

SCOMM

#32:12

Outline of Testimony of
Samuel A. Stern
of
Wilmer & Pickering
Washington, D.C.

FOR HOUSE FINANCE COMMITTEE, April 7, 1980

1. Status of Federal Tax and Regulatory Applications

- a) IRS - Staff unwilling to rule because Alaska has not yet adopted enabling legislation.
- b) SEC -
 - i) Informal 1933 & 1934 Act clearances.
 - ii) Requests for further definition of AGSOC's expected investment and operating policies; reluctance to entertain formal application under Investment Company Act until AGSOC is formed.

2. Conflicting Financial Advice on Viability of AGSOC

3. Possible Staged Approach

- a) Create AGSOC now.
- b) Appoint Three Incorporators and perhaps defer appointment of Board of Directors.
- c) State Grants Funds for Initial Operations.
- d) IRS and SEC applications are perfected in name of AGSOC.
- e) Incorporators and their advisors:
 - i) Explore possible investments,
 - ii) Explore possible corporate funding,
 - iii) Develop detailed plan for distribution of AGSOC shares,
 - iv) Examine administrative and shareholder relations implications and costs.
- f) Incorporators determine:
 - i) AGSOC can realistically proceed without further State assistance; they appoint Board of Directors and AGSOC proceeds with distribution of shares;

- ii) AGSOC requires further State assistance; they report to legislature with recommendations; nothing proceeds without further State action; or
- iii) AGSOC is not a viable concept; they report to legislature with recommendation to wind up.

g) Advantages:

- i) AGSOC will have sufficient presence to have more realistic negotiations with sources of investment opportunities and of debt capital.
- ii) AGSOC's effectiveness will not be delayed if it can commence without State support.
- iii) State can decide whether to support AGSOC or wind it up in light of Incorporators' test of marketplace.
- iv) Public will have greater assurance of feasibility of plan if AGSOC goes forward.
- v) Public will not be disappointed as holders of valueless shares if AGSOC does not go forward.
- vi) Significant costs of share distribution are deferred until viability is determined.
- vii) Federal regulatory rulings and exemptions can be more easily obtained by AGSOC itself.

f) P for no > 7 1980

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4-7-80

THE RELATIONSHIP
BETWEEN
CASH FLOW AND TAXABLE INCOME
IN
GENERAL STOCK OWNERSHIP CORPORATIONS

Senator Mike Gravel

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EXECUTIVE SUMMARY

The Potential Problem

The law governing GSOCs attributes GSOC taxable income to GSOC shareholders raising the possibility of shareholder tax liability on attributed GSOC income in excess of GSOC cash distributions. This could present hardships for the shareholders who might not have sufficient funds to pay the taxes due.

When Can It Occur

Shareholder tax liability in excess of cash available for distribution can occur when the corporation has (1) cash flow expenditures which are non-deductible for tax purposes or (2) items included in taxable income which do not represent cash flow income.

Examples of non-deductible cash flow expenditures include principal amortization on installment debt, some political and charitable contributions, the excess portion of unreasonably high salaries, illegal payments and contributions to non-qualified or disqualified retirement plans. Examples of items included in taxable income which do not represent cash flow income include depreciation and investment tax credit recapture income and income from installment sales with excessive down payments.

Shareholder Protection

The special tax treatment for GSOCs must be elected. If no election is filed the GSOC is taxed as a regular business corporation. To qualify for the election the corporation must meet the requirements of a GSOC which include limitations desirable in any state chartered broadly owned corporation.

GSOC management is the shareholders' first line of defense. Potential problems can be avoided with careful planning. However, since corporate management may err the law provides for termination of the special tax treatment voluntarily upon request of the corporation or involuntarily by operation of law. Termination closes off the attribution of corporate taxable income to the shareholders and the corporation is taxed as a normal business corporation. As a last resort the state legislature can revoke the GSOC corporate charter terminating its existence.

Conclusion

GSOC management has the tools to prevent shareholder tax liability in excess of GSOC distributions. Failing this the law allows the termination of special tax status in a number of ways closing off the attribution of income to the shareholders and protecting them regardless of management decisions.

The General Stock Ownership Corporation (GSOC) provisions of the Internal Revenue Code (Subchapter U, Sections 1391-1397) present an interesting question regarding the relationship between taxable income and cash flow of the corporation and distributions to its shareholders. Several witnesses before the State Affairs Committee have commented upon this issue during consideration of HB 240. This paper analyses the potential problem and the protections for the shareholders built into the statutes.

THE POTENTIAL PROBLEM

Subchapter U of the Internal Revenue Code (Code) provides that the taxable income of a GSOC is attributed annually to its shareholders. With minor exceptions taxable income of a GSOC is computed in a manner similar to other corporations. Shareholders must include in income for tax purposes their share of GSOC income for the year. The tax liability of a GSOC shareholder arising because of his share ownership is determined by multiplying the income attributed to him from the GSOC by his marginal tax rate. This tax is increased by the shareholder's portion of any net investment recapture tax and reduced by his share of any net investment credit.

To provide shareholders cash sufficient to meet the tax liability created by the attribution of GSOC income the Code requires a GSOC to distribute annually to its shareholders an amount equal to at least 90 percent of its taxable income. This distribution requirement applies irrespective of corporate

cash flow. However, if the GSOC fails to make the required distribution the only penalty is a 20 percent deficiency tax assessed against the corporation. Application of this tax does not absolve GSOC shareholders from the obligation to pay tax on the income attributed to them from the corporation.

Taxable income does not necessarily reflect cash flow available for distribution to shareholders. It is an artificial number arrived at in an effort to determine on an annual basis the average earnings of a company or individual over a lifetime. Some items such as depreciation on capital assets reduce taxable income without affecting cash flow while other items which are actual cash flow expenses, such as the repayment of debt principal, do not reduce taxable income. Thus, cash flow after expenses may be either more or less than taxable income.

Concerns have been expressed that GSOC cash flow could be insufficient to meet the distribution requirements and perhaps so low that no distributions occur at all. In such a case GSOC shareholders might have income tax liability as a result of income attributed to them from the GSOC and yet have no cash distributions from the corporation with which to pay the taxes. We shall attempt to analyse the risks presented by this scenario and the protections afforded the shareholders.

WHEN CAN THE PROBLEM OCCUR

Two general types of situations can cause taxable income to exceed cash flow. Taxable income can exceed cash flow where (1) cash flow expenditures are non-deductible for tax purposes

and (2) items of taxable income do not represent cash flow income. The first category of transactions includes the amortization of debt principal, illegal payments and unreasonably high salaries. The second category includes recapture of depreciation and investment tax credits and installment sales with excessive down payments.

Non-deductible Expenditures

Non-deductible expenditures reduce GSOC cash flow available for distribution to the shareholders without reducing taxable income attributed to shareholders for income tax purposes. Carried to an extreme these expenditures could eliminate all the cash in a corporation, but still not reduce the taxable income. The taxable income would be attributed to the shareholders who would incur tax liability based on the attributed income, but the corporation would have no cash to distribute and the shareholders would be required to finance the additional tax liability out of other income. This could work considerable hardship upon many shareholders.

There are many expenses which do not reduce taxable income. The more common of these include contributions to disqualified retirement plans, some charitable and political contributions and the excess portion of unreasonably high salaries. Amortization of debt principal is also a very common non-deductible cash flow expense. Although interest payments on a loan are deductible for Federal income tax purposes payments which reduce the principal amount due on the loan are not. In many cases the non-deductible principal portion of a loan payment may

represent the lion's share of the annual loan amortization cash flow. Since this principal amortization component of debt service requires cash payments from the corporation it is the type of non-deductible expenditure which could cause problems for the shareholders of a GSOC.

Other non-deductible corporate expenses can result in GSOC expenditures which do not reduce taxable income. Generally all ordinary and necessary business expenses are deductible in computing taxable income. However, some political and charitable contributions, the excess portion of unreasonably high salaries, illegal payments and contributions to non-qualified or disqualified retirement plans are not deductible. While this list of items is not exclusive these are the more common non-deductible corporate expenses. The common thread through all of these transactions is that they are avoidable with careful planning by management. There is no event which could involuntarily trigger large increases in taxable income without a corresponding increase in cash flow. The problem presented by loan amortization principal can be avoided through the installment purchase solely of depreciable assets with depreciation schedules carefully arranged to provide tax protection for principal amortization cash flow. This solution is workable because, over the life of an asset, depreciation and principal amortization will be the same. Thus, if a problem should occur in this area it will almost certainly be the result of bad management.

Taxable Income Without Cash Flow

The other situation in which cash flow available for distribution may not be adequate to cover the additional shareholder tax liability occurs where items which are included in taxable income do not represent cash flow income to the corporation. Generally, this occurs where a taxpayer has received cash flow income in the past which was non-taxable at the time of receipt. The inclusion of this cash flow in taxable income occurs at a later date when recognition for tax purposes is triggered by some event. The most common of this income type is recapture income. The law "recaptures" the tax on income which avoided tax at the time it was earned. This prevents the permanent deferral of tax on certain types of income. There are two major kinds of recapture income, depreciation recapture and recapture of investment credits.

Depreciation Recapture

Tax law allows the owner of a capital asset used in a trade or business to recover his initial investment tax free over the life of the asset. The mechanism used to provide this recovery of investment is depreciation. The depreciation deduction reduces taxable income sheltering income from tax. If a taxpayer holds a capital asset for its full useful life he is allowed depreciation deductions equal to its initial cost and can shelter that amount of income from tax.

Depreciation recapture may occur where a taxpayer elects to use accelerated depreciation. Accelerated depreciation

allows additional depreciation deductions protecting from tax income which would otherwise be taxed currently. Accelerated depreciation provides deductions larger in the early years than straight line depreciation. It allows rapid capital cost recovery on depreciable assets in an effort to encourage modernization of capital stocks.

To prevent additional income sheltered by accelerated depreciation from permanently escaping taxation when the asset is disposed of taxable income is increased by the amount by which accelerated depreciation on the asset exceeded straight line depreciation. When this occurs taxpayers may have taxable income without cash flow and other income will be required to pay off the tax liability. Planning can save taxpayers in these situations. Accelerated depreciation shelters cash flow from tax which would otherwise be taxable at the time of receipt. If the taxpayer sets aside this income or a portion of it into a fund for depreciation recapture taxes at the time the asset is disposed of he will have sufficient funds available to pay the tax generated by the recapture income. An example might help to clarify the operation of the depreciation recapture provisions.

John owns a rental apartment for which he paid \$100,000. The unit will last for 20 years. John takes a depreciation deduction each year equal to one-twentieth of his investment or \$5,000. This uniform annual depreciation deduction is known as straight line depreciation. After 20 years John will have taken depreciation deductions equal to the \$100,000 he paid for the apartment. He will have recovered his investment through income on which he paid no tax.

To encourage investment in rental housing the law allows John to recover his investment in a shorter period of time through accelerated depreciation. In some cases John can elect to take twice the normal depreciation deduction. If he takes a \$10,000 depreciation deduction in the first year he will shelter \$10,000 from tax. If he then sells the property

for \$100,000 he will have a capital gain of \$10,000 because he has been allowed to recover \$10,000 of his investment tax free. The \$10,000 depreciation deduction reduces his basis in the property for capital gains purposes resulting in a basis of \$90,000 at the time of the sale.

If John had taken straight line depreciation on the apartment he would have had a capital gain of only \$5,000 upon the sale because his basis would have been \$95,000 at the end of the first year due to depreciation deductions of \$5,000. The additional \$5,000 deduction in year one has sheltered from tax \$5,000 of additional income for John. However, as we have seen, this \$5,000 which is sheltered by accelerated depreciation appears upon the sale of the property as a capital gain receiving special favorable tax treatment.

Through accelerated depreciation John has converted ordinary income into capital gain income taxed at 40% of ordinary income rates. To prevent this conversion of ordinary income into capital gains, or the permanent sheltering of ordinary income, the depreciation recapture provisions step in and require that \$5,000 of John's \$10,000 gain on the sale be taxed as ordinary income.

This description of one transaction subject to the depreciation recapture rules is for illustration purposes only. These rules are complex and many of the ramifications of these provisions have been excluded from the example in the interests of simplicity.

Investment Tax Credit Recapture

The Code allows an investment tax credit equal to ten percent of the purchase price of certain types of new and used property. This ten percent credit reduces taxes rather than reducing gross income as does a deduction. The property eligible for the investment tax credit is generally depreciable tangible personal property, excluding buildings and structural components, used by an individual or corporation engaged in a trade or business and having a useful life of at least three years.

The investment tax credit may be taken for the year in which the taxpayer places the asset into use in his trade or business.

To prevent the sheltering of income through the investment tax credit Congress provided recapture provisions similar to the depreciation recapture rules. If a taxpayer disposes prematurely of an asset on which he has received an investment tax credit the disposition triggers the recognition of investment tax credit recapture income to the taxpayer in an amount designed to generate tax liability equal to the credit which he earlier received. This investment tax credit recapture income is included in income for the year of disposition and may increase the taxpayer's liability. The recapture income is income only in the tax sense and may or may not represent cash flow. It is an effort to recover tax on income which was earlier sheltered by the investment tax credit. Planning for investment tax credit recapture income involves steps similar to those followed in planning for depreciation recapture income. It can be avoided entirely by not disposing of the asset or it can be funded through a reserve set aside from the income sheltered by the credit.

The law sets up special rules for the treatment of investment tax credits and investment credit recapture in GSOCs. The investment tax credit is not allowed to GSOCs. The investment tax credit to which a GSOC would be entitled if it were taxable flows through to the shareholders in much the same manner as income. The credit and any recapture of investment credit are netted at the corporate level. Thus, if a GSOC has both

investment credits and investment credit recapture income in the same year these items will be set off against each other and only the net credit or recapture will flow out to the shareholders. If there is a net investment tax credit, that amount will be prorated to the shareholders in the same manner as income. The credit will reduce the shareholders' tax liability. Net investment credit recapture is prorated to the shareholders and characterized as additional tax liability. Net investment credit recapture is not treated by the shareholders as additional taxable income, but as a direct addition to tax liability. It is different than depreciation recapture income which is treated as an addition to shareholder income. Investment credit recapture presents a more serious problem for the corporation and its shareholders because it increases tax liability rather than income. However, in nearly every case the generation of net investment credit recapture is avoidable or can be anticipated at the time the asset is acquired.

Installment Sales

The installment sale of an asset can generate taxable income without cash flow. The law allows a taxpayer to defer reporting income on an installment sale until the time payments are made. This allows the income from such a sale to be spread out over the life of the sales contract. However, if the seller receives more than 30 percent of the total contract price in the year of sale the entire gain is taxed as income in the year of sale ins spite of the fact that the seller did not receive

the full sales price at that time and may not do so for several years. this can mean that a seller has tax liability on gains from the sale in excess of the cash he received in the year of sale from the buyer. GSOCs, like other sellers, must operate within these rules.

PROTECTION FOR SHAREHOLDERS

GSOCs must elect to be subject to the flow through character and distribution requirements of subchapter U. Although the GSOC charter must provide "that such corporation shall qualify as a GSOC under the Internal Revenue Code," election of special tax treatment is not mandatory. If no election is filed a GSOC is taxed as a regular business corporation. GSOCs can qualify as such without making the election, however, in such a situation the primary advantage of GSOC status would be foregone.

The Election

There may be good reasons why a corporation might want to qualify as a GSOC and forego the election. If a corporation expected cash flow problems in the early years of operation or invested in projects with high reinvestment requirements it might desire to delay making the election until a more appropriate time. Comparable situations occur in closely held corporations where the owners may elect during loss years to be taxed under subchapter S, a provision allowing flow through of corporate losses and income to the shareholders of small corporations. But, when the corporation begins to turn a profit the election may be revoked and the income taxed to the corporation

rather than the shareholders. This is standard tax planning for high income shareholders of closely held corporations whose personal income tax rates may reach 70 percent. Since the maximum Federal corporate income tax rate is 46 percent, these individuals want losses to flow through to their personal returns and income to be taxed to the corporation. The subchapter S election allows such an outcome in certain cases.

Just as the subchapter S election provides flexibility in tax planning for high income shareholders of closely held corporations the subchapter U election provides flexibility for GSOC tax planning. The special tax treatment provided by subchapter U is not automatic. Election must be made by the GSOC or it will be treated as an ordinary business corporation subject to tax under the provisions of subchapter C, the general corporate tax provisions. The determination of whether or not to elect subchapter U treatment is one of the most important decisions to be made by the board of directors of a GSOC. The election need not be filed immediately upon formation of the corporation.

If the GSOC upon creation does not file an election one might ask why create a GSOC at all. Why not simply create a broadly owned conventional corporation not subject to the strictures of subchapter U? To answer this question we must separate those aspects of subchapter U required to qualify as a GSOC and those which flow from making the election. In so doing we find that the elements necessary to qualify as a GSOC are relatively innocuous. They include:

1. Chartered after 12/31/78 and before 1/1/84,

2. Chartered by legislation or initiative,
3. Charter providing-
 - Only one class of stock
 - Issuance of at least one share to each resident
 - Issuance of shares only to "eligible individuals"
 - Election to reject shares
 - Transfer restrictions
 - Intent to qualify as a GSOC
4. Limitations on use of state's condemnation powers, and
5. Affiliated group limitations.

Most of these limitations might be appropriate to any broadly owned corporation initiated by a state. The affiliated group limitation is applicable only at the time an election is filed and a defect here could be cured by a reduction in GSOC subsidiary share ownership below the 20 percent limit prior to filing.

The special tax and distribution provisions of subchapter U apply only to those corporations making the election. In some cases inadequate drafting left ambiguities in this regard which are being clarified by a bill, S.2275, currently pending in the United States Senate. Thus, a corporation can qualify as a GSOC and be taxed as a normal business corporation leaving open the option to be taxed under subchapter U if it becomes appropriate at a later date. However, if a corporation does not meet the requirements of a GSOC upon creation it will be difficult to cure the defect if, at some point, the special tax treatment becomes attractive. In fact, if the defect were not cured prior to January 1, 1984, it is likely that attempts to cure the defect and elect subchapter U status for tax purposes would fail. However, if the corporation qualifies as a GSOC prior to January 1, 1984, the statute does not preclude election of

the special tax status subsequent to that date.

Management

The first and most important protection for GSOC shareholders is good management. GSOCs are not foolproof. Like any corporation they can be successful only if carefully managed. This is true with respect to investment decisions and day to day operations as well as tax planning. Timing by GSOCs of an election for special tax status is an important management responsibility, but in order to analyse the protections for shareholders from tax liability in excess of cash distributions, we shall assume that the decision to be taxed under subchapter U has been made and a timely election filed.

GSOC management has a responsibility to protect the shareholders from tax liability on GSOC income in excess of distributions from the corporation. It would appear to be a violation of the shareholders' trust to allow any substantial amount of tax liability to befall them without providing distributions adequate, at least, to cover the liability for tax. If the management of a GSOC allowed such an event to occur without a vote of the shareholders it would seem appropriate for the shareholders to replace that management at the next opportunity.

Most of the events which could generate tax liability in excess of cash distributions involve discretionary acts by the corporation. Careful planning and attention to detail can avoid this undesirable result. In some cases the planning must occur at the time an asset is acquired to assure that principal amortization is accompanied by depreciation deductions to preclude

mandatory distributions and taxable income in excess of cash flow. So long as management carefully plans its acquisitions and views each transaction with an eye toward its tax consequences problems can be avoided.

It is difficult to visualize an instance where tax liability in excess of cash flow for distribution cannot be avoided by responsible management. Every situation in which such an event could occur would require either an intentional decisions or gross negligence by corporate management. There does not appear to be any involuntary event which could result in this undesirable outcome. Thus, the GSOC management is the shareholders' best protection. However, since negligent management does occur at times in corporations additional protections for the shareholders are built into subchapter U.

Termination of Election

If GSOC management should fail to protect the shareholders from tax liability in excess of cash distributions termination of the subchapter U election may be undertaken either voluntarily or involuntarily. Termination of the election should be used as a last resort since once terminated the special tax status may not be regained by subsequent election. Upon termination of the election the GSOC is treated as an ordinary business corporation for tax purposes. The flow through of taxable income to the shareholders is eliminated and the corporation becomes subject to the corporate income tax.

Voluntary termination may be undertaken with the consent of the Secretary of Treasury. This safety valve was designed to

be available in the very situations which are contemplated in this paper. The provision was included with the concurrence of the Department of Treasury which has no interest in audits involving all the shareholders of a GSOC and preferred a statutory escape clause in the situation where shareholders might be faced with large tax liability and insufficient cash flow. The voluntary termination is effective for the first year to which the Secretary consents. It is effective for the entire year and, if significant tax liability in excess of cash available for distribution is anticipated, the Secretary can be expected to make his consent effective for the year in which the problems arose, thereby protecting the shareholders. Even if management is so negligent that the problem is not discovered until after the close of the taxable year for which it exists the Secretary has authority to grant the revocation of election for any taxable year, even those which have gone by. Thus, the shareholders are protected even if the problem is not discovered until after the close of the corporation's taxable year.

Subchapter U elections may also be terminated without the consent of the Secretary of Treasury in a manner which we shall refer to here as an involuntary termination. The Secretary has no control over whether an involuntary termination occurs. Once certain events occur the corporation ceases to be a GSOC and is removed from the provisions of subchapter U by operation of law.

Involuntary terminations can occur by accident and management must plan carefully to assure that involuntary termination does not occur unintentionally. An involuntary termination occurs whenever an electing corporation fails to meet the

definition of a GSOC under subchapter U. Events which would trigger an involuntary termination of subchapter U status include revocation of the corporation's charter by the sponsoring state, acquisition of more than 20 percent of the stock of another corporation, and amendment of the corporation's charter permitting the issue of a second class of stock.

An involuntary termination of subchapter U status is retroactive to the beginning of the year during which it occurs. Thus, subchapter U status could be terminated involuntarily on the last day of the corporation's taxable year and the flow through of corporate taxable income to the shareholders would be terminated retroactively to the beginning of the corporation's taxable year, 364 days earlier. For the entire year the corporation would be taxed as an ordinary business corporation and the shareholders would have no liability beyond tax on dividends actually distributed by the corporation.

Revocation of Charter

If all of the protections which have been examined should fail the ultimate power over the corporation continues to lie with the legislature of the authorizing state. The corporate charter granted by the state can be revoked by the state. This revocation might be made retroactive to the date on which the legislation was introduced or earlier, perhaps as early as the date on which the GSOC was created. The revocation of the charter terminates the subchapter U status effective the first day of the year for which the revocation is effective. In a charter

revocation all existing contracts of the GSOC would have to be honored, but a receiver could be appointed to handle this task along with liquidation of the corporation. The important aspect of the revocation is that it cuts off the flow through of corporate income tax consequences to the shareholders. Revocation of the corporate charter and liquidation of the corporation is a drastic measure and, with careful management and the other protections afforded under subchapter U, should never be required to protect shareholders from tax liability due to GSOC taxable income in excess of cash distributed to the shareholders by the GSOC.

CONCLUSION

The possibility of GSOC taxable income attributed to the shareholders resulting in shareholder tax liability in excess of cash distributions from the corporation warrants careful consideration by the management of any GSOC. Without careful planning it can occur and could have serious consequences for the shareholders. However, it is the responsibility of the GSOC management to assure that the decisions which are made with respect to the operations of the corporation do not result in shareholder tax liability in excess of cash distributions. However, if the management of a GSOC fails to adequately protect the shareholders the law allows the termination of the subchapter U election in a number of ways in order to close off the flow through of corporate tax consequences to the shareholders. This assures that are protected regardless of management decisions.

4-7-80

AGSOC

Sam Stern Wilmer & Pickering Wash. D.C.
IRS. ruling reserved at this time because no
Corporation currently exist

S.F.C. Same problem as IRS with particular
concern for proposed corporation's potential
activities or related to the 40 Act

Same proposal

Bob Garrard Dillon Reed N.Y.N.Y.

March 1178 reported on T up to Trust

Advice given in a letter to T

Garrard who about BP and suggested a turn

Take a pay contract between State &

AGSOC on States oil transported thru

AGSOC's portion of the line and using

the contract as security for BP bond

holders if AGSOC were to purchase

BP's portion of the line

March 12, 1980

IN THE _____

_____ BILL NO. _____

IN THE LEGISLATURE OF THE STATE OF ALASKA

ELEVENTH LEGISLATURE - SECOND SESSION

A BILL

For an Act entitled: "An Act relating to general stock ownership corporations and creating the Alaska General Stock Ownership Corporation; changing Rule 23.1, Rules of Civil Procedure; and providing for an effective date."

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

* Section 1. AS 10 is amended by adding a new chapter to read:

CHAPTER 50. GENERAL STOCK OWNERSHIP
CORPORATIONS.

ARTICLE 1. SUBSTANTIVE PROVISIONS.

Sec. 10.50.005. PURPOSES. A general stock ownership corporation may be organized under this chapter for any lawful purpose unless limited by the chartering legislation of a corporation.

Sec. 10.50.010. GENERAL STOCK OWNERSHIP
CORPORATIONS. (a) A corporation organized under this chapter is a general stock ownership corporation and shall be formed in accordance with subchapter U, chapter 1 of the Internal Revenue Code of 1954, as amended (26 U.S.C. secs. 1391 - 1397), and with this chapter. A corporation is subject to the provisions of this chapter and subchapter U, chapter 1 of the Internal Revenue Code of 1954, as amended (26 U.S.C. secs. 1391-1397).

65 (b) A corporation is not an agency, instrumentality,
65 or political subdivision of the state for any purpose.
67

67
68 Sec. 10.50.015. GENERAL POWERS. A corporation may
69

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70 (1) have perpetual succession in its corporate
70 name unless a limited period of duration is stated in its
71 articles of incorporation;
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72
73 (2) sue and be sued in its corporate name;
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75 (3) adopt a corporate seal and alter it, and
75 use it by having it or a facsimile of it impressed,
76 affixed or reproduced;
77

77
78 (4) buy, lease, or otherwise acquire, own,
78 hold, improve, use and otherwise deal in, real or personal
79 property or any interest in property, except that the
80 corporation may not invest in property acquired by it, or
80 for its benefit, through the right of eminent domain;
82

82
83 (5) sell or otherwise dispose of all or any
83 part of its property and assets;
85

85
86 (6) lend money to its employees other than its
86 officers and directors, and otherwise assist its
87 employees, officers and directors;
88

88
89 (7) buy or otherwise acquire, own, hold, vote,
89 use, sell, mortgage, lend, pledge, or otherwise dispose
90 of, and otherwise use and deal in shares or other
91 interests in, or obligations of, other corporations,
92 associations, partnerships or individuals, or in direct or
92 indirect obligations of the United States or of any other
93 government, state, territory, or municipality or of any
94 instrumentality of them;
95

96 (8) make contracts and incur liabilities,
96 borrow money at the rates of interest the corporation
97 determines, issue notes, bonds, and other obligations, and
98 secure its obligations by mortgage or pledge of all or any
99 of its property, franchise and income;
100

100 (9) lend money for its corporate purposes,
101 invest and reinvest its funds, and take and hold real and
102 personal property as security for the payment of funds
103 loaned or invested;
104

104 (10) conduct business, carry on operations, and
105 have offices and exercise the powers granted by this
106 chapter in a state, territory, district, or possession of
107 the United States, or in a foreign country;
108

108 (11) elect or appoint officers and agents of
109 the corporation, define their duties, and fix their
110 compensation;
111

111 (12) make and alter bylaws not inconsistent
112 with its articles of incorporation or with the laws of the
113 state, for the administration and regulation of the
114 affairs of the corporation;
115

115 (13) donate for the public welfare or for
116 charitable, scientific or educational purposes, and in
117 time of war donate in aid of war activities;
118

118 (14) transact lawful business in time of war in
119 aid of the United States in the prosecution of the war;
121

121 (15) pay pensions and establish pension plans,
122 pension trusts, profit-sharing plans, and other incentive
123 plans for its directors, officers, and employees, except
124

that such pensions or plans shall not include the issuance of stock options;

(16) cease its corporate activities and surrender its corporate franchise;

(17) have and exercise the powers of a limited or general partner or a joint adventurer in association with one or more persons, corporations, partnerships or associations;

(18) have and exercise lawful powers necessary to carry out the purposes for which the corporation is organized.

Sec. 10.50.018. PROHIBITION. A corporation may not own, control or hold with power to vote ten percent or more of the outstanding voting securities of a public utility company or a public utility holding company (as those terms are defined in the Public Utility Holding Company Act of 1935, 15 U.S.C. § 79 et seq.), without first taking steps to come within the requirements of that Act, or seeking exemption from coverage of the Act from the Securities and Exchange Commission.

Sec. 10.50.020. INDEMNIFICATION OF OFFICERS, DIRECTORS, EMPLOYEES AND AGENTS; INSURANCE. (a) A corporation may indemnify a person who was or is a party or is threatened to be made a party to a threatened, pending, or completed action or proceeding, whether civil, criminal, administrative, or investigative, other than an action by or in the right of the corporation, by reason of the fact that he is or was a director, officer, employee or agent of the corporation, or is or was serving at the

150 request of the corporation as a director, officer,
151 employee or agent of another corporation, partnership,
152 joint venture, trust or other enterprise. Indemnification
152 may be against expenses including attorney fees,
153 judgments, fines, and amounts paid in settlement actually
154 and reasonably incurred by him in connection with the
154 action or proceeding if he acted in good faith and in a
155 manner he reasonably believed to be in or not opposed to
155 the best interests of the corporation, and, with respect
156 to a criminal action or proceeding, had no reasonable
157 cause to believe his conduct was unlawful. The termination
157 of an action or proceeding by judgment, order, settlement,
158 conviction, or upon a plea of nolo contendere or its
159 equivalent, does not, of itself, create a presumption that
159 the person did not act in good faith and in a manner which
160 he reasonably believed to be in or not opposed to the best
160 interests of the corporation, and, with respect to a
161 criminal action or proceeding, had reasonable cause to
162 believe that his conduct was unlawful.

164
165 (b) A corporation may indemnify a person who was or
166 is a party or is threatened to be made a party to a
166 threatened, pending or completed action by or in the right
167 of the corporation to procure a judgment in its favor by
168 reason of the fact that he is or was a director, officer,
169 employee, or agent of the corporation, or is or was
170 serving at the request of the corporation as a director,
171 officer, employee, or agent of another corporation,
172 partnership, joint venture, trust or other enterprise.
173 Indemnification may be against expenses, including
174 attorney fees, actually and reasonably incurred by him in
175 connection with the defense or settlement of the action if

175 he acted in good faith and in a manner he reasonably
176 believed to be in or not opposed to the best interests of
177 the corporation. However, indemnification may not be made
178 for any claim, issue or matter as to which the person has
179 been adjudged to be liable for negligence or misconduct in
180 the performance of his duty to the corporation except to
180 the extent that the court in which the action was brought
181 determines upon application that, despite the adjudication
181 of liability, in view of all the circumstances of the case
182 the person is fairly and reasonably entitled to indemnity
183 for the expenses which the court considers proper.

185
186 (c) To the extent that a director, officer, employee
186 or agent of a corporation has been successful on the
187 merits or otherwise in defense of an action or proceeding
188 referred to in (a) or (b) of this section, or in defense
189 of any claim, issue or matter in the action or proceeding,
189 he shall be indemnified against expenses, including
190 attorney fees, actually and reasonably incurred by him in
191 connection with it.

192
193 (d) Indemnification under (a) or (b) of this
193 section, unless ordered by a court, shall be made by the
194 corporation only as authorized in the specific case upon a
195 determination that indemnification of the director,
196 officer, employee or agent is proper in the circumstances
197 because he has met the applicable standard of conduct set
197 out in (a) and (b) of this section. This determination
198 shall be made

199
200 (1) by the board of directors by a majority
200 vote of a quorum consisting of directors who were not
201 parties to the action or proceeding, or

203 (2) if such a quorum is not obtainable, or,
203 even if obtainable if a quorum of disinterested directors
204 so directs, by independent legal counsel in a written
205 opinion, or
206

206 (3) by the stockholders.
207
208

208 (e) Expenses incurred in defending a civil or
209 criminal action or proceeding may be paid by the
209 corporation in advance of the final disposition of the
210 action or proceeding as authorized by the board of
211 directors in the specific case upon receipt of an
212 undertaking by or on behalf of the director, officer,
213 employee or agent to repay the amount unless it is
213 ultimately determined that he is entitled to be
214 indemnified by the corporation as authorized in this
215 section.
216

216 (f) A corporation may purchase and maintain
217 insurance on behalf of a person who is or was a director,
217 officer, employee or agent of the corporation, or is or
218 was serving at the request of the corporation as a
219 director, officer, employee or agent of another
220 corporation, partnership, joint venture, trust or other
220 enterprise against any liability asserted against him and
221 incurred by him in such a capacity, or arising out of his
222 status as such, whether or not the corporation would have
223 the power to indemnify him against the liability under the
223 provisions of this section.
224

226 Sec. 10.50.030. DEFENSE OF ULTRA VIRES. No act of a
227 corporation and no conveyance or transfer of real or
227 personal property to or by a corporation is invalid
228
229

229 because the corporation did not have capacity or power to
230 perform the act or to convey or receive the property.
230 However, lack of capacity or power may be asserted as
231 follows.
232

233 (1) The assertion may be made in a proceeding
233 by a shareholder against the corporation to enjoin the
234 performance of any act or the transfer of real or personal
234 property by or to the corporation. If the unauthorized
235 act or transfer sought to be enjoined is being or to be
236 performed or made under a contract to which the
237 corporation is a party, the court may, if the parties to
237 the contract are parties to the proceeding and if the
238 court considers it equitable, set aside and enjoin the
239 performance of the contract, and in so doing may allow
239 compensation to the corporation or to the other parties to
240 the contract for the loss or damage sustained by either of
241 them resulting from the action of the court in setting
242 aside and enjoining the performance of the contract. The
243 court may not award anticipated profits to be derived from
243 the performance of the contract as a loss or damage
244 sustained.
245

246 (2) The assertion may be made in a proceeding
247 by the corporation, whether acting directly or through a
248 receiver, trustee, or other legal representative, or
249 through shareholders in a representative suit, against the
249 incumbent or former officers or directors of the
250 corporation.
251

252 (3) The assertion may be made in a proceeding
253 by the attorney general to dissolve the corporation, or to
254 enjoin the corporation from the transaction of
255 unauthorized business.
256

257 Sec. 10.50.035. CORPORATE NAME. The corporate name
257 shall contain the words "general stock ownership
258 corporation" or an abbreviation of these words. It may
259 not contain a word or phrase which indicates or implies
260 that it is organized for a purpose other than the purpose
260 contained in the articles of incorporation. It may not be
261 the same as, or deceptively similar to, the name of a
262 domestic corporation existing under the laws of the state
263 or a foreign corporation authorized to transact business
263 in the state, or a name which has been reserved or
264 registered as provided in this chapter.

