this goal and to allow cross-entity transactions. That is what SB 304 is intended to accomplish and what it does accomplish.

[3:16:39 PM](#)

MR. GERAGHTY explained that SB 304 addresses four types of transactions: a merger of one entity with another entity, a conversion which is changing one entity to another type of entity (for example, a partnership to a corporation), an interest exchange (where, for example, all the holders of units in a limited partnership exchange all the units in that limited partnership for shares in a corporation), and a domestication (where for example, a businessman owns a business in California and moves with his family to Alaska and he doesn't want to end his business in California, but he finds that it would be more advantageous to have it registered as an Alaskan corporation, so he wants to change the location).

He said each one of these transactions has to have a plan that is approved by the interest holders (shareholders or debt holders, for instance). One of the goals is to make sure that no interest is extinguished in the process of any of these SB 304 transactions. For instance, if a partnership decides it's better to do business as a corporation and were to convert to a corporation, this bill is very careful to preserve that debt and

that interest. So the bill cannot be used to circumvent obligations or to evade them; the same is true for shareholders.

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The bill doesn't run afoul of whatever agreement partners or shareholders may have. If it requires two-thirds of a vote of partners to affect something, that is honored. If the provision is that all partners would have to agree to the conversion, that is what is protected. It protects the rights of dissenters and interest holders so that the cross entity transactions do not prejudice or harm those legitimate interests.

[3:20:22 PM](#)

He summarized that overall the purpose of the bill is to set up some procedures that ends up with an entity that continues the business of the previous entities that it succeeds without extinguishing obligations and it does it in a seamless and non-disruptive transfer and it does it without having to dissolve one of the businesses to accomplish the conversion. It's good for business and non-profit ventures alike.

[3:21:35 PM](#)

MR. GERAGHTY said these transactions involve a plan that has to be approved by everyone and it involves filing various disclosures with the Department of Commerce and Economic Development. Once the plan is approved there has to be a permanent record for transparency.

In closing, he said three issues merit the committee's consideration. One is that Alaska has the Uniform Partnership Act, Limited Liability Company Act, et cetera on its books that already provide for mergers and such, but only for like-kind transactions. This addresses those types of transactions, but cross-entity transactions, as well. The bill is complex and must be coordinated carefully with existing statutes so that there are no inconsistencies.

[3:24:08 PM](#)

CHAIR PASKVAN thanked him for getting this issue off and running and finding no further business to come before the committee, he adjourned the meeting at 3:24 p.m.