

1 IN THE SENATE

BY THE JUDICIARY COMMITTEE

2 SENATE BILL NO. 290

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 SECOND LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the Alaska State Develop-
7 ment Corporation; amending Ch. 135, SLA
8 1961; and providing for an effective date."

9 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

10 Section 1. The title to Article I, Ch. 135, SLA 1961 is
11 amended to read:

12 ARTICLE I

13 CREATION AND ORGANIZATION [OF
14 DEVELOPMENT CORPORATION]

15 Sec. 2. Sec. 2, Art. I, Ch. 135, SLA 1961 is amended to
16 read:

17 Section 1 [SEC. 2]. ALASKA STATE DEVELOPMENT CORPORA-
18 TION. The Alaska state development corporation [, HEREAFTER
19 REFERRED TO AS THE CORPORATION,] is [ESTABLISHED AS] a public
20 corporation of the state [STATE OF ALASKA]. The corporation
21 [CORPORATION] is an instrumentality of the state, but has a
22 legal existence independent of and separate from the state.

23 Sec. 3. Subsec. a, Sec. 3, Art. I, Ch. 135, SLA 1961 is
24 amended to read:

25 Sec. 2 [3]. BOARD OF DIRECTORS GOVERNING BODY. [A] The
26 [ALASKA STATE DEVELOPMENT] corporation board of directors
27 [, HEREAFTER REFERRED TO AS THE BOARD,] shall conduct the
28 business of the corporation.

29 Sec. 4. Subsec. b, Sec. 3, Art. I, Ch. 135, SLA 1961 is

1 amended to read:

2 Sec. 3. APPOINTMENT AND COMPOSITION OF BOARD. (a) [B.]

3 The board consists of the commissioner of commerce and six
4 residents of the state. [ALASKA] Members of the board are
5 appointed by the governor and they [, WHO SHALL] serve at his
6 pleasure. Membership on the board is [SHALL BE] on a
7 nonpartisan [NON-PARTISAN] basis with due regard [GIVEN] to
8 representation from all areas [THE DIFFERENT REGIONS] of the
9 state. [ALASKA,] At [AT] least one member shall be [BEING]
10 appointed from each major senate [SENATORIAL] district [,]
11 if, [A QUALIFIED APPOINTEE] in the opinion of the governor,
12 a qualified person [GOVERNOR] resides in the [EACH SUCH]
13 district. One-half of the appointed members must [SHALL] be
14 active in the banking business and the other half must [SHALL]
15 be from the other professions, but shall have extensive
16 knowledge of financial matters.

17 (b) The appointment of members to the board must [SHALL]
18 be confirmed by the legislature meeting in joint session. A
19 member may [NEWLY APPOINTED MEMBERS ARE QUALIFIED TO] act a
20 [TO] receive compensation from his [BETWEEN THE TIME OF THEIR]
21 appointment until his [AND THE TIME OF] confirmation or re-
22 jection by the legislature.

23 (c) A public employee is not eligible for appointment to
24 the board.

25 Sec. 5. Subsec. c, Sec. 3, Art. I, Ch. 135, SLA 1961 is
26 amended to read:

27 Sec. 4. TERM OF OFFICE. [C.] The term of office [SER-
28 VICE] for an appointed member of the board is three [FOUR]
29 years. The term [TERMS] of office [TWO APPOINTED MEMBERS

1 SHALL EXPIRE] expires on February 1 of each year. Upon
2 initial appointment, two members serve for one year, two mem-
3 bers serve for two years and two members serve for three
4 years. [AT THE TIME OF THE INITIAL APPOINTMENTS, THE GOVER-
5 NOR SHALL DESIGNATE WHICH MEMBERS HAVE BEEN APPOINTED FOR A
6 ONE, TWO, OR THREE YEAR TERM. IT IS THE INTENT OF THIS ACT
7 THAT THE TERMS OF THE APPOINTED MEMBERS BE STAGGERED TO IN-
8 SURE CONTINUITY OF EXPERIENCE.] A member appointed by the
9 governor to fill a vacancy [OCCURRING OTHER THAN BY EXPIRA-
10 TION OF A TERM SHALL SERVE] serves for the unexpired term of
11 the member he succeeds.