265 Sec. 10.50.040. RESERVATION OF CORPORATE NAME. (a)
266 The exclusive right to the use of a corporate name may be
267 reserved by

268 (1) a person intending to organize a
269 corporation under this chapter;

270 (2) a corporation intending to change its name.

271 (b) Reservation of a corporate name is made by
272 filing an application with the commissioner. If the
273 commissioner finds that the name is available for
274 corporate use, and not a reserved or registered business
275 name as set out in AS 10.35.010 - 10.35.090, he shall
276 reserve it for the exclusive use of the applicant for a
277 period of two years. A reservation of corporate name may
278 be renewed for one year.

279 (c) The holder of a reserved corporate name may
280 transfer the right to the exclusive use of the corporate
281 name to another person by filing a notice of transfer with
282 the commissioner, signed by the holder and specifying the
283 name and address of the transferee.

286 Sec. 10.50.045. FOREIGN GENERAL STOCK OWNERSHIP
286
286 CORPORATIONS. Corporations organized under the laws of
287
287 another state shall be governed according to AS 10.05.
289
289

290 Sec. 10.50.050. REGISTERED OFFICE AND REGISTERED
290
290 AGENT. A corporation shall continuously maintain in the
291
291 state a registered office which may be, but need not be,
292
292 the same as its place of business, and a registered agent.
292
292 The registered agent may be either an individual resident
293
293 of the state whose business office is the same as the
294
294 registered office, or a corporation organized under AS
295
295 10.05 whose business office is the same as the registered
296
296 office.
297
297

298 Sec. 10.50.055. FILING LIST OF REGISTERED
298
298 CORPORATIONS WITH SUPERIOR CCURT. The commissioner shall
299
299 file a list of the name of each corporation, the address
300
300 of the registered office, and the name and address of the
300
300 registered agent with each clerk of the superior court.
301
301 The commissioner shall provide a periodic supplement to
302
302 the list indicating additions, deletions and changes at
302
302 least once every six months. The commissioner shall make
303
303 the list available to the public for a fee prescribed by
304
304 him.
305
305

306 Sec. 10.50.060. CHANGE OF REGISTERED OFFICE OR
306
306 AGENT. (a) A corporation may change its registered
307
307 office, agent, or both, by filing with the department a
308
308 verified statement signed by the president or
308
308 vice-president setting out
309
309

310 (1) the name of the corporation;
311
311
311
10
11
12

312 (2) the address of its registered office;
313
313
314 (3) the address of its new registered office if
314 the registered office is to be changed;
316
316
317 (4) the name of its registered agent;
318
318
319 (5) the name of its new registered agent, if
319 its registered agent is to be changed;
321
321
322 (6) that the change is authorized by resolution
322 of its board of directors.
324
324
325 (b) If the commissioner finds that the verified
325 statement complies with this chapter, he shall file it in
326 his office. The change becomes effective when the
327 statement is filed.
327
328

328
329 Sec. 10.50.065. REGISTRATION OF REGISTERED AGENT.
329

329 (a) If the registered agent of a corporation changes the
330 location of his office from one address to another within
330 a city or town, or from one city or town in the state to
331 another, he may change the registered office for each
332 corporation for whom he is acting as registered agent by
333 filing in the office of the commissioner a statement
333 setting out
334
334
335

335 (1) the name of the agent;
336
337 (2) the address of his office before change;
338
339 (3) the address to which the office is changed;
339
340
341 and
341
342 (4) a list of corporations for whom he is
343 furnishing a registered office.
343
345

346 (b) The statement in (a) of this section must be
346 executed by the registered agent in his individual name
347 and, if the agent is a corporation, it must be executed by
348 its president or a vice-president and verified by him.
348 The statement must be delivered to the commissioner and if
349 he finds that the statement complies with this chapter, he
349 shall file it in his office. The change becomes effective
350 when the statement is filed.
350

352
352 (c) A registered agent may resign by filing a
353 written notice, executed in duplicate, with the
354 commissioner. The written notice of resignation shall get
355 out the latest address of the principal office of the
355 corporation and the names, addresses and titles of the
356 most recent officers of the corporation known by the
356 agent. The commissioner shall immediately mail a copy of
357 the notice to the corporation at its principal office.
357 The appointment of the agent terminates 30 days after
358 receipt of the notice by the commissioner.
360

361 Sec. 10.50.070. SERVICE OF PROCESS ON CORPORATION.

361 (a) The registered agent of a corporation is an agent
362 upon whom process, notice, or demand required or permitted
363 by law to be served upon the corporation may be served.
365

366 (b) When a corporation fails to appoint or maintain
366 a registered agent in the state, or when its registered
367 agent cannot, with reasonable diligence, be found at the
368 registered office, the commissioner is an agent of the
369 corporation upon whom the process, notice, or demand may
369 be served. Service is made upon the commissioner as agent
370 by leaving with him, or with a clerk having charge of the
371 corporation department of his office, duplicate copies of
372

the process, notice or demand. When process, notice or demand is served on the commissioner, he shall immediately forward a copy of it by registered mail to the corporation at its registered office. Service on the commissioner is returnable in not less than 30 days.

(c) The commissioner shall keep a record of processes, notices and demands served upon him showing the time of service and his action with reference to the service. This chapter does not limit or affect the right to serve process, notice or demand required or permitted by law to be served upon a corporation in any other manner permitted by law.

Sec. 10.50.075. CREATION AND ISSUANCE OF SHARES. A corporation may create and issue the number of shares stated in its articles of incorporation and as provided in AS 10.50.320(a)(5) - (7). The shares shall be without par value.

Sec. 10.50.080. CONSIDERATION FOR SHARES. (a) Shares may be issued without consideration or for consideration fixed by the shareholders before the issuance. The decision to issue shares without consideration or for consideration if that consideration is less than the current net asset value of such shares shall be made by the vote of a majority of the shareholders.

(c) Treasury shares may be disposed of by the corporation for consideration not more than the book value of the shares.

398 Sec. 10.50.085. PAYMENT FOR SHARES. (a)

398 Consideration for the issuance of shares if required shall
399 be paid in cash. When payment of the consideration for
400 shares is received by the corporation, the shares are
401 considered fully paid and nonassessable.
402

403 (b) A promissory note or future service does not
403 constitute payment or part payment for shares of a
404 corporation.
405

406 Sec. 10.50.090. JUDGMENT OF BOARD OR SHAREHOLDER AS
406 TO VALUE OF CONSIDERATION CONCLUSIVE. In the absence of
407 fraud in the transaction, the judgment of the board of
408 directors or the shareholders as to the value of the
408 consideration received for shares is conclusive.
410

410 Sec. 10.50.095. EXPENSES OF ORGANIZATION,
411 REORGANIZATION AND FINANCING. The reasonable charges and
411 expenses of organization or reorganization of a
412 corporation, and the reasonable expenses of and
413 compensation for the sale or underwriting of its shares,
414 may be paid or allowed by the corporation out of the
414 consideration received by it in payment for its shares
415 without rendering the shares not fully paid and
416 nonassessable.
417

418 Sec. 10.50.100. CERTIFICATES REPRESENTING SHARES.
419 The shares of a corporation shall be represented by
419 certificates signed by the president or vice-president and
420 the secretary or an assistance secretary of the
421 corporation, and may be sealed with the seal of the
421 corporation or a facsimile of the seal. The signatures of
422 the president or vice-president and the secretary or
423 the president or vice-president and the secretary or
423

423 assistance secretary on a certificate may be facsimiles if
424 the certificate is countersigned by a transfer agent, or
425 regi stered by a registrar, other than the corporation
425 itself or an employee of the corporation. If an officer
426 who has signed or whose facsimile signature has been
427 placed on a certificate ceases to be an officer before the
427 certificate is issued, it may be issued by the corporation
428 with the same effect as if he were an officer at the date
429 of its issue.

430
430 Sec. 10.50.105. INFORMATION REQUIRED TO BE STATED ON
432 CERTIFICATE. Each certificate representing shares shall
432 state on the face

433
433 (1) that the corporation is organized under the
434 laws of the state;

436
436 (2) the name of the person to whom issued;

438
438 (3) the number of shares which the certificate
439 represents;

440
441 (4) a statement that the shares are without par
442 value.

444
444 Sec. 10.50.110. FULL PAYMENT REQUIRED FOR
445 CERTIFICATE. A certificate may not be issued for a share
446 until the share is fully paid if consideration is
447 required.

448
448 Sec. 10.50.115. ISSUANCE OF FRACTIONAL SHARES. (a)
449 A corporation may issue a certificate for a fractional
450 share.

452 (b) A certificate for a fractional share entitles
452 the holder to exercise voting rights, to receive
453 dividends, and to participate in the assets of the
454 corporation in the event of liquidation.
455

456 Sec. 10.50.120. LIABILITY OF SUBSCRIBERS AND
456 SHAREHOLDERS. (a) A holder of or subscriber to shares of
457 a corporation is under no obligation to the corporation or
458 its creditors with respect to the shares other than the
459 obligation to pay to the corporation the full
459 consideration for which the shares were issued or to be
460 issued.
461

462 (b) An assignee or transferee of shares or of a
462 subscription for shares in good faith and without
463 knowledge or notice that the full consideration has not
464 been paid is not personally liable to the corporation or
464 its creditors for any unpaid portion of the consideration.
466

467 (c) An executor, administrator, conservator,
467 guardian, trustee, assignee for the benefit of creditors,
468 or receiver is not personally liable to the corporation as
469 a holder of or subscriber to shares of a corporation but
470 the estate and funds held by him are liable.
471

472 (d) A pledgee or other holder of shares as
472 collateral security is not personally liable as a
473 shareholder.
474

475 Sec. 10.50.125. BYLAWS. The board of directors
475 shall adopt the initial bylaws of a corporation in
476 accordance with AS 10.50.335. The power to alter, amend
477 or repeal the bylaws or to adopt new bylaws is vested in
478 the board of directors and the shareholders. The bylaws
479

479 may contain provisions for the regulation and management
479 of the affairs of the corporation consistent with law and
480 the articles of incorporation.
481

482 Sec. 10.50.130. MEETINGS OF SHAREHOLDERS. (a)

482 Meetings of shareholders shall be held in the state, as
483 may be provided in the bylaws. The board of directors
484 shall designate the place of the meeting.
485

486 (b) An annual meeting of the shareholders shall be
486 held at the time provided in the bylaws. Failure to hold
487 the annual meeting at the designated time does not work a
488 forfeiture or dissolution of the corporation.
490

491 (c) Special meetings of the shareholders may be
491 called by the president, by the board of directors, by the
492 holders of not less than 1,000 shares, or by the other
493 officers or persons provided in the articles of
493 incorporation or the bylaws.
495

496 (d) The shareholders of a corporation may
496 participate in a meeting of the shareholders by
497 communicating simultaneously with the other shareholders
498 from places designated in the notice of meeting by means
498 of conference telephones or other communications
499 equipment, so long as all shareholders participating in
500 the meeting can hear one another.
501

502 Sec. 10.50.135. NOTICE OF SHAREHOLDERS' MEETINGS.

502 (a) Beginning not less than 150 days before a meeting of
503 shareholders, the corporation shall notify the
504 shareholders of the time and manner in which (1)
504 nominations for the board of directors of the corporation
505 may be made and (2) issues may be placed on the
506

506 corporation ballot for consideration by the shareholders.
507 Notice shall be by publication in newspapers in all
507 regions of the state and shall appear at least weekly for
508 not less than four weeks.
510

511 (b) Written or printed notice stating the place, day
511 and hour of the meeting and, in case of a special meeting,
512 the purpose for which the meeting is called, shall be
513 delivered not less than 60 nor more than 90 days before
514 the date of the meeting, either personally or by mail, by
514 or at the direction of the president, the secretary, or
515 the officer or persons calling the meeting, to each
516 shareholder of record entitled to vote at the meeting. If
517 mailed, the notice is considered delivered when deposited
518 in the United States mail addressed to the shareholder at
518 his address as it appears on the stock transfer books of
519 the corporation, with postage prepaid.

521
521
522 Sec. 10.50.140. CLOSING OF TRANSFER BOOKS AND FIXING
522 RECORD DATE. (a) To determine the shareholders entitled
523 to notice of or to vote at a meeting of shareholders or an
524 adjournment of a meeting, or entitled to receive payment
525 of a dividend, or in order to make a determination of
526 shareholders for any other proper purpose, the board of
526 directors of a corporation may provide that the stock
527 transfer books shall be closed for a stated period not
528 exceeding 90 days. If the stock transfer books are closed
528 to determine shareholders entitled to notice of or to vote
529 at a meeting of shareholders, they shall be closed for at
530 least 60 days immediately preceding the meeting.

532 (b) Instead of closing the stock transfer books, the
532 bylaws, or in the absence of an applicable bylaw the board
533 of directors, may fix in advance a date as the record date
534 for the determination of shareholders. This record date
535 shall be not more than 90 days and, in case of a meeting
535 of shareholders, not less than 60 days before the date on
536 which the particular action requiring the determination of
537 shareholders is to be taken. If the stock transfer books
537 are not closed and no record date is fixed for the
538 determination of shareholders entitled to notice of or to
539 vote at a meeting of shareholders, or shareholders
539 entitled to receive payment of a dividend, the date on
540 which notice of the meeting is mailed or the date on which
541 the resolution of the board of directors declaring the
541 dividend is adopted is, as the case may be, the record
542 date for the determination of shareholders. When a
542 determination of shareholders entitled to vote at a
543 meeting of shareholders is made, the determination applies
544 to an adjournment of the meeting except when the
544 determination has been made through the closing of the
545 stock transfer books and the stated period of closing has
546 expired.

547
547
548 Sec. 10.50.145. VOTING LIST. (a) At least 60 days
548 before each meeting of shareholders, the officer or agent
549 having charge of the stock transfer books for shares of a
550 corporation shall make a list of the shareholders entitled
551 to vote at the meeting or an adjournment of the meeting,
552 arranged in alphabetical order, with the address of and
552 the number of shares held by each. The list shall be kept
553 on file at the registered office of the corporation and is
554 subject to inspection by a shareholder at any time during

555 usual business hours for a period of 60 days before the
556 meeting. The list shall also be produced and kept open at
556 the time and place of the meeting and shall be subject to
557 the inspection of a shareholder during the meeting. The
558 original stock transfer books are prima facie evidence as
559 to who are the shareholders entitled to examine the list
559 or transfer books or to vote at a meeting of shareholders.
561

562 (b) Failure to comply with the requirements of this
562 section does not affect the validity of the action taken
563 at the meeting.
564

565 Sec. 10.50.150. QUORUM OF SHAREHOLDERS. One-third
565 of the shares entitled to vote, represented in person or
566 by ballots, constitutes a quorum at a meeting of
567 shareholders. Each outstanding share is entitled to one
567 vote on each matter submitted to a vote at a meeting of
568 shareholders. If a quorum is present, the affirmative
569 vote of the majority of the shares represented at the
569 meeting and entitled to vote on the subject matter is the
570 act of the shareholders, unless the vote of a great number
571 is required by this chapter or the articles of
571 incorporation or the bylaws.
573

574 Sec. 10.50.155. PROXY VOTING PROHIBITED. A
574 shareholder may not vote by proxy.
576

577 Sec. 10.50.160. VOTING FOR DIRECTORS. At an
577 election for directors every shareholder entitled to vote
578 may vote the number of shares owned by him for as many
579 persons as there are directors to be elected and for whose
580 election he has a right to vote. Shareholders may not
580 cumulate their votes.
582

583 Sec. 10.50.165. VOTING OF SHARES IN THE NAME OF
583
583 ANOTHER. (a) Shares held by an administrator, executor,
584 guardian or conservator may be voted by him, either in
585 person or by ballot, without a transfer of the shares into
586 his name.
587

587
588 (b) Shares standing in the name of a receiver may be
588 voted by him, and shares held by or under the control of a
589 receiver may be voted by him without the transfer of the
590 shares into his name if authority to do so is contained in
591 an appropriate order of the court by which the receiver
592 was appointed.
593

593
594 Sec. 10.50.170. VOTING OF PLEDGED SHARES. A
594 shareholder whose shares are pledged may vote the shares
595 until they have been transferred into the name of the
596 pledgee, and thereafter the pledgee may vote the shares so
597 transferred.
598

598
599 Sec. 10.50.175. CORPORATION BALLOT. (a) The
599 corporation shall prepare one ballot for each meeting of
600 the shareholders. The ballot shall be mailed to the
601 shareholders with the notice of meeting. Candidates for
602 the board of directors and proposals for shareholder
602 consideration shall be included in the ballot as provided
603 in this section.
604

604
605 (b) A candidate for director shall be nominated by
606

606
607 (1) a resolution adopted by the board of
608 directors; or
609

609
610 (2) a petition signed by at least 1,000
610 shareholders and filed with the secretary of the
611

511 corporation at least 120 days before the meeting at which
512 the election is to be held.
513

514 (c) A proposal for amendment of the bylaws or other
514 proper corporate purpose shall be included on the ballot
515 if authorized by
516

517 (1) a resolution adopted by the board of
517 directors setting out the proposal and directing that it
518 be submitted to a vote at the meeting of shareholders; or
520

521 (2) a petition, setting out the proposal and
521 directing that it be submitted to a vote at the next
522 meeting of shareholders, signed by at least 1,000
523 shareholders and filed with the secretary of the
523 corporation at least 120 days before the next meeting of
524 shareholders.
525

526 (d) A written or printed notice setting out the
526 candidates' qualifications for office and the proposals to
527 be put to a vote of the shareholders and any materials in
528 opposition to the proposals shall be given to each
528 shareholder or record entitled to vote within the time and
529 the manner provided in this chapter for the giving of
529 notice of meetings of shareholders.
531

532 Sec. 10.50.180. BOARD OF DIRECTORS. (a) The
532 business and affairs of a corporation shall be managed by
533 a board of directors. At least three-quarters of the
534 board of directors, including the chairman of the board of
535 directors, must be residents of the state. The articles
535 of incorporation or bylaws may prescribe other
536 qualifications for directors. The compensation of
537 directors shall be fixed by the bylaws.
538

639 (b) A director is entitled to attend any meeting of
639 a committee of the board of directors whether or not he is
640 a member of the committee. A director is entitled to
641 inspect all records of any committee of the board of
642 directors.
643

643 (c) An officer or employee of the corporation may
644 not serve as a member of the board of directors.
645

646 Sec. 10.50.185. NUMBER OF DIRECTORS. (a) The
647 number of directors of a corporation shall be at least
648 three. The number of directors shall be fixed by the
649 bylaws, except that the number constituting the initial
650 board of directors shall be fixed by the chartering
650 legislation.
651

651 (b) The number of directors may be increased or
652 decreased by amendment to the bylaws, but a decrease may
653 not shorten the term of an incumbent director.
655

655 (c) In the absence of a bylaw fixing the number of
656 directors, the number shall be the same as that stated in
657 the chartering legislation.
659

659 (d) The board of directors shall be divided into two
660 classes, each class to be as nearly equal in number as
661 possible, with the term of office of directors of the
662 first class to expire at the first annual meeting of
663 shareholders after their election, that of the second
663 class to expire at the second annual meeting after their
664 election. At each annual meeting after the classification
665 the number of directors equal to the number of the class
666 whose term expires at the time of the meeting shall be
667 elected to hold office until the second succeeding annual
668

meeting if there are two classes. No classification of directors is effective prior to the first annual meeting of shareholders.

Sec. 10.50.190. ELECTION OF DIRECTORS. At the first annual meeting of shareholders and at each annual meeting thereafter the shareholders shall elect directors. Each director holds office for the term for which he is elected and until his successor is elected and qualified.

Sec. 10.50.195. VACANCIES. A vacancy occurring in the board of directors may be filled by the affirmative vote of a majority of the remaining directors if immediately after filling any such vacancy at least two-thirds of the directors then holding office shall have been elected by the shareholders at a shareholders' meeting. A director elected by the board of directors to fill a vacancy shall serve until the next annual meeting. The shareholders shall elect a director for the unexpired term, if any, of the director's position to which the board elected his predecessor. A directorship to be filled by reason of an increase in the number of directors shall be filled by election at an annual meeting or at a special meeting of shareholders called for that purpose. In no case may a vacancy continue for longer than six months or until the next annual meeting, whichever occurs first.

Sec. 10.50.200. QUORUM OF DIRECTORS. A majority of the number of directors fixed by the bylaws, or in the absence of a bylaw fixing the number of directors, then of the number in the articles of incorporation, constitutes a quorum for the transaction of business unless a greater

number is required by the articles of incorporation or the
bylaws. The act of the majority of the directors present
at a meeting at which a quorum is present is the act of
the board of directors, unless the act of a greater number
is required by the articles of incorporation or the bylaws
or this chapter.

Sec. 10.50.205. PLACE AND NOTICE OF DIRECTORS'
MEETINGS. (a) Regular or special meetings of the board
of directors may be held only in the state.

(b) Regular meetings of the board of directors may
be held with or without notice as prescribed in the
bylaws. Special meetings of the board of directors may be
held only after the notice prescribed in the bylaws.
Attendance of a director at a meeting constitutes a waiver
of notice of the meeting, except when a director attends a
meeting for the express purpose of objecting to the
transaction of any business because the meeting is not
lawfully called or convened. The business to be
transacted or the purpose of a special meeting of the
board of directors must be specified in the notice or
waiver of notice of the meeting.

Sec. 10.50.210. PARTICIPATION BY TELEPHONE. The
members of the board of directors of a corporation, or a
committee designated by it, may participate in a meeting
of the board or committee by communicating simultaneously
with each other by means of conference telephones or
similar communications equipment, so long as all members
participating in the meeting can hear one another.
Participation in a meeting under this section constitutes
presence in person at the meeting.

723 Sec. 10.50.215. DISTRIBUTIONS. (a) Except for
723 distributions required to comply with subchapter U,
724 chapter 1 of the Internal Revenue Code of 1954, as amended
725 (26 U.S.C. secs. 1391 - 1397), a corporation may not make
726 a distribution to its shareholders unless

727
728 (1) the amount of the retained earnings of the
728 corporation immediately before the proposed distribution
729 equals or exceeds the amount of the proposed distribution;
729
730 or

731
732 (2) immediately after giving effect to the
732 proposed distribution

734
735 (A) the sum of the assets of the
735 corporation, exclusive of goodwill, capitalized
736 research and development expenses and deferred
737 charges would be at least equal to one and
737 one-fourth times its liabilities, not including
738 deferred taxes, deferred income and other
738 deferred credits; and

740
741 (B) the current assets of the corporation
741 would be at least equal to its current
742 liabilities or, if the average of the earnings
743 of the corporation before taxes on income and
743 before interest expense for the two preceding
744 fiscal years was less than the average of the
745 interest expense of the corporation for those
745 fiscal years, at least equal to one and
746 one-fourth times its current liabilities.

748 (b) In determining the amount of the assets of the
748 corporation, no appreciation in value not yet realized may
749 in any event be included, except for readily marketable
750 securities, and profits derived from an exchange of assets
751 may not be included unless the assets received are
752 currently realizable in cash.
753

753 (c) For the purpose of this section "current assets"
754 may include net amounts which the board has determined in
755 good faith may reasonably be expected to be received from
756 customers during the 12-month period used in calculating
757 current liabilities under existing contractual
758 relationships obligating the customers to make fixed or
758 periodic payments during the term of the contract, after
759 giving effect to future costs not then included in current
760 liabilities but reasonably expected to be incurred by the
761 corporation in performing the contracts.
762

762 (d) The amount of a distribution payable in property
763 shall, for the purpose of this chapter, be determined on
764 the basis of the value at which the property is carried on
765 the corporation's financial statements in accordance with
766 generally accepted accounting principles.
768

768 (e) Subparagraph (a)(2)(B) of this section does not
769 apply to a corporation which does not classify its assets
770 into current and fixed assets under generally accepted
771 accounting principles.
772

772 Sec. 10.50.220. DISTRIBUTIONS IN PARTIAL
773 LIQUIDATION. The board of directors may, from time to
774 time, distribute to its shareholders in partial
775 liquidation a portion of its assets, subject to the
775 following provisions:
777

778 (1) A distribution may not be made at a time
778 when the corporation is insolvent or when the distribution
779 would render the corporation insolvent.
781

782 (2) A distribution may not be made unless the
782 distribution is authorized by the affirmative vote of the
783 holders of at least two-thirds of the shares voting on the
784 issue at a meeting of shareholders.
785

786 (3) Each distribution, when made, shall be
786 identified as a distribution in partial liquidation and
787 the amount per share disclosed to the shareholders
788 concurrently with the distribution.
789

790 Sec. 10.50.225. CERTAIN LOANS PROHIBITED. A loan
790 may not be made by a corporation to its officers or
791 directors, and a loan may not be made by a corporation
792 secured by its shares.
793

794 Sec. 10.50.230. LIABILITY OF DIRECTORS IN CERTAIN
794 CASES. (a) Directors who vote for or assent to the
795 declaration of a dividend or other distribution of the
796 assets of a corporation to its shareholders contrary to
796 the provisions of this chapter or contrary to restrictions
797 contained in the articles of incorporation are jointly and
798 severally liable to the corporation for the amount of the
799 dividend paid, or the value of assets distributed in
799 excess of the amount of the dividend or distribution which
800 could have been paid or distributed without a violation of
801 the provisions of this chapter or the restrictions in the
801 articles of incorporation.
803
803
803
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11
12

804 (b) Directors who vote for or assent to the purchase
804 by a corporation of its own shares contrary to the
805 provisions of this chapter are jointly and severally
806 liable to the corporation for the amount of consideration
807 paid in excess of the maximum amount which could have been
807 paid without a violation of the provisions of this
808 chapter.
809

810 (c) The directors who vote for or assent to the
810 distribution of assets of a corporation to its
811 shareholders during the liquidation of the corporation
812 without the payment and discharge of, or making adequate
813 provision for, all known debts, obligations, and
813 liabilities of the corporation are jointly and severally
814 liable to the corporation for the value of the assets
815 distributed, to the extent that the debts, obligations and
816 liabilities of the corporation are not paid and
816 discharged.
817

818 (d) The directors who vote for or assent to the
818 making of a loan to an officer or director of the
819 corporation, or the making of a loan secured by shares of
820 the corporation, are jointly and severally liable to the
821 corporation for the amount of the loan until it is repaid.
822

823 Sec. 10.50.235. EFFECT OF GOOD FAITH RELIANCE ON
823 FINANCIAL STATEMENTS OR BOOK VALUE. A director is not
824 liable under AS 10.50.230(a), (b) or (c) if

825
826
827 (1) he relied and acted in good faith upon
827 financial statements of the corporation represented to him
828 to be correct by the president or the officer of the
829 corporation having charge of its books of account, or
830

830 certified by an independent public or certified public
830 accountant or firm of certified public accountants fairly
831 to reflect the financial condition of the corporation; or
833
833

834 (2) in good faith in determining the amount
834 available for a dividend or distribution he considered the
835 assets to be of their book value.
837

837
838 Sec. 10.50.240. PRESUMPTION OF CONSENT OF DIRECTOR
838 AND FILING OF DISSENT. A director present at a meeting of
839 the board of directors at which action on a corporate
840 matter is taken is presumed to have assented to the action
841 taken unless his dissent is entered in the minutes of the
841 meeting or unless he files his written dissent to the
842 action with the person acting as secretary of the meeting
843 before its adjournment or forwards his dissent by
844 registered mail to the secretary of the corporation within
844 five days after the adjournment of the meeting. The right
845 to dissent does not apply to a director who voted in favor
846 of the action.
847

847
848 Sec. 10.50.245. DIRECTOR'S RIGHT TO CONTRIBUTION. A
848 director against whom a claim is asserted under
849 AS 10.50.230 - 10.50.240 is entitled to a contribution
850 from the other directors who voted for or assented to the
851 action upon which the claim is asserted.
852

852
853 Sec. 10.50.250. OFFICERS. The officers of a
853 corporation shall consist of a president, one or more
854 vice-presidents as prescribed by the bylaws, a secretary,
855 and a treasurer. Each of the officers shall be elected by
855 the board of directors at the time and in the manner
856 prescribed by the bylaws. Other necessary officers and
857

857 assistant officers and agents may be elected or appointed
857
857 by the board of directors or chosen in the manner
858
858 prescribed by the bylaws. Two or more offices may be held
859
859 by the same person, except the offices of president and
860
860 secretary.

861
861
862 Sec. 10.50.255. DUTIES OF OFFICERS. Officers and
862
862 agents of the corporation, as between themselves and the
863
863 corporation, may perform duties in the management of the
864
864 corporation as provided in the bylaws, or as determined by
865
865 resolution of the board of directors not inconsistent with
866
866 the bylaws.

867
867
868 Sec. 10.50.260. REMOVAL OF OFFICERS. An officer or
868
868 agent may be removed by the board of directors when, in
869
869 its judgment, the best interests of the corporation will
870
870 be served. Removal is without prejudice to the contract
871
871 rights of the person removed. Election or appointment of
871
871 an officer or agent does not of itself create contract
872
872 rights.

873
873
874 Sec. 10.50.262. TRANSACTIONS WITH AFFILIATED
874
874 PERSONS. (a) No person who is affiliated with the
875
875 corporation shall:

876
876
877 (1) acting as principal, knowingly sell any
877
877 security (except shares of the corporation) or other
878
878 property to the corporation or to any company controlled
879
879 by the corporation; or

880
880
881 (2) acting as principal, knowingly purchase any
881
881 security (except shares of the corporation) or other
882
882 property from the corporation or from any company
883
883 controlled by the corporation; or

885 (3) acting as principal, borrow money or other
885 property from the corporation or from any company
886 controlled by the corporation; or
887

887 (4) acting as principal, effect any transaction
888 in which the corporation, or any company controlled by the
888 corporation, is a joint or a joint and several participant
889 with such person; or
890

891 (5) acting as agent, accept from any source any
892 compensation (other than a regular salary or wages from
892 the corporation) for the purchase or sale of any property
893 to or for the corporation or to or for any company
894 controlled by the corporation,
895

896 unless, in each case, the board of directors of the
897 corporation determines by a two-thirds vote of a quorum of
897 its members that the terms of the transaction are
898 reasonable and fair and do not involve overreaching on the
899 part of any person concerned. Such finding, and the basis
900 upon which such finding is made, shall be recorded in the
901 minutes of the meeting at which approval of such
902 transaction is given. No director who is (or is
902 affiliated with) the affiliated person involved in a
903 transaction shall cast a vote in a decision to approve
904 that transaction.
905

905 (b) For purposes of this section:
906

907 (1) "person who is affiliated with the
908 corporation" shall mean any officer, director, employee,
908 or investment adviser of the corporation; and
909

912 (2) "company controlled by the corporation"
913 shall mean a company over whose management or policies the
913 corporation exercises a controlling influence; the
914 corporation shall be presumed to exercise a controlling
914 influence over a company if it owns more than 25 per
915 centum of the voting securities of such company.
916
918

918
919 Sec. 10.50.265. BOOKS AND RECORDS. (a) A
919 corporation organized under this chapter shall keep
920 correct and complete books and records of account, minutes
920 of the proceedings of its shareholders and board of
921 directors, and a record of its shareholders, containing
921 the names and addresses of all shareholders and the number
922 and class of the shares held by each.
923
924

924
925 (b) A corporation organized under this chapter shall
925 make these books and records, or certified copies of them,
926 reasonably available for inspection at the registered
926 office or principal place of business in the state by the
927 department or a shareholder described by AS 10.50.270.
928
929

929
930 Sec. 10.50.270. SHAREHOLDER'S RIGHT TO EXAMINE BOOKS
930 AND RECORDS. A shareholder, upon written demand stating
931 the purpose of the demand, may, in person or by agent or
932 attorney, at a reasonable time for a proper purpose,
932 examine and make extracts from its books and records of
933 account, minutes and record of shareholders.
935

935
936 Sec. 10.50.275. LIABILITY FOR REFUSAL OF
936 EXAMINATION. An officer or agent who, or a corporation
937 which, refuses to allow a shareholder, or his agent or
938 attorney, to examine and make extracts from its books and
938 records of account, minutes, and record of shareholders,
939

939 for a proper purpose, is liable to the shareholder in a
940 penalty of \$1,000 for each day, in addition to other
941 damages or remedy given him by law. It is a defense to an
941 action for penalties under this section that the person
942 suing has within two years sold or offered for sale a list
943 of shareholders of the corporation or any other
944 corporation or has aided or abetted a person in procuring
944 a list of shareholders for this purpose, or has improperly
945 used information secured through a prior examination of
946 the books and records of account, or minutes, or record of
946 shareholders of the corporation or any other corporation,
946 or was not acting in good faith or for a proper purpose in
947 making his demand.
948
949

949 Sec. 10.50.280. COURT MAY COMPEL INSPECTION. AS
950
950 10.50.265 - 10.50.285 do not impair the power of a court,
951 upon proof by a shareholder of proper purpose, to compel
951 the production for examination by the shareholder of the
952 books and records of account, minutes, and record of
952 shareholders of a corporation.
953
954

954 Sec. 10.50.285. SHAREHOLDERS' RIGHT TO FINANCIAL
955
955 STATEMENT. Upon the written request of a shareholder of a
956 corporation, the corporation ghall mail to the shareholder
956 its most recent financial statements showing in reasonable
957 detail its assets and liabilities and the results of its
958 operations.
958
959

959 Sec. 10.50.290. REMOVAL OF DIRECTORS BY SUPERIOR
960
960 COURT. The superior court may upon an action filed by the
961 attorney general or at least 100 shareholders of at least
961 18 years of age, remove from office any director in case
962 of fraudulent or dishonest acts or gross abuse of
963
964

964 authority or discretion with reference to the corporation
964 and may bar from reelection a director so removed for a
965 period prescribed by the court. The corporation shall be
966 made a party to the action.
967

967
968 Sec. 10.50.295. SHAREHOLDER REMOVAL OF DIRECTORS.
968

968 (a) The entire board of directors, an initial director,
969 or a director elected by the board of directors may be
969 removed from office by the affirmative vote of the holders
970 of a majority of the shares voting at an annual or special
970 meeting for which notice of the proposal has been given.
971

973
973 (b) An individual director may be removed if the
974 number of votes cast for his removal exceeds the number of
974 votes he received at the last preceding election during
975 which he was a candidate for the office of director.
976

978
978
979 Sec. 10.50.300. SHAREHOLDERS' DERIVATIVE ACTION.
979

979 (a) An action may be brought on behalf of a corporation,
980 by a shareholder of the corporation, for a judgment in its
981 favor.
982

982 (b) A person bringing suit under this section must
983 be a shareholder at the time of bringing the action, and
983 must have been a shareholder at the time of the
984 transaction of which he complains or have received his
984 shares by operation of law at that time.
985

986 (c) In an action under this section, the complaint
987 shall set out with particularity the efforts of the
987 plaintiff to secure the initiation of an action by the
988 board of directors or the reasons for not making those
989 efforts.
990

992 (d) An action under this section may not be
992 discontinued, compromised or settled, without the approval
993 of the court having jurisdiction of the action. If the
994 court determines that the interests of the shareholders
995 will be substantially affected by a discontinuance,
995 compromise, or settlement, the court, in its discretion,
996 may direct that notice, by publication or otherwise, be
997 given to the shareholders whose interests it determines
997 will be affected. If notice is required, the court may
998 determine which one or more of the parties to the action
999 must bear the expense of giving the notice, in an amount
999 the court determines and finds to be reasonable, and the
1000 amount determined shall be awarded as special costs of the
1001 action and recoverable by the prevailing party.