12 Sec. 6. Subsec. d, Sec. 3, Art. I, Ch. 135, SLA 1961 is
13 amended to read:

14 Sec. 5. CONFLICT OF INTERESTS. [D. AT THE TIME OF THE
15 Upon appointment and during his term of office, a board member
16 [OF A MEMBER TO THE BOARD, OR SHOULD THERE BE REASON TO DO SO
17 WHILE A MEMBER, HE] shall declare privately [,] in writing
18 [,] to the governor and the board any financial or business
19 interest he has [,] which might conflict with the public
20 nature of his membership on the board. If there is a serious
21 conflict, the board may ask him [HE MAY BE ASKED BY THE
22 BOARD] to abstain from decisions resulting in a conflict or
23 to resign from the board. A [ANY] loan or contract of the
24 corporation which is otherwise valid is [SHALL] not [BE] in-
25 valid because of a [ANY] personal interest of a board member
26 in it if the [THEREIN ON THE PART OF ANY BOARD MEMBER; PRO-
27 VIDED, THAT SUCH] interest is [SO] declared and the [THAT
28 SAID] board member abstains from decisions pertaining to the
29 [SUCH] loan or contract.

1 Sec. 7. Subsec. a, Sec. 4, Art. I, Ch. 135, SLA 1961 is
2 amended to read:

3 Sec. 6. OFFICERS. [4. ORGANIZATION OF BOARD. A.
4 WITHIN 90 DAYS AFTER THE EFFECTIVE DATE OF THIS ACT, THE
5 GOVERNOR SHALL APPOINT THE BOARD. PUBLIC EMPLOYEES ARE NOT
6 ELIGIBLE FOR APPOINTMENT TO THE BOARD. WITHIN 14 DAYS AFTER
7 THE LAST OF THE ORIGINAL APPOINTMENTS, THE BOARD SHALL MEET
8 AND ORGANIZE BY ELECTING FROM ITS MEMBERS A PRESIDENT, WHO
9 SHALL ALSO BE CHAIRMAN OF THE BOARD; A VICE PRESIDENT, WHO
10 SHALL PRESIDE IN THE ABSENCE OF THE PRESIDENT; AND A SECRE-
11 TARY.] At the first regular meeting of every odd-numbered
12 year, the board shall meet and elect from among its members a
13 president. a vice president. a secretary and a treasurer.
14 The president also serves as chairman of the board. The vice
15 president shall preside in the absence of the president [NEW
16 OFFICERS].

17 Sec. 8. Subsec. b, Sec. 4, Art. I, Ch. 135, SLA 1961 is
18 amended to read:

19 Sec. 7. COMPENSATION AND EXPENSES. [B.] Members of
20 the board receive no salary, but are entitled to [SHALL RE-
21 CEIVE THE] per diem and travel expenses authorized [ESTAB-
22 LISHED] by law for other boards [AND SHALL BE PAID FOR THEIR
23 NECESSARY TRAVEL EXPENSES].

24 Sec. 9. Subsec. c, Sec. 4, Art. I, Ch. 135, SLA 1961 is
25 amended to read:

26 Sec. 8. LEGAL ADVISER. [C.] The attorney general is
27 [SHALL BE] the legal counsel for the corporation. He shall
28 advise the corporation in legal matters and represent it in
29 suits.

1 Sec. 10. Subsec. d, Sec. 4, Art. I, Ch. 135, SLA 1961 is
2 amended to read:

3 Sec. 9. PUBLIC BOARD MEETINGS. [D.] The meetings of
4 the board are [SHALL BE] public except meetings to discuss
5 [FOR PURPOSES OF DISCUSSING] and pass [PASSING] on loan
6 applications.

7 Sec. 10. QUORUM AND NOTICE OF MEETINGS. Four [FIVE]
8 members, which may include the commissioner of commerce,
9 [SHALL] constitute a quorum for the transaction of business,
10 unless the bylaws [BY-LAWS] require a larger number, except
11 that notice of a meeting of the board must be given to each
12 member [; PROVIDED, HOWEVER, DUE NOTICE SHALL HAVE BEEN GIVEN
13 TO ALL MEMBERS].

14 Sec. 11. Subsec. e, Sec. 4, Art. I, Ch. 135, SLA 1961 is
15 amended to read:

16 Sec. 11. MINUTES OF MEETINGS. [E.] The board shall
17 keep minutes of each [ITS MEETINGS] meeting and send a certi-
18 fied copy [COPIES] to the governor.

19 Sec. 12. Sec. 5, Art. I, Ch. 135, SLA 1961 is amended to
20 read:

21 Sec. 12 [5]. EXECUTIVE VICE PRESIDENT. The board may
22 employ an executive vice president to manage the corporation.
23 He must [SHALL] be professionally trained and experienced in
24 the performance of his duties. His [THE] selection [OF THE
25 EXECUTIVE VICE PRESIDENT] is subject to the approval of the
26 governor. The executive vice president may not have any
27 financial or business interest that might conflict with the
28 management of the corporation in the best public interest.
29 The board may delegate powers and duties to the executive

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29

vice president [THE POWERS AND DUTIES IT DEEMS PROPER].