1004 (e) If the action on behalf of the corporation is
1004 successful, in whole or in part, or if anything is
1005 received by the plaintiff as the result of a judgment,
1005 compromise or settlement of an action, the court may award
1006 the plaintiff reasonable expenses, including reasonable
1007 attorney fees, and shall direct the plaintiff to account
1007 to the corporation for the remainder of the proceeds
1008 received by him. This subsection does not apply to a
1009 judgment rendered only for the benefit of an injured
1010 shareholder and limited to a recovery of the loss or
1010 damage sustained by him.

1012 (f) In an action under this section, at any time
1013 within 30 days after service of summons upon the
1014 corporation or upon any defendant who is an officer of
1015 director of the corporation, or who held such office at
1015 the time of the transaction complained of, the corporation
1016

1016 or other defendant may move the court for an order, upon
1017 notice and hearing, requiring the plaintiff to furnish
1018 security. The motion shall be based upon one or both of
1018 the following grounds:

1019
1019 (1) that there is no reasonable possibility that
1020 the prosecution of the cause of action alleged in the
1020 complaint will benefit the corporation or its
1021 shareholders; or

1022
1023 (2) that the moving party, if other than the
1024 corporation, did not participate in the transaction
1024 complained of in any capacity.

1025
1026 (g) If the court determines, after hearing the
1026 evidence adduced by the parties, that the moving party has
1027 established by a preponderance of the evidence any of the
1028 grounds upon which the motion is based, the court shall
1029 fix the nature and amount of security, not to exceed
1030 \$50,000, to be furnished by the plaintiff for reasonable
1030 expenses, including attorney fees, which may be incurred
1031 by the moving party or the corporation in connection with
1032 the action, including expenses for which the corporation
1033 may become liable under this chapter. A ruling by the
1033 court on the motion is not considered a determination of
1034 any issue in the action or of its merits. The amount of
1035 the security may be increased or decreased in the
1036 discretion of the court upon a showing that the security
1036 provided has or may become inadequate or excessive, but
1037 the court may not increase the total amount of the
1038 security beyond \$50,000 in the aggregate for all
1039 defendants. If the court, upon motion, decides that
1040 security must be furnished by the plaintiff as to any one

1040 or more defendants, the action shall be dismissed as to
1041 the defendant or defendants, unless the security required
1042 by the court is furnished within a reasonable time fixed
1043 by the court. The corporation and the moving party have
1043 recourse to the security in the amount the court
1044 determines upon the termination of the action.
1046

1047 (h) If the plaintiff, before an order or
1047 determination pursuant to a motion under (f) of this
1048 section, posts bond in the aggregate amount of \$50,000 to
1049 secure the reasonable expenses of the parties entitled to
1050 make the motion, the plaintiff has complied with the
1050 requirements of this section and with any order for
1051 security. A pending motion under (f) of this section
1052 shall be dismissed and no further or additional bond or
1053 other security may be required.
1054

1055 (i) If a motion is filed under (f) of this section,
1055 no pleadings need be filed by the corporation or any other
1056 defendant and the prosecution of the action shall be
1057 stayed until 10 days after the motion has been disposed
1058 of.
1059

1060 Sec. 10.50.305. FRAUDULENT TRANSFERS OF SHARES. An
1060 individual who transfers or obtains shares of the
1061 corporation, or in his capacity as legal guardian obtains
1062 shares of the corporation for another, through fraud,
1063 misrepresentation, or any deceitful or illegal means is
1063 guilty of a felony.
1065

1066 Sec. 10.50.310. POLITICAL ACTIVITIES. (a) A
1066 corporation may not
1068
1068

1069 (1) make contributions or spend money to
1069 influence the nomination or election of a candidate for
1070 office or the outcome of a ballot proposition or question;
1072

1072 (2) endorse a candidate for office or any side
1073 of a ballot proposition or question;
1075

1075 (3) make any expenditures, including
1076 reimbursement for travel and living expenses, or employ
1076 any person for the purpose of influencing legislative
1077 action.
1078

1079 (b) A corporation that knowingly violates this
1080 section or that knowingly causes, participates in, aids,
1080 or confirms a violation of this section is, upon
1081 conviction, punishable by a fine or not more than \$10,000
1082 for each offense.
1083

1084 (c) An individual who knowingly violates this
1085 section, whether acting for himself, on behalf of an
1085 employer, or in concert with another person, is, upon
1086 conviction, guilty of a misdemeanor.
1087

1088 (d) An individual who knowingly causes, participates
1089 in, aids, or confirms any violation of this section is,
1089 upon conviction, guilty of a misdemeanor.
1090

1092
1092
1093 ARTICLE 2. FORMATION OF CORPORATIONS.
1094

1094
1095 Sec. 10.50.315. INCORPORATORS. Three or more
1095 natural persons at least 18 years of age may act as
1096 incorporators of a corporation by signing, verifying and
1096 delivering in duplicate to the commissioner articles of
1097 incorporation for the corporation.
1097
1099

1100 Sec. 10.50.320. ARTICLES OF INCORPORATION. (a) The
1100 articles of incorporation of a corporation shall set out
1102

1102
1103 (1) the name of the corporation;
1104

1104
1105 (2) the period of duration, which may be
1106 perpetual;
1107

1107
1108 (3) the purpose or purposes for which the
1108 corporation is organized;
1110

1110
1111 (4) the aggregate number of shares which the
1111 corporation may issue;
1113

1113
1114 (5) that only one class of stock may be issued
1115 by the corporation;
1116

1116
1117 (6) that shares of stock may be issued only to
1117 individuals who were residents of the state on the
1118 effective date of its chartering legislation and who
1119 continued to be residents until the date of issuance of
1120 the shares;
1121

1121
1122 (7) that at least one share of stock shall be
1122 issued to each individual eligible under (6) of this
1123 subsection, unless that individual elects within one year
1124 after the date of issuance not to receive the share;
1126

1126
1127 (8) that no share of stock may be voluntarily
1127 or involuntarily transferred
1129

1129
1130 (A) or encumbered by a shareholder, other
1130 than by will or under the laws relating to intestate
1131 succession, until five years after the date of
1132 issuance of the share, except if the shareholder
1133 ceases to be a resident of the state;
1134

1135 (B) to an individual other than one who is
1135 a resident on the date of transfer;
1137

1137 (C) to an individual who, after the
1138 transfer, would now more than 10 shares of stock of
1138 the corporation;
1139

1140 (D) or encumbered by a shareholder under
1140 18 years of age or encumbered by that shareholder's
1141 parent or legal guardian;
1142

1144 (9) that the corporation must qualify as a
1144 general stock ownership corporation under subchapter U of
1145 the Internal Revenue Code of 1954, as amended (26 U.S.C.
1146 secs. 1391 - 1397);
1147

1148 (10) any other provision consistent with law
1148 which the incorporators elect to set out in the articles
1149 of incorporation for the regulation of the internal
1150 affairs of the corporation, including a provision which,
1151 under this chapter, is required or permitted to be set out
1152 in the bylaws;
1152

1153 (11) the address of its initial registered
1153 office, and the name of its initial registered agent at
1154 that address;
1155

1156 (12) the number of directors constituting the
1156 initial board of directors and the names and addresses of
1157 the persons who are to serve as directors until their
1158 successors are elected and qualify;
1159

1160 (13) the name and address of each incorporator.
1161
1163
1163
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1163

1165 (b) It is not necessary to set out in the articles
1165 of incorporation any of the corporate powers enumerated in
1166 this chapter.
1167

1167
1168 Sec. 10.50.325. FILING OF ARTICLES OF INCORPORATION.
1168

1168 (a) Duplicate originals of the articles of incorporation
1169 shall be delivered to the commissioner. If the
1170 commissioner finds that the articles of incorporation
1171 conform to law, he shall, when all fees prescribed in AS
1171 10.05.708 - 10.05.774 have been paid,
1173

1173
1175 (1) endorse on each duplicate original the word
1175 "filed" and the date of the filing;
1177

1177
1178 (2) file one duplicate original in his office;
1180

1180
1181 (3) issue a certificate of incorporation
1181 and affix the other duplicate original to it.
1183

1183
1185 (b) The certificate of incorporation, together with
1185 the duplicate original of the articles of incorporation
1186 affixed by the commissioner, shall be returned to the
1187 incorporators or their representative.
1188

1188
1189 Sec. 10.50.330. EFFECT OF ISSUANCE OF CERTIFICATE OF
1189 INCORPORATION. Upon the issuance of the certificate of
1190 incorporation, the corporate existence begins. The
1191 certificate of incorporation is conclusive evidence that
1193 all conditions required to be performed by the
1193 incorporators have been complied with and that the
1194 corporation has been incorporated. The issuance of the
1195 certificate does not affect the right of the state to
1196 bring a proceeding to cancel or revoke the certificate of
1196 incorporation or for involuntary dissolution of the
1197 corporation.
1198

1199 Sec. 10.50.335. ARTICLES OF INCORPORATION AND
1199
1199 INITIAL BYLAWS. (a) The corporation shall submit copies
1200 of the original articles of incorporation and the initial
1200 bylaws adopted under AS 10.05.340 to the legislature
1201 within 30 days of the issuance of the certificate of
1201 incorporation.
1202
1202

1203
1203 (b) The legislature, within 60 legislative days
1204 after receipt of a copy of the original articles of
1204 incorporation and the initial bylaws, may disapprove any
1205 provision of the articles of incorporation or bylaws by
1206 concurrent resolution. Disapproval by the legislature of
1207 a provision of the articles of incorporation or the bylaws
1207 of a corporation does not alter or impair the power of a
1208 corporation to fulfill the terms of a contractual
1209 agreement or impair the rights of a person with whom a
1210 corporation has entered into a contractual agreement.
1211
1211

1212 (c) A provision of the articles of incorporation or
1213 the bylaws is suspended upon disapproval by the
1213 legislature and is of no effect unless approved by a
1214 majority of the shares voting on the issue at the next
1215 meeting of the shareholders.
1216
1216

1217 Sec. 10.50.340. ORGANIZATION MEETING OF DIRECTORS.
1218 After the issuance of the certificate of incorporation an
1218 organizational meeting of the board of directors named in
1219 the articles of incorporation shall be held in the state,
1220 at the call of a majority of the incorporators, for the
1221 purpose of adopting bylaws, electing officers, and the
1222 transaction of other business as may come before the
1222 meeting. The incorporators calling the meeting shall give
1223 at least 10 days notice of the meeting by mail to each
1224
1224
1225

1225 director named. The notice shall state the time and place
1225 of the meeting.
1227
1227

1230 ARTICLE 3. APPLICATION FOR SHARES.
1231

1234 Sec. 10.50.345. NOTIFICATION OF ELIGIBLE
1234 SHAREHOLDERS. Beginning not less than 90 days before the
1235 initial issue of stock, the corporation shall at least
1236 weekly notify the public of its intention to issue stock
1236 and the method for qualifying and applying for shares.
1237
1237 The notice shall be by publication in newspapers of all
1238 regions of the state, by radio and television
1239 announcements, and by other means the corporation
1239 determines to be appropriate and reasonable, and shall be
1240 continued at least one each month for 11 months following
1241 the date of issuance of shares.
1242

1243 Sec. 10.50.350. CORPORATION NOT LIABLE TO
1243 SHAREHOLDERS. Registration for issuance of the initial
1244 shares of the corporation is a responsibility solely of an
1245 individual eligible under AS 10.50.320(a)(6) to receive
1245 the initial shares of the corporation. The corporation
1246 may not be held liable for
1247

1247
1249 (1) any loss resulting directly or indirectly
1249 from the failure of an individual to apply for shares
1250 of the corporation; or
1251

1251
1252 (2) payment of a declared or paid dividend to
1252 an individual who would have been entitled to receive
1253 the dividend had he been a shareholder at the time of
1254 declaration or payment.
1255

1257 Sec. 10.50.355. LATE APPLICATION FOR SHARES. An
1257 individual eligible under AS 10.50.320(a)(6) to receive
1258 the initial shares of the corporation who failed to apply
1259 for the shares within one year after their issuance may
1260 apply for and receive the shares any time after one year
1260 and within two years after the date of issuance if he is
1261 otherwise qualified to own stock of the corporation and
1262 upon the payment of the book value of the shares.
1264

1265 Sec. 10.50.360. PENALTIES FOR MISREPRESENTATION OF
1265 ELIGIBILITY AS SHAREHOLDER. The ownership interest in
1266 shares of the corporation's stock issued to an individual
1267 ineligible to receive the initial shares, who has
1268 presented fraudulent or misleading information regarding
1268 his eligibility to own those shares, is void upon the
1269 issuance of an appropriate order by the superior court.
1270 The ineligible individual is also liable for the full
1271 amount of dividends, or other distributions to
1272 shareholders received by him plus interest from the date
1272 of distribution, and legal fees and costs of recovery
1273 incurred by the corporation. This section applies to an
1274 individual who has presented fraudulent or misleading
1275 information regarding the eligibility of another person for
1275 whom he acts in the capacity of legal guardian.
1277

1280 ARTICLE 4. AMENDMENT.

1281 Sec. 10.50.365. RIGHT TO AMEND ARTICLES OF
1284 INCORPORATION. A corporation may amend its articles of
1284 incorporation so long as its articles of incorporation as
1285 amended contain provisions which could be lawfully
1286 contained in original articles of incorporation at the
1287 time the amendment is made.
1287

1290 Sec. 10.50.370. PURPOSES FOR WHICH ARTICLES MAY BE
1290
1290 AMENDED. Without limitation on the general power of
1291
1291 amendment, a corporation may amend its articles of
1292
1292 incorporation to

1293
1293
1295 (1) change its corporate name;

1296
1296
1297 (2) change its period of duration;

1298
1298
1299 (3) change, enlarge or diminish its corporate
1300
1300 purposes;

1301
1301
1302 (4) increase or decrease the aggregate number
1302
1302 of shares, or shares of a class, which the
1303
1303 corporation may issue;

1304
1304
1305 (5) exchange or cancel its shares, whether
1306
1306 issued or unissued.

1307
1307
1309 Sec. 10.50.375. PROCEDURE TO AMEND ARTICLES OF
1309
1309 INCORPORATION. Amendments to the articles of
1310
1310 incorporation shall be made in the following manner.

1311
1311
1313 (1) The board of directors may adopt a
1313
1313 resolution setting out the proposed amendment and
1314
1314 directing that it be submitted to a vote at the next
1315
1315 meeting of shareholders.

1316
1316
1317 (2) A proposed amendment shall be submitted to
1317
1317 a vote at the next meeting of a shareholders if the
1318
1318 secretary of the corporation receives a petition
1319
1319 setting out the proposed amendment and is signed by
1319
1319 at least 1,000 shareholders.

1322 (3) Written or printed notice setting out the
1322 proposed amendment or a summary of the changes to be
1323 effected shall be given to each shareholder of record
1324 entitled to vote within the time and in the manner
1324 provided in this chapter for the giving of notice of
1325 meetings of shareholders. If the meeting is an
1326 annual meeting, the proposed amendment or summary may
1326 be included in the notice of the annual meeting.
1328

1329 (4) At the meeting a vote of the shareholders
1329 entitled to vote shall be taken on the proposed
1330 amendment. The proposed amendment shall be adopted
1331 if it receives the affirmative vote of the holders of
1331 at least two-thirds of the shares voting.
1333

1334 (5) More than one amendment may be submitted to
1334 the shareholders and voted upon at one meeting.
1336

1338 Sec. 10.50.380. ARTICLES OF AMENDMENT. The articles
1338 of amendment shall be executed in duplicate by the
1339 corporation by its president or vice-president and by its
1340 secretary or an assistant secretary, and verified by one
1341 of the officers signing the articles, and shall set out
1342

1344 (1) the name of the corporation;
1345

1346 (2) the amendment adopted;
1347

1348 (3) the date of the adoption of the amendment
1348 by the shareholders;
1350

1351 (4) the number of shares outstanding and the
1351 number of shares voting;
1353

1354 (5) the number of shares voted for and against
1354 the amendment, respectively;

1356
1356
1357 (6) if the amendment provides for an exchange
1357 or cancellation of issued shares, and if the manner
1358 in which this is carried out is not set out in the
1359 amendment, a statement of the manner in which it is
1359 to be carried out.

1361
1361
1363 Sec. 10.50.385. FILING OF ARTICLES OF AMENDMENT.

1363 (a) Duplicate originals of the articles of amendment
1364 shall be delivered to the commissioner. If the
1365 commissioner finds that the articles of amendment conform
1366 to law, he shall, when all fees and franchise taxes
1366 prescribed in this chapter have been paid,

1368
1368
1370 (1) endorse on each duplicate original the word
1370 "filed" and the date of the filing;

1372
1372
1373 (2) file one duplicate original in his office;

1374
1374
1375 (3) issue a certificate of amendment and affix
1375 the other duplicate original to it.

1377
1377
1379 (b) The certificate of amendment, together with the
1379 duplicate original of the articles of amendment affixed by
1380 the commissioner, shall be returned to the corporation or
1381 its representative.

1382
1382
1383 Sec. 10.50.390. EFFECT OF CERTIFICATE OF AMENDMENT.

1383 (a) Upon the issuance of the certificate of amendment by
1384 the commissioner, the amendment becomes effective and the
1385 articles of incorporation are considered amended
1386 accordingly.

1388 **(b)** No amendment may affect an existing cause of
1388 action in favor of or against the corporation, or a
1389 pending suit to which the corporation is a party, or the
1389 existing rights of persons other than shareholders. In
1390 the event the corporate name is changed by amendment, no
1391 suit brought by or against the corporation under its
1391 former name abates for that reason.
1392
1393

1394 **Sec. 10.50.395. RESTATED ARTICLES OF INCORPORATION.**

1394 A corporation may at any time, by resolution adopted by
1395 the board of directors, restate its articles of
1396 incorporation as amended up to that time. Upon the
1396 adoption of the resolution, restated articles of
1397 incorporation shall be executed in duplicate by the
1398 corporation by its president or a vice-president and by
1399 its secretary or assistant secretary and verified by one
1399 of the officers signing the articles and shall set out all
1400 of the operative provisions of the articles of
1401 incorporation as amended up to that time together with a
1401 statement that the restated articles of incorporation
1402 correctly set out without change the corresponding
1403 provisions of the articles of incorporation as amended up
1403 to that time and that the restated articles of
1404 incorporation supersede the original articles of
1405 incorporation and all amendments to them.
1406

1407 **Sec. 10.50.400. EXECUTION OF RESTATED ARTICLES OF**
1407 **INCORPORATION.** Upon approval of the restated articles of
1408 incorporation, they shall be executed in duplicate by the
1409 corporation by its president or vice-president and by its
1410 secretary or assistant secretary, and verified by one of
1410 the officers signing the articles.
1412

1413 Sec. 10.50.405. CONTENTS OF RESTATED ARTICLES OF
1413 INCORPORATION. The restated articles of incorporation
1414 shall set out
1415

1417 (1) the name of the corporation;
1418

1418 (2) the period of its duration;
1419

1420 (3) the purpose or purposes which the
1421 corporation is authorized to pursue;
1421

1423 (4) the aggregate number of shares which the
1424 corporation may issue;
1424

1426 (5) any provisions, not inconsistent with law,
1427 which are set out in the articles of incorporation as
1427 amended, for the regulation of the internal affairs
1428 of the corporation;
1429

1430 (6) a statement that the restated articles of
1431 incorporation correctly set out without change the
1431 corresponding provisions of the articles of
1432 incorporation as amended, and that the restated
1433 articles of incorporation supersede the original
1434 articles of incorporation and all amendments to the
1435 original articles of incorporation.
1436

1436 Sec. 10.50.410. FILING OF RESTATED ARTICLES OF
1438 INCORPORATION WITH COMMISSIONER. (a) Duplicate originals
1438 of the restated articles of incorporation shall be
1439 delivered to the commissioner. If the commissioner finds
1440 that the restated articles of incorporation conform to
1441 law, he shall, when all fees and franchise taxes
1441 prescribed in this chapter have been paid,
1442
1444

1446 (1) endorse on each duplicate original the word
1446 "filed" and the date of the filing;
1448

1449 (2) file one duplicate original in his office;
1451

1452 (3) issue a restated certificate of
1452 incorporation and affix the other duplicate original
1453 to it.
1454

1454 (b) The restated certificate of incorporation,
1456 together with the duplicate original of the restated
1456 articles of incorporation affixed by the commissioner,
1457 shall be returned to the corporation or its
1458 representative.
1458

1459
1459 Sec. 10.50.415. EFFECT OF ISSUANCE OF RESTATED
1460 CERTIFICATE OF INCORPORATION. Upon the issuance of the
1460 restated certificate of incorporation, the restated
1461 articles of incorporation become effective and supersede
1462 the original articles of incorporation and all amendments.
1463

1464
1464 ARTICLE 5. SALE OF ASSETS.
1467

1468
1471 Sec. 10.50.420. SALE OR MORTGAGE OF ASSETS IN
1471 REGULAR COURSE OF BUSINESS. The sale, lease, exchange,
1472 mortgage, pledge, or other disposition of all, or
1473 substantially all, the property and assets of a
1473 corporation, when made in the usual and regular course of
1474 the business of the corporation, may be made upon the
1475 terms and conditions and for the consideration, which may
1476 consist in whole or in part of money or property, real or
1476 personal, including shares of another corporation,
1477 domestic or foreign, authorized by the board of directors.
1478 No authorization or consent of the shareholders is
1478 required.
1479

1480 Sec. 10.50.425. SALE OR MORTGAGE OF ASSETS OTHER
1480
1480 THAN IN REGULAR CCOURSE OF BUSINESS. A sale, lease,
1481
1481 exchange, mortgage, pledge, or other disposition of all,
1482
1482 or substantially all, the property and assets, with or
1483
1483 without the good will, of a corporation, if not made in
1483
1483 the usual and regular course of its business, may be made
1484
1484 upon the terms and conditions and for the consideration,
1485
1485 which may consist in whole or in part of money or
1486
1486 property, real or personal, including shares of another
1486
1486 corporation, as authorized in the following manner.

1488
1488
1490 (1) The board of directors shall adopt a
1490
1490 resolution recommending the sale, lease, exchange,
1491
1491 mortgage, pledge, or other disposition and directing
1492
1492 the submission of the resolution to a vote at the
1492
1492 next meeting of shareholders.

1493
1493
1494 (2) Written or printed notice shall be given to
1494
1494 each shareholder of record entitled to vote at the
1495
1495 meeting within the time and in the manner provided in
1496
1496 this chapter for the giving of notice of meetings of
1496
1496 shareholders, and, whether the meeting is an annual
1497
1497 or a special meeting, shall state that the purpose,
1498
1498 or one of the purposes, of the meeting is to consider
1498
1498 the proposed sale, lease, exchange, mortgage, pledge,
1499
1499 or other disposition.

1500
1500
1502 Sec. 10.50.430. APPROVAL OF PLAN BY SHAREHOLDERS.
1502
1502 At the meeting the shareholders may authorize the sale,
1503
1503 lease, exchange, mortgage, pledge, or other disposition
1504
1504 and may fix, or may authorize the board of directors to
1505
1505 fix the terms and conditions and the consideration to be
1505
1505 received by the corporation. Each outstanding share of

1506 the corporation is entitled to vote. The authorization
1507 requires the affirmative vote of the holders of at least
1508 two-thirds of the shares voting.
1509

1510 Sec. 10.50.435. ABANDONMENT OF PLAN BY BOARD OF
1510 DIRECTORS. After authorization by a vote of shareholders,
1511 the board of directors may, nevertheless, abandon the
1512 sale, lease, exchange, mortgage, pledge, or other
1513 disposition of assets, subject to the rights of third
1513 parties under contracts relating to the disposition,
1514 without further action or approval by shareholders.
1515

1516 Sec. 10.50.440. RIGHTS OF DISSENTING SHAREHOLDERS
1516 UPON SALE OR EXCHANGE OF ASSETS. If a sale or exchange of
1517 all or substantially all of the property and assets of a
1518 corporation other than in the usual and regular course of
1519 its business, or in connection with the dissolution and
1519 liquidation of the corporation, is authorized by a vote of
1520 the shareholders of the corporation, a shareholder who
1521 files a written objection with the corporation, before or
1522 at the meeting of shareholders at which the sale or
1522 exchange is authorized, and who does not vote in its favor
1523 may, within 10 days after the date on which the vote was
1524 taken, make written demand on the corporation for the
1525 payment to him of the fair value of his shares as of the
1525 day before the date on which the vote was taken. If the
1526 sale or exchange is effected, the corporation shall pay to
1527 the shareholder, upon surrender of his certificate or
1528 other evidence of ownership representing the shares, their
1529 fair value. The demand shall state the number of shares
1529 owned by the dissenting shareholder. A shareholder
1530 failing to make demand within the 10-day period is bound
1531 by the terms of the sale or exchange.
1532

1533 Sec. 10.50.445. NOTICE TO DISSENTING SHAREHOLDER.

1533 Within 10 days after the sale or exchange is effected, the
1534 corporation shall give notice that it is effected to each
1535 dissenting shareholder who had made demand as provided in
1536 AS 10.50.440 for the payment of the fair value of his
1537 shares.
1538

1539 Sec. 10.50.450. PAYMENT TO DISSENTING SHAREHOLDER

1539 AFTER AGREEMENT ON VALUE OF SHARES. If within 60 days
1540 after the date on which the sale or exchange was effected
1541 the value of the shares is agreed upon between the
1542 dissenting shareholier and the corporation, payment shall
1542 be made within 90 days after the date the sale or exchange
1543 was effected, upon the surrender of his certificate or
1544 certificates representing the shares. Upon payment of the
1545 agreed value, the dissenting shareholder geases to have an
1546 interest in the shares or in the corporation.
1547

1548 Sec. 10.50.455. ACTION BY DISSENTING SHAREHOLDER TO

1548 COMPEL PAYMENT UPON FAILURE TO AGREE ON VALUE. If within
1549 the 60-day period the shareholder and the corporation do
1550 not agree, the dissenting shareholder may, within 60 days
1551 after the expiration of the 60-day period, file a petition
1551 in the superior court asking for a finding and
1552 determination of the fair value of the shares, and is
1553 entitled to judgment against the corporation for the
1554 amount of the fair value as of the day before the date on
1554 which the vote was taken approving the sale or exchange,
1555 together with interest to the date of the judgment. The
1556 judgment is payable only upon and simultaneously with the
1557 surrender to the corporation of the certificate or other
1557 evidence of ownership representing the shares. Upon
1558

1558 payment of the judgment, the dissenting shareholder ceases
1559 to have an interest in the shares or in the corporation.
1560 Unless the dissenting shareholder files the petition
1560 within the 60-day period, he and all persons claiming
1561 under him are bound by the terms of the sale or exchange.
1563

1564 Sec. 10.50.460. EFFECT OF ABANDONMENT OR REVOCATION
1564 OF SALE OR EXCHANGE ON SHAREHOLDER'S RIGHTS. The right of
1565 a dissenting shareholder to be paid the fair value of his
1566 shares ceases when the corporation abandons the sale or
1567 exchange or the shareholders revoke the authority to make
1567 the sale or exchange.
1569

1570 Sec. 10.50.465. STATUS OF SHARES ACQUIRED FROM
1570 DISSENTING SHAREHOLDER. Shares acquired by the
1571 corporation pursuant to the payment of the agreed value or
1572 to payment of the judgment entered for the agreed value
1572 may be held and disposed of by the corporation as treasury
1573 shares.
1574

1577 ARTICLE 6. DISSOLUTION.

1581 Sec. 10.50.470. EFFECT OF CERTIFICATE OF
1581 DISSOLUTION. Upon the issuance of the certificate of
1582 dissolution, the existence of the corporation ceases.
1584

1585 Sec. 10.50.475. VOLUNTARY DISSOLUTION BY ACT OF
1585 CORPORATION. (a) A corporation may be dissolved by the
1586 act of the corporation when authorized in the manner
1587 provided in this section and in AS 10.50.485.
1588

1589 (b) The board of directors shall adopt a resolution
1589 recommending that the corporation be dissolved, and
1590 directing that the question of dissolution be submitted to
1591 a vote at the next meeting of shareholders.
1592

1593 (c) A proposed dissolution of the corporation shall
1593 be submitted to a vote at the next meeting of shareholders
1594 if the secretary of the corporation receives a petition
1595 proposing dissolution signed by at least 100 shareholders.
1596

1596
1597 (d) Written or printed notice shall be given to each
1597 shareholder of record entitled to vote at the meeting
1598 within the time and in the manner provided in this chapter
1599 for the giving of notice of meetings of shareholders, and,
1600 whether the meeting is an annual or special meeting, the
1600 notice shall state that the purpose of the meeting is to
1601 consider the advisability of dissolving the corporation.
1603

1603
1604 (e) At the meeting a vote of shareholders entitled
1604 to vote shall be taken on the resolution to dissolve the
1605 corporation. Each outstanding share of the corporation
1606 may vote on the resolution. The resolution is adopted if
1607 it receives the affirmative vote of the holders of at
1607 least one-third of the shares entitled to vote.
1609

1609
1610 Sec. 10.50.480. EXECUTION OF STATEMENT OF INTENT TO
1610 DISSOLVE. Upon the adoption of the resolution, a
1611 statement of intent to dissolve shall be executed in
1612 duplicate by the corporation by its president or
1612 vice-president and by the secretary or an assistant
1613 secretary, and verified by one of the officers signing the
1614 statement. The statement of intent to dissolve shall set
1615 out
1616

1616
1618 (1) the name of the corporation;
1619

1619
1620 (2) the names and addresses of its officers;
1621
1621
1621

1622 (3) the names and addresses of its directors;
1623

1623
1624 (4) a copy of the resolution adopted by the
1624 shareholders authorizing the dissolution of the
1625 corporation;
1626

1626
1627 (5) the number of shares outstanding;
1628

1628
1629 (6) the number of shares voted for and against
1630 the resolution.
1631

1631
1633 Sec. 10.50.485. FILING OF STATEMENT OF INTENT TO
1633 DISSOLVE. Duplicate originals of the statement of intent
1634 to dissolve shall be delivered to the commissioner. If
1635 the commissioner finds that the statement conforms to law,
1636 he shall, when all fees and franchise taxes prescribed in
1636 this chapter have been paid,
1638

1638
1640 (1) endorse on each duplicate original the word
1640 "filed" and the date of the filing;
1642

1642
1643 (2) file one duplicate original in his office;
1644

1644
1645 (3) return the other duplicate original to the
1645 corporation or its representative.
1647

1647
1649 Sec. 10.50.490. EFFECT OF STATEMENT OF INTENT TO
1649 DISSOLVE. On the filing by the commissioner of a
1650 statement of intent to dissolve, the corporation shall
1651 cease to carry on business, except that necessary for the
1652 winding up of its business. However, corporate existence
1652 continues until a certificate of dissolution has been
1653 issued by the commissioner or until a decree dissolving
1654 the corporation has been entered by a competent court as
1655 provided in this chapter.
1656

1657 Sec. 10.50.495. PROCEDURE AFTER FILING OF STATEMENT
1657
1657 OF INTENT TO DISSOLVE. After the commissioner has filed
1658
1658 the statement of intent to dissolve, the corporation
1660
1660

1662 (1) shall immediately mail notice of the filing
1662
1662 to each known greditor of the corporation;
1664
1664

1665 (2) shall proceed to collect its assets, convey
1665
1665 and dispose of its property which is not to be
1666
1666 distributed in kind to its shareholders, pay, satisfy
1667
1667 and discharge its liabilities and obligations and do
1667
1667 all other acts required to liquidate its business and
1668
1668 affairs, and, after paying or adequately providing
1669
1669 for the payment of its obligations, distribute the
1670
1670 remainder of its assets, either in cash or in kind,
1670
1670 among its shareholders according to their respective
1671
1671 rights and interests;
1672
1672

1673 (3) at any time during the liquidation of its
1673
1673 business and affairs may apply to a court of
1674
1674 competent jurisdiction in the state to have the
1675
1675 liquidation continued under the supervision of the
1675
1675 court;
1676
1676

1677 (4) shall, if it has not completed dissolution
1677
1677 proceedings within two years after the date the
1678
1678 statement of intent to dissolve is filed, be
1679
1679 involuntarily dissolved by the commissioner after 60
1679
1679 days notice of his intent to do so has been given to
1680
1680 the corporation.
1681
1681

1683 Sec. 10.50.500. MANNER OF REVOKING A VOLUNTARY
1683
1683 DISSOLUTION PROCEEDING. (a) The board of directors may
1684
1684 adopt a resolution recommending that the voluntary
1685

1685 dissolution proceedings be revoked, and directing that the
1686 question of revocation be submitted to a vote at a special
1686 meeting of shareholders.
1688

1688
1689 (b) A proposed revocation of a voluntary dissolution
1689 of the corporation shall be submitted to a vote at the
1690 next meeting of shareholders if the secretary of the
1691 corporation receives a petition proposing revocation
1691 signed by at least 1,000 shareholders.
1693

1693
1694 (c) Written or printed notice, stating that the
1694 purpose of the meeting is to consider the advisability of
1695 revoking the voluntary dissolution proceedings shall be
1696 given to each shareholder of record entitled to vote at
1697 the meeting within the time and in the manner provided in
1697 this chapter for the giving of notice of special meetings
1698 of shareholders.
1699

1699
1700 (d) At the meeting a vote of the shareholders
1700 entitled to vote shall be taken on the resolution to
1701 revoke the voluntary dissolution proceeding. Adoption of
1702 the resolution requires the affirmative vote of the
1702 holders of at least two-thirds of the shares voting.
1704

1704
1705 (e) Upon the adoption of the resolution, a statement
1705 of revocation of voluntary dissolution proceedings shall
1706 be executed in duplicate by the corporation by its
1707 president or vice-president and by its secretary or an
1708 assistant secretary, and verified by one of the officers
1708 signing the statement. The statement of revocation of
1709 voluntary dissolution shall set out
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1711
1711
1711

- 1713 (1) the name of the corporation;
1714
1714
1715 (2) the names and addresses of its officers;
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1716
1717 (3) the names and addresses of its directors;
1718
1718
1719 (4) a copy of the resolution adopted by the
1719
1719 shareholders revoking the voluntary dissolution
1720 proceedings;
1720
1721
1721 (5) the number of shares outstanding;
1722
1723
1723 (6) the number of shares voted for and against
1724
1725 the resolution.
1725
1726

1728 Sec. 10.50.505. FILING OF STATEMENT OF REVOCATION OF
1728
1728 A VOLUNTARY DISSOLUTION PROCEEDING. Duplicate originals
1729
1729 of the statement of revocation of voluntary dissolution
1730
1730 proceedings shall be delivered to the commissioner. If
1731
1731 the commissioner finds that the statement conforms to law,
1731
1731 he shall, when all fees and franchise taxes prescribed in
1732
1732 this chapter have been paid,
1733

1733
1733 (1) endorse on each duplicate original the word
1735
1735 "filed" and the date of the filing;
1737

1737
1738 (2) file one duplicate original in his office;
1739

1739
1740 (3) return the other duplicate original to the
1740
1740 corporation or its representative.
1742

1742
1744 Sec. 10.50.510. EFFECT OF STATEMENT OF REVOCATION OF
1744
1744 A VOLUNTARY DISSOLUTION PROCEEDING. Upon the filing by
1745
1745 the commissioner of a statement of revocation of a
1746
1746 voluntary dissolution proceeding, the revocation of the
1747
1747 proceeding becomes effective and the corporation may again
1747
1747 carry on its business.
1749

1750 Sec. 10.50.515. EXECUTION OF ARTICLES OF
1750
1750 DISSOLUTION. If a voluntary dissolution proceeding has
1751 not been revoked, then when all debts, liabilities, and
1752 obligations of the corporation have been paid and
1752 discharged, or adequate provision has been made for
1753 payment, and all of the remaining property and assets of
1754 the corporation have been distributed to its shareholders,
1754 articles of dissolution shall be executed in duplicate by
1755 the corporation by its president or vice-president and by
1756 its secretary or an assistant secretary, and verified by
1757 one of the officers signing the articles. The articles of
1758 dissolution shall set out

1759
1759
1761 (1) the name of the corporation;

1762
1762
1763 (2) that the commissioner has filed a statement
1763 of intent to dissolve the corporation, and the date
1764 on which the statement was filed;

1765
1765
1766 (3) that all debts, obligations and liabilities
1766 of the corporation have been paid and discharged or
1767 that adequate provision has been made for payment;

1769
1769
1770 (4) that the remaining property and assets of
1770 the corporation have been distributed among its
1771 shareholders in accordance with their respective
1772 rights and interests;

1773
1773
1774 (5) that there are no suits pending against the
1774 corporation, or that adequate provision has been made
1775 for the satisfaction of a judgment, orders or decrees
1776 which may be entered against the corporation in a
1776 pending suit.