Sec. 13. Art. I, Ch. 135, SLA 1961 is amended to add a new section to read:

Sec. 13. EMPLOYEES' BONDS. The corporation shall bond its employees. The amount of a bond is determined by the board.

Sec. 14. Art. I, Ch. 135, SLA 1961 is amended to add a new article title before Sec. 6 of Ch. 135, SLA 1961 to read:

ARTICLE II

POWERS AND DUTIES

Sec. 15. Sec. 6, Art. I, Ch. 135, SLA 1961 is amended to read:

Sec. 20 [6]. POWERS [AND DUTIES OF THE CORPORATION].
(a) The corporation may [HAS, BUT IS NOT LIMITED TO, THE FOLLOWING POWERS:]

- (1) [TO] exist continuously [HAVE PERPETUAL EXISTENCE] as a corporation;
- (2) [TO] adopt [, ALTER, AND USE] a seal;
- (3) [TO] adopt [, AMEND AND REPEAL BY-LAWS] bylaws and regulations governing the business of the corporation;
- (4) [TO] sue and be sued;
- (5) [TO] appoint officers, employees, trustees for certificate holders and agents and prescribe their [TO VEST IN THEM THE] powers and duties [THAT THE CORPORATION MAY DEEM PROPER; PROVIDED, THAT EMPLOYEES SHALL BE BONDED];
- (6) [TO] make contracts and [TO] execute [ALL] instruments necessary or convenient in the exercise of its corporate powers;
- (7) [TO] make loans in participation with

1 financial institutions [TO ANY PERSON, FIRM, CORPORATION,
2 JOINT STOCK COMPANY, ASSOCIATION OR TRUST], and [TO] establish
3 and regulate the terms of the [THESE] loans;

4 (8) [TO] acquire [IN ANY LAWFUL MANNER] by purchase,
5 lease, bequest, devise, gift, [OR AS MAY BE ACQUIRED BY] the
6 satisfaction of debts, or the foreclosure of mortgages, and
7 [TO] hold, maintain, use, operate, and convey [ANY] real or
8 personal property;

9 (9) [TO] borrow money and [TO] issue secured and
10 unsecured [BONDS, DEBENTURES, NOTES OR OTHER EVIDENCES] evi-
11 dence of indebtedness [, WHETHER SECURED OR UNSECURED] for a
12 [ANY OF ITS] corporate purpose [PURPOSES] or fund, refund, pay
13 or discharge [FOR THE PURPOSE OF FUNDING, REFUNDING, PAYING OR
14 DISCHARGING ANY OF ITS] outstanding [OR ASSUMED BONDS OR] obli-
15 gations, and [TO] enter [INTO] agreements and contracts con-
16 cerning these obligations;

17 (10) [AND THE CORPORATION MAY] secure the payment of
18 its obligations by pledge or mortgage, or other lien, on [ANY
19 OR ALL OF] its contracts, revenues, income or property, except
20 that it [; PROVIDED, HOWEVER, THAT THE CORPORATION] may not in-
21 cur [ANY] secondary liability by [WAY OF] guaranty or endorse-
22 ment of the obligations of another [ANY OTHER] corporation or
23 legal entity, except endorsement of checks, bank drafts, or
24 other commercial paper in the ordinary course of business;

25 (11) [(10) TO] accept grants on loans from, and
26 [TO ENTER INTO CONTRACTS] contract with, the federal
27 government, the state [STATE OF ALASKA,] or [ANY OF] its
28 political subdivisions, and to that end comply with the pro-
29 visions of federal, state or local programs when necessary;

1 [(11) TO QUALIFY FOR AND PARTICIPATE IN FEDERAL
2 PROGRAMS OF THE TYPE PROVIDED BY THE SMALL BUSINESS INVEST-
3 MENT ACT OF 1958 AND TO THAT END TO COMPLY WITH THE PRO-
4 VISIONS OF ANY FEDERAL PROGRAM WHEN NECESSARY;]

5 (12) [TO] lease, alienate and dispose of [ANY OF
6 ITS] property;

7 (13) [TO] acquire, hold and dispose of stocks,
8 memberships, contracts, bonds or other interests in another
9 corporation [OTHER CORPORATIONS] or legal entity [ENTITIES],
10 and [TO] exercise the [ANY] powers or rights [,] in con-
11 nection with these interests which are provided [, AS MAY BE
12 SPECIFIC] in contracts or agreements and which are [AS]
13 allowed by law concerning the satisfaction of debts;

14 (14) [TO] do what is [WHATEVER MAY BE] necessary to
15 carry out the powers granted by this Act or other acts of the
16 Alaska legislature, or the laws and regulations of the
17 federal government. [;]

18 (b) [PROVIDED, HOWEVER, THAT THE] The corporation may
19 not [SHALL HAVE NO POWER TO] pledge the credit or the taxing
20 power of the state [STATE OF ALASKA] or [ANY OF] its politi-
21 cal subdivisions. [, NOR SHALL THE] The state and [STATE
22 OF ALASKA OR] its political subdivisions are not [BE] liable
23 for the debts of the corporation.