1780 Sec. 10.50.520. FILING OF ARTICLES OF DISSOLUTION.

1780 (a) Duplicate originals of the articles of dissolution
1781 shall be delivered to the commissioner. If the
1782 commissioner finds that the articles of dissolution
1783 conform to law, he shall, when all fees and franchise
1783 taxes prescribed in this chapter have been paid,
1785

1785 (1) endorse on each duplicate original the word
1787 "filed" and the date of the filing;
1789

1789 (2) file one duplicate original in his office;
1790

1792 (3) issue a certificate of dissolution and
1793 affix the other duplicate original to it.
1795

1795 (b) The certificate of dissolution, together with
1797 the duplicate original of the articles of dissolution
1797 affixed, shall be returned to the representative of the
1798 dissolved corporation.
1799

1800 Sec. 10.50.525. EFFECT OF CERTIFICATE OF
1801 DISSOLUTION. Upon the issuance of the certificate of
1801 dissolution the existence of the corporation ceases,
1802 except for the purpose of suits, other proceedings and
1803 appropriate corporate action by shareholders, directors
1803 and officers as provided in this chapter.
1804

1806 Sec. 10.50.530. INVOLUNTARY DISSOLUTION. (a) A
1807 corporation may be dissolved involuntarily by the
1808 commissioner when
1809

1809 (1) the corporation is delinquent six months in
1811 filing its annual report or in paying a license
1811 filing fee or penalty;
1812
1813

1814 (2) the corporation has failed for 30 days to
1814 appoint and maintain a registered agent in this
1815 state; or
1816

1816 (3) the corporation has failed for 30 days
1817 after change of its registered office or registered
1817 agent to file in the office of the commissioner a
1818 statement of the change;
1819
1820

1820 (4) the corporation has failed for two years to
1821 complete dissolution under a statement of intent to
1821 dissolve; or
1822
1823

1823 (5) a vacancy in the board of directors of a
1824 corporation is not filled within six months or the
1824 time of the next annual meeting, whichever occurs
1825 first.
1826
1827

1827 (b) A corporation may not be involuntarily dissolved
1829 unless the commissioner has given the corporation at least
1829 60 days notice of its delinquency or omission by certified
1830 mail addressed to its registered office or in care of one
1831 of its principal officers or directors, at the last known
1832 address of the office or director, as shown by the records
1833 of the commissioner, and the corporation has failed to
1833 correct the neglect, omission or delinquency before
1834 involuntary dissolution.
1835
1836

1836 (c) When a corporation has given cause for
1837 involuntary dissolution and has failed to correct the
1837 neglect, omission or delinquency as provided in this
1838 section, the commissioner shall dissolve the corporation
1839 by issuing a certificate of involuntary dissolution
1839 containing a statement that the corporation has been
1840
1841

dissolved, the date, and the reason for which it was dissolved. The original certificate of dissolution shall be placed in the department files and a copy of it mailed to the corporation at its registered office or in care of one of its principal officers or directors, at the last known address of the officer or director, as shown by the records of the commissioner. Upon the issuance of the certificate of involuntary dissolution, the existence of the corporation shall cease, except as otherwise provided in this section, and its name shall be available to and may be adopted by another corporation no less than six months after the dissolution.

(d) A corporation dissolved by the commissioner under the provisions of this section may be reinstated by the commissioner at any time within two years from the date of the certificate of involuntary dissolution whenever it is established to the satisfaction of the commissioner that in fact there was no cause for the dissolution, or whenever the neglect or delinquency resulting in dissolution has been corrected and payment made of double the amount delinquent along with the amount the corporation would have paid had it not been dissolved during the two-year period. Reinstatement may not be authorized if the same or a deceptively similar corporate, limited partnership, reserved or registered name is currently on file with the commissioner, unless the corporation being reinstated contemporaneously amends its articles of incorporation to change its name to conform with the provisions of this chapter.

1866 (c) Nothing in this section relieves a corporation
1866 reinstated under this section from penalty of forfeiture
1866 of its powers as a corporation in case of failure to pay
1867 subsequently accruing licenses and taxes imposed by a law
1868 of this state.
1869
1870

1871 (f) An action arising out of a contract assigned by
1871 a corporation dissolved under this section may be brought
1872 in the name of the assignee. The fact of assignment and
1873 of purchase by the plaintiff shall be set out in the
1874 complaint or other process. The defendant may avail
1874 himself of any matter of defense of which he might have
1875 availed himself in a suit upon the claim by the
1876 corporation, had it not been dissolved under this section.
1878

1879 (g) Service of process on a corporation dissolved
1879 under this section shall be made in the same manner
1880 prescribed by law as if the corporation had not been
1881 dissolved.
1882

1883 (h) In addition to any other remedies provided by
1883 law a corporation may be dissolved involuntarily by a
1884 decree of the superior court in an action filed by the
1885 attorney general when it is established that
1886

1888 (1) the corporation procured its certificate of
1888 incorporation through fraud; or
1890

1891 (2) the corporation has continued to exceed or
1891 abuse the authority conferred upon it by law.
1893

1895 Sec. 10.50.535. VENUE AND PROCESS. (a) An action
1895 for the involuntary dissolution of a corporation shall be
1896 commenced by the attorney general in the superior court.
1898

1899 (b) Summons shall issue and be served as in other
1899 civil actions. If process is returned not found, the
1899 attorney general shall publish notice as in other civil
1900 cases in a newspaper published in the judicial district
1901 where the registered office of the corporation is
1901 situated, containing a notice of the pendency of the
1902 action, the title of the court, the title of the action,
1903 and the date on or after which default may be entered.
1904 The attorney general may include in one notice the names
1904 of any number of corporations against which actions are
1905 pending in the same court.
1906
1907

1908 (c) The attorney general shall have a copy of the
1908 notice mailed to the corporation at its registered office
1909 within 10 days after the first publication of it.
1909
1911

1912 (d) Notice shall be published at least once each
1912 week for two successive weeks, and the first publication
1913 may begin at any time after the summons has been returned.
1915

1916 (e) Unless a corporation is served with summons, no
1916 default may be taken against it earlier than 30 days after
1917 the first publication of the notice.
1919

1920 Sec. 10.50.540. JURISDICTION OF COURT TO LIQUIDATE
1920 ASSETS AND BUSINESS OF CORPORATION. The superior court
1921 may liquidate the assets and business of a corporation in
1922 the cases provided in AS 10.50.545 - 10.50.560.
1924

1925 Sec. 10.50.545. ACTION BY SHAREHOLDER FOR
1925 LIQUIDATION. In an action by a shareholder, the superior
1926 court may liquidate the assets and business of a
1927 corporation when it is established
1928

1930 (1) that the directors are deadlocked in the
1930 management of the corporate affairs and the
1931 shareholders are unable to break the deadlock, and
1932 that irreparable injury to the corporation is being
1932 suffered or is threatened by reason of the deadlock;
1934

1934 (2) that the acts of the directors or those in
1935 control of the corporation are illegal, oppressive or
1935 fraudulent;
1936
1937

1937 (3) that the shareholders are deadlocked in
1938 voting power, and have failed, for a period which
1938 includes at least two consecutive annual meeting
1939 dates, to elect successors to directors whose terms
1940 have expired or would have expired upon the election
1940 of their sucessors; or
1941
1942

1942 (4) that the corporate assets are being
1943 misapplied or wasted.
1943
1945

1945 Sec. 10.50.550. ACTION BY CREDITOR FOR LIQUIDATION.
1947

1947 In an action by a creditor, the superior court may
1948
1948 liquidate the assets and business of a corporation when
1950

1950 (1) the claim of the creditor has been reduced
1952 to judgment and an execution on the judgment has been
1952 returned unsatisfied and it is established that the
1953 corporation is insolvent; or
1954
1955

1955 (2) the corporation has admitted in writing
1956 that the claim of the creditor is due and owing and
1956 it is established that the corporation is insolvent.
1957
1959
1959
1959
1959

1961 Sec. 10.50.555. LIQUIDATION ON APPLICATION BY
1961
1961 CORPORATION. Upon application by a corporation which has
1962 filed a statement of intent to dissolve, as provided in
1962 this chapter, to have its liquidation continued under the
1963 supervision of the court, the superior court may liquidate
1964 the assets and business of the corporation.
1964
1966

1966 Sec. 10.50.560. LIQUIDATION IN ACTION BY ATTORNEY
1967
1967 GENERAL FOR DISSOLUTION. When an action has been filed by
1967 the attorney general to dissolve a corporation and it is
1968 established that liquidation of its business and affairs
1969 should precede the entry of a decree of dissolution, the
1970 superior court may liquidate the assets and business of a
1971 corporation.
1971
1972

1972 Sec. 10.50.565. JOINDER OF SHAREHOLDERS NOT
1973
1973 MANDATORY. It is not necessary to make shareholders
1974 parties to an action or proceeding for liquidation of the
1975 assets and business of a corporation unless relief is
1976 sought against them personally.
1976
1977

1977 Sec. 10.50.570. PROCEDURE IN LIQUIDATION OF
1978
1978 CORPORATION BY COURT. In a proceeding to liquidate the
1979 assets and business of a corporation, the superior court
1979 may issue injunctions, appoint a receiver pendente lite
1980 with powers and duties as the court may direct, and take
1981 other proceedings necessary to preserve the corporate
1981 assets wherever situated and carry on the business of the
1982 corporation until a full hearing is had.
1983
1984

1984 Sec. 10.50.575. APPOINTMENT OF RECEIVER. After a
1985
1985 hearing held upon such notice as the court may direct to
1986 be given to all parties to the proceedings and to any
1987

1987 other parties in interest designated by the court, the
1988 court may appoint a liquidating receiver with authority to
1988 collect the assets of the corporation, including amounts
1989 owing to the corporation by shareholders on an unpaid
1990 portion of the consideration for the issuance of shares.
1991 The liquidating receiver may, subject to the order of the
1992 court, sell, convey and dispose of all or part of the
1992 assets of the corporation wherever situated, either at
1993 public or private sale.

1994
1994
1995 Sec. 10.50.580. DISPOSITION OF ASSETS OR PROCEEDS
1995 FROM SALE OF ASSETS. The assets of the corporation or the
1996 proceeds from a sale, conveyance or other disposition of
1997 assets shall be applied to the expenses of liquidation and
1998 to the payment of the liabilities and obligations of the
1999 corporation. Remaining assets or proceeds shall be
2000 distributed among shareholders according to their
2000 respective rights and interests.

2002
2002
2003 Sec. 10.50.585. STATED POWERS AND DUTIES OF
2003 RECEIVER. The order appointing the liquidating receiver
2004 shall state his powers and duties. The powers and duties
2005 may be increased or diminished at any time during the
2006 liquidation proceedings.

2007
2007
2008 Sec. 10.50.590. COMPENSATION OF RECEIVER AND
2008 ATTORNEYS. The court may allow from time to time as
2009 expenses of the liquidation compensation to the receiver
2010 and to attorneys in the proceeding, and direct the payment
2011 of compensation out of the assets of the corporation or
2011 the proceeds of a sale or disposition of assets.

2014 Sec. 10.50.595. POWER OF RECEIVER TO SUE AND BE
2014
2014 SUED. A receiver of a corporation appointed under AS
2015
2015 10.50.570 - 10.50.600 may sue and defend in all courts in
2016
2016 his own name as receiver of the corporation.
2017

2017 Sec. 10.50.600. APPOINTING COURT HAS EXCLUSIVE
2018
2018 JURISDICTION. The court appointing the receiver has
2019
2019 exclusive jurisdiction of the corporation and its
2020
2020 property, wherever situated.
2021

2021 Sec. 10.50.605. QUALIFICATIONS OF RECEIVERS. A
2022
2022 receiver shall be a citizen of the United States or a
2023
2023 corporation authorized to act as receiver, which
2024
2024 corporation may be a domestic corporation or a foreign
2024
2024 corporation authorized to transact business in the state.
2025
2025 A receiver shall give the bond the court directs with
2026
2026 sureties the court requires.
2027

2027 Sec. 10.50.610. FILING OF CLAIMS IN LIQUIDATION
2028
2028 PROCEEDINGS. (a) In a proceeding to liquidate the assets
2029
2029 and business of a corporation, the court may require
2030
2030 creditors of the corporation to file with the clerk of the
2030
2030 court or with the receiver, in the form the court
2031
2031 prescribes, proof under oath of their respective claims.
2033

2033 (b) If the court requires the filing of claims, it
2034
2034 shall fix a date, not less than four months from the date
2035
2035 of the order, as the last day for the filing of claims,
2036
2036 and shall prescribe the notice to be given to creditors
2036
2036 and claimants of the date fixed. Before the date fixed,
2037
2037 the court may extend the time for the filing of claims.
2039

2040 (c) A creditor who fails to file proof of his claim
2040 on or before the date fixed may be barred by order of the
2041 court from participating in the distribution of the assets
2042 of the corporation.
2043

2044 Sec. 10.50.615. DISCONTINUANCE OF LIQUIDATION
2044 PROCEEDINGS. The liquidation of the assets and business
2045 of a corporation may be discontinued at any time during
2046 the liquidation proceeding when it is established that
2047 cause for liquidation no longer exists. In this event,
2047 the court shall dismiss the proceeding and direct the
2048 receiver to redeliver to the corporation its remaining
2049 property and assets.
2050

2051 Sec. 10.50.620. DECREE OF INVOLUNTARY DISSOLUTION.
2051 In a proceeding to liquidate the assets and business of a
2052 corporation, when the costs and expenses of the proceeding
2053 and the debts, obligations and liabilities of the
2054 corporation have been paid and discharged and the
2054 remaining property and assets are not sufficient to
2055 satisfy and discharge the costs, expenses, debts and
2056 obligations, and all the property and assets have been
2056 applied to their payment, the court shall enter a decree
2057 dissolving the corporation.
2058

2061 ARTICLE 7. GENERAL PROVISIONS.

2062 Sec. 10.50.625. AS 10.05 INCORPORATED BY REFERENCE.
2065 The provisions of AS 10.05.699 - 10.05.819 apply to a
2066 corporation organized under this chapter and are
2067 incorporated by reference as a part of this chapter,
2068 except when inconsistent with this chapter.
2069

2070 Sec. 10.50.630. FALSE STATEMENTS AFFECTING VALUE OF
2070
2070 SHARES. A director, officer or agent of a corporation who
2071
2071 knowingly concurs in making, publishing or posting either
2072
2072 generally or privately to the shareholders or other
2073
2073 persons (1) a written report, exhibit, statement of its
2074
2074 affairs or pecuniary condition or notice containing any
2074
2074 material statement which is false, or (2) an untrue or
2075
2075 willfully or fraudulently exaggerated report, prospectus,
2076
2076 account, statement of operations, values, business,
2077
2077 profits, expenditures or prospects, or (3) any other paper
2077
2077 or document intended to produce or give, or having a
2078
2078 tendency to produce or give, the shares of stock in the
2079
2079 corporation a greater value or a less apparent or market
2080
2080 value than they really possess, or who refuses to make any
2081
2081 book entry or post any notice required by law in the
2081
2081 manner required by law, upon conviction, is guilty of a
2082
2082 misdemeanor.

2083
2083
2084 Sec. 10.50.635. DIRECTOR MAKING UNLAWFUL DIVIDEND OR
2084
2084 DISTRIBUTION OF ASSETS. A director of a corporation who
2085
2085 concurs in any vote or act of the directors of the
2086
2086 corporation to knowingly and with dishonest or fraudulent
2087
2087 purpose make a dividend or distribution of assets either
2087
2087 with the design of defrauding creditors or shareholders or
2088
2088 of giving a false appearance to the value of the stock and
2089
2089 thereby defrauding subscribers or purchasers, upon
2090
2090 conviction, is guilty of a misdemeanor.

2091
2091
2092 Sec. 10.50.640. RESERVATION OF POWER. The
2092
2092 legislature reserves the power to make amendments to this
2093
2093 chapter to apply to all existing and future corporations
2094
2094 organized under this chapter. An amendment to this

chapter may not alter or impair the power of a corporation to fulfill the terms of a contractual agreement or impair the rights of a person with whom a corporation has entered into a contractual agreement.

Sec. 10.50.645. DEFINITIONS. In this chapter,

(1) "articles of incorporation" means the original or restated articles of incorporation and all amendments;

(2) "authorized shares" means the shares which the corporation may issue;

(3) "certificate" means any evidence of ownership of shares of a corporation;

(4) "chartering legislation" means the Act of the legislature or an initiative approved by the voters that creates a general stock ownership corporation;

(5) "commissioner" means the commissioner of commerce and economic development;

(6) "corporation" means a general stock ownership corporation;

(7) "department" means the Department of Commerce and Economic Development;

(8) "franchise tax" means the annual corporation tax imposed under Alaska law on corporations (AS 10.05.717);

2127 (9) "insolvent" means inability of a
2127 corporation to pay its debts as they become due in
2128 the usual course of its business;
2129
2129

2130 (10) "net assets" means the amount by which the
2130 total assets of a corporation, excluding treasury
2131 shares, exceed the total debts of the corporation;
2133
2133

2134 (11) "resident" means an individual who
2134 maintains a permanent place of abode in the state
2135 with the intention of making the state his permanent
2135 place of residence and who resides in the state
2136 continuously except for temporary purposes only and
2136 with the intent of returning; a person may not be
2137 considered to have gained a residence solely by
2138 reason of his presence and he may not lose it solely
2138 by reason of his absence while in the civil or
2139 military service of this state or of the United
2140 States or by reason of his absence because of
2141 marriage to a person engaged in the civil or military
2142 service of this state or the United States; a person
2142 may not be considered to lose his residence while a
2143 student at an educational institution, while in an
2144 institution at public expense, while confined in
2144 prison, while engaged in the navigation of waters of
2145 this state, of the United States, or of the high
2146 seas, or while residing upon an Indian or military
2146 reservation; a minor takes the residence of his
2147 parent or of his legal guardian; a married woman may
2148 establish her own residence and does not
2148 presumptively take the residence of her husband;
2150
2150

2151 (12) "shareholder" means one who is a holder of
2151 record of a share in a corporation;
2153

2154 (13) "shares" means the units into which the
2154 proprietary interest in a corporation is divided;
2156

2157 (14) "subscriber" means one who subscribes for a
2157 share in a corporation before or after incorporation;
2159

2160 (15) "treasury shares" means shares which have
2160 been issued, have been subsequently acquired by and
2161 belong to the corporation, and have not either by
2162 reason of the acquisition or thereafter, been
2162 cancelled or restored to the status of authorized but
2163 unissued shares; treasury shares are "issued" shares,
2164 but not "outstanding" shares.
2165

2167 Sec. 10.50.650. SHORT TITLE. This chapter may be
2167 cited as the Alaska General Stock Ownership Corporation
2168 Act.
2169

2170 * Sec. 2. AS 37.10.070(a)(6) is amended to read:
2171

2173 (6) other securities, including [CORPORATE]
2173 securities of corporations other than general stock
2174 ownership corporations;
2175

2176 * Sec. 3. AS 45.55.130 is amended by adding a new
2177 subsection to read:
2178

2179 (b) A copy of all annual reports, ballots, consent
2180 authorizations and other materials relating to the
2180 shareholder ballots, published or made available by any
2181 person to the shareholders of a general stock ownership
2182 corporation, shall be filed with the administrator
2183

2183 concurrently with its distribution to the shareholders.

2184 The administrator shall have authority to review all
2185 documents submitted and make regulations regarding content
2186 of shareholder materials to insure fairness, completeness,
2186 and nondiscrimination.

2188
2189 * Sec. 4. (a) The Alaska General Stock Ownership

2189 Corporation shall be created in accordance with this section.

2190 This section constitutes the chartering legislation for the
2191 Alaska General Stock Ownership Corporation as the term is
2192 defined in AS 10.50.645(4).

2193
2193 (b) The governor, the speaker of the house of
2194 representatives, and the president of the senate, shall each
2195 appoint one person to act as incorporators of the Alaska
2196 General Stock Ownership Corporation which shall be formed in
2197 accordance with subchapter U, chapter 1, of the Internal
2197 Revenue Code of 1954, as amended (26 U.S.C. secs. 1391 - 1397)
2198 and AS 10.50. The incorporators shall select nine persons to
2199 act as the initial board of directors of the corporation and
2200 shall submit their names to the governor, to the speaker of the
2201 house of representatives, and to the president of the senate.
2202 A majority of the governor, the speaker of the house of
2203 representatives, and the president of the senate may disapprove
2203 a candidate for the initial board of directors within 15 days
2204 of receipt of the incorporators' nominations.

2206
2206 (c) The articles of incorporation of the Alaska General
2207 Stock Ownership Corporation shall provide that all shareholders
2208 of the corporation shall be residents of the state as defined
2209 in AS 10.50.645(11), and that if a shareholder ceases to be a
2210 resident of the state or his shares pass by operation of law to
2211 a nonresident,

2214 (1) within five years of the date of issuance
2214 of his shares the corporation shall purchase the shares at book
2215 value;
2216

2216 (2) more than five years after the date of
2217 issuance of his shares the shareholder or his executor,
2218 administrator or guardian shall have the right to sell the
2219 shares to the corporation at book value.
2220

2220 (d) There is a special fund of the state known as
2222 the "Alaska General Stock Ownership Corporation loan guarantee
2223 fund," which may not exceed \$5,000,000, which shall be
2224 completely segregated from all other funds of the state, and
2225 which shall be used by the commissioner of revenue to guarantee
2226 loans made to the Alaska General Stock Ownership Corporation by
2227 lenders other than the state solely for initial costs of the
2227 corporation and not for the acquisition by the corporation of
2228 major investments. In guaranteeing a loan, the commissioner of
2229 revenue shall review the loan for the purposes of ascertaining
2230 the general soundness of the proposed loan and guarding against
2231 fraud and misrepresentation. The guarantee of a loan may not
2232 be for an amount in excess of the unobligated balance of the
2232 fund at the time the guarantee is made.
2234

2234 * Sec. 5. In sec. 1 of this Act, AS 10.50.300 has the
2235 effect of changing Rule 23.1, Rules of Civil Procedure, with
2236 respect to shareholder derivative suits brought by the
2237 shareholders of a general stock ownership corporation. The
2238 changes
2239

2239 (1) make provision for notification of
2241 shareholders in the event of dismissal or settlement of the
2242 suit;
2243

10
11
12

2244 (2) require that the plaintiff account to the
2244
2244 corporation for proceeds received by him if the suit is
2245
2245 successful; and

(3) provide that the court may require the

plaintiff to furnish security for the suit.

* Sec. 6. This Act takes effect immediately in accordance

Original sponsors: Duncan, Cotten
Hurlbert, et al

Offered: 3/11/80
Referred: Finance

1 IN THE HOUSE

BY THE STATE AFFAIRS COMMITTEE

2 CS FOR SPONSOR SUBSTITUTE FOR HOUSE BILL NO. 240

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 ELEVENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to general stock ownership corpora-
7 tions and creating the Alaska General Stock Ownership
8 Corporation; changing Rule 23.1, Rules of Civil Proce-
9 dure; and providing for an effective date."

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

11 * Section 1. AS 10 is amended by adding a new chapter to read:

12 CHAPTER 50. GENERAL STOCK OWNERSHIP CORPORATIONS.

13 ARTICLE 1. SUBSTANTIVE PROVISIONS.

14 Sec. 10.50.005. PURPOSES. A general stock ownership corporation
15 may be organized under this chapter for any lawful purpose unless limited
16 by the chartering legislation of a corporation.

17 Sec. 10.50.010. GENERAL STOCK OWNERSHIP CORPORATIONS. (a) A
18 corporation organized under this chapter is a general stock ownership
19 corporation and shall be formed in accordance with subchapter U, chapter
20 1 of the Internal Revenue Code of 1954, as amended (26 U.S.C. secs.
21 1391 - 1397), and with this chapter. A corporation is subject to the
22 provisions of this chapter and subchapter U, chapter 1 of the Internal
23 Revenue Code of 1954 (26 U.S.C. sec. 1391 - 1397).

24 (b) A corporation is not an agency, instrumentality, or political
25 subdivision of the state for any purpose.

26 Sec. 10.50.015. GENERAL POWERS. A corporation may

27 (1) have perpetual succession in its corporate name unless a
28 limited period of duration is stated in its articles of incorporation;

29 (2) sue and be sued in its corporate name;

1 (3) adopt a corporate seal and alter it, and use it by having
2 it or a facsimile of it impressed, affixed or reproduced;

3 (4) buy, lease, or otherwise acquire, own, hold, improve, use
4 and otherwise deal in, real or personal property or any interest in
5 property, except that the corporation may not invest in property ac-
6 quired by it, or for its benefit, through the right of eminent domain;

7 (5) sell or otherwise dispose of all or any part of its
8 property and assets;

9 (6) lend money to its employees other than its officers and
10 directors, and otherwise assist its employees, officers and directors;

11 (7) buy or otherwise acquire, own, hold, vote, use, sell,
12 mortgage, lend, pledge, or otherwise dispose of, and otherwise use and
13 deal in shares or other interests in, or obligations of, other corpora-
14 tions, associations, partnerships or individuals, or in direct or in-
15 direct obligations of the United States or of any other government,
16 state, territory, or municipality or of any instrumentality of them;

17 (8) make contracts and incur liabilities, borrow money at the
18 rates of interest the corporation determines, issue notes, bonds, and
19 other obligations, and secure its obligations by mortgage or pledge of
20 all or any of its property, franchise and income;

21 (9) lend money for its corporate purposes, invest and rein-
22 vest its funds, and take and hold real and personal property as security
23 for the payment of funds loaned or invested;

24 (10) conduct business, carry on operations, and have offices
25 and exercise the powers granted by this chapter in a state, territory,
26 district, or possession of the United States, or in a foreign country;

27 (11) elect or appoint officers and agents of the corporation,
28 define their duties, and fix their compensation;

29 (12) make and alter bylaws not inconsistent with its articles

1 of incorporation or with the laws of the state, for the administration
2 and regulation of the affairs of the corporation;

3 (13) donate for the public welfare or for charitable, scienti-
4 fic or educational purposes, and in time of war donate in aid of war
5 activities;

6 (14) transact lawful business in time of war in aid of the
7 United State in the prosecution of the war;

8 (15) pay pensions and establish pension plans, pension trusts,
9 profit-sharing plans, and other incentive plans for its directors,
10 officers and employees;

11 (16) cease its corporate activities and surrender its corporate
12 franchise;

13 (17) have and exercise the powers of a limited or general
14 partner or a joint adventurer in association with one or more persons,
15 corporations, partnerships or associations;

16 (18) have and exercise lawful powers necessary to carry out
17 the purposes for which the corporation is organized.

18 Sec. 10.50.020. INDEMNIFICATION OF OFFICERS, DIRECTORS, EMPLOYEES
19 AND AGENTS; INSURANCE. (a) A corporation may indemnify a person who
20 was or is a party or is threatened to be made a party to a threatened,
21 pending, or completed action or proceeding, whether civil, criminal,
22 administrative, or investigative, other than an action by or in the
23 right of the corporation, by reason of the fact that he is or was a
24 director, officer, employee or agent of the corporation, or is or was
25 serving at the request of the corporation as a director, officer,
26 employee or agent of another corporation, partnership, joint venture,
27 trust or other enterprise. Indemnification may be against expenses
28 including attorney fees, judgments, fines, and amounts paid in settle-
29 ment actually and reasonably incurred by him in connection with the

1 action or proceeding if he acted in good faith and in a manner he reason-
2 ably believed to be in or not opposed to the best interests of the
3 corporation, and, with respect to a criminal action or proceeding, had
4 no reasonable cause to believe his conduct was unlawful. The termina-
5 tion of an action or proceeding by judgment, order, settlement, convic-
6 tion, or upon a plea of nolo contendere or its equivalent, does not, of
7 itself, create a presumption that the person did not act in good faith
8 and in a manner which he reasonably believed to be in or not opposed to
9 the best interests of the corporation, and, with respect to a criminal
10 action or proceeding, had reasonable cause to believe that his conduct
11 was unlawful.

12 (b) A corporation may indemnify a person who was or is a party or
13 is threatened to be made a party to a threatened, pending or completed
14 action by or in the right of the corporation to procure a judgment in
15 its favor by reason of the fact that he is or was a director, officer,
16 employee, or agent of the corporation, or is or was serving at the re-
17 quest of the corporation as a director, officer, employee, or agent of
18 another corporation, partnership, joint venture, trust or other enter-
19 prise. Indemnification may be against expenses, including attorney
20 fees, actually and reasonably incurred by him in connection with the
21 defense or settlement of the action if he acted in good faith and in a
22 manner he reasonably believed to be in or not opposed to the best inter-
23 ests of the corporation. However, indemnification may not be made for
24 any claim, issue or matter as to which the person has been adjudged to
25 be liable for negligence or misconduct in the performance of his duty to
26 the corporation except to the extent that the court in which the action
27 was brought determines upon application that, despite the adjudication
28 of liability, in view of all the circumstances of the case the person is
29 fairly and reasonably entitled to indemnity for the expenses which the

1 court considers proper.

2 (c) To the extent that a director, officer, employee or agent of a
3 corporation has been successful on the merits or otherwise in defense of
4 an action or proceeding referred to in (a) or (b) of this section, or in
5 defense of any claim, issue or matter in the action or proceeding, he
6 shall be indemnified against expenses, including attorney fees, actually
7 and reasonably incurred by him in connection with it.

8 (d) Indemnification under (a) or (b) of this section, unless
9 ordered by a court, shall be made by the corporation only as authorized
10 in the specific case upon a determination that indemnification of the
11 director, officer, employee or agent is proper in the circumstances
12 because he has met the applicable standard of conduct set out in (a) and
13 (b) of this section. This determination shall be made

14 (1) by the board of directors by a majority vote of a quorum
15 consisting of directors who were not parties to the action or proceed-
16 ing, or

17 (2) if such a quorum is not obtainable, or, even if obtain-
18 able if a quorum of disinterested directors so directs, by independent
19 legal counsel in a written opinion, or

20 (3) by the stockholders.

21 (e) Expenses incurred in defending a civil or criminal action or
22 proceeding may be paid by the corporation in advance of the final dis-
23 position of the action or proceeding as authorized by the board of
24 directors in the specific case upon receipt of an undertaking by or on
25 behalf of the director, officer, employee or agent to repay the amount
26 unless it is ultimately determined that he is entitled to be indemni-
27 fied by the corporation as authorized in this section.

28 (f) The indemnification provided by this section is not exclusive
29 of any other rights to which a person seeking indemnification may be

1 entitled under any bylaw, agreement, vote of stockholders or disinter-
2 ested directors or otherwise, both as to action in his official capacity
3 and as to action in another capacity while holding the office, and
4 continues as to a person who has ceased to be a director, officer,
5 employee or agent, and inures to the benefit of the heirs, executors and
6 administrators of that person.

7 (g) A corporation may purchase and maintain insurance on behalf of
8 a person who is or was a director, officer, employee or agent of the
9 corporation, or is or was serving at the request of the corporation as a
10 director, officer, employee or agent of another corporation, partner-
11 ship, joint venture, trust or other enterprise against any liability
12 asserted against him and incurred by him in such a capacity, or arising
13 out of his status as such, whether or not the corporation would have the
14 power to indemnify him against the liability under the provisions of
15 this section.

16 Sec. 10.50.030. DEFENSE OF ULTRA VIRES. No act of a corporation
17 and no conveyance or transfer of real or personal property to or by a
18 corporation is invalid because the corporation did not have capacity or
19 power to perform the act or to convey or receive the property. However,
20 lack of capacity or power may be asserted as follows.

21 (1) The assertion may be made in a proceeding by a share-
22 holder against the corporation to enjoin the performance of any act or
23 the transfer of real or personal property by or to the corporation. If
24 the unauthorized act or transfer sought to be enjoined is being or to be
25 performed or made under a contract to which the corporation is a party,
26 the court may, if the parties to the contract are parties to the pro-
27 ceeding and if the court considers it equitable, set aside and enjoin
28 the performance of the contract, and in so doing may allow compensation
29 to the corporation or to the other parties to the contract for the loss

1 or damage sustained by either of them resulting from the action of the
2 court in setting aside and enjoining the performance of the contract.
3 The court may not award anticipated profits to be derived from the
4 performance of the contract as a loss or damage sustained.

5 (2) The assertion may be made in a proceeding by the corpora-
6 tion, whether acting directly or through a receiver, trustee, or other
7 legal representative, or through shareholders in a representative suit,
8 against the incumbent or former officers or directors of the corpora-
9 tion.

10 (3) The assertion may be made in a proceeding by the attorney
11 general to dissolve the corporation, or to enjoin the corporation from
12 the transaction of unauthorized business.

13 Sec. 10.50.035. CORPORATE NAME. The corporate name shall contain
14 the words "general stock ownership corporation" or an abbreviation of
15 these words. It may not contain a word or phrase which indicates or
16 implies that it is organized for a purpose other than the purpose con-
17 tained in the articles of incorporation. It may not be the same as, or
18 deceptively similar to, the name of a domestic corporation existing
19 under the laws of the state or a foreign corporation authorized to
20 transact business in the state, or a name which has been reserved or
21 registered as provided in this chapter.

22 Sec. 10.50.040. RESERVATION OF CORPORATE NAME. (a) The exclusive
23 right to the use of a corporate name may be reserved by

24 (1) a person intending to organize a corporation under this
25 chapter;

26 (2) a corporation intending to change its name.

27 (b) Reservation of a corporate name is made by filing an applica-
28 tion with the commissioner. If the commissioner finds that the name is
29 available for corporate use, and not a reserved or registered business

1 name as set out in AS 10.35.010 - 10.35.090, he shall reserve it for the
2 exclusive use of the applicant for a period of two years. A reservation
3 of corporate name may be renewed for one year.

4 (c) The holder of a reserved corporate name may transfer the right
5 to the exclusive use of the corporate name to another person by filing a
6 notice of transfer with the commissioner, signed by the holder and
7 specifying the name and address of the transferee.

8 Sec. 10.50.045. FOREIGN GENERAL STOCK OWNERSHIP CORPORATIONS.
9 Corporations organized under the laws of another state shall be governed
10 according to AS 10.05.

11 Sec. 10.50.050. REGISTERED OFFICE AND REGISTERED AGENT. A corpor-
12 ation shall continuously maintain in the state a registered office which
13 may be, but need not be, the same as its place of business, and a regis-
14 tered agent. The registered agent may be either an individual resident
15 of the state whose business office is the same as the registered office,
16 or a corporation organized under AS 10.05 whose business office is the
17 same as the registered office.

18 Sec. 10.50.055. FILING LIST OF REGISTERED CORPORATIONS WITH SUPER-
19 IOR COURT. The commissioner shall file a list of the name of each
20 corporation, the address of the registered office, and the name and
21 address of the registered agent with each clerk of the superior court.
22 The commissioner shall provide a periodic supplement to the list indi-
23 cating additions, deletions and changes at least once every six months.
24 The commissioner shall make the list available to the public for a fee
25 prescribed by him.

26 Sec. 10.50.060. CHANGE OF REGISTERED OFFICE OR AGENT. (a) A
27 corporation may change its registered office, agent, or both, by filing
28 with the department a verified statement signed by the president or
29 vice-president setting out

- 1 (1) the name of the corporation;
- 2 (2) the address of its registered office;
- 3 (3) the address of its new registered office if the regis-
- 4 tered office is to be changed;
- 5 (4) the name of its registered agent;
- 6 (5) the name of its new registered agent, if its registered
- 7 agent is to be changed;
- 8 (6) that the change is authorized by resolution of its board
- 9 of directors.

10 (b) If the commissioner finds that the verified statement complies
11 with this chapter, he shall file it in his office. The change becomes
12 effective when the statement is filed.

13 Sec. 10.50.065. REGISTRATION OF REGISTERED AGENT. (a) If the
14 registered agent of a corporation changes the location of his office
15 from one address to another within a city or town, or from one city or
16 town in the state to another, he may change the registered office for
17 each corporation for whom he is acting as registered agent by filing in
18 the office of the commissioner a statement setting out

- 19 (1) the name of the agent;
- 20 (2) the address of his office before change;
- 21 (3) the address to which the office is changed; and
- 22 (4) a list of corporations for whom he is furnishing a regis-
- 23 tered office.

24 (b) The statement in (a) of this section must be executed by the
25 registered agent in his individual name and, if the agent is a corpora-
26 tion it must be executed by its president or a vice-president and veri-
27 fied by him. The statement must be delivered to the commissioner and if
28 he finds that the statement complies with this chapter, he shall file it
29 in his office. The change becomes effective when the statement is

1 filed.

2 (c) A registered agent may resign by filing a written notice,
3 executed in duplicate, with the commissioner. The written notice of
4 resignation shall set out the latest address of the principal office of
5 the corporation and the names, addresses and titles of the most recent
6 officers of the corporation known by the agent. The commissioner shall
7 immediately mail a copy of the notice to the corporation at its princi-
8 pal office. The appointment of the agent terminates 30 days after
9 receipt of the notice by the commissioner.

10 Sec. 10.50.070. SERVICE OF PROCESS ON CORPORATION. (a) The
11 registered agent of a corporation is an agent upon whom process, notice
12 or demand required or permitted by law to be served upon the corporation
13 may be served.

14 (b) When a corporation fails to appoint or maintain a registered
15 agent in the state, or when its registered agent cannot, with reasonable
16 diligence, be found at the registered office, the commissioner is an
17 agent of the corporation upon whom the process, notice, or demand may be
18 served. Service is made upon the commissioner as agent by leaving with
19 him, or with a clerk having charge of the corporation department of his
20 office, duplicate copies of the process, notice or demand. When process,
21 notice or demand is served on the commissioner, he shall immediately
22 forward a copy of it by registered mail to the corporation at its regis-
23 tered office. Service on the commissioner is returnable in not less
24 than 30 days.

25 (c) The commissioner shall keep a record of processes, notices and
26 demands served upon him showing the time of service and his action with
27 reference to the service. This chapter does not limit or affect the
28 right to serve process, notice or demand required or permitted by law to
29 be served upon a corporation in any other manner permitted by law.

1 Sec. 10.50.075. CREATION AND ISSUANCE OF SHARES. A corporation
2 may create and issue the number of shares stated in its articles of
3 incorporation and as provided in AS 10.50.320(a)(5) - (7). The shares
4 shall be without par value.

5 Sec. 10.50.080. CONSIDERATION FOR SHARES. (a) Shares may be
6 issued without consideration or for consideration fixed by the share-
7 holders before the issuance. Consideration for shares shall be fixed by
8 a vote of a majority of the shares voting on the issue.

9 (b) Treasury shares may be disposed of by the corporation for
10 consideration not more than the book value of the shares.

11 Sec. 10.50.085. PAYMENT FOR SHARES. (a) Consideration for the
12 issuance of shares if required may be paid, in whole or in part, in
13 money, in other property, tangible or intangible, or in labor or ser-
14 vices actually performed for the corporation. When payment of the
15 consideration for shares is received by the corporation, the shares are
16 considered fully paid and nonassessable.

17 (b) A promissory note or future service does not constitute pay-
18 ment or part payment for shares of a corporation.

19 Sec. 10.50.090. JUDGMENT OF BOARD OR SHAREHOLDER AS TO VALUE OF
20 CONSIDERATION CONCLUSIVE. In the absence of fraud in the transaction,
21 the judgment of the board of directors or the shareholders as to the
22 value of the consideration received for shares is conclusive.

23 Sec. 10.50.095. EXPENSES OF ORGANIZATION, REORGANIZATION AND
24 FINANCING. The reasonable charges and expenses of organization or
25 reorganization of a corporation, and the reasonable expenses of and
26 compensation for the sale or underwriting of its shares, may be paid or
27 allowed by the corporation out of the consideration received by it in
28 payment for its shares without rendering the shares not fully paid and
29 nonassessable.

1 Sec. 10.50.100. CERTIFICATES REPRESENTING SHARES. The shares of a
2 corporation shall be represented by certificates signed by the president
3 or vice-president and the secretary or an assistant secretary of the
4 corporation, and may be sealed with the seal of the corporation or a
5 facsimile of the seal. The signatures of the president or vice-presi-
6 dent and the secretary or assistant secretary on a certificate may be
7 facsimiles if the certificate is countersigned by a transfer agent, or
8 registered by a registrar, other than the corporation itself or an
9 employee of the corporation. If an officer who has signed or whose
10 facsimile signature has been placed on a certificate ceases to be an
11 officer before the certificate is issued, it may be issued by the cor-
12 poration with the same effect as if he were an officer at the date of
13 its issue.

14 Sec. 10.50.105. INFORMATION REQUIRED TO BE STATED ON CERTIFICATE.
15 Each certificate representing shares shall state on the face

16 (1) that the corporation is organized under the laws of the
17 state;

18 (2) the name of the person to whom issued;

19 (3) the number of shares which the certificate represents;

20 (4) a statement that the shares are without par value.

21 Sec. 10.50.110. FULL PAYMENT REQUIRED FOR CERTIFICATE. A certi-
22 ficate may not be issued for a share until the share is fully paid if
23 consideration is required.

24 Sec. 10.50.115. ISSUANCE OF FRACTIONAL SHARES. (a) A corporation
25 may issue a certificate for a fractional share.

26 (b) A certificate for a fractional share entitles the holder to
27 exercise voting rights, to receive dividends, and to participate in the
28 assets of the corporation in the event of liquidation.

29 Sec. 10.50.120. LIABILITY OF SUBSCRIBERS AND SHAREHOLDERS. (a) A

1 holder of or subscriber to shares of a corporation is under no obliga-
2 tion to the corporation or its creditors with respect to the shares
3 other than the obligation to pay to the corporation the full considera-
4 tion for which the shares were issued or to be issued.

5 (b) An assignee or transferee of shares or of a subscription for
6 shares in good faith and without knowledge or notice that the full
7 consideration has not been paid is not personally liable to the corpora-
8 tion or its creditors for any unpaid portion of the consideration.

9 (c) An executor, administrator, conservator, guardian, trustee,
10 assignee for the benefit of creditors, or receiver is not personally
11 liable to the corporation as a holder of or subscriber to shares of a
12 corporation but the estate and funds held by him are liable.

13 (d) A pledgee or other holder of shares as collateral security is
14 not personally liable as a shareholder.

15 Sec. 10.50.125. BYLAWS. The board of directors shall adopt the
16 initial bylaws of a corporation in accordance with AS 10.50.335. The
17 power to alter, amend or repeal the bylaws or to adopt new bylaws is
18 vested in the board of directors and the shareholders. The bylaws may
19 contain provisions for the regulation and management of the affairs of
20 the corporation consistent with law and the articles of incorporation.

21 Sec. 10.50.130. MEETINGS OF SHAREHOLDERS. (a) Meetings of share-
22 holders shall be held in the state, as may be provided in the bylaws.
23 The board of directors shall designate the place of the meeting.

24 (b) An annual meeting of the shareholders shall be held at the
25 time provided in the bylaws. Failure to hold the annual meeting at the
26 designated time does not work a forfeiture or dissolution of the corpora-
27 tion.

28 (c) Special meetings of the shareholders may be called by the
29 president, by the board of directors, by the holders of not less than

1 1,000 shares, or by the other officers or persons provided in the
2 articles of incorporation or the bylaws.

3 (d) The shareholders of a corporation may participate in a meeting
4 of the shareholders by communicating simultaneously with the other
5 shareholders from places designated in the notice of meeting by means of
6 conference telephones or other communications equipment, so long as all
7 shareholders participating in the meeting can hear one another.

8 Sec. 10.50.135. NOTICE OF SHAREHOLDERS' MEETINGS. (a) Beginning
9 not less than 150 days before a meeting of shareholders, the corporation
10 shall, at least weekly, notify the shareholders of the time and manner
11 in which (1) nominations for the board of directors of the corporation
12 may be made and (2) issues may be placed on the corporation ballot for
13 consideration by the shareholders. Notice shall be by publication in
14 newspapers in all regions of the state and shall appear at least weekly
15 for not less than four weeks.

16 (b) Written or printed notice stating the place, day and hour of
17 the meeting and, in case of a special meeting, the purpose for which the
18 meeting is called, shall be delivered not less than 60 nor more than 90
19 days before the date of the meeting, either personally or by mail, by or
20 at the direction of the president, the secretary, or the officer or
21 persons calling the meeting, to each shareholder of record entitled to
22 vote at the meeting. If mailed, the notice is considered delivered when
23 deposited in the United States mail addressed to the shareholder at his
24 address as it appears on the stock transfer books of the corporation,
25 with postage prepaid.

26 Sec. 10.50.140. CLOSING OF TRANSFER BOOKS AND FIXING RECORD DATE.

27 (a) To determine the shareholders entitled to notice of or to vote at a
28 meeting of shareholders or an adjournment of a meeting, or entitled to
29 receive payment of a dividend, or in order to make a determination of

1 shareholders for any other proper purpose, the board of directors of a
2 corporation may provide that the stock transfer books shall be closed
3 for a stated period not exceeding 90 days. If the stock transfer books
4 are closed to determine shareholders entitled to notice of or to vote at
5 a meeting of shareholders, they shall be closed for at least 60 days
6 immediately preceding the meeting.

7 (b) Instead of closing the stock transfer books, the bylaws, or in
8 the absence of an applicable bylaw the board of directors, may fix in
9 advance a date as the record date for the determination of shareholders.
10 This record date shall be not more than 90 days and, in case of a meet-
11 ing of shareholders, not less than 60 days before the date on which the
12 particular action requiring the determination of shareholders is to be
13 taken. If the stock transfer books are not closed and no record date is
14 fixed for the determination of shareholders entitled to notice of or to
15 vote at a meeting of shareholders, or shareholders entitled to receive
16 payment of a dividend, the date on which notice of the meeting is mailed
17 or the date on which the resolution of the board of directors declaring
18 the dividend is adopted is, as the case may be, the record date for the
19 determination of shareholders. When a determination of shareholders
20 entitled to vote at a meeting of shareholders is made, the determination
21 applies to an adjournment of the meeting except when the determination
22 has been made through the closing of the stock transfer books and the
23 stated period of closing has expired.

24 Sec. 10.50.145. VOTING LIST. (a) At least 60 days before each
25 meeting of shareholders, the officer or agent having charge of the stock
26 transfer books for shares of a corporation shall make a list of the
27 shareholders entitled to vote at the meeting or an adjournment of the
28 meeting, arranged in alphabetical order, with the address of and the
29 number of shares held by each. The list shall be kept on file at the

1 registered office of the corporation and is subject to inspection by a
2 shareholder at any time during usual business hours for a period of 60
3 days before the meeting. The list shall also be produced and kept open
4 at the time and place of the meeting and shall be subject to the inspec-
5 tion of a shareholder during the meeting. The original stock transfer
6 books are prima facie evidence as to who are the shareholders entitled
7 to examine the list or transfer books or to vote at a meeting of share-
8 holders.

9 (b) Failure to comply with the requirements of this section does
10 not affect the validity of the action taken at the meeting.

11 Sec. 10.50.150. QUORUM OF SHAREHOLDERS. One-third of the shares
12 entitled to vote, represented in person or by ballots, constitutes a
13 quorum at a meeting of shareholders. Each outstanding share is entitled
14 to one vote on each matter submitted to a vote at a meeting of share-
15 holders. If a quorum is present, the affirmative vote of the majority
16 of the shares represented at the meeting and entitled to vote on the
17 subject matter is the act of the shareholders, unless the vote of a
18 great number is required by this chapter or the articles of incorpora-
19 tion or the bylaws.

20 Sec. 10.50.155. PROXY VOTING PROHIBITED. A shareholder may not
21 vote by proxy.

22 Sec. 10.50.160. VOTING FOR DIRECTORS. At an election for direc-
23 tors every shareholder entitled to vote may vote the number of shares
24 owned by him for as many persons as there are directors to be elected
25 and for whose election he has a right to vote. Shareholders may not
26 cumulate their votes.

27 Sec. 10.50.165. VOTING OF SHARES IN THE NAME OF ANOTHER. (a)
28 Shares held by an administrator, executor, guardian or conservator may
29 be voted by him, either in person or by ballot, without a transfer of

1 the shares into his name.

2 (b) Shares standing in the name of a receiver may be voted by him,
3 and shares held by or under the control of a receiver may be voted by
4 him without the transfer of the shares into his name if authority to do
5 so is contained in an appropriate order of the court by which the
6 receiver was appointed.

7 Sec. 10.50.170. VOTING OF PLEDGED SHARES. A shareholder whose
8 shares are pledged may vote the shares until they have been transferred
9 into the name of the pledgee, and thereafter the pledgee may vote the
10 shares so transferred.

11 Sec. 10.50.175. CORPORATION BALLOT. (a) The corporation shall
12 prepare one ballot for each meeting of the shareholders. The ballot
13 shall be mailed to the shareholders with the notice of meeting. Candi-
14 dates for the board of directors and proposals for shareholder consider-
15 ation shall be included in the ballot as provided in this section.

16 (b) A candidate for director shall be nominated by

17 (1) a resolution adopted by the board of directors; or

18 (2) a petition signed by at least 1,000 shareholders and
19 filed with the secretary of the corporation at least 120 days before the
20 meeting at which the election is to be held.

21 (c) A proposal for amendment of the bylaws or other proper corpor-
22 ate purpose shall be included on the ballot if authorized by

23 (1) a resolution adopted by the board of directors setting
24 out the proposal and directing that it be submitted to a vote at the
25 meeting of shareholders; or

26 (2) a petition, setting out the proposal and directing that
27 it be submitted to a vote at the next meeting of shareholders, signed by
28 at least 1,000 shareholders and filed with the secretary of the corpora-
29 tion at least 120 days before the next meeting of shareholders.

1 (d) A written or printed notice setting out the candidates' quali-
2 fications for office or the proposals to be put to a vote of the share-
3 holders and any materials in opposition to the proposals shall be given
4 to each shareholder of record entitled to vote within the time and in
5 the manner provided in this chapter for the giving of notice of meetings
6 of shareholders.

7 Sec. 10.50.180. BOARD OF DIRECTORS. (a) The business and affairs
8 of a corporation shall be managed by a board of directors. At least
9 three-quarters of the board of directors including the chairman of the
10 board of directors must be residents of the state. The articles of
11 incorporation or bylaws may prescribe other qualifications for direc-
12 tors. The compensation of directors shall be fixed by the bylaws.

13 (b) A director is entitled to attend any meeting of a committee of
14 the board of directors whether or not he is a member of the committee.
15 A director is entitled to inspect all records of any committee of the
16 board of directors.

17 (c) An officer or employee of the corporation may not serve as a
18 member of the board of directors.

19 Sec. 10.50.185. NUMBER OF DIRECTORS. (a) The number of directors
20 of a corporation shall be at least three. The number of directors shall
21 be fixed by the bylaws, except that the number constituting the initial
22 board of directors shall be fixed by the chartering legislation.

23 (b) The number of directors may be increased or decreased by
24 amendment to the bylaws, but a decrease may not shorten the term of an
25 incumbent director.

26 (c) In the absence of a bylaw fixing the number of directors, the
27 number shall be the same as that stated in the chartering legislation.

28 (d) The board of directors shall be divided into two classes, each
29 class to be as nearly equal in number as possible, with the term of

1 office of directors of the first class to expire at the first annual
2 meeting of shareholders after their election, that of the second class
3 to expire at the second annual meeting after their election. At each
4 annual meeting after the classification the number of directors equal to
5 the number of the class whose term expires at the time of the meeting
6 shall be elected to hold office until the second succeeding annual
7 meeting if there are two classes. No classification of directors is
8 effective prior to the first annual meeting of shareholders.

9 Sec. 10.50.190. ELECTION OF DIRECTORS. At the first annual meet-
10 ing of shareholders and at each annual meeting thereafter the share-
11 holders shall elect directors. Each director holds office for the term
12 for which he is elected and until his successor is elected and quali-
13 fied.

14 Sec. 10.50.195. VACANCIES. A vacancy occurring in the board of
15 directors may be filled by the affirmative vote of a majority of the
16 remaining directors though the majority is less than a quorum of the
17 board. A director elected by the board of directors to fill a vacancy
18 shall serve until the next annual meeting. The shareholders shall elect
19 a director for the unexpired term, if any, of the director's position to
20 which the board elected his predecessor. A directorship to be filled by
21 reason of an increase in the number of directors shall be filled by
22 election at an annual meeting or at a special meeting of shareholders
23 called for that purpose. In no case may a vacancy continue for longer
24 than six months or until the next annual meeting, whichever occurs
25 first.

26 Sec. 10.50.200. QUORUM OF DIRECTORS. A majority of the number of
27 directors fixed by the bylaws, or in the absence of a bylaw fixing the
28 number of directors, then of the number stated in the articles of incor-
29 poration, constitutes a quorum for the transaction of business unless a

1 greater number is required by the articles of incorporation or the
2 bylaws. The act of the majority of the directors present at a meeting
3 at which a quorum is present is the act of the board of directors,
4 unless the act of a greater number is required by the articles of incor-
5 poration or the bylaws.

6 Sec. 10.50.205. PLACE AND NOTICE OF DIRECTORS' MEETINGS. (a)
7 Regular or special meetings of the board of directors maybe held only in
8 the state.

9 (b) Regular meetings of the board of directors may be held with or
10 without notice as prescribed in the bylaws. Special meetings of the
11 board of directors shall be held after the notice prescribed in the
12 bylaws. Attendance of a director at a meeting constitutes a waiver of
13 notice of the meeting, except when a director attends a meeting for the
14 express purpose of objecting to the transaction of any business because
15 the meeting is not lawfully called or convened. The business to be
16 transacted or the purpose of a special meeting of the board of directors
17 must be specified in the notice or waiver of notice of the meeting.

18 Sec. 10.50.210. PARTICIPATION BY TELEPHONE. The members of the
19 board of directors of a corporation, or a committee designated by it,
20 may participate in a meeting of the board or committee by communicating
21 simultaneously with each other by means of conference telephones or
22 similar communications equipment, so long as all members participating
23 in the meeting can hear one another. Participation in a meeting under
24 this section constitutes presence in person at the meeting.

25 Sec. 10.50.215. DISTRIBUTIONS. (a) Except for distributions
26 required to comply with subchapter U, chapter 1 of the Internal Revenue
27 Code of 1954, as amended (26 U.S.C. secs. 1391 - 1397), a corporation
28 may not make a distribution to its shareholders unless

29 (1) the amount of the retained earning of the corporation

1 immediately before the proposed distribution equals or exceeds the
2 amount of the proposed distribution; or

3 (2) immediately after giving effect to the proposed distribu-
4 tion

5 (A) the sum of the assets of the corporation, exclusive
6 of goodwill, capitalized research and development expenses and
7 deferred charges would be at least equal to one and one-fourth
8 times its liabilities, not including deferred taxes, deferred
9 income and other deferred credits; and

10 (B) the current assets of the corporation would be at
11 least equal to its current liabilities or, if the average of the
12 earnings of the corporation before taxes on income and before
13 interest expense for the two preceding fiscal years was less than
14 the average of the interest expense of the corporation for those
15 fiscal years, at least equal to one and one-fourth times its current
16 liabilities.

17 (b) In determining the amount of the assets of the corporation, no
18 appreciation in value not yet realized may in any event be included,
19 except for readily marketable securities, and profits derived from an
20 exchange of assets may not be included unless the assets received are
21 currently realizable in cash.

22 (c) For the purpose of this section "current assets" may include
23 net amounts which the board has determined in good faith may reasonably
24 be expected to be received from customers during the 12-month period
25 used in calculating current liabilities under existing contractual
26 relationships obligating the customers to make fixed or periodic pay-
27 ments during the term of the contract, after giving effect to future
28 costs not then included in current liabilities but reasonably expected
29 to be incurred by the corporation in performing the contracts.

1 (d) The amount of a distribution payable in property shall, for
2 the purpose of this chapter, be determined on the basis of the value at
3 which the property is carried on the corporation's financial statements
4 in accordance with generally accepted accounting principles.

5 (e) Subparagraph (a)(2)(B) of this section does not apply to a
6 corporation which does not classify its assets into current and fixed
7 assets under generally accepted accounting principles.

8 Sec. 10.50.220. DISTRIBUTIONS IN PARTIAL LIQUIDATION. The board
9 of directors may, from time to time, distribute to its shareholders in
10 partial liquidation a portion of its assets, subject to the following
11 provisions:

12 (1) A distribution may not be made at a time when the corpor-
13 ation is insolvent or when the distribution would render the corporation
14 insolvent.

15 (2) A distribution may not be made unless the distribution is
16 authorized by the affirmative vote of the holders of at least two-thirds
17 of the shares voting on the issue at a meeting of shareholders.

18 (3) Each distribution, when made, shall be identified as a
19 distribution in partial liquidation and the amount per share disclosed
20 to the shareholders concurrently with the distribution.

21 Sec. 10.50.225. CERTAIN LOANS PROHIBITED. A loan may not be made
22 by a corporation to its officers or directors, and a loan may not be
23 made by a corporation secured by its shares.

24 Sec. 10.50.230. LIABILITY OF DIRECTORS IN CERTAIN CASES. (a)
25 Directors who vote for or assent to the declaration of a dividend or
26 other distribution of the assets of a corporation to its shareholders
27 contrary to the provisions of this chapter or contrary to restrictions
28 contained in the articles of incorporation are jointly and severally
29 liable to the corporation for the amount of the dividend paid, or the

1 value of assets distributed in excess of the amount of the dividend or
2 distribution which could have been paid or distributed without a viola-
3 tion of the provisions of this chapter or the restrictions in the arti-
4 cles of incorporation.

5 (b) Directors who vote for or assent to the purchase by a corpora-
6 tion of its own shares contrary to the provisions of this chapter are
7 jointly and severally liable to the corporation for the amount of consi-
8 deration paid in excess of the maximum amount which could have been paid
9 without a violation of the provisions of this chapter.

10 (c) The directors who vote for or assent to the distribution of
11 assets of a corporation to its shareholders during the liquidation of
12 the corporation without the payment and discharge of, or making adequate
13 provision for, all known debts, obligations, and liabilities of the
14 corporation are jointly and severally liable to the corporation for the
15 value of the assets distributed, to the extent that the debts, obliga-
16 tions and liabilities of the corporation are not paid and discharged.

17 (d) The directors who vote for or assent to the making of a loan
18 to an officer or director of the corporation, or the making of a loan
19 secured by shares of the corporation, are jointly and severally liable
20 to the corporation for the amount of the loan until it is repaid.

21 Sec. 10.50.235. EFFECT OF GOOD FAITH RELIANCE ON FINANCIAL STATE-
22 MENTS OR BOOK VALUE. A director is not liable under AS 10.50.230(a),
23 (b) or (c) if

24 (1) he relied and acted in good faith upon financial state-
25 ments of the corporation represented to him to be correct by the presi-
26 dent or the officer of the corporation having charge of its books of
27 account, or certified by an independent public or certified public
28 accountant or firm of certified public accountants fairly to reflect the
29 financial condition of the corporation; or

1 (2) in good faith in determining the amount available for a
2 dividend or distribution he considered the assets to be of their book
3 value.

4 Sec. 10.50.240. PRESUMPTION OF CONSENT OF DIRECTOR AND FILING OF
5 DISSENT. A director present at a meeting of the board of directors at
6 which action on a corporate matter is taken is presumed to have assented
7 to the action taken unless his dissent is entered in the minutes of the
8 meeting or unless he files his written dissent to the action with the
9 person acting as secretary of the meeting before its adjournment or
10 forwards his dissent by registered mail to the secretary of the corpora-
11 tion within five days after the adjournment of the meeting. The right
12 to dissent does not apply to a director who voted in favor of the
13 action.

14 Sec. 10.50.245. DIRECTOR'S RIGHT TO CONTRIBUTION. A director
15 against whom a claim is asserted under AS 10.50.230 - 10.50.240 is
16 entitled to contribution from the other directors who voted for or
17 assented to the action upon which the claim is asserted.

18 Sec. 10.50.250. OFFICERS. The officers of a corporation consist
19 of a president, one or more vice-presidents as prescribed by the bylaws,
20 a secretary, and a treasurer. Each of the officers shall be elected by
21 the board of directors at the time and in the manner prescribed by the
22 bylaws. Other necessary officers and assistant officers and agents may
23 be elected or appointed by the board of directors or chosen in the
24 manner prescribed by the bylaws. Two or more offices may be held by the
25 same person, except the offices of president and secretary.

26 Sec. 10.50.255. DUTIES OF OFFICERS. Officers and agents of the
27 corporation, as between themselves and the corporation, may perform
28 duties in the management of the corporation as provided in the bylaws,
29 or as determined by resolution of the board of directors not inconsis-

1 tent with the bylaws.

2 Sec. 10.50.260. REMOVAL OF OFFICERS. An officer or agent may be
3 removed by the board of directors when, in its judgment, the best inter-
4 ests of the corporation will be served. Removal is without prejudice to
5 the contract rights of the person removed. Election or appointment of
6 an officer or agent does not of itself create contract rights.

7 Sec. 10.50.265. BOOKS AND RECORDS. (a) A corporation organized
8 under this chapter shall keep correct and complete books and records of
9 account, minutes of the proceedings of its shareholders and board of
10 directors, and a record of its shareholders, containing the names and
11 addresses of all shareholders and the number and class of the shares
12 held by each.

13 (b) A corporation organized under this chapter shall make these
14 books and records, or certified copies of them, reasonably available for
15 inspection at the registered office or principal place of business in
16 the state by the Department of Commerce and Economic Development or a
17 shareholder described by AS 10.50.270.

18 Sec. 10.50.270. SHAREHOLDER'S RIGHT TO EXAMINE BOOKS AND RECORDS.
19 A shareholder, upon written demand stating the purpose of the demand,
20 may, in person or by agent or attorney, at a reasonable time for a
21 proper purpose, examine and make extracts from its books and records of
22 account, minutes and record of shareholders.

23 Sec. 10.50.275. LIABILITY FOR REFUSAL OF EXAMINATION. An officer
24 or agent who, or a corporation which, refuses to allow a shareholder, or
25 his agent or attorney, to examine and make extracts from its books and
26 records of account, minutes, and record of shareholders, for a proper
27 purpose, is liable to the shareholder in a penalty of \$1,000 for each
28 day, in addition to other damages or remedy given him by law. It is a
29 defense to an action for penalties under this section that the person

1 suing has within two years sold or offered for sale a list of share-
2 holders of the corporation or any other corporation or has aided or
3 abetted a person in procuring a list of shareholders for this purpose,
4 or has improperly used information secured through a prior examination
5 of the books and records of account, or minutes, or record of share-
6 holders of the corporation or any other corporation, or was not acting
7 in good faith or for a proper purpose in making his demand.

8 Sec. 10.50.280. COURT MAY COMPEL INSPECTION. AS 10.50.265 - 10.-
9 50.285 do not impair the power of a competent court, upon proof by a
10 shareholder of proper purpose, to compel the production for examination
11 by the shareholder of the books and records of account, minutes, and
12 record of shareholders of a corporation.

13 Sec. 10.50.285. SHAREHOLDERS' RIGHT TO FINANCIAL STATEMENT. Upon
14 the written request of a shareholder of a corporation, the corporation
15 shall mail to the shareholder its most recent financial statements
16 showing in reasonable detail its assets and liabilities and the results
17 of its operations.

18 Sec. 10.50.290. REMOVAL OF DIRECTORS BY SUPERIOR COURT. The
19 superior court may upon an action filed by the attorney general or at
20 least 100 shareholders of at least 18 years of age, remove from office
21 any director in case of fraudulent or dishonest acts or gross abuse of
22 authority or discretion with reference to the corporation and may bar
23 from reelection a director so removed for a period prescribed by the
24 court. The corporation shall be made a party to the action.

25 Sec. 10.50.295. SHAREHOLDER REMOVAL OF DIRECTORS. (a) The entire
26 board of directors, an initial director, or a director elected by the
27 board of directors may be removed from office by the affirmative vote of
28 the holders of a majority of the shares voting at an annual or special
29 meeting for which notice of the proposal has been given.

1 (b) An individual director may be removed if the majority of votes
2 cast for his removal exceeds the number of votes he received at the last
3 preceding election during which he was a candidate for the office of
4 director.

5 Sec. 10.50.300. SHAREHOLDERS' DERIVATIVE ACTION. (a) An action
6 may be brought on behalf of a corporation, by a shareholder of the
7 corporation, for a judgment in its favor.

8 (b) A person bringing suit under this section must be a share-
9 holder at the time of bringing the action, and must have been a share-
10 holder at the time of the transaction of which he complains or have
11 received his shares by operation of law at that time.

12 (c) In an action under this section, the complaint shall set out
13 with particularity the efforts of the plaintiff to secure the initiation
14 of an action by the board of directors or the reasons for not making
15 those efforts.

16 (d) An action under this section may not be discontinued, com-
17 promised or settled, without the approval of the court having jurisdic-
18 tion of the action. If the court determines that the interests of the
19 shareholders will be substantially affected by a discontinuance, com-
20 promise, or settlement, the court, in its discretion, may direct that
21 notice, by publication or otherwise, be given to the shareholders whose
22 interests it determines will be affected. If notice is required, the
23 court may determine which one or more of the parties to the action must
24 bear the expense of giving the notice, in an amount the court determines
25 and finds to be reasonable, and the amount determined shall be awarded
26 as special costs of the action and recoverable by the prevailing party.

27 (e) If the action on behalf of the corporation is successful, in
28 whole or in part, or if anything is received by the plaintiff as the
29 result of a judgment, compromise or settlement of an action, the court

1 may award the plaintiff reasonable expenses, including reasonable attor-
2 ney fees, and shall direct the plaintiff to account to the corporation
3 for the remainder of the proceeds received by him. This subsection does
4 not apply to a judgment rendered only for the benefit of an injured
5 shareholder and limited to a recovery of the loss or damage sustained by
6 him.

7 (f) In an action under this section, at any time within 30 days
8 after service of summons upon the corporation or upon any defendant who
9 is an officer or director of the corporation, or who held such office at
10 the time of the transaction complained of, the corporation or other
11 defendant may move the court for an order, upon notice and hearing,
12 requiring the plaintiff to furnish security. The motion shall be based
13 upon one or both of the following grounds:

14 (1) that there is no reasonable possibility that the prosecu-
15 tion of the cause of action alleged in the complaint will benefit the
16 corporation or its shareholders; or

17 (2) that the moving party, if other than the corporation, did
18 not participate in the transaction complained of in any capacity.