24 Sec. 16. Sec. 7, Art. I, Ch. 135, SLA 1961 is amended to
25 read:

26 Sec. 21 [7]. ANNUAL REPORT [SUBMISSION OF REPORTS].
27 Before December 1 of each year the board shall submit to the
28 governor and the legislature a comprehensive report describ-
29 ing the [WHICH SHALL DESCRIBE THE BOARD'S] operations,

1 fiscal transactions, financial condition, and future plans
2 of the board. The governor may prescribe the form of the
3 report [THE REPORT SHALL BE IN A COMPREHENSIVE FORM, WHICH
4 MAY BE PRESCRIBED BY THE GOVERNOR].

5 Sec. 17. Sec. 8, Art. I, Ch. 135, SLA 1961 is amended to
6 read:

7 Sec. 22 [8]. ANNUAL AUDITS [AUDIT AND EXAMINATION OF
8 RECORDS]. (a) The board shall have its financial records
9 audited annually. The legislative auditor shall conduct the
10 annual audit [SHALL BE CONDUCTED BY THE LEGISLATIVE AUDITOR].
11 If an audit conducted by a certified public accountant is
12 satisfactory in the judgment of the legislative auditor, it
13 may be accepted instead [IN LIEU] of the state audit. The
14 legislative auditor may prescribe the form and content of
15 the financial records of the board and may have access to
16 these records at any time.

17 (b) [IN ADDITION, THE] The state bank examiner shall
18 examine the records of the corporation at least annually.

19 Sec. 18. Sec. 9, Art. I, Ch. 135, SLA 1961 is amended to
20 read:

21 Sec. 23 [9]. LOAN ADVISORY COMMITTEES. The board may
22 establish loan advisory committees in the different regions
23 of the state. Members of these committees serve without
24 compensation or per diem [, WHO SHALL SERVE WITHOUT PAY OR
25 PER DIEM]. Each [THE PURPOSE OF THESE COMMITTEES] committee
26 shall [BE TO] make recommendations to the board and
27 [GENERALLY] advise it generally [THE BOARD].

28 Sec. 19. Sec. 10, Art. I, Ch. 135, SLA 1961 is amended to
29 read:

1 Class A certificates shall be sold at a price which results
2 in an effective interest rate over the life of the certifi-
3 cates of not more than five per cent a year and upon other
4 terms set by the board except [\$1,000,000.00 IN CLASS A
5 CERTIFICATES SHALL BE SOLD TO BANKS, FINANCIAL INSTITUTIONS
6 AND OTHER INVESTORS AT A 3½ PERCENT INTEREST RATE PRIOR TO
7 THE COMMENCEMENT OF LOAN ACTIVITIES BY THE CORPORATION, AND
8 PRIOR TO A PUBLIC OFFERING OF THE BALANCE OF \$14,000,000.00
9 OF CLASS A CERTIFICATES AT AN INTEREST RATE NO GREATER THAN
10 4½ PERCENT. THE GENERAL PROCEDURE FOR THE SALE OF CLASS A
11 CERTIFICATES SHALL BE DETERMINED BY THE BOARD; PROVIDED, HOW-
12 EVER,] that the class A certificates outstanding at any time
13 may [SHALL] not exceed five times the principal amount
14 [FACE VALUE] of class B certificates outstanding.

15 (c) [(2)] "Class B certificates" shall be issued as
16 evidence of indebtedness of the corporation either through
17 private or [AND] public sales. The maximum principal amount
18 [VALUE] of class B certificates that may be sold is [SHALL
19 BE \$3,000,000.00] \$3,000,000. Class B certificates are
20 [SHALL BE] backed by the full resources and credit of the
21 corporation and [THEY SHALL] take priority in the payment of
22 principal and interest to class C certificates. Class B
23 certificates shall be sold at a price which results in an
24 effective interest rate over the life of the certificates of
25 not more than six per cent a year and upon other terms set
26 by the board [AT LEAST \$500,000.00 IN CLASS B CERTIFICATES
27 SHALL BE SOLD AT A 4 PERCENT INTEREST RATE PRIOR TO THE
28 COMMENCEMENT OF LOAN ACTIVITIES BY THE CORPORATION, AND PRIOR
29 TO THE SALE OF THE REMAINING CLASS B CERTIFICATES, WHICH

1 SHALL BEAR AN INTEREST RATE NO GREATER THAN 5½ PERCENT].

2 (d) [(3)] "Class C certificates" shall be accepted by
3 a borrower of funds from the corporation at the time of a
4 development loan instead [. THE BORROWER SHALL ACCEPT THESE
5 CERTIFICATES IN LIEU] of cash [FROM A DEVELOPMENT LOAN AND]
6 in an amount equal to five per cent [5 PERCENT OF THE FACE
7 VALUE] of the loan. Class C certificates mature not later
8 than the outstanding class B certificates mature. The board
9 determines the rate of interest earned by class C certificates.