19 (g) If the court determines, after hearing the evidence adduced by
20 the parties, that the moving party has established by a preponderance of
21 the evidence any of the grounds upon which the motion is based, the
22 court shall fix the nature and amount of security, not to exceed \$50,000,
23 to be furnished by the plaintiff for reasonable expenses, including
24 attorney fees, which may be incurred by the moving party or the corpora-
25 tion in connection with the action, including expenses for which the
26 corporation may become liable under this chapter. A ruling by the court
27 on the motion is not considered a determination of any issue in the
28 action or of its merits. The amount of the security may be increased or
29 decreased in the discretion of the court upon a showing that the secur-

1 ity provided has or may become inadequate or excessive, but the court
2 may not increase the total amount of the security beyond \$50,000 in the
3 aggregate for all defendants. If the court, upon motion, decides that
4 security must be furnished by the plaintiff as to any one or more defen-
5 dants, the action shall be dismissed as to the defendant or defendants,
6 unless the security required by the court is furnished within a reason-
7 able time fixed by the court. The corporation and the moving party have
8 recourse to the security in the amount the court determines upon the
9 termination of the action.

10 (h) If the plaintiff, before an order or determination pursuant to
11 a motion under (f) of this section, posts bond in the aggregate amount
12 of \$50,000 to secure the reasonable expenses of the parties entitled to
13 make the motion, the plaintiff has complied with the requirements of
14 this section and with any order for security. A pending motion under
15 (f) of this section shall be dismissed and no further or additional bond
16 or other security may be required.

17 (i) If a motion is filed under (f) of this section, no pleadings
18 need be filed by the corporation or any other defendant and the prosecu-
19 tion of the action shall be stayed until 10 days after the motion has
20 been disposed of.

21 Sec. 10.50.305. FRAUDULENT TRANSFERS OF SHARES. An individual who
22 transfers or obtains shares of the corporation, or in his capacity as
23 legal guardian obtains shares of the corporation for another, through
24 fraud, misrepresentation, or any deceitful or illegal means is guilty of
25 a felony.

26 Sec. 10.50.310. POLITICAL ACTIVITIES. (a) A corporation may not

27 (1) make contributions or spend money to influence the nomina-
28 tion or election of a candidate for office or the outcome of a ballot
29 proposition or question;

1 (2) endorse a candidate for office or any side of a ballot
2 proposition or question;

3 (3) make any expenditures, including reimbursement for travel
4 and living expenses, or employ any person for the purpose of influencing
5 legislative action.

6 (b) A corporation that knowingly violates this section or that
7 knowingly causes, participates in, aids, or confirms a violation of this
8 section is, upon conviction, punishable by a fine of not more than
9 \$10,000 for each offense.

10 (c) An individual who knowingly violates this section, whether
11 acting for himself, on behalf of an employer, or in concert with another
12 person, is, upon conviction, guilty of a misdemeanor.

13 (d) An individual who knowingly causes, participates in, aids, or
14 confirms any violation of this section is, upon conviction, guilty of a
15 misdemeanor.

16 ARTICLE 2. FORMATION OF CORPORATIONS.

17 Sec. 10.50.315. INCORPORATORS. Three or more natural persons at
18 least 18 years of age may act as incorporators of a corporation by
19 signing, verifying and delivering in duplicate to the commissioner
20 articles of incorporation for the corporation.

21 Sec. 10.50.320. ARTICLES OF INCORPORATION. (a) The articles of
22 incorporation of a corporation shall set out

- 23 (1) the name of the corporation;
24 (2) the period of duration, which may be perpetual;
25 (3) the purpose or purposes for which the corporation is
26 organized;
27 (4) the aggregate number of shares which the corporation may
28 issue;
29 (5) that only one class of stock may be issued by the cor-

1 poration;

2 (6) that shares of stock may be issued only to individuals
3 who were residents of the state on the effective date of its chartering
4 legislation and who continued to be residents until the date of issuance
5 of the shares;

6 (7) that at least one share of stock shall be issued to each
7 individual eligible under (6) of this subsection, unless that individual
8 elects within one year after the date of issuance not to receive the
9 share;

10 (8) that no share of stock may be voluntarily or involun-
11 tarily transferred

12 (A) or encumbered by a shareholder, other than by will
13 or under the laws relating to intestate succession, until five
14 years after the date of issuance of the share, except if the share-
15 holder ceases to be a resident of the state;

16 (B) to an individual other than one who is a resident on
17 the date of transfer;

18 (C) to an individual who, after the transfer, would own
19 more than 10 shares of stock of the corporation;

20 (D) or encumbered by a shareholder under 18 years of age
21 or encumbered by that shareholder's parent or legal guardian;

22 (9) that the corporation must qualify as a general stock
23 ownership corporation under subchapter U of the Internal Revenue Code of
24 1954, as amended (26 U.S.C. secs. 1391 - 1397);

25 (10) any other provision consistent with law which the incor-
26 porators elect to set out in the articles of incorporation for the
27 regulation of the internal affairs of the corporation, including a
28 provision which, under this chapter, is required or permitted to be set
29 out in the bylaws;

1 (11) the address of its initial registered office, and the
2 name of its initial registered agent at that address;

3 (12) the number of directors constituting the initial board of
4 directors and the names and addresses of the persons who are to serve as
5 directors until their successors are elected and qualify;

6 (13) the name and address of each incorporator.

7 (b) It is not necessary to set out in the articles of incorpora-
8 tion any of the corporate powers enumerated in this chapter.

9 Sec. 10.50.325. FILING OF ARTICLES OF INCORPORATION. (a) Dupli-
10 cate originals of the articles of incorporation shall be delivered to
11 the commissioner. If the commissioner finds that the articles of incor-
12 poration conform to law, he shall, when all fees prescribed in AS 10.05.-
13 708 - 10.05.774 have been paid,

14 (1) endorse on each duplicate original the word "filed" and
15 the date of the filing;

16 (2) file one duplicate original in his office;

17 (3) issue a certificate of incorporation and affix the other
18 duplicate original to it.

19 (b) The certificate of incorporation, together with the duplicate
20 original of the articles of incorporation affixed by the commissioner,
21 shall be returned to the incorporators or their representative.

22 Sec. 10.50.330. EFFECT OF ISSUANCE OF CERTIFICATE OF INCORPORA-
23 TION. Upon the issuance of the certificate of incorporation, the cor-
24 porate existence begins. The certificate of incorporation is conclusive
25 evidence that all conditions required to be performed by the incorpora-
26 tors have been complied with and that the corporation has been incor-
27 porated. The issuance of the certificate does not affect the right of
28 the state to bring a proceeding to cancel or revoke the certificate of
29 incorporation or for involuntary dissolution of the corporation.

1 Sec. 10.50.335. ARTICLES OF INCORPORATION AND INITIAL BYLAWS. (a)

2 The corporation shall submit copies of the original articles of incor-
3 poration and the initial bylaws adopted under AS 10.50.340 to the legis-
4 lature within 30 days of the issuance of the certificate of incorpora-
5 tion.

6 (b) The legislature, within 60 legislative days after receipt of a
7 copy of the original articles of incorporation and the initial bylaws,
8 may disapprove any provision of the articles of incorporation or bylaws
9 by concurrent resolution. Disapproval by the legislature of a provision
10 of the articles of incorporation or the bylaws of a corporation does not
11 alter or impair the power of a corporation to fulfill the terms of a
12 contractual agreement or impair the rights of a person with whom a
13 corporation has entered into a contractual agreement.

14 (c) A provision of the articles of incorporation or the bylaws is
15 suspended upon disapproval by the legislature and is of no effect unless
16 approved by a majority of the shares voting on the issue at the next
17 meeting of the shareholders.

18 Sec. 10.50.340. ORGANIZATION MEETING OF DIRECTORS. After the
19 issuance of the certificate of incorporation an organizational meeting
20 of the board of directors named in the articles of incorporation shall
21 be held in the state, at the call of a majority of the incorporators,
22 for the purpose of adopting bylaws, electing officers, and the trans-
23 action of other business as may come before the meeting. The incor-
24 porators calling the meeting shall give at least 10 days notice of the
25 meeting by mail to each director named. The notice shall state the time
26 and place of the meeting.

27 ARTICLE 3. APPLICATION FOR SHARES.

28 Sec. 10.50.345. NOTIFICATION OF ELIGIBLE SHAREHOLDERS. Beginning
29 not less than 90 days before the initial issue of stock, the corporation

1 shall at least weekly notify the public of its intention to issue stock
2 and the method for qualifying and applying for shares. The notice shall
3 be by publication in newspapers of all regions of the state, by radio
4 and television announcements, and by other means the corporation deter-
5 mines to be appropriate and reasonable, and shall be continued at least
6 one each month for 11 months following the date of issuance of shares.

7 Sec. 10.50.350. CORPORATION NOT LIABLE TO SHAREHOLDERS. Regis-
8 tration for issuance of the initial shares of the corporation is a
9 responsibility solely of an individual eligible under AS 10.50.320(a)(6)
10 to receive the initial shares of the corporation. The corporation may
11 not be held liable for

12 (1) any loss resulting directly or indirectly from the
13 failure of an individual to apply for shares of the corporation; or

14 (2) payment of a declared or paid dividend to an individual
15 who would have been entitled to receive the dividend had he been a
16 shareholder at the time of declaration or payment.

17 Sec. 10.50.355. LATE APPLICATION FOR SHARES. An individual eli-
18 gible under AS 10.50.320(a)(6) to receive the initial shares of the
19 corporation who failed to apply for the shares within one year after
20 their issuance may apply for and receive the shares any time after one
21 year and within two years after the date of issuance if he is otherwise
22 qualified to own stock of the corporation and upon the payment of the
23 book value of the shares.

24 Sec. 10.50.360. PENALTIES FOR MISREPRESENTATION OF ELIGIBILITY AS
25 SHAREHOLDER. The ownership interest in shares of the corporation's
26 stock issued to an individual ineligible to receive the initial shares,
27 who has presented fraudulent or misleading information regarding his
28 eligibility to own those shares, is void upon the issuance of an appro-
29 priate order by the superior court. The ineligible individual is also

1 liable for the full amount of dividends, or other distributions to
2 shareholders received by him plus interest from the date of distribu-
3 tion, and legal fees and costs of recovery incurred by the corporation.
4 This section applies to an individual who has presented fraudulent or
5 misleading information regarding the eligibility of another person for
6 whom he acts in the capacity of legal guardian.

7 ARTICLE 4. AMENDMENT.

8 Sec. 10.50.365. RIGHT TO AMEND ARTICLES OF INCORPORATION. A cor-
9 poration may amend its articles of incorporation so long as its articles
10 of incorporation as amended contain provisions which could be lawfully
11 contained in original articles of incorporation at the time the amend-
12 ment is made.

13 Sec. 10.50.370. PURPOSES FOR WHICH ARTICLES MAY BE AMENDED. With-
14 out limitation on the general power of amendment, a corporation may
15 amend its articles of incorporation to

- 16 (1) change its corporate name;
17 (2) change its period of duration;
18 (3) change, enlarge or diminish its corporate purposes;
19 (4) exchange or cancel its shares, whether issued or un-
20 issued.

21 Sec. 10.50.375. PROCEDURE TO AMEND ARTICLES OF INCORPORATION.
22 Amendments to the articles of incorporation shall be made in the follow-
23 ing manner.

24 (1) The board of directors may adopt a resolution setting out
25 the proposed amendment and directing that it be submitted to a vote at
26 the next meeting of shareholders.

27 (2) A proposed amendment shall be submitted to a vote at the
28 next meeting of shareholders if the secretary of the corporation re-
29 ceives a petition setting out the proposed amendment and is signed by at

1 least 1,000 shareholders.

2 (3) Written or printed notice setting out the proposed amend-
3 ment or a summary of the changes to be effected shall be given to each
4 shareholder of record entitled to vote within the time and in the manner
5 provided in this chapter for the giving of notice of meetings of share-
6 holders. If the meeting is an annual meeting, the proposed amendment or
7 summary may be included in the notice of the annual meeting.

8 (4) At the meeting, if a quorum is present, a vote of the
9 shareholders entitled to vote shall be taken on the proposed amendment.
10 The proposed amendment shall be adopted if it receives the affirmative
11 vote of the holders of at least two-thirds of the shares voting.

12 (5) More than one amendment may be submitted to the share-
13 holders and voted upon at one meeting.

14 Sec. 10.50.380. ARTICLES OF AMENDMENT. The articles of amendment
15 shall be executed in duplicate by the corporation by its president or
16 vice-president and by its secretary or an assistant secretary, and
17 verified by one of the officers signing the articles, and shall set out

- 18 (1) the name of the corporation;
19 (2) the amendment adopted;
20 (3) the date of the adoption of the amendment by the share-
21 holders;
22 (4) the number of shares outstanding and the number of shares
23 voting;
24 (5) the number of shares voted for and against the amendment,
25 respectively;
26 (6) if the amendment provides for an exchange or cancellation
27 of issued shares, and if the manner in which this is carried out is not
28 set out in the amendment, a statement of the manner in which it is to be
29 carried out.

1 Sec. 10.50.385. FILING OF ARTICLES OF AMENDMENT. (a) Duplicate
2 originals of the articles of amendment shall be delivered to the commis-
3 sioner. If the commissioner finds that the articles of amendment con-
4 form to law, he shall, when all fees and franchise taxes prescribed in
5 this chapter have been paid,

6 (1) endorse on each duplicate original the word "filed" and
7 the date of the filing;

8 (2) file one duplicate original in his office;

9 (3) issue a certificate of amendment and affix the other
10 duplicate original to it.

11 (b) The certificate of amendment, together with the duplicate
12 original of the articles of amendment affixed by the commissioner, shall
13 be returned to the corporation or its representative.

14 Sec. 10.50.390. EFFECT OF CERTIFICATE OF AMENDMENT. (a) Upon the
15 issuance of the certificate of amendment by the commissioner, the amend-
16 ment becomes effective and the articles of incorporation are considered
17 amended accordingly.

18 (b) No amendment may affect an existing cause of action in favor
19 of or against the corporation, or a pending suit to which the corpora-
20 tion is a party, or the existing rights of persons other than share-
21 holders. In the event the corporate name is changed by amendment, no
22 suit brought by or against the corporation under its former name abates
23 for that reason.

24 Sec. 10.50.395. RESTATED ARTICLES OF INCORPORATION. A corporation
25 may at any time, by resolution adopted by the board of directors, re-
26 state its articles of incorporation as amended up to that time. Upon
27 the adoption of the resolution, restated articles of incorporation shall
28 be executed in duplicate by the corporation by its president or a vice-
29 president and by its secretary or assistant secretary and verified by

1 one of the officers signing the articles and shall set out all of the
2 operative provisions of the articles of incorporation as amended up to
3 that time together with a statement that the restated articles of incor-
4 poration correctly set out without change the corresponding provisions
5 of the articles of incorporation as amended up to that time and that the
6 restated articles of incorporation supersede the original articles of
7 incorporation and all amendments to them.

8 Sec. 10.50.400. EXECUTION OF RESTATED ARTICLES OF INCORPORATION.
9 Upon approval of the restated articles of incorporation, they shall be
10 executed in duplicate by the corporation by its president or vice-presi-
11 dent and by its secretary or assistant secretary, and verified by one of
12 the officers signing the articles.

13 Sec. 10.50.405. CONTENTS OF RESTATED ARTICLES OF INCORPORATION.
14 The restated articles of incorporation shall set out
15 (1) the name of the corporation;
16 (2) the period of its duration;
17 (3) the purpose or purposes which the corporation is autho-
18 rized to pursue;
19 (4) the aggregate number of shares which the corporation may
20 issue;
21 (5) any provisions, not inconsistent with law, which are set
22 out in the articles of incorporation as amended, for the regulation of
23 the internal affairs of the corporation;
24 (6) a statement that the restated articles of incorporation
25 correctly set out without change the corresponding provisions of the
26 articles of incorporation as amended, and that the restated articles of
27 incorporation supersede the original articles of incorporation and all
28 amendments to the original articles of incorporation.

29 Sec. 10.50.410. FILING OF RESTATED ARTICLES OF INCORPORATION WITH

1 COMMISSIONER. (a) Duplicate originals of the restated articles of
2 incorporation shall be delivered to the commissioner. If the commis-
3 sioner finds that the restated articles of incorporation conform to law,
4 he shall, when all fees and franchise taxes prescribed in this chapter
5 have been paid,

6 (1) endorse on each duplicate original the word "filed" and
7 the date of the filing;

8 (2) file one duplicate original in his office;

9 (3) issue a restated certificate of incorporation and affix
10 the other duplicate original to it.

11 (b) The restated certificate of incorporation, together with the
12 duplicate original of the restated articles of incorporation affixed by
13 the commissioner, shall be returned to the corporation or its repre-
14 sentative.

15 Sec. 10.50.415. EFFECT OF ISSUANCE OF RESTATED CERTIFICATE OF
16 INCORPORATION. Upon the issuance of the restated certificate of incor-
17 poration, the restated articles of incorporation become effective and
18 supersede the original articles of incorporation and all amendments.

19 ARTICLE 5. SALE OF ASSETS.

20 Sec. 10.50.420. SALE OR MORTGAGE OF ASSETS IN REGULAR COURSE OF
21 BUSINESS. The sale, lease, exchange, mortgage, pledge, or other dispo-
22 sition of all, or substantially all, the property and assets of a cor-
23 poration, when made in the usual and regular course of the business of
24 the corporation, may be made upon the terms and conditions and for the
25 consideration, which may consist in whole or in part of money or pro-
26 perty, real or personal, including shares of another corporation, domes-
27 tic or foreign, authorized by the board of directors. No authorization
28 or consent of the shareholders is required.

29 Sec. 10.50.425. SALE OR MORTGAGE OF ASSETS OTHER THAN IN REGULAR

1 COURSE OF BUSINESS. A sale, lease, exchange, mortgage, pledge, or other
2 disposition of all, or substantially all, the property and assets, with
3 or without the good will, of a corporation, if not made in the usual and
4 regular course of its business, may be made upon the terms and condi-
5 tions and for the consideration, which may consist in whole or in part
6 of money or property, real or personal, including shares of another
7 corporation, as authorized in the following manner.

8 (1) The board of directors shall adopt a resolution recom-
9 mending the sale, lease, exchange, mortgage, pledge, or other disposi-
10 tion and directing the submission of the resolution to a vote at the
11 next meeting of shareholders.

12 (2) Written or printed notice shall be given to each share-
13 holder of record entitled to vote at the meeting within the time and in
14 the manner provided in this chapter for the giving of notice of meetings
15 of shareholders, and, whether the meeting is an annual or a special
16 meeting, shall state that the purpose, or one of the purposes, of the
17 meeting is to consider the proposed sale, lease, exchange, mortgage,
18 pledge, or other disposition.

19 Sec. 10.50.430. APPROVAL OF PLAN BY SHAREHOLDERS. At the meeting,
20 if a quorum is present, the shareholders may authorize the sale, lease,
21 exchange, mortgage, pledge, or other disposition and may fix, or may
22 authorize the board of directors to fix the terms and conditions and the
23 consideration to be received by the corporation. Each outstanding share
24 of the corporation is entitled to vote. The authorization requires the
25 affirmative vote of the holders of at least two-thirds of the shares
26 voting.

27 Sec. 10.50.435. ABANDONMENT OF PLAN BY BOARD OF DIRECTORS. After
28 authorization by a vote of shareholders, the board of directors may,
29 nevertheless, abandon the sale, lease, exchange, mortgage, pledge, or

1 other disposition of assets, subject to the rights of third parties
2 under contracts relating to the disposition, without further action or
3 approval by shareholders.

4 Sec. 10.50.440. RIGHTS OF DISSENTING SHAREHOLDERS UPON SALE OR
5 EXCHANGE OF ASSETS. If a sale or exchange of all or substantially all
6 of the property and assets of a corporation other than in the usual and
7 regular course of its business, or in connection with the dissolution
8 and liquidation of the corporation, is authorized by a vote of the
9 shareholders of the corporation, a shareholder who files a written
10 objection with the corporation, before or at the meeting of shareholders
11 at which the sale or exchange is authorized, and who does not vote in
12 its favor may, within 10 days after the date on which the vote was
13 taken, make written demand on the corporation for the payment to him of
14 the fair value of his shares as of the day before the date on which the
15 vote was taken. If the sale or exchange is effected, the corporation
16 shall pay to the shareholder, upon surrender of his certificate or other
17 evidence of ownership representing the shares, their fair value. The
18 demand shall state the number of shares owned by the dissenting share-
19 holder. A shareholder failing to make demand within the 10-day period
20 is bound by the terms of the sale or exchange.

21 Sec. 10.50.445. NOTICE TO DISSENTING SHAREHOLDER. Within 10 days
22 after the sale or exchange is effected, the corporation shall give
23 notice that it is effected to each dissenting shareholder who has made
24 demand as provided in AS 10.50.440 for the payment of the fair value of
25 his shares.

26 Sec. 10.50.450. PAYMENT TO DISSENTING SHAREHOLDER AFTER AGREEMENT
27 ON VALUE OF SHARES. If within 60 days after the date on which the sale
28 or exchange was effected the value of the shares is agreed upon between
29 the dissenting shareholder and the corporation, payment shall be made

1 within 90 days after the date the sale or exchange was effected, upon
2 the surrender of his certificate or certificates representing the
3 shares. Upon payment of the agreed value, the dissenting shareholder
4 ceases to have an interest in the shares or in the corporation.

5 Sec. 10.50.455. ACTION BY DISSENTING SHAREHOLDER TO COMPEL PAYMENT
6 UPON FAILURE TO AGREE ON VALUE. If within the 60-day period the share-
7 holder and the corporation do not agree, the dissenting shareholder may,
8 within 60 days after the expiration of the 60-day period, file a peti-
9 tion in the superior court asking for a finding and determination of the
10 fair value of the shares, and is entitled to judgment against the cor-
11 poration for the amount of the fair value as of the day before the date
12 on which the vote was taken approving the sale or exchange, together
13 with interest to the date of the judgment. The judgment is payable only
14 upon and simultaneously with the surrender to the corporation of the
15 certificate or other evidence of ownership representing the shares.
16 Upon payment of the judgment, the dissenting shareholder ceases to have
17 an interest in the shares or in the corporation. Unless the dissenting
18 shareholder files the petition within the 60-day period, he and all
19 persons claiming under him are bound by the terms of the sale or ex-
20 change.

21 Sec. 10.50.460. EFFECT OF ABANDONMENT OR REVOCATION OF SALE OR
22 EXCHANGE ON SHAREHOLDER'S RIGHTS. The right of a dissenting shareholder
23 to be paid the fair value of his shares ceases when the corporation
24 abandons the sale or exchange or the shareholders revoke the authority
25 to make the sale or exchange.

26 Sec. 10.50.465. STATUS OF SHARES ACQUIRED FROM DISSENTING SHARE-
27 HOLDER. Shares acquired by the corporation pursuant to the payment of
28 the agreed value or to payment of the judgment entered for the agreed
29 value may be held and disposed of by the corporation as treasury shares.

1 ARTICLE 6. DISSOLUTION.

2 Sec. 10.50.470. EFFECT OF CERTIFICATE OF DISSOLUTION. Upon the
3 issuance of the certificate of dissolution, the existence of the cor-
4 poration ceases.

5 Sec. 10.50.475. VOLUNTARY DISSOLUTION BY ACT OF CORPORATION. (a)
6 A corporation may be dissolved by the act of the corporation when autho-
7 rized in the manner provided in this section and in AS 10.50.485.

8 (b) The board of directors shall adopt a resolution recommending
9 that the corporation be dissolved, and directing that the question of
10 dissolution be submitted to a vote at the next meeting of shareholders.

11 (c) A proposed dissolution of the corporation shall be submitted
12 to a vote at the next meeting of shareholders if the secretary of the
13 corporation receives a petition proposing dissolution signed by at least
14 100 shareholders.

15 (d) Written or printed notice shall be given to each shareholder
16 of record entitled to vote at the meeting within the time and in the
17 manner provided in this chapter for the giving of notice of meetings of
18 shareholders, and, whether the meeting is an annual or special meeting,
19 the notice shall state that the purpose of the meeting is to consider
20 the advisability of dissolving the corporation.

21 (e) At the meeting, if a quorum is present, a vote of shareholders
22 entitled to vote shall be taken on the resolution to dissolve the cor-
23 poration. Each outstanding share of the corporation may vote on the
24 resolution. The resolution is adopted if it receives the affirmative
25 vote of the holders of at least two-thirds of the shares entitled to
26 vote.

27 Sec. 10.50.480. EXECUTION OF STATEMENT OF INTENT TO DISSOLVE.
28 Upon the adoption of the resolution, a statement of intent to dissolve
29 shall be executed in duplicate by the corporation by its president or

1 vice-president and by the secretary or an assistant secretary, and
2 verified by one of the officers signing the statement. The statement of
3 intent to dissolve shall set out

- 4 (1) the name of the corporation;
- 5 (2) the names and addresses of its officers;
- 6 (3) the names and addresses of its directors;
- 7 (4) a copy of the resolution adopted by the shareholders
8 authorizing the dissolution of the corporation;
- 9 (5) the number of shares outstanding;
- 10 (6) the number of shares voted for and against the resolu-
11 tion.

12 Sec. 10.50.485. FILING OF STATEMENT OF INTENT TO DISSOLVE. Dupli-
13 cate originals of the statement of intent to dissolve shall be delivered
14 to the commissioner. If the commissioner finds that the statement
15 conforms to law, he shall, when all fees and franchise taxes prescribed
16 in this chapter have been paid,

- 17 (1) endorse on each duplicate original the word "filed" and
18 the date of the filing;
- 19 (2) file one duplicate original in his office;
- 20 (3) return the other duplicate original to the corporation or
21 its representative.

22 Sec. 10.50.490. EFFECT OF STATEMENT OF INTENT TO DISSOLVE. On the
23 filing by the commissioner of a statement of intent to dissolve, the
24 corporation shall cease to carry on business, except that necessary for
25 the winding up of its business. However, corporate existence continues
26 until a certificate of dissolution has been issued by the commissioner
27 or until a decree dissolving the corporation has been entered by a
28 competent court as provided in this chapter.

29 Sec. 10.50.495. PROCEDURE AFTER FILING OF STATEMENT OF INTENT TO

1 DISSOLVE. After the commissioner has filed the statement of intent to
2 dissolve, the corporation

3 (1) shall immediately mail notice of the filing to each known
4 creditor of the corporation;

5 (2) shall proceed to collect its assets, convey and dispose
6 of its property which is not to be distributed in kind to its share-
7 holders, pay, satisfy and discharge its liabilities and obligations and
8 do all other acts required to liquidate its business and affairs, and,
9 after paying or adequately providing for the payment of its obligations,
10 distribute the remainder of its assets, either in cash or in kind, among
11 its shareholders according to their respective rights and interests;

12 (3) at any time during the liquidation of its business and
13 affairs may apply to a court of competent jurisdiction in the state to
14 have the liquidation continued under the supervision of the court;

15 (4) shall, if it has not completed dissolution proceedings
16 within two years after the date the statement of intent to dissolve is
17 filed, be involuntarily dissolved by the commissioner after 60 days
18 notice of his intent to do so has been given to the corporation.

19 Sec. 10.50.500. MANNER OF REVOKING A VOLUNTARY DISSOLUTION PRO-
20 CEEDING. (a) The board of directors may adopt a resolution recommend-
21 ing that the voluntary dissolution proceedings be revoked, and directing
22 that the question of revocation be submitted to a vote at a special
23 meeting of shareholders.

24 (b) A proposed revocation of a voluntary dissolution of the cor-
25 poration shall be submitted to a vote at the next meeting of share-
26 holders if the secretary of the corporation receives a petition pro-
27 posing revocation signed by at least 1,000 shareholders.

28 (c) Written or printed notice, stating that the purpose of the
29 meeting is to consider the advisability of revoking the voluntary dis-

1 solution proceedings, shall be given to each shareholder of record
2 entitled to vote at the meeting within the time and in the manner pro-
3 vided in this chapter for the giving of notice of special meetings of
4 shareholders.

5 (d) At the meeting, if a quorum is present, a vote of the share-
6 holders entitled to vote shall be taken on the resolution to revoke the
7 voluntary dissolution proceeding. Adoption of the resolution requires
8 the affirmative vote of the holders of at least two-thirds of the shares
9 voting.

10 (e) Upon the adoption of the resolution, a statement of revocation
11 of voluntary dissolution proceedings shall be executed in duplicate by
12 the corporation by its president or vice-president and by its secretary
13 or an assistant secretary, and verified by one of the officers signing
14 the statement. The statement of revocation of voluntary dissolution
15 shall set out

- 16 (1) the name of the corporation;
17 (2) the names and addresses of its officers;
18 (3) the names and addresses of its directors;
19 (4) a copy of the resolution adopted by the shareholders
20 revoking the voluntary dissolution proceedings;
21 (5) the number of shares outstanding;
22 (6) the number of shares voted for and against the resolu-
23 tion.

24 Sec. 10.50.505. FILING OF STATEMENT OF REVOCATION OF A VOLUNTARY
25 DISSOLUTION PROCEEDING. Duplicate originals of the statement of revo-
26 cation of voluntary dissolution proceedings shall be delivered to the
27 commissioner. If the commissioner finds that the statement conforms to
28 law, he shall, when all fees and franchise taxes prescribed in this
29 chapter have been paid,

- 1 (1) endorse on each duplicate original the word "filed" and
- 2 the date of the filing;
- 3 (2) file one duplicate original in his office;
- 4 (3) return the other duplicate original to the corporation or
- 5 its representative.

6 Sec. 10.50.510. EFFECT OF STATEMENT OF REVOCATION OF A VOLUNTARY
7 DISSOLUTION PROCEEDING. Upon the filing by the commissioner of a state-
8 ment of revocation of a voluntary dissolution proceeding, the revocation
9 of the proceeding becomes effective and the corporation may again carry
10 on its business.

11 Sec. 10.50.515. EXECUTION OF ARTICLES OF DISSOLUTION. If a volun-
12 tary dissolution proceeding has not been revoked, then when all debts,
13 liabilities, and obligations of the corporation have been paid and
14 discharged, or adequate provision has been made for payment, and all of
15 the remaining property and assets of the corporation have been distri-
16 buted to its shareholders, articles of dissolution shall be executed in
17 duplicate by the corporation by its president or vice-president and by
18 its secretary or an assistant secretary, and verified by one of the
19 officers signing the articles. The articles of dissolution shall set
20 out

- 21 (1) the name of the corporation;
- 22 (2) that the commissioner has filed a statement of intent to
- 23 dissolve the corporation, and the date on which the statement was filed;
- 24 (3) that all debts, obligations and liabilities of the cor-
- 25 poration have been paid and discharged or that adequate provision has
- 26 been made for payment;
- 27 (4) that the remaining property and assets of the corporation
- 28 have been distributed among its shareholders in accordance with their
- 29 respective rights and interests;

1 (5) that there are no suits pending against the corporation,
2 or that adequate provision has been made for the satisfaction of a judg-
3 ment, order or decree which may be entered against the corporation in a
4 pending suit.

5 Sec. 10.50.520. FILING OF ARTICLES OF DISSOLUTION. (a) Duplicate
6 originals of the articles of dissolution shall be delivered to the
7 commissioner. If the commissioner finds that the articles of dissolu-
8 tion conform to law, he shall, when all fees and franchise taxes pre-
9 scribed in this chapter have been paid,

10 (1) endorse on each duplicate original the word "filed" and
11 the date of the filing;

12 (2) file one duplicate original in his office;

13 (3) issue a certificate of dissolution and affix the other
14 duplicate original to it.

15 (b) The certificate of dissolution, together with the duplicate
16 original of the articles of dissolution affixed, shall be returned to
17 the representative of the dissolved corporation.

18 Sec. 10.50.525. EFFECT OF CERTIFICATE OF DISSOLUTION. Upon the
19 issuance of the certificate of dissolution the existence of the corpora-
20 tion ceases, except for the purpose of suits, other proceedings and
21 appropriate corporate action by shareholders, directors and officers as
22 provided in this chapter.

23 Sec. 10.50.530. INVOLUNTARY DISSOLUTION. (a) A corporation may
24 be dissolved involuntarily by the commissioner when

25 (1) the corporation is delinquent six months in filing its
26 annual report or in paying a license filing fee or penalty;

27 (2) the corporation has failed for 30 days to appoint and
28 maintain a registered agent in this state; or

29 (3) the corporation has failed for 30 days after change of

1 its registered office or registered agent to file in the office of the
2 commissioner a statement of the change;

3 (4) the corporation has failed for two years to complete
4 dissolution under a statement of intent to dissolve; or

5 (5) a vacancy in the board of directors of a corporation is
6 not filled within six months or the time of the next annual meeting,
7 whichever occurs first.

8 (b) A corporation may not be involuntarily dissolved unless the
9 commissioner has given the corporation at least 60 days notice of its
10 delinquency or omission by certified mail addressed to its registered
11 office or in care of one of its principal officers or directors, at the
12 last known address of the officer or director, as shown by the records
13 of the commissioner, and the corporation has failed to correct the
14 neglect, omission or delinquency before involuntary dissolution.

15 (c) When a corporation has given cause for involuntary dissolution
16 and has failed to correct the neglect, omission or delinquency as pro-
17 vided in this section, the commissioner shall dissolve the corporation
18 by issuing a certificate of involuntary dissolution containing a state-
19 ment that the corporation has been dissolved, the date, and the reason
20 for which it was dissolved. The original certificate of dissolution
21 shall be placed in the department files and a copy of it mailed to the
22 corporation at its registered office or in care of one of its principal
23 officers or directors, at the last known address of the officer
24 director, as shown by the records of the commissioner. Upon the issu-
25 ance of the certificate of involuntary dissolution, the existence of the
26 corporation shall cease, except as otherwise provided in this section,
27 and its name shall be available r and may be adopted by another cor-
28 poration no less than six months after the dissolution.

29 (d) A corporation dissolved by the commissioner under the provi-

1 sions of this section may be reinstated by the commissioner at any time
2 within two years from the date of the certificate of involuntary disso-
3 lution whenever it is established to the satisfaction of the commis-
4 sioner that in fact there was no cause for the dissolution, or whenever
5 the neglect or delinquency resulting in dissolution has been corrected
6 and payment made of double the amount delinquent along with the amount
7 the corporation would have paid had it not been dissolved during the
8 two-year period. Reinstatement may not be authorized if the same or a
9 deceptively similar corporate, limited partnership, reserved or regis-
10 tered name is currently on file with the commissioner, unless the cor-
11 poration being reinstated contemporaneously amends its articles of incor-
12 poration to change its name to conform with the provisions of this
13 chapter.

14 (e) Nothing in this section relieves a corporation reinstated
15 under this section from penalty of forfeiture of its powers as a corpora-
16 tion in case of failure to pay subsequently accruing licenses and taxes
17 imposed by a law of this state.

18 (f) An action arising out of a contract assigned by a corporation
19 dissolved under this section may be brought in the name of the assignee.
20 The fact of assignment and of purchase by the plaintiff shall be set out
21 in the complaint or other process. The defendant may avail himself of
22 any matter of defense of which he might have availed himself in a suit
23 upon the claim by the corporation, had it not been dissolved under this
24 section.