10 The corporation shall deposit the funds represented by the
11 class C certificates [SHALL BE DEPOSITED BY THE CORPORATION]
12 in a time deposit account [, AND SHALL EARN INTEREST AT THE
13 MAXIMUM RATE ALLOWED BY BANKING REGULATIONS]. The funds
14 represented by class C certificates are [SHALL CONSTITUTE] a
15 reserve for [POSSIBLE] loan losses. The funds [, WHICH]
16 shall not be drawn [AGAINST] unless the corporation first
17 exhausts [HAS EXHAUSTED] the reserve funds provided by
18 Secs. 37 and 38 [SEC. 23] of this Act. Class C certificates
19 shall not be issued when corporate money is invested in
20 accordance with Secs. 40 [23E] and 43 [27B] of this Act.

21 Sec. 23. Subsec. b, Sec. 21, Art. II, Ch. 135, SLA 1961 is
22 amended to read:

23 Sec. 32. LEGAL OPINION. [B.] The corporation shall
24 provide a legal opinion, from a recognized private source,
25 concerning class A and B certificates [WITHOUT COST TO THE
26 UNDERWRITER].

27 Sec. 24. Subsec. c, Sec. 21, Art. II, Ch. 135, SLA 1961 is
28 amended to read:

29 Sec. 33. AVAILABILITY OF ANNUAL REPORT. [C.] The

1 annual report of the corporation [PROVIDED IN SEC. 7] shall
2 be made available without cost to a [ANY] certificate holder.
3 Sec. 25. Subsec. d, Sec. 21, Art. II, Ch. 135, SLA 1961 is
4 amended to read:

5 Sec. 34. CERTIFICATES AS LEGAL INVESTMENTS. [D.] The
6 certificates of the corporation are legal investments [SHALL
7 BE LAWFUL INVESTMENT] and may be accepted as security for all
8 fiduciary, trust, and public funds of the state and [STATE
9 OF ALASKA OR] its political subdivisions.

10 Sec. 26. Sec. 22, Art. II, Ch. 135, SLA 1961 is amended to
11 read:

12 Sec. 35 [22]. COMMENCEMENT OF LOAN [CORPORATE]
13 ACTIVITIES. The corporation may not commence its loan
14 activities until it has received at least \$1,500,000 from the
15 sale of class A and B certificates. Before the receipt of
16 this \$1,500,000, funds received from the sale of class A and
17 B certificates shall be held in trust [SHALL PLACE
18 \$1,000,000.00 FROM THE SALE OF CLASS A CERTIFICATES AND
19 \$500,000.00 FROM THE SALE OF CLASS B CERTIFICATES, AS PRO-
20 VIDED IN SEC. 21(1) AND (2), IN A TRUST FUND. AT THE TIME
21 THE TRUST FUND CONTAINS \$1,500,000.00, THE BOARD SHALL CER-
22 TIFY THIS FACT AND MAY COMMENCE ITS CORPORATE ACTIVITIES AS
23 PROVIDED BY THIS ACT].

24 Sec. 27. Subsec. a, Sec. 23, Art. II, Ch. 135, SLA 1961 is
25 amended to read:

26 Sec. 36. GENERAL FUND. [23. CORPORATION FUNDS. A.]
27 The corporation shall maintain [HAVE] a general [INCOME]
28 fund. Income [ALL INTEREST] received from loans and in-
29 vestments, and advances or loans from the state shall be

1 credited to the [THIS] fund. Expenses of the corporation,
2 including interest payments on class A, B and C certificates,
3 and repayments of advances or loans from the state shall be
4 charged to this fund.

5 Sec. 28. Subsec. b, Sec. 23, Art. II, Ch. 135, SLA 1961 is
6 amended to read:

7 Sec. 37. PRINCIPAL RESERVE FUND. [B.] The corporation
8 shall maintain [HAVE] a principal reserve fund. The board
9 shall determine the amounts, sources and application of
10 principal reserve funds to the amortization of class A and B
11 certificates. No sinking or amortization fund may be created
12 for class B certificates until an amount equal to the total
13 principal amount of the three largest annual maturities on
14 the class A certificates is set aside to secure the payment of
15 class A certificates. [ALL REPAYMENTS OF PRINCIPAL FROM LOANS
16 MADE BY THE CORPORATION SHALL BE CREDITED TO THIS FUND. THE
17 BOARD, WHILE ARRANGING THE LOANS OF THE CORPORATION, SHALL
18 MAINTAIN SUFFICIENT MONEY IN THIS FUND TO AMORTIZE CLASS A
19 CERTIFICATES. THERE SHALL ALSO BE MAINTAINED IN THE PRINCI-
20 PAL RESERVE FUND A SINKING FUND FOR CLASS B CERTIFICATES.
21 WHEN THREE YEARS AMORTIZATION FOR CLASS A CERTIFICATES IS
22 ACCUMULATED AND WHEN A SINKING FUND FOR CLASS B CERTIFICATES
23 IS ESTABLISHED, SURPLUS] Surplus money may be transferred to
24 the development loan fund.

25 Sec. 29. Subsec. c, Sec. 23, Art. II, Ch. 135, SLA 1961 is
26 amended to read:

27 Sec. 38. LOAN LOSS RESERVE FUND. [C.] The corporation
28 shall maintain [HAVE] a loan loss reserve fund. Each year
29 the [THE] board shall [ANNUALLY] credit [TO THIS FUND] a sum

1 equal to one-fourth per cent [PERCENT] of all outstanding
2 loans to the fund. Loan losses shall be charged to the loan
3 loss reserve fund. If [RECOVERY OF] a loan loss [,] charged
4 to the fund [,] is recovered, it shall be credited to the
5 loan loss reserve [THIS] fund. Money in the general [INCOME]
6 fund exceeding [IN EXCESS TO] the estimated expenses of the
7 following fiscal year shall be transferred to the loan loss
8 reserve fund.

9 Sec. 30. Subsec. d, Sec. 23, Art. II, Ch. 135, SLA 1961 is
10 amended to read:

11 Sec. 39. DEVELOPMENT LOAN FUND. [D.] The corporation
12 shall maintain [HAVE] a development loan fund. Money not
13 required by other funds shall be credited to the development
14 loan [THIS] fund. Loans by [OF] the corporation [, AS PRO-
15 VIDED BY THIS ACT,] shall be charged to the development loan
16 fund.

17 Sec. 31. Subsec. e, Sec. 23, Art. II, Ch. 135, SLA 1961 is
18 amended to read:

19 Sec. 40. INVESTMENTS BY CORPORATION. [E.] (a) The
20 corporation shall place money held in the [INCOME,] reserve
21 [AND DEVELOPMENT LOAN] funds [OF THE CORPORATION MAY BE DE-
22 POSITED] in one or more of the following: deposits in banks
23 [A BANK] or trust companies [COMPANY] having their [ITS]
24 principal places [PLACE] of business in the state, [STATE OF
25 ALASKA] or [INVESTED IN] obligations of the United States
26 [OF AMERICA] , the state [STATE OF ALASKA], or [AND] its
27 political subdivisions if the [; PROVIDED, HOWEVER, THAT
28 THESE] obligations are [SHALL BE] secured by the general
29 taxing power of the obligor.

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29

(b) The corporation may place the proceeds from the sale of class A and B certificates and money held in the development loan fund in one or more of the following: deposits in banks or trust companies having their principal places of business in the United States, or obligations of the United States, the state, or its political subdivisions. However, the board shall, when it is possible and financially sound, make deposits in banks and trust companies having their principal places of business in the state.

Sec. 32. Sec. 24, Art. II, Ch. 135, SLA 1961 and Sec. 25, Art. II, Ch. 135, SLA 1961 are repealed.

Sec. 33. Sec. 26, Art. II, Ch. 135, SLA 1961 is amended to read:

Sec. 41 [26]. TAX EXEMPTION. Because the [THE] purpose of the corporation, as an instrumentality of the state, is to benefit the people of Alaska by increasing their commerce, prosperity and general well-being, the corporation is exempt from [BECAUSE THE CORPORATION HAS THIS PURPOSE, IT IS FREE OF] all taxes and assessments in the state [STATE OF ALASKA]. Debenture certificates issued by the corporation, their transfer, and their income are exempt from [SHALL ALSO BE FREE OF] taxes and assessments.

Sec. 34. Subsec. a, Sec. 27, Art. II, Ch. 135, SLA 1961 is amended to read:

Sec. 42 [27]. CORPORATE LENDING [AND LIMITATIONS]. (a) [A.] The corporation may accept applications for development loans and extend credit on the basis of no greater than 90 per cent [PERCENT] participation by the corporation and no less than 10 per cent [PERCENT] participation by a bank [OR

1 BANKS].

2 (b) The corporation and the participating bank [OR
3 BANKS] shall share the same ratable interest in the [FROM,
4 AND] collateral securing [,] a loan.