25 (g) Service of process on a corporation dissolved under this
26 section shall be made in the same manner prescribed by law as if the
27 corporation had not been dissolved.

28 (h) In addition to any other remedies provided by law a corpora-
29 tion may be dissolved involuntarily by a decree of the superior court in

1 an action filed by the attorney general when it is established that

2 (1) the corporation procured its certificate of incorporation
3 through fraud; or

4 (2) the corporation has continued to exceed or abuse the
5 authority conferred upon it by law.

6 Sec. 10.50.535. VENUE AND PROCESS. (a) An action for the invol-
7 untary dissolution of a corporation shall be commenced by the attorney
8 general in the superior court.

9 (b) Summons shall issue and be served as in other civil actions.
10 If process is returned not found, the attorney general shall publish
11 notice as in other civil cases in a newspaper published in the judicial
12 district where the registered office of the corporation is situated,
13 containing a notice of the pendency of the action, the title of the
14 court, the title of the action, and the date on or after which default
15 may be entered. The attorney general may include in one notice the
16 names of any number of corporations against which actions are pending in
17 the same court.

18 (c) The attorney general shall have a copy of the notice mailed to
19 the corporation at its registered office within 10 days after the first
20 publication of it.

21 (d) Notice shall be published at least once each week for two
22 successive weeks, and the first publication may begin at any time after
23 the summons has been returned.

24 (e) Unless a corporation is served with summons, no default may be
25 taken against it earlier than 30 days after the first publication of the
26 notice.

27 Sec. 10.50.540. JURISDICTION OF COURT TO LIQUIDATE ASSETS AND
28 BUSINESS OF CORPORATION. The superior court may liquidate the assets
29 and business of a corporation in the cases provided in AS 10.50.545 -

1 10.50.560.

2 Sec. 10.50.545. ACTION BY SHAREHOLDER FOR LIQUIDATION. In an
3 action by a shareholder, the superior court may liquidate the assets and
4 business of a corporation when it is established

5 (1) that the directors are deadlocked in the management of
6 the corporate affairs and the shareholders are unable to break the
7 deadlock, and that irreparable injury to the corporation is being
8 suffered or is threatened by reason of the deadlock;

9 (2) that the acts of the directors or those in control of the
10 corporation are illegal, oppressive or fraudulent;

11 (3) that the shareholders are deadlocked in voting power, and
12 have failed, for a period which includes at least two consecutive annual
13 meeting dates, to elect successors to directors whose terms have expired
14 or would have expired upon the election of their successors; or

15 (4) that the corporate assets are being misapplied or wasted.

16 Sec. 10.50.550. ACTION BY CREDITOR FOR LIQUIDATION. In an action
17 by a creditor, the superior court may liquidate the assets and business
18 of a corporation when

19 (1) the claim of the creditor has been reduced to judgment
20 and an execution on the judgment has been returned unsatisfied and it is
21 established that the corporation is insolvent; or

22 (2) the corporation has admitted in writing that the claim of
23 the creditor is due and owing and it is established that the corpora-
24 tion is insolvent.

25 Sec. 10.50.555. LIQUIDATION ON APPLICATION BY CORPORATION. Upon
26 application by a corporation which has filed a statement of intent to
27 dissolve, as provided in this chapter, to have its liquidation continued
28 under the supervision of the court, the superior court may liquidate the
29 assets and business of the corporation.

1 Sec. 10.50.560. LIQUIDATION IN ACTION BY ATTORNEY GENERAL FOR
2 DISSOLUTION. When an action has been filed by the attorney general to
3 dissolve a corporation and it is established that liquidation of its
4 business and affairs should precede the entry of a decree of dissolu-
5 tion, the superior court may liquidate the assets and business of a
6 corporation.

7 Sec. 10.50.565. JOINDER OF SHAREHOLDERS NOT MANDATORY. It is not
8 necessary to make shareholders parties to an action or proceeding for
9 liquidation of the assets and business of a corporation unless relief is
10 sought against them personally.

11 Sec. 10.50.570. PROCEDURE IN LIQUIDATION OF CORPORATION BY COURT.
12 In a proceeding to liquidate the assets and business of a corporation,
13 the superior court may issue injunctions, appoint a receiver pendente
14 lite with powers and duties as the court may direct, and take other
15 proceedings necessary to preserve the corporate assets wherever situated
16 and carry on the business of the corporation until a full hearing is
17 had.

18 Sec. 10.50.575. APPOINTMENT OF RECEIVER. After a hearing held
19 upon such notice as the court may direct to be given to all parties to
20 the proceedings and to any other parties in interest designated by the
21 court, the court may appoint a liquidating receiver with authority to
22 collect the assets of the corporation, including amounts owing to the
23 corporation by shareholders on an unpaid portion of the consideration
24 for the issuance of shares. The liquidating receiver may, subject to
25 the order of the court, sell, convey and dispose of all or a part of the
26 assets of the corporation wherever situated, either at public or private
27 sale.

28 Sec. 10.50.580. DISPOSITION OF ASSETS OR PROCEEDS FROM SALE OF
29 ASSETS. The assets of the corporation or the proceeds from a sale,

1 conveyance or other disposition of assets shall be applied to the ex-
2 penses of liquidation and to the payment of the liabilities and obli-
3 gations of the corporation. Remaining assets or proceeds shall be
4 distributed among shareholders according to their respective rights and
5 interests.

6 Sec. 10.50.585. STATED POWERS AND DUTIES OF RECEIVER. The order
7 appointing the liquidating receiver shall state his powers and duties.
8 The powers and duties may be increased or diminished at any time during
9 the liquidation proceedings.

10 Sec. 10.50.590. COMPENSATION OF RECEIVER AND ATTORNEYS. The court
11 may allow from time to time as expenses of the liquidation compensation
12 to the receiver and to attorneys in the proceeding, and direct the
13 payment of compensation out of the assets of the corporation or the
14 proceeds of a sale or disposition of assets.

15 Sec. 10.50.595. POWER OF RECEIVER TO SUE AND BE SUED. A receiver
16 of a corporation appointed under AS 10.50.570 - 10.50.600 may sue and
17 defend in all courts in his own name as receiver of the corporation.

18 Sec. 10.50.600. APPOINTING COURT HAS EXCLUSIVE JURISDICTION. The
19 court appointing the receiver has exclusive jurisdiction of the corpora-
20 tion and its property, wherever situated.

21 Sec. 10.50.605. QUALIFICATIONS OF RECEIVERS. A receiver shall be
22 a citizen of the United States or a corporation authorized to act as
23 receiver, which corporation may be a domestic corporation or a foreign
24 corporation authorized to transact business in the state. A receiver
25 shall give the bond the court directs with sureties the court requires.

26 Sec. 10.50.610. FILING OF CLAIMS IN LIQUIDATION PROCEEDINGS. (a)
27 In a proceeding to liquidate the assets and business of a corporation,
28 the court may require creditors of the corporation to file with the
29 clerk of the court or with the receiver, in the form the court pre-

1 scribes, proof under oath of their respective claims.

2 (b) If the court requires the filing of claims, it shall fix a
3 date, not less than four months from the date of the order, as the last
4 day for the filing of claims, and shall prescribe the notice to be given
5 to creditors and claimants of the date fixed. Before the date fixed,
6 the court may extend the time for the filing of claims.

7 (c) A creditor who fails to file proof of his claim on or before
8 the date fixed may be barred by order of the court from participating in
9 the distribution of the assets of the corporation.

10 Sec. 10.50.615. DISCONTINUANCE OF LIQUIDATION PROCEEDINGS. The
11 liquidation of the assets and business of a corporation may be discon-
12 tinued at any time during the liquidation proceeding when it is estab-
13 lished that cause for liquidation no longer exists. In this event, the
14 court shall dismiss the proceeding and direct the receiver to redeliver
15 to the corporation its remaining property and assets.

16 Sec. 10.50.620. DECREE OF INVOLUNTARY DISSOLUTION. In a pro-
17 ceeding to liquidate the assets and business of a corporation, when the
18 costs and expenses of the proceeding and the debts, obligations and
19 liabilities of the corporation have been paid and discharged and the
20 remaining property and assets are not sufficient to satisfy and dis-
21 charge the costs, expenses, debts and obligations, and all the property
22 and assets have been applied to their payment, the court shall enter a
23 decree dissolving the corporation.

24 ARTICLE 7. GENERAL PROVISIONS.

25 Sec. 10.50.625. AS 10.05 INCORPORATED BY REFERENCE. The provi-
26 sions of AS 10.05.699 - 10.05.819 apply to a corporation organized under
27 this chapter and are incorporated by reference as a part of this chapter,
28 except when inconsistent with this chapter.

29 Sec. 10.50.630. FALSE STATEMENTS AFFECTING VALUE OF SHARES. A

1 director, officer or agent of a corporation who knowingly concurs in
2 making, publishing or posting either generally or privately to the
3 shareholders or other persons (1) a written report, exhibit, statement
4 of its affairs or pecuniary condition or notice containing any material
5 statement which is false, or (2) an untrue or wilfully or fraudulently
6 exaggerated report, prospectus, account, statement of operations, values,
7 business, profits, expenditures or prospects, or (3) any other paper or
8 document intended to produce or give, or having a tendency to produce or
9 give, the shares of stock in the corporation a greater value or a less
10 apparent or market value than they really possess, or who refuses to
11 make any book entry or post any notice required by law in the manner
12 required by law, upon conviction, is guilty of a misdemeanor.

13 Sec. 10.50.635. DIRECTOR MAKING UNLAWFUL DIVIDEND OR DISTRIBUTION
14 OF ASSETS. A director of a corporation who concurs in any vote or act
15 of the directors of the corporation to knowingly and with dishonest or
16 fraudulent purpose make a dividend or distribution of assets either with
17 the design of defrauding creditors or shareholders or of giving a false
18 appearance to the value of the stock and thereby defrauding subscribers
19 or purchasers, upon conviction, is guilty of a misdemeanor.

20 Sec. 10.50.640. RESERVATION OF POWER. The legislature reserves
21 the power to make amendments to this chapter to apply to all existing
22 and future corporations organized under this chapter. An amendment to
23 this chapter may not alter or impair the power of a corporation to
24 fulfill the terms of a contractual agreement or impair the rights of a
25 person with whom a corporation has entered into a contractual agreement.

26 Sec. 10.50.645. DEFINITIONS. In this chapter,

27 (1) "articles of incorporation" means the original or re-
28 stated articles of incorporation and all amendments;

29 (2) "authorized shares" means the shares which the corpora-

1 tion may issue;

2 (3) "certificate" means any evidences of ownership of shares
3 of a corporation;

4 (4) "chartering legislation" means the Act of the legislature
5 or an initiative approval by the voters that creates a general stock
6 ownership corporation;

7 (5) "commissssioner" means the commissioner of commerce and
8 economic development;

9 (6) "corporation" means a general stock ownership corpora-
10 tion;

11 (7) "department" means the Department of Commerce and Econo-
12 mic Development;

13 (8) "franchise tax" means the annual corporation tax imposed
14 under Alaska law on corporations (AS 10.05.717);

15 (9) "insolvent" means inability of a corporation to pay its
16 debts as they become due in the usual course of its business;

17 (10) "net assets" means the amount by which the total assets
18 of a corporation, excluding treasury shares, exceed the total debts of
19 the corporation;

20 (11) "resident" means an individual who maintains a permanent
21 place of abode in the state with the intention of making the state his
22 permanent place of residence and who resides in the state continuously
23 except for temporary purposes only and with the intent of returning; a
24 person may not be considered to have gained a residence solely by reason
25 of his presence and he may not lose it solely by reason of his absence
26 while in the civil or military service of this state or of the United
27 States or by reason of his absence because of marriage to a person
28 engaged in the civil or military service of this state or the United
29 States; a person may not be considered to lose his residence while a

1 student at an educational institution, while in an institution at public
2 expense, while confined in prison, while engaged in the navigation of
3 waters of this state, of the United States, or of the high seas, or
4 while residing upon an Indian or military reservation; a minor takes the
5 residence of his parent or of his legal guardian; a married woman may
6 establish her own residence and does not presumptively take the resi-
7 dence of her husband;

8 (12) "shareholder" means one who is a holder of record of a
9 share in a corporation;

10 (13) "shares" means the units into which the proprietary
11 interest in a corporation is divided;

12 (14) "subscriber" means one who subscribes for a share in a
13 corporation before or after incorporation;

14 (15) "treasury shares" means shares which have been issued,
15 have been subsequently acquired by and belong to the corporation, and
16 have not either by reason of the acquisition or thereafter, been can-
17 celled or restored to the status of authorized but unissued shares;
18 treasury shares are "issued" shares, but not "outstanding" shares.

19 Sec. 10.50.650. SHORT TITLE. This chapter may be cited as the
20 Alaska General Stock Ownership Corporation Act.

21 * Sec. 2. AS 37.10.070(a)(6) is amended to read:

22 (6) other securities, including [CORPORATE] securities of
23 corporations other than general stock ownership corporations;

24 * Sec. 3. AS 45.55.130 is amended by adding a new subsection to read:

25 (b) A copy of all annual reports, ballots, consent authorizations
26 and other materials relating to the shareholder ballots, published or
27 made available by any person to the shareholders of a general stock
28 ownership corporation, shall be filed with the administrator concur-
29 rently with its distribution to the shareholders. The administrator

1 shall have authority to review all documents submitted and make regula-
2 tions regarding content of shareholder materials to insure fairness,
3 completeness, and nondiscrimination.

4 * Sec. 4. (a) The governor, the speaker of the house of representatives,
5 and the president of the senate, shall each appoint one person to act as
6 incorporators of the Alaska General Stock Ownership Corporation which shall
7 be formed in accordance with subchapter U, chapter 1, of the Internal Revenue
8 Code of 1954, as amended (26 U.S.C. secs. 1391 - 1397) and AS 10.50. The
9 incorporators shall select nine persons to act as the initial board of direc-
10 tors of the corporation and shall submit their names to the governor, to the
11 speaker of the house of representatives, and to the president of the senate.
12 A majority of the governor, the speaker of the house of representatives, and
13 the president of the senate may disapprove a candidate for the initial board
14 of directors within 15 days of receipt of the incorporators' nominations.

15 (b) The articles of incorporation of the Alaska General Stock Ownership
16 Corporation shall provide that all shareholders of the corporation shall be
17 residents of the state as defined in AS 10.50.640(11), and that if a share-
18 holder ceases to be a resident of the state or his shares pass by operation
19 of law to a nonresident,

20 (1) within five years of the date of issuance of his shares the
21 corporation shall purchase the shares at book value;

22 (2) more than five years after the date of issuance of his shares
23 the shareholder or his executor, administrator or guardian shall have the
24 right to sell the shares to the corporation at book value.

25 (c) There is a special fund of the state known as the "Alaska General
26 Stock Ownership Corporation loan guarantee fund", which may not exceed
27 \$5,000,000, which shall be completely segregated from all other funds of the
28 state, and which shall be used by the commissioner of revenue to guarantee
29 loans made to the Alaska General Stock Ownership Corporation by lenders other

1 than the state solely for initial costs of the corporation and not for the
2 acquisition by the corporation of major investments. In guaranteeing a loan,
3 the commissioner of revenue shall review the loan for the purposes of ascer-
4 taining the general soundness of the proposed loan and guarding against fraud
5 and misrepresentation. The guarantee of a loan may not be for an amount in
6 excess of the unobligated balance of the fund at the time the guarantee is
7 made.

8 * Sec. 5. In sec. 1 of this Act, AS 10.50.300 has the effect of changing
9 Rule 23.1, Rules of Civil Procedure, with respect to shareholder derivative
10 suits brought by the shareholders of a general stock ownership corporation.
11 The changes

12 (1) make provision for notification of shareholders in the event
13 of dismissal or settlement of the suit;

14 (2) require that the plaintiff account to the corporation for
15 proceeds received by him if the suit is successful; and

16 (3) provide that the court may require the plaintiff to furnish
17 security for the suit.

18 * Sec. 6. This Act takes effect immediately in accordance with AS 01.10.-
19 070(c).

Original sponsors: Duncan, Cotten
Hurlbert, et al

1 IN THE HOUSE

BY THE STATE AFFAIRS COMMITTEE

2 CS FOR SPONSOR SUBSTITUTE FOR HOUSE BILL NO. 240

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 ELEVENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to general stock ownership corpora-
7 tions and creating the Alaska General Stock Ownership
8 Corporation; changing Rule 23.1, Rules of Civil Proce-
9 dure; and providing for an effective date."

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

11 * Section 1. AS 10 is amended by adding a new chapter to read:

12 CHAPTER 50. GENERAL STOCK OWNERSHIP CORPORATIONS.

13 ARTICLE 1. SUBSTANTIVE PROVISIONS.

14 Sec. 10.50.005. PURPOSES. A general stock ownership corporation
15 may be organized under this chapter for any lawful purpose unless
16 limited by the chartering legislation of a corporation.

17 Sec. 10.50.010. GENERAL STOCK OWNERSHIP CORPORATIONS. (a) A
18 corporation organized under this chapter is a general stock ownership
19 corporation and shall be formed in accordance with subchapter U, chapter
20 1 of the Internal Revenue Code of 1954, as amended (26 U.S.C. secs.
21 1391 - 1397), and with this chapter. A corporation is subject to the
22 provisions of this chapter and subchapter U, chapter 1 of the Internal
23 Revenue Code of 1954 (26 U.S.C. sec. 1391 - 1397).

24 (b) A corporation is not an agency, instrumentality, or political
25 subdivision of the state for any purpose.

26 Sec. 10.50.015. GENERAL POWERS. A corporation may

27 (1) have perpetual succession in its corporate name unless a
28 limited period of duration is stated in its articles of incorporation;

29 (2) sue and be sued in its corporate name;

1 (3) adopt a corporate seal and alter it, and use it by having
2 it or a facsimile of it impressed, affixed or reproduced;

3 (4) buy, lease, or otherwise acquire, own, hold, improve, use
4 and otherwise deal in, real or personal property or any interest in
5 property, except that the corporation may not invest in property ac-
6 quired by it, or for its benefit, through the right of eminent domain;

7 (5) sell or otherwise dispose of all or any part of its
8 property and assets;

9 (6) lend money to its employees other than its officers and
10 directors, and otherwise assist its employees, officers and directors;

11 (7) buy or otherwise acquire, own, hold, vote, use, sell,
12 mortgage, lend, pledge, or otherwise dispose of, and otherwise use and
13 deal in shares or other interests in, or obligations of, other corpora-
14 tions, associations, partnerships or individuals, or in direct or in-
15 direct obligations of the United States or of any other government,
16 state, territory, or municipality or of any instrumentality of them;

17 (8) make contracts and incur liabilities, borrow money at the
18 rates of interest the corporation determines, issue notes, bonds, and
19 other obligations, and secure its obligations by mortgage or pledge of
20 all or any of its property, franchise and income;

21 (9) lend money for its corporate purposes, invest and rein-
22 vest its funds, and take and hold real and personal property as security
23 for the payment of funds loaned or invested;

24 (10) conduct business, carry on operations, and have offices
25 and exercise the powers granted by this chapter in a state, territory,
26 district, or possession of the United States, or in a foreign country;

27 (11) elect or appoint officers and agents of the corporation,
28 define their duties, and fix their compensation;

29 (12) make and alter bylaws not inconsistent with its articles

1 of incorporation or with the laws of the state, for the administration
2 and regulation of the affairs of the corporation;

3 (13) donate for the public welfare or for charitable, scienti-
4 fic or educational purposes, and in time of war donate in aid of war
5 activities;

6 (14) transact lawful business in time of war in aid of the
7 United State in the prosecution of the war;

8 (15) pay pensions and establish pension plans, pension trusts,
9 profit-sharing plans, and other incentive plans for its directors,
10 officers and employees;

11 (16) cease its corporate activities and surrender its corporate
12 franchise;

13 (17) have and exercise the powers of a limited or general
14 partner or a joint adventurer in association with one or more persons,
15 corporations, partnerships or associations;

16 (18) have and exercise lawful powers necessary to carry out
17 the purposes for which the corporation is organized.

18 Sec. 10.50.020. INDEMNIFICATION OF OFFICERS, DIRECTORS, EMPLOYEES
19 AND AGENTS; INSURANCE. (a) A corporation may indemnify a person who
20 was or is a party or is threatened to be made a party to a threatened,
21 pending, or completed action or proceeding, whether civil, criminal,
22 administrative, or investigative, other than an action by or in the
23 right of the corporation, by reason of the fact that he is or was a
24 director, officer, employee or agent of the corporation, or is or was
25 serving at the request of the corporation as a director, officer,
26 employee or agent of another corporation, partnership, joint venture,
27 trust or other enterprise. Indemnification may be against expenses
28 including attorney fees, judgments, fines, and amounts paid in settle-
29 ment actually and reasonably incurred by him in connection with the

1 action or proceeding if he acted in good faith and in a manner he reason-
2 ably believed to be in or not opposed to the best interests of the
3 corporation, and, with respect to a criminal action or proceeding, had
4 no reasonable cause to believe his conduct was unlawful. The termina-
5 tion of an action or proceeding by judgment, order, settlement, convic-
6 tion, or upon a plea of nolo contendere or its equivalent, does not, of
7 itself, create a presumption that the person did not act in good faith
8 and in a manner which he reasonably believed to be in or not opposed to
9 the best interests of the corporation, and, with respect to a criminal
10 action or proceeding, had reasonable cause to believe that his conduct
11 was unlawful.

12 (b) A corporation may indemnify a person who was or is a party or
13 is threatened to be made a party to a threatened, pending or completed
14 action by or in the right of the corporation to procure a judgment in
15 its favor by reason of the fact that he is or was a director, officer,
16 employee, or agent of the corporation, or is or was serving at the re-
17 quest of the corporation as a director, officer, employee, or agent of
18 another corporation, partnership, joint venture, trust or other enter-
19 prise. Indemnification may be against expenses, including attorney
20 fees, actually and reasonably incurred by him in connection with the
21 defense or settlement of the action if he acted in good faith and in a
22 manner he reasonably believed to be in or not opposed to the best inter-
23 ests of the corporation. However, indemnification may not be made for
24 any claim, issue or matter as to which the person has been adjudged to
25 be liable for negligence or misconduct in the performance of his duty to
26 the corporation except to the extent that the court in which the action
27 was brought determines upon application that, despite the adjudication
28 of liability, in view of all the circumstances of the case the person is
29 fairly and reasonably entitled to indemnity for the expenses which the

1 court considers proper.

2 (c) To the extent that a director, officer, employee or agent of a
3 corporation has been successful on the merits or otherwise in defense of
4 an action or proceeding referred to in (a) or (b) of this section, or in
5 defense of any claim, issue or matter in the action or proceeding, he
6 shall be indemnified against expenses, including attorney fees, actually
7 and reasonably incurred by him in connection with it.

8 (d) Indemnification under (a) or (b) of this section, unless
9 ordered by a court, shall be made by the corporation only as authorized
10 in the specific case upon a determination that indemnification of the
11 director, officer, employee or agent is proper in the circumstances
12 because he has met the applicable standard of conduct set out in (a) and
13 (b) of this section. This determination shall be made

14 (1) by the board of directors by a majority vote of a quorum
15 consisting of directors who were not parties to the action or proceed-
16 ing, or

17 (2) if such a quorum is not obtainable, or, even if obtain-
18 able if a quorum of disinterested directors so directs, by independent
19 legal counsel in a written opinion, or

20 (3) by the stockholders.

21 (e) Expenses incurred in defending a civil or criminal action or
22 proceeding may be paid by the corporation in advance of the final dis-
23 position of the action or proceeding as authorized by the board of
24 directors in the specific case upon receipt of an undertaking by or on
25 behalf of the director, officer, employee or agent to repay the amount
26 unless it is ultimately determined that he is entitled to be indemini-
27 fied by the corporation as authorized in this section.

28 (f) The indemnification provided by this section is not exclusive
29 of any other rights to which a person seeking indemnification may be

1 entitled under any bylaw, agreement, vote of stockholders or disinter-
2 ested directors or otherwise, both as to action in his official capacity
3 and as to action in another capacity while holding the office, and
4 continues as to a person who has ceased to be a director, officer,
5 employee or agent, and inures to the benefit of the heirs, executors and
6 administrators of that person.

7 (g) A corporation may purchase and maintain insurance on behalf of
8 a person who is or was a director, officer, employee or agent of the
9 corporation, or is or was serving at the request of the corporation as a
10 director, officer, employee or agent of another corporation, partner-
11 ship, joint venture, trust or other enterprise against any liability
12 asserted against him and incurred by him in such a capacity, or arising
13 out of his status as such, whether or not the corporation would have the
14 power to indemnify him against the liability under the provisions of
15 this section.

16 Sec. 10.50.030. DEFENSE OF ULTRA VIRES. No act of a corporation
17 and no conveyance or transfer of real or personal property to or by a
18 corporation is invalid because the corporation did not have capacity or
19 power to perform the act or to convey or receive the property. However,
20 lack of capacity or power may be asserted as follows.

21 (1) The assertion may be made in a proceeding by a share-
22 holder against the corporation to enjoin the performance of any act or
23 the transfer of real or personal property by or to the corporation. If
24 the unauthorized act or transfer sought to be enjoined is being or to be
25 performed or made under a contract to which the corporation is a party,
26 the court may, if the parties to the contract are parties to the pro-
27 ceeding and if the court considers it equitable, set aside and enjoin
28 the performance of the contract, and in so doing may allow compensation
29 to the corporation or to the other parties to the contract for the loss

1 or damage sustained by either of them resulting from the action of the
2 court in setting aside and enjoining the performance of the contract.
3 The court may not award anticipated profits to be derived from the
4 performance of the contract as a loss or damage sustained.

5 (2) The assertion may be made in a proceeding by the corpora-
6 tion, whether acting directly or through a receiver, trustee, or other
7 legal representative, or through shareholders in a representative suit,
8 against the incumbent or former officers or directors of the corpora-
9 tion.

10 (3) The assertion may be made in a proceeding by the attorney
11 general to dissolve the corporation, or to enjoin the corporation from
12 the transaction of unauthorized business.

13 Sec. 10.50.035. CORPORATE NAME. The corporate name shall contain
14 the words "general stock ownership corporation" or an abbreviation of
15 these words. It may not contain a word or phrase which indicates or
16 implies that it is organized for a purpose other than the purpose con-
17 tained in the articles of incorporation. It may not be the same as, or
18 deceptively similar to, the name of a domestic corporation existing
19 under the laws of the state or a foreign corporation authorized to
20 transact business in the state, or a name which has been reserved or
21 registered as provided in this chapter.

22 Sec. 10.50.040. RESERVATION OF CORPORATE NAME. (a) The exclusive
23 right to the use of a corporate name may be reserved by

24 (1) a person intending to organize a corporation under this
25 chapter;

26 (2) a corporation intending to change its name.

27 (b) Reservation of a corporate name is made by filing an applica-
28 tion with the commissioner. If the commissioner finds that the name is
29 available for corporate use, and not a reserved or registered business

1 name as set out in AS 10.35.010 - 10.35.090, he shall reserve it for the
2 exclusive use of the applicant for a period of two years. A reservation
3 of corporate name may be renewed for one year.

4 (c) The holder of a reserved corporate name may transfer the right
5 to the exclusive use of the corporate name to another person by filing a
6 notice of transfer with the commissioner, signed by the holder and
7 specifying the name and address of the transferee.

8 Sec. 10.50.045. FOREIGN GENERAL STOCK OWNERSHIP CORPORATIONS.
9 Corporations organized under the laws of another state shall be governed
10 according to AS 10.05.

11 Sec. 10.50.050. REGISTERED OFFICE AND REGISTERED AGENT. A corpor-
12 ation shall continuously maintain in the state a registered office which
13 may be, but need not be, the same as its place of business, and a regis-
14 tered agent. The registered agent may be either an individual resident
15 of the state whose business office is the same as the registered office,
16 or a corporation organized under AS 10.05 whose business office is the
17 same as the registered office.

18 Sec. 10.50.055. FILING LIST OF REGISTERED CORPORATIONS WITH SUPER-
19 IOR COURT. The commissioner shall file a list of the name of each
20 corporation, the address of the registered office, and the name and
21 address of the registered agent with each clerk of the superior court.
22 The commissioner shall provide a periodic supplement to the list indi-
23 cating additions, deletions and changes at least once every six months.
24 The commissioner shall make the list available to the public for a fee
25 prescribed by him.

26 Sec. 10.50.060. CHANGE OF REGISTERED OFFICE OR AGENT. (a) A
27 corporation may change its registered office, agent, or both, by filing
28 with the department a verified statement signed by the president or
29 vice-president setting out

- 1 (1) the name of the corporation;
- 2 (2) the address of its registered office;
- 3 (3) the address of its new registered office if the regis-
- 4 tered office is to be changed;
- 5 (4) the name of its registered agent;
- 6 (5) the name of its new registered agent, if its registered
- 7 agent is to be changed;
- 8 (6) that the change is authorized by resolution of its board
- 9 of directors.

10 (b) If the commissioner finds that the verified statement complies
11 with this chapter, he shall file it in his office. The change becomes
12 effective when the statement is filed.

13 Sec. 10.50.065. REGISTRATION OF REGISTERED AGENT. (a) If the
14 registered agent of a corporation changes the location of his office
15 from one address to another within a city or town, or from one city or
16 town in the state to another, he may change the registered office for
17 each corporation for whom he is acting as registered agent by filing in
18 the office of the commissioner a statement setting out

- 19 (1) the name of the agent;
- 20 (2) the address of his office before change;
- 21 (3) the address to which the office is changed; and
- 22 (4) a list of corporations for whom he is furnishing a regis-
- 23 tered office.

24 (b) The statement in (a) of this section must be executed by the
25 registered agent in his individual name and, if the agent is a corpora-
26 tion it must be executed by its president or a vice-president and veri-
27 fied by him. The statement must be delivered to the commissioner and if
28 he finds that the statement complies with this chapter, he shall file it
29 in his office. The change becomes effective when the statement is

1 filed.

2 (c) A registered agent may resign by filing a written notice,
3 executed in duplicate, with the commissioner. The written notice of
4 resignation shall set out the latest address of the principal office of
5 the corporation and the names, addresses and titles of the most recent
6 officers of the corporation known by the agent. The commissioner shall
7 immediately mail a copy of the notice to the corporation at its princi-
8 pal office. The appointment of the agent terminates 30 days after
9 receipt of the notice by the commissioner.

10 Sec. 10.50.070. SERVICE OF PROCESS ON CORPORATION. (a) The
11 registered agent of a corporation is an agent upon whom process, notice
12 or demand required or permitted by law to be served upon the corporation
13 may be served.

14 (b) When a corporation fails to appoint or maintain a registered
15 agent in the state, or when its registered agent cannot, with reasonable
16 diligence, be found at the registered office, the commissioner is an
17 agent of the corporation upon whom the process, notice, or demand may be
18 served. Service is made upon the commissioner as agent by leaving with
19 him, or with a clerk having charge of the corporation department of his
20 office, duplicate copies of the process, notice or demand. When process,
21 notice or demand is served on the commissioner, he shall immediately
22 forward a copy of it by registered mail to the corporation at its regis-
23 tered office. Service on the commissioner is returnable in not less
24 than 30 days.

25 (c) The commissioner shall keep a record of processes, notices and
26 demands served upon him showing the time of service and his action with
27 reference to the service. This chapter does not limit or affect the
28 right to serve process, notice or demand required or permitted by law to
29 be served upon a corporation in any other manner permitted by law.

1 Sec. 10.50.075. CREATION AND ISSUANCE OF SHARES. A corporation
2 may create and issue the number of shares stated in its articles of
3 incorporation and as provided in AS 10.50.320(a)(5) - (7). The shares
4 shall be without par value.

5 Sec. 10.50.080. CONSIDERATION FOR SHARES. (a) Shares may be
6 issued without consideration or for consideration fixed by the share-
7 holders before the issuance. Consideration for shares shall be fixed by
8 a vote of a majority of the shares voting on the issue.

9 (b) Treasury shares may be disposed of by the corporation for
10 consideration not more than the book value of the shares.

11 Sec. 10.50.085. PAYMENT FOR SHARES. (a) Consideration for the
12 issuance of shares if required may be paid, in whole or in part, in
13 money, in other property, tangible or intangible, or in labor or ser-
14 vices actually performed for the corporation. When payment of the
15 consideration for shares is received by the corporation, the shares are
16 considered fully paid and nonassessable.

17 (b) A promissory note or future service does not constitute pay-
18 ment or part payment for shares of a corporation.

19 Sec. 10.50.090. JUDGMENT OF BOARD OR SHAREHOLDER AS TO VALUE OF
20 CONSIDERATION CONCLUSIVE. In the absence of fraud in the transaction,
21 the judgment of the board of directors or the shareholders as to the
22 value of the consideration received for shares is conclusive.

23 Sec. 10.50.095. EXPENSES OF ORGANIZATION, REORGANIZATION AND
24 FINANCING. The reasonable charges and expenses of organization or
25 reorganization of a corporation, and the reasonable expenses of and
26 compensation for the sale or underwriting of its shares, may be paid or
27 allowed by the corporation out of the consideration received by it in
28 payment for its shares without rendering the shares not fully paid and
29 nonassessable.

1 Sec. 10.50.100. CERTIFICATES REPRESENTING SHARES. The shares of a
2 corporation shall be represented by certificates signed by the president
3 or vice-president and the secretary or an assistant secretary of the
4 corporation, and may be sealed with the seal of the corporation or a
5 facsimile of the seal. The signatures of the president or vice-presi-
6 dent and the secretary or assistant secretary on a certificate may be
7 facsimiles if the certificate is countersigned by a transfer agent, or
8 registered by a registrar, other than the corporation itself or an
9 employee of the corporation. If an officer who has signed or whose
10 facsimile signature has been placed on a certificate ceases to be an
11 officer before the certificate is issued, it may be issued by the cor-
12 poration with the same effect as if he were an officer at the date of
13 its issue.

14 Sec. 10.50.105. INFORMATION REQUIRED TO BE STATED ON CERTIFICATE.
15 Each certificate representing shares shall state on the face

16 (1) that the corporation is organized under the laws of the
17 state;

18 (2) the name of the person to whom issued;

19 (3) the number of shares which the certificate represents;

20 (4) a statement that the shares are without par value.

21 Sec. 10.50.110. FULL PAYMENT REQUIRED FOR CERTIFICATE. A certi-
22 ficate may not be issued for a share until the share is fully paid if
23 consideration is required.

24 Sec. 10.50.115. ISSUANCE OF FRACTIONAL SHARES. (a) A corporation
25 may issue a certificate for a fractional share.

26 (b) A certificate for a fractional share entitles the holder to
27 exercise voting rights, to receive dividends, and to participate in the
28 assets of the corporation in the event of liquidation.