5 Sec. 35. Subsec. b, Sec. 27, Art. II, Ch. 135, SLA 1961 is
6 amended to read:

7 Sec. 43. SHORT TERM LOANS. [B.] The corporation may
8 [, WITH SURPLUS FUNDS,] participate with banks [ON THE SAME
9 BASIS AS SEC. 27A.] in existing, short term, development
10 [NON-DEVELOPMENT] loans with its surplus funds on the same
11 basis as provided in Sec. 42 of this Act. The intention of
12 this section [PROVISION] is to permit the corporation to use
13 [UTILIZE] funds not immediately necessary for long term de-
14 velopment loan [SOLICITED FOR DEVELOPMENT] purposes and to
15 receive income to meet its financial obligations.

16 Sec. 36. Subsec. c, Sec. 27, Art. II, Ch. 135, SLA 1961 is
17 amended to read:

18 Sec. 44. CORPORATION'S INTEREST. [C.] The rate of
19 interest charged for the corporation's share of a development
20 loan shall be determined by the board [; PROVIDED] , except
21 that it may [SHALL] not be [NO] greater than the legal con-
22 tract rate of interest as set by state law [7 PERCENT]. The
23 corporation may also charge reasonable loan commitment fees.

24 Sec. 37. Subsec. d, Sec. 27, Art. II, Ch. 135, SLA 1961 is
25 amended to read:

26 Sec. 45. BANK'S RATE OF INTEREST. [D.] The participat-
27 ing bank shall fix the rate of interest charged by it. How-
28 ever, the rate of interest may not exceed [A PARTICIPATING
29 BANK MAY BE DETERMINED BY THE PARTICIPATING BANK; PROVIDED,

1 THAT IT SHALL BE NO GREATER THAN] the legal contract rate of
2 interest prescribed [AS SET] by [STATE] law.

3 Sec. 38. Subsec. e, Sec. 27, Art. II, Ch. 135, SLA 1961 is
4 amended to read:

5 Sec. 46. MAXIMUM TERM OF LOAN. [E.] The maximum term
6 of a development loan is [SHALL BE] 20 years. [; PROVIDED,
7 HOWEVER] However, [THAT THE TERM OF] a loan may not mature
8 later than [SHALL IN NO INSTANCE EXTEND BEYOND] the final
9 maturity date of the class A and [CLASS] B certificates out-
10 standing at the time of the loan.

11 Sec. 39. Subsec. f, Sec. 27, Art. II, Ch. 135, SLA 1961 is
12 amended to read:

13 Sec. 47. APPLICATION FOR LOAN. [F.] Development loans
14 must [SHALL] be applied for and presented to the corporation
15 for approval through the participating bank.

16 Sec. 40. Subsec. g, Sec. 27, Art. II, Ch. 135, SLA 1961 is
17 amended to read:

18 Sec. 48. BANKS' FEES. [G.] (a) The participating bank
19 shall administer the loans and [LOANS SHALL BE ADMINISTERED
20 BY THE PARTICIPATING BANK, AND FOR THIS SERVICE A BANK] may
21 charge the borrower a reasonable loan fee for this service.

22 (b) [IN ADDITION TO THIS FEE, THE] The corporation shall
23 enter into a servicing agreement with a participating bank.
24 The servicing agreement [, WHICH] may provide a participat-
25 ing bank with a fee equal to one-quarter of one per cent
26 [PERCENT] interest on the corporation's share of the loan.

27 Sec. 41. Subsec. h, Sec. 27, Art. II, Ch. 135, SLA 1961 is
28 repealed.

29 Sec. 42. Subsec. i, Sec. 27, Art. II, Ch. 135, SLA 1961 is

1 amended to read:

2 Sec. 49. MAXIMUM AMOUNT OF INDIVIDUAL LOANS. [I.] The
3 corporation may not have [NO] more than 10 per cent [PERCENT]
4 of the principal amount [FACE VALUE] of outstanding class A
5 and B certificates or \$750,000 [\$750,000.00], whichever is
6 less [THE LOWER AMOUNT], outstanding at one [A] time to any
7 one borrower. The borrowing of individuals who hold a con-
8 trolling interest in a borrowing company is [SHALL BE] added
9 to the debt of the company to determine [IN DETERMINING] this
10 limitation.

11 Sec. 43. Subsecs. j, k, and l, Sec. 27, Art. II, Ch. 135,
12 SLA 1961 are amended to read:

13 Sec. 50. GENERAL LIMITATIONS ON LOANS. (a) [J. THE
14 BOARD SHALL MAKE A LOAN ONLY WHEN IT IS REASONABLY CERTAIN
15 THAT THE LOAN SHALL BE REPAID.] In making development loans
16 [THIS DETERMINATION], the board [DIRECTORS] shall consider
17 the proposed collateral, the integrity and the management
18 ability of the borrower, and the borrower's past and pro-
19 spective earnings.