29 Sec. 10.50.120. LIABILITY OF SUBSCRIBERS AND SHAREHOLDERS. (a) A

1 holder of or subscriber to shares of a corporation is under no obliga-
2 tion to the corporation or its creditors with respect to the shares
3 other than the obligation to pay to the corporation the full considera-
4 tion for which the shares were issued or to be issued.

5 (b) An assignee or transferee of shares or of a subscription for
6 shares in good faith and without knowledge or notice that the full
7 consideration has not been paid is not personally liable to the corpora-
8 tion or its creditors for any unpaid portion of the consideration.

9 (c) An executor, administrator, conservator, guardian, trustee,
10 assignee for the benefit of creditors, or receiver is not personally
11 liable to the corporation as a holder of or subscriber to shares of a
12 corporation but the estate and funds held by him are liable.

13 (d) A pledgee or other holder of shares as collateral security is
14 not personally liable as a shareholder.

15 Sec. 10.50.125. BYLAWS. The board of directors shall adopt the
16 initial bylaws of a corporation in accordance with AS 10.50.335. The
17 power to alter, amend or repeal the bylaws or to adopt new bylaws is
18 vested in the board of directors and the shareholders. The bylaws may
19 contain provisions for the regulation and management of the affairs of
20 the corporation consistent with law and the articles of incorporation.

21 Sec. 10.50.130. MEETINGS OF SHAREHOLDERS. (a) Meetings of share-
22 holders shall be held in the state, as may be provided in the bylaws.
23 The board of directors shall designate the place of the meeting.

24 (b) An annual meeting of the shareholders shall be held at the
25 time provided in the bylaws. Failure to hold the annual meeting at the
26 designated time does not work a forfeiture or dissolution of the corpora-
27 tion.

28 (c) Special meetings of the shareholders may be called by the
29 president, by the board of directors, by the holders of not less than

1 1,000 shares, or by the other officers or persons provided in the
2 articles of incorporation or the bylaws.

3 (d) The shareholders of a corporation may participate in a meeting
4 of the shareholders by communicating simultaneously with the other
5 shareholders from places designated in the notice of meeting by means of
6 conference telephones or other communications equipment, so long as all
7 shareholders participating in the meeting can hear one another.

8 Sec. 10.50.135. NOTICE OF SHAREHOLDERS' MEETINGS. (a) Beginning
9 not less than 150 days before a meeting of shareholders, the corporation
10 shall, at least weekly, notify the shareholders of the time and manner
11 in which (1) nominations for the board of directors of the corporation
12 may be made and (2) issues may be placed on the corporation ballot for
13 consideration by the shareholders. Notice shall be by publication in
14 newspapers in all regions of the state and shall appear at least weekly
15 for not less than four weeks.

16 (b) Written or printed notice stating the place, day and hour of
17 the meeting and, in case of a special meeting, the purpose for which the
18 meeting is called, shall be delivered not less than 60 nor more than 90
19 days before the date of the meeting, either personally or by mail, by or
20 at the direction of the president, the secretary, or the officer or
21 persons calling the meeting, to each shareholder of record entitled to
22 vote at the meeting. If mailed, the notice is considered delivered when
23 deposited in the United States mail addressed to the shareholder at his
24 address as it appears on the stock transfer books of the corporation,
25 with postage prepaid. .

26 Sec. 10.50.140. CLOSING OF TRANSFER BOOKS AND FIXING RECORD DATE.

27 (a) To determine the shareholders entitled to notice of or to vote at a
28 meeting of shareholders or an adjournment of a meeting, or entitled to
29 receive payment of a dividend, or in order to make a determination of

1 shareholders for any other proper purpose, the board of directors of a
2 corporation may provide that the stock transfer books shall be closed
3 for a stated period not exceeding 90 days. If the stock transfer books
4 are closed to determine shareholders entitled to notice of or to vote at
5 a meeting of shareholders, they shall be closed for at least 60 days
6 immediately preceding the meeting.

7 (b) Instead of closing the stock transfer books, the bylaws, or in
8 the absence of an applicable bylaw the board of directors, may fix in
9 advance a date as the record date for the determination of shareholders.
10 This record date shall be not more than 90 days and, in case of a meet-
11 ing of shareholders, not less than 60 days before the date on which the
12 particular action requiring the determination of shareholders is to be
13 taken. If the stock transfer books are not closed and no record date is
14 fixed for the determination of shareholders entitled to notice of or to
15 vote at a meeting of shareholders, or shareholders entitled to receive
16 payment of a dividend, the date on which notice of the meeting is mailed
17 or the date on which the resolution of the board of directors declaring
18 the dividend is adopted is, as the case may be, the record date for the
19 determination of shareholders. When a determination of shareholders
20 entitled to vote at a meeting of shareholders is made, the determination
21 applies to an adjournment of the meeting except when the determination
22 has been made through the closing of the stock transfer books and the
23 stated period of closing has expired.

24 Sec. 10.50.145. VOTING LIST. (a) At least 60 days before each
25 meeting of shareholders, the officer or agent having charge of the stock
26 transfer books for shares of a corporation shall make a list of the
27 shareholders entitled to vote at the meeting or an adjournment of the
28 meeting, arranged in alphabetical order, with the address of and the
29 number of shares held by each. The list shall be kept on file at the

1 registered office of the corporation and is subject to inspection by a
2 shareholder at any time during usual business hours for a period of 60
3 days before the meeting. The list shall also be produced and kept open
4 at the time and place of the meeting and shall be subject to the inspec-
5 tion of a shareholder during the meeting. The original stock transfer
6 books are prima facie evidence as to who are the shareholders entitled
7 to examine the list or transfer books or to vote at a meeting of share-
8 holders.

9 (b) Failure to comply with the requirements of this section does
10 not affect the validity of the action taken at the meeting.

11 Sec. 10.50.150. QUORUM OF SHAREHOLDERS. One-third of the shares
12 entitled to vote, represented in person or by ballots, constitutes a
13 quorum at a meeting of shareholders. Each outstanding share is entitled
14 to one vote on each matter submitted to a vote at a meeting of share-
15 holders. If a quorum is present, the affirmative vote of the majority
16 of the shares represented at the meeting and entitled to vote on the
17 subject matter is the act of the shareholders, unless the vote of a
18 great number is required by this chapter or the articles of incorpora-
19 tion or the bylaws.

20 Sec. 10.50.155. PROXY VOTING PROHIBITED. A shareholder may not
21 vote by proxy.

22 Sec. 10.50.160. VOTING FOR DIRECTORS. At an election for direc-
23 tors every shareholder entitled to vote may vote the number of shares
24 owned by him for as many persons as there are directors to be elected
25 and for whose election he has a right to vote. Shareholders may not
26 cumulate their votes.

27 Sec. 10.50.165. VOTING OF SHARES IN THE NAME OF ANOTHER. (a)
28 Shares held by an administrator, executor, guardian or conservator may
29 be voted by him, either in person or by ballot, without a transfer of

1 the shares into his name.

2 (b) Shares standing in the name of a receiver may be voted by him,
3 and shares held by or under the control of a receiver may be voted by
4 him without the transfer of the shares into his name if authority to do
5 so is contained in an appropriate order of the court by which the
6 receiver was appointed.

7 Sec. 10.50.170. VOTING OF PLEDGED SHARES. A shareholder whose
8 shares are pledged may vote the shares until they have been transferred
9 into the name of the pledgee, and thereafter the pledgee may vote the
10 shares so transferred.

11 Sec. 10.50.175. CORPORATION BALLOT. (a) The corporation shall
12 prepare one ballot for each meeting of the shareholders. The ballot
13 shall be mailed to the shareholders with the notice of meeting. Candi-
14 dates for the board of directors and proposals for shareholder consider-
15 ation shall be included in the ballot as provided in this section.

16 (b) A candidate for director shall be nominated by

17 (1) a resolution adopted by the board of directors; or

18 (2) a petition signed by at least 1,000 shareholders and
19 filed with the secretary of the corporation at least 120 days before the
20 meeting at which the election is to be held.

21 (c) A proposal for amendment of the bylaws or other proper corpor-
22 ate purpose shall be included on the ballot if authorized by

23 (1) a resolution adopted by the board of directors setting
24 out the proposal and directing that it be submitted to a vote at the
25 meeting of shareholders; or

26 (2) a petition, setting out the proposal and directing that
27 it be submitted to a vote at the next meeting of shareholders, signed by
28 at least 1,000 shareholders and filed with the secretary of the corpora-
29 tion at least 120 days before the next meeting of shareholders.

1 (d) A written or printed notice setting out the candidates' quali-
2 fications for office or the proposals to be put to a vote of the share-
3 holders and any materials in opposition to the proposals shall be given
4 to each shareholder of record entitled to vote within the time and in
5 the manner provided in this chapter for the giving of notice of meetings
6 of shareholders.

7 Sec. 10.50.180. BOARD OF DIRECTORS. (a) The business and affairs
8 of a corporation shall be managed by a board of directors. At least
9 three-quarters of the board of directors including the chairman of the
10 board of directors must be residents of the state. The articles of
11 incorporation or bylaws may prescribe other qualifications for direc-
12 tors. The compensation of directors shall be fixed by the bylaws.

13 (b) A director is entitled to attend any meeting of a committee of
14 the board of directors whether or not he is a member of the committee.
15 A director is entitled to inspect all records of any committee of the
16 board of directors.

17 (c) An officer or employee of the corporation may not serve as a
18 member of the board of directors.

19 Sec. 10.50.185. NUMBER OF DIRECTORS. (a) The number of directors
20 of a corporation shall be at least three. The number of directors shall
21 be fixed by the bylaws, except that the number constituting the initial
22 board of directors shall be fixed by the chartering legislation.

23 (b) The number of directors may be increased or decreased by
24 amendment to the bylaws, but a decrease may not shorten the term of an
25 incumbent director.

26 (c) In the absence of a bylaw fixing the number of directors, the
27 number shall be the same as that stated in the chartering legislation.

28 (d) The board of directors shall be divided into two classes, each
29 class to be as nearly equal in number as possible, with the term of

1 office of directors of the first class to expire at the first annual
2 meeting of shareholders after their election, that of the second class
3 to expire at the second annual meeting after their election. At each
4 annual meeting after the classification the number of directors equal to
5 the number of the class whose term expires at the time of the meeting
6 shall be elected to hold office until the second succeeding annual
7 meeting if there are two classes. No classification of directors is
8 effective prior to the first annual meeting of shareholders.

9 Sec. 10.50.190. ELECTION OF DIRECTORS. At the first annual meet-
10 ing of shareholders and at each annual meeting thereafter the share-
11 holders shall elect directors. Each director holds office for the term
12 for which he is elected and until his successor is elected and quali-
13 fied.

14 Sec. 10.50.195. VACANCIES. A vacancy occurring in the board of
15 directors may be filled by the affirmative vote of a majority of the
16 remaining directors though the majority is less than a quorum of the
17 board. A director elected by the board of directors to fill a vacancy
18 shall serve until the next annual meeting. The shareholders shall elect
19 a director for the unexpired term, if any, of the director's position to
20 which the board elected his predecessor. A directorship to be filled by
21 reason of an increase in the number of directors shall be filled by
22 election at an annual meeting or at a special meeting of shareholders
23 called for that purpose. In no case may a vacancy continue for longer
24 than six months or until the next annual meeting, whichever occurs
25 first.

26 Sec. 10.50.200. QUORUM OF DIRECTORS. A majority of the number of
27 directors fixed by the bylaws, or in the absence of a bylaw fixing the
28 number of directors, then of the number stated in the articles of incor-
29 poration, constitutes a quorum for the transaction of business unless a

1 greater number is required by the articles of incorporation or the
2 bylaws. The act of the majority of the directors present at a meeting
3 at which a quorum is present is the act of the board of directors,
4 unless the act of a greater number is required by the articles of incor-
5 poration or the bylaws.

6 Sec. 10.50.205. PLACE AND NOTICE OF DIRECTORS' MEETINGS. (a)
7 Regular or special meetings of the board of directors maybe held only in
8 the state.

9 (b) Regular meetings of the board of directors may be held with or
10 without notice as prescribed in the bylaws. Special meetings of the
11 board of directors shall be held after the notice prescribed in the
12 bylaws. Attendance of a director at a meeting constitutes a waiver of
13 notice of the meeting, except when a director attends a meeting for the
14 express purpose of objecting to the transaction of any business because
15 the meeting is not lawfully called or convened. The business to be
16 transacted or the purpose of a special meeting of the board of directors
17 must be specified in the notice or waiver of notice of the meeting.

18 Sec. 10.50.210. PARTICIPATION BY TELEPHONE. The members of the
19 board of directors of a corporation, or a committee designated by it,
20 may participate in a meeting of the board or committee by communicating
21 simultaneously with each other by means of conference telephones or
22 similar communications equipment, so long as all members participating
23 in the meeting can hear one another. Participation in a meeting under
24 this section constitutes presence in person at the meeting.

25 Sec. 10.50.215. DISTRIBUTIONS. (a) Except for distributions
26 required to comply with subchapter U, chapter 1 of the Internal Revenue
27 Code of 1954, as amended (26 U.S.C. secs. 1391 - 1397), a corporation
28 may not make a distribution to its shareholders unless

29 (1) the amount of the retained earning of the corporation

1 immediately before the proposed distribution equals or exceeds the
2 amount of the proposed distribution; or

3 (2) immediately after giving effect to the proposed distribu-
4 tion

5 (A) the sum of the assets of the corporation, exclusive
6 of goodwill, capitalized research and development expenses and
7 deferred charges would be at least equal to one and one-fourth
8 times its liabilities, not including deferred taxes, deferred
9 income and other deferred credits; and

10 (B) the current assets of the corporation would be at
11 least equal to its current liabilities or, if the average of the
12 earnings of the corporation before taxes on income and before
13 interest expense for the two preceding fiscal years was less than
14 the average of the interest expense of the corporation for those
15 fiscal years, at least equal to one and one-fourth times its current
16 liabilities.

17 (b) In determining the amount of the assets of the corporation, no
18 appreciation in value not yet realized may in any event be included,
19 except for readily marketable securities, and profits derived from an
20 exchange of assets may not be included unless the assets received are
21 currently realizable in cash.

22 (c) For the purpose of this section "current assets" may include
23 net amounts which the board has determined in good faith may reasonably
24 be expected to be received from customers during the 12-month period
25 used in calculating current liabilities under existing contractual
26 relationships obligating the customers to make fixed or periodic pay-
27 ments during the term of the contract, after giving effect to future
28 costs not then included in current liabilities but reasonably expected
29 to be incurred by the corporation in performing the contracts.

1 (d) The amount of a distribution payable in property shall, for
2 the purpose of this chapter, be determined on the basis of the value at
3 which the property is carried on the corporation's financial statements
4 in accordance with generally accepted accounting principles.

5 (e) Subparagraph (a)(2)(B) of this section does not apply to a
6 corporation which does not classify its assets into current and fixed
7 assets under generally accepted accounting principles.

8 Sec. 10.50.220. DISTRIBUTIONS IN PARTIAL LIQUIDATION. The board
9 of directors may, from time to time, distribute to its shareholders in
10 partial liquidation a portion of its assets, subject to the following
11 provisions:

12 (1) A distribution may not be made at a time when the corpor-
13 ation is insolvent or when the distribution would render the corporation
14 insolvent.

15 (2) A distribution may not be made unless the distribution is
16 authorized by the affirmative vote of the holders of at least two-thirds
17 of the shares voting on the issue at a meeting of shareholders.

18 (3) Each distribution, when made, shall be identified as a
19 distribution in partial liquidation and the amount per share disclosed
20 to the shareholders concurrently with the distribution.

21 ✓ Sec. 10.50.225. CERTAIN LOANS PROHIBITED. A loan may not be made
22 by a corporation to its officers or directors, and a loan may not be
23 made by a corporation secured by its shares.

24 To broad
for EEC. ✓ Sec. 10.50.230. LIABILITY OF DIRECTORS IN CERTAIN CASES. (a)
25 Directors who vote for or assent to the declaration of a dividend or
26 other distribution of the assets of a corporation to its shareholders
27 contrary to the provisions of this chapter or contrary to restrictions
28 contained in the articles of incorporation are jointly and severally
29 liable to the corporation for the amount of the dividend paid, or the

1 value of assets distributed in excess of the amount of the dividend or
2 distribution which could have been paid or distributed without a viola-
3 tion of the provisions of this chapter or the restrictions in the arti-
4 cles of incorporation.

5 ✓(b) Directors who vote for or assent to the purchase by a corpora-
6 tion of its own shares contrary to the provisions of this chapter are
7 jointly and severally liable to the corporation for the amount of consi-
8 deration paid in excess of the maximum amount which could have been paid
9 without a violation of the provisions of this chapter.

10 ✓(c) The directors who vote for or assent to the distribution of
11 assets of a corporation to its shareholders during the liquidation of
12 the corporation without the payment and discharge of, or making adequate
13 provision for, all known debts, obligations, and liabilities of the
14 corporation are jointly and severally liable to the corporation for the
15 value of the assets distributed, to the extent that the debts, obliga-
16 tions and liabilities of the corporation are not paid and discharged.

17 ✓(d) The directors who vote for or assent to the making of a loan
18 to an officer or director of the corporation, or the making of a loan
19 secured by shares of the corporation, are jointly and severally liable
20 to the corporation for the amount of the loan until it is repaid.

21 Sec. 10.50.235. EFFECT OF GOOD FAITH RELIANCE ON FINANCIAL STATE-
22 MENTS OR BOOK VALUE. A director is not liable under AS 10.50.230(a),
23 (b) or (c) if

24 (1) he relied and acted in good faith upon financial state-
25 ments of the corporation represented to him to be correct by the presi-
26 dent or the officer of the corporation having charge of its books of
27 account, or certified by an independent public or certified public
28 accountant or firm of certified public accountants fairly to reflect the
29 financial condition of the corporation; or

1 (2) in good faith in determining the amount available for a
2 dividend or distribution he considered the assets to be of their book
3 value.

4 Sec. 10.50.240. PRESUMPTION OF CONSENT OF DIRECTOR AND FILING OF
5 DISSENT. A director present at a meeting of the board of directors at
6 which action on a corporate matter is taken is presumed to have assented
7 to the action taken unless his dissent is entered in the minutes of the
8 meeting or unless he files his written dissent to the action with the
9 person acting as secretary of the meeting before its adjournment or
10 forwards his dissent by registered mail to the secretary of the corpora-
11 tion within five days after the adjournment of the meeting. The right
12 to dissent does not apply to a director who voted in favor of the
13 action.

14 Sec. 10.50.245. DIRECTOR'S RIGHT TO CONTRIBUTION. A director
15 against whom a claim is asserted under AS 10.50.230 - 10.50.240 is
16 entitled to contribution from the other directors who voted for or
17 assented to the action upon which the claim is asserted.

18 Sec. 10.50.250. OFFICERS. The officers of a corporation consist
19 of a president, one or more vice-presidents as prescribed by the bylaws,
20 a secretary, and a treasurer. Each of the officers shall be elected by
21 the board of directors at the time and in the manner prescribed by the
22 bylaws. Other necessary officers and assistant officers and agents may
23 be elected or appointed by the board of directors or chosen in the
24 manner prescribed by the bylaws. Two or more offices may be held by the
25 same person, except the offices of president and secretary.

26 Sec. 10.50.255. DUTIES OF OFFICERS. Officers and agents of the
27 corporation, as between themselves and the corporation, may perform
28 duties in the management of the corporation as provided in the bylaws,
29 or as determined by resolution of the board of directors not inconsis-

1 tent with the bylaws.

2 Sec. 10.50.260. REMOVAL OF OFFICERS. An officer or agent may be
3 removed by the board of directors when, in its judgment, the best inter-
4 ests of the corporation will be served. Removal is without prejudice to
5 the contract rights of the person removed. Election or appointment of
6 an officer or agent does not of itself create contract rights.

7 Sec. 10.50.265. BOOKS AND RECORDS. (a) A corporation organized
8 under this chapter shall keep correct and complete books and records of
9 account, minutes of the proceedings of its shareholders and board of
10 directors, and a record of its shareholders, containing the names and
11 addresses of all shareholders and the number and class of the shares
12 held by each.

13 (b) A corporation organized under this chapter shall make these
14 books and records, or certified copies of them, reasonably available for
15 inspection at the registered office or principal place of business in
16 the state by the Department of Commerce and Economic Development or a
17 shareholder described by AS 10.50.270.

18 Sec. 10.50.270. SHAREHOLDER'S RIGHT TO EXAMINE BOOKS AND RECORDS.
19 A shareholder, upon written demand stating the purpose of the demand,
20 may, in person or by agent or attorney, at a reasonable time for a
21 proper purpose, examine and make extracts from its books and records of
22 account, minutes and record of shareholders.

23 ✓ Sec. 10.50.275. LIABILITY FOR REFUSAL OF EXAMINATION. An officer
24 or agent who, or a corporation which, refuses to allow a shareholder, or
25 his agent or attorney, to examine and make extracts from its books and
26 records of account, minutes, and record of shareholders, for a proper
27 purpose, is liable to the shareholder in a penalty of \$1,000 for each
28 day, in addition to other damages or remedy given him by law. It is a
29 defense to an action for penalties under this section that the person

1 suing has within two years sold or offered for sale a list of share-
2 holders of the corporation or any other corporation or has aided or
3 abetted a person in procuring a list of shareholders for this purpose,
4 or has improperly used information secured through a prior examination
5 of the books and records of account, or minutes, or record of share-
6 holders of the corporation or any other corporation, or was not acting
7 in good faith or for a proper purpose in making his demand.

8 Sec. 10.50.280. COURT MAY COMPEL INSPECTION. AS 10.50.265 - 10.-
9 50.285 do not impair the power of a competent court, upon proof by a
10 shareholder of proper purpose, to compel the production for examination
11 by the shareholder of the books and records of account, minutes, and
12 record of shareholders of a corporation.

13 Sec. 10.50.285. SHAREHOLDERS' RIGHT TO FINANCIAL STATEMENT. Upon
14 the written request of a shareholder of a corporation, the corporation
15 shall mail to the shareholder its most recent financial statements
16 showing in reasonable detail its assets and liabilities and the results
17 of its operations.

18 Sec. 10.50.290. REMOVAL OF DIRECTORS BY SUPERIOR COURT. The
19 superior court may upon an action filed by the attorney general or at
20 least 100 shareholders of at least 18 years of age, remove from office
21 any director in case of fraudulent or dishonest acts or gross abuse of
22 authority or discretion with reference to the corporation and may bar
23 from reelection a director so removed for a period prescribed by the
24 court. The corporation shall be made a party to the action.

25 ✓ Sec. 10.50.295. SHAREHOLDER REMOVAL OF DIRECTORS. (a) The entire
26 board of directors, an initial director, or a director elected by the
27 board of directors may be removed from office by the affirmative vote of
28 the holders of a majority of the shares voting at an annual or special
29 meeting for which notice of the proposal has been given.

1 ✓(b) An individual director may be removed if the majority of votes
2 cast for his removal exceeds the number of votes he received at the last
3 preceding election during which he was a candidate for the office of
4 director.

5 Sec. 10.50.300. SHAREHOLDERS' DERIVATIVE ACTION. (a) An action
6 may be brought on behalf of a corporation, by a shareholder of the
7 corporation, for a judgment in its favor.

8 (b) A person bringing suit under this section must be a share-
9 holder at the time of bringing the action, and must have been a share-
10 holder at the time of the transaction of which he complains or have
11 received his shares by operation of law at that time.

12 (c) In an action under this section, the complaint shall set out
13 with particularity the efforts of the plaintiff to secure the initiation
14 of an action by the board of directors or the reasons for not making
15 those efforts.

16 (d) An action under this section may not be discontinued, com-
17 promised or settled, without the approval of the court having jurisdic-
18 tion of the action. If the court determines that the interests of the
19 shareholders will be substantially affected by a discontinuance, com-
20 promise, or settlement, the court, in its discretion, may direct that
21 notice, by publication or otherwise, be given to the shareholders whose
22 interests it determines will be affected. If notice is required, the
23 court may determine which one or more of the parties to the action must
24 bear the expense of giving the notice, in an amount the court determines
25 and finds to be reasonable, and the amount determined shall be awarded
26 as special costs of the action and recoverable by the prevailing party.

27 (e) If the action on behalf of the corporation is successful, in
28 whole or in part, or if anything is received by the plaintiff as the
29 result of a judgment, compromise or settlement of an action, the court

1 may award the plaintiff reasonable expenses, including reasonable attor-
2 ney fees, and shall direct the plaintiff to account to the corporation
3 for the remainder of the proceeds received by him. This subsection does
4 not apply to a judgment rendered only for the benefit of an injured
5 shareholder and limited to a recovery of the loss or damage sustained by
6 him.

7 (f) In an action under this section, at any time within 30 days
8 after service of summons upon the corporation or upon any defendant who
9 is an officer or director of the corporation, or who held such office at
10 the time of the transaction complained of, the corporation or other
11 defendant may move the court for an order, upon notice and hearing,
12 requiring the plaintiff to furnish security. The motion shall be based
13 upon one or both of the following grounds:

14 (1) that there is no reasonable possibility that the prosecu-
15 tion of the cause of action alleged in the complaint will benefit the
16 corporation or its shareholders; or

17 (2) that the moving party, if other than the corporation, did
18 not participate in the transaction complained of in any capacity.

19 (g) If the court determines, after hearing the evidence adduced by
20 the parties, that the moving party has established by a preponderance of
21 the evidence any of the grounds upon which the motion is based, the
22 court shall fix the nature and amount of security, not to exceed \$50,000,
23 to be furnished by the plaintiff for reasonable expenses, including
24 attorney fees, which may be incurred by the moving party or the corpora-
25 tion in connection with the action, including expenses for which the
26 corporation may become liable under this chapter. A ruling by the court
27 on the motion is not considered a determination of any issue in the
28 action or of its merits. The amount of the security may be increased or
29 decreased in the discretion of the court upon a showing that the secur-

1 ity provided has or may become inadequate or excessive, but the court
2 may not increase the total amount of the security beyond \$50,000 in the
3 aggregate for all defendants. If the court, upon motion, decides that
4 security must be furnished by the plaintiff as to any one or more defen-
5 dants, the action shall be dismissed as to the defendant or defendants,
6 unless the security required by the court is furnished within a reason-
7 able time fixed by the court. The corporation and the moving party have
8 recourse to the security in the amount the court determines upon the
9 termination of the action.

10 (h) If the plaintiff, before an order or determination pursuant to
11 a motion under (f) of this section, posts bond in the aggregate amount
12 of \$50,000 to secure the reasonable expenses of the parties entitled to
13 make the motion, the plaintiff has complied with the requirements of
14 this section and with any order for security. A pending motion under
15 (f) of this section shall be dismissed and no further or additional bond
16 or other security may be required.

17 (i) If a motion is filed under (f) of this section, no pleadings
18 need be filed by the corporation or any other defendant and the prosecu-
19 tion of the action shall be stayed until 10 days after the motion has
20 been disposed of.

21 ✓Sec. 10.50.305. FRAUDULENT TRANSFERS OF SHARES. An individual who
22 transfers or obtains shares of the corporation, or in his capacity as
23 legal guardian obtains shares of the corporation for another, through
24 fraud, misrepresentation, or any deceitful or illegal means is guilty of
25 a felony.

26 ✓Sec. 10.50.310. POLITICAL ACTIVITIES. (a) A corporation may not
27 (1) make contributions or spend money to influence the nomina-
28 tion or election of a candidate for office or the outcome of a ballot
29 proposition or question;

1 (2) endorse a candidate for office or any side of a ballot
2 proposition or question;

3 ✓(3) make any expenditures, including reimbursement for travel
4 and living expenses, or employ any person for the purpose of influencing
5 legislative action.

6 ✓(b) A corporation that knowingly violates this section or that
7 knowingly causes, participates in, aids, or confirms a violation of this
8 section is, upon conviction, punishable by a fine of not more than
9 \$10,000 for each offense.

10 ✓(c) An individual who knowingly violates this section, whether
11 acting for himself, on behalf of an employer, or in concert with another
12 person, is, upon conviction, guilty of a misdemeanor.

13 ✓(d) An individual who knowingly causes, participates in, aids, or
14 confirms any violation of this section is, upon conviction, guilty of a
15 misdemeanor.

16 ARTICLE 2. FORMATION OF CORPORATIONS.

17 Sec. 10.50.315. INCORPORATORS. Three or more natural persons at
18 least 18 years of age may act as incorporators of a corporation by
19 signing, verifying and delivering in duplicate to the commissioner
20 articles of incorporation for the corporation.

21 Sec. 10.50.320. ARTICLES OF INCORPORATION. (a) The articles of
22 incorporation of a corporation shall set out

- 23 (1) the name of the corporation;
24 (2) the period of duration, which may be perpetual;
25 (3) the purpose or purposes for which the corporation is
26 organized;
27 (4) the aggregate number of shares which the corporation may
28 issue;
29 (5) that only one class of stock may be issued by the cor-

1 poration;

2 (6) that shares of stock may be issued only to individuals
3 who were residents of the state on the effective date of its chartering
4 legislation and who continued to be residents until the date of issuance
5 of the shares;

6 (7) that at least one share of stock shall be issued to each
7 individual eligible under (6) of this subsection, unless that individual
8 elects within one year after the date of issuance not to receive the
9 share;

10 (8) that no share of stock may be voluntarily or involun-
11 tarily transferred

12 (A) or encumbered by a shareholder, other than by will
13 or under the laws relating to intestate succession, until five
14 years after the date of issuance of the share, except if the share-
15 holder ceases to be a resident of the state;

16 (B) to an individual other than one who is a resident on
17 the date of transfer;

18 (C) to an individual who, after the transfer, would own
19 more than 10 shares of stock of the corporation;

20 (D) or encumbered by a shareholder under 18 years of age
21 or encumbered by that shareholder's parent or legal guardian;

22 (9) that the corporation must qualify as a general stock
23 ownership corporation under subchapter U of the Internal Revenue Code of
24 1954, as amended (26 U.S.C. secs. 1391 - 1397);

25 (10) any other provision consistent with law which the incor-
26 porators elect to set out in the articles of incorporation for the
27 regulation of the internal affairs of the corporation, including a
28 provision which, under this chapter, is required or permitted to be set
29 out in the bylaws;

1 (11) the address of its initial registered office, and the
2 name of its initial registered agent at that address;

3 (12) the number of directors constituting the initial board of
4 directors and the names and addresses of the persons who are to serve as
5 directors until their successors are elected and qualify;

6 (13) the name and address of each incorporator.

7 (b) It is not necessary to set out in the articles of incorpora-
8 tion any of the corporate powers enumerated in this chapter.

9 Sec. 10.50.325. FILING OF ARTICLES OF INCORPORATION. (a) Dupli-
10 cate originals of the articles of incorporation shall be delivered to
11 the commissioner. If the commissioner finds that the articles of incor-
12 poration conform to law, he shall, when all fees prescribed in AS 10.05.-
13 708 - 10.05.774 have been paid,

14 (1) endorse on each duplicate original the word "filed" and
15 the date of the filing;

16 (2) file one duplicate original in his office;

17 (3) issue a certificate of incorporation and affix the other
18 duplicate original to it.

19 (b) The certificate of incorporation, together with the duplicate
20 original of the articles of incorporation affixed by the commissioner,
21 shall be returned to the incorporators or their representative.

22 Sec. 10.50.330. EFFECT OF ISSUANCE OF CERTIFICATE OF INCORPORA-
23 TION. Upon the issuance of the certificate of incorporation, the cor-
24 porate existence begins. The certificate of incorporation is conclusive
25 evidence that all conditions required to be performed by the incorpora-
26 tors have been complied with and that the corporation has been incor-
27 porated. The issuance of the certificate does not affect the right of
28 the state to bring a proceeding to cancel or revoke the certificate of
29 incorporation or for involuntary dissolution of the corporation.

1 Sec. 10.50.335. ARTICLES OF INCORPORATION AND INITIAL BYLAWS. (a)
2 The corporation shall submit copies of the original articles of incor-
3 poration and the initial bylaws adopted under AS 10.05.340 to the legis-
4 lature within 30 days of the issuance of the certificate of incorpora-
5 tion.

6 (b) The legislature, within 60 legislative days after receipt of a
7 copy of the original articles of incorporation and the initial bylaws,
8 may disapprove any provision of the articles of incorporation or bylaws
9 by concurrent resolution. Disapproval by the legislature of a provision
10 of the articles of incorporation or the bylaws of a corporation does not
11 alter or impair the power of a corporation to fulfill the terms of a
12 contractual agreement or impair the rights of a person with whom a
13 corporation has entered into a contractual agreement.

14 (c) A provision of the articles of incorporation or the bylaws is
15 suspended upon disapproval by the legislature and is of no effect unless
16 approved by a majority of the shares voting on the issue at the next
17 meeting of the shareholders.

18 Sec. 10.50.340. ORGANIZATION MEETING OF DIRECTORS. After the
19 issuance of the certificate of incorporation an organizational meeting
20 of the board of directors named in the articles of incorporation shall
21 be held in the state, at the call of a majority of the incorporators,
22 for the purpose of adopting bylaws, electing officers, and the trans-
23 action of other business as may come before the meeting. The incor-
24 porators calling the meeting shall give at least 10 days notice of the
25 meeting by mail to each director named. The notice shall state the time
26 and place of the meeting.

27 ARTICLE 3. APPLICATION FOR SHARES.

28 Sec. 10.50.345. NOTIFICATION OF ELIGIBLE SHAREHOLDERS. Beginning
29 not less than 90 days before the initial issue of stock, the corporation

1 shall at least weekly notify the public of its intention to issue stock
2 and the method for qualifying and applying for shares. The notice shall
3 be by publication in newspapers of all regions of the state, by radio
4 and television announcements, and by other means the corporation deter-
5 mines to be appropriate and reasonable, and shall be continued at least
6 one each month for 11 months following the date of issuance of shares.

7 Sec. 10.50.350. CORPORATION NOT LIABLE TO SHAREHOLDERS. Regis-
8 tration for issuance of the initial shares of the corporation is a
9 responsibility solely of an individual eligible under AS 10.50.320(a)(6)
10 to receive the initial shares of the corporation. The corporation may
11 not be held liable for

12 (1) any loss resulting directly or indirectly from the
13 failure of an individual to apply for shares of the corporation; or

14 (2) payment of a declared or paid dividend to an individual
15 who would have been entitled to receive the dividend had he been a
16 shareholder at the time of declaration or payment.

17 Sec. 10.50.355. LATE APPLICATION FOR SHARES. An individual eli-
18 gible under AS 10.50.320(a)(6) to receive the initial shares of the
19 corporation who failed to apply for the shares within one year after
20 their issuance may apply for and receive the shares any time after one
21 year and within two years after the date of issuance if he is otherwise
22 qualified to own stock of the corporation and upon the payment of the
23 book value of the shares.

24 Sec. 10