20 (b) [K.] Before approving a development loan, the
21 board shall consider the purpose of the loan. The board
22 may make only [ONLY] loans that are economically advantageous
23 to the state [STATE OF ALASKA] and the general public welfare
24 [SHALL BE APPROVED].

25 (c) [L.] The board may [SHALL] make a development loan
26 to a responsible borrower only if other [WHEN] credit is not
27 [ELSEWHERE] readily available on reasonable terms. Before
28 granting a development loan, the board shall determine
29 [ENDEAVOR], so far as it is reasonably [REASONABLE] possible,

1 [TO ASCERTAIN] that the first opportunity to grant the loan
2 is [HAS BEEN] given to banking or financial institutions in
3 the state [STATE OF ALASKA].

4 Sec. 44. Subsec. m, Sec. 27, Art. II, Ch. 135, SLA 1961 is
5 amended to read:

6 Sec. 51. REGULATIONS FOR LOANS. [M.] The board may
7 adopt [PROMULGATE RULES AND] regulations for [CONCERNING] loan
8 policy and procedure, except [PROVIDED, HOWEVER,] that a
9 regulation [THESE RULES] may not conflict with an [ANY] in-
10 denture agreement [AGREEMENTS] or a provision [PROVISIONS]
11 of this Act.

12 Sec. 45. Sec. 28, Art. II, Ch. 135, SLA 1961 is amended to
13 read:

14 Sec. 52. [28.] ADDITIONAL SECURITIES. The legislature
15 may amend this Act to permit the corporation to issue addi-
16 tional series of securities, except [; PROVIDED, HOWEVER,]
17 that additional securities may not rely on assets accumulated
18 in connection with the issuance of a [ANY] previous series of
19 securities, unless [EXCEPT WHEN] the reserves provided by
20 agreements [COVENANTS] , this chapter [ACT,] or [SUBSEQUENT]
21 legislation have been met.

22 Sec. 46. Art. II, Ch. 135, SLA 1961 is amended to add a new
23 article title before Sec.29 of Ch. 135, SLA 1961 to read:

24 ARTICLE IV

25 GENERAL PROVISIONS

26 Sec. 47. Sec. 29, Art. II, Ch. 135, SLA 1961 is amended to
27 read:

28 Sec. 60 [29]. DISSOLUTION. [THE CORPORATION, AFTER
29 THE] After payment in full of its debentures and other

1 obligations or after depositing in a trust sufficient money
2 to secure the payment of its obligations, the board may
3 dissolve the corporation by the majority vote of its
4 directors. Dissolution is not effective until the legisla-
5 ture confirms it [FOLLOWED BY THE CONFIRMATION OF THE LEGIS-
6 LATURE]. The effective date of dissolution is [SHALL BE]
7 the date the legislature confirms the dissolution [OF CON-
8 FIRMATION BY THE LEGISLATURE] or [ON] a date determined by
9 the legislature at the time of confirmation. Assets re-
10 maining after satisfaction of [THE] liabilities and obliga-
11 tions of the corporation [HAVE BEEN SATISFIED] shall be de-
12 posited to the credit of the general fund of the state
13 [STATE OF ALASKA].

14 Sec. 48. Sec. 1, Art. I, Ch. 135, SLA 1961 is amended to
15 read:

16 Sec. 61 [1]. PURPOSE. The purpose of this Act is to
17 create an instrumentality of the state to develop, stimulate
18 and advance the business prosperity and economic welfare of
19 Alaska and its citizens. This shall be accomplished by pro-
20 viding critically needed [INVESTMENT CAPITAL FOR] develop-
21 ment loans to encourage and assist the wholesome development
22 of new business and industry in Alaska and to rehabilitate
23 and expand existing business and industry. By providing
24 development loans to all types of business activity, whether
25 of an industrial, agricultural or recreational nature, the
26 economic stability of the state will be strengthened, the
27 employment opportunities of its citizens enlarged, and their
28 standard of living and general welfare enhanced.

29 Sec. 49. Art. II, Ch. 135, SLA 1961 is amended to add two

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29

new sections to read:

Sec. 62. DEFINITIONS. In this Act

(1) "the corporation" means the Alaska state development corporation;

(2) "the state" means the State of Alaska;

(3) "the board" means the board of directors for the corporation.

Sec. 63. SEVERABILITY. The provisions of this Act are severable, and if a provision is held invalid by a court of competent jurisdiction, the invalidation shall not affect or impair any of the remaining provisions.

Sec. 50. EFFECTIVE DATE. This Act takes effect on the day after its passage and approval or on the day it becomes law without such approval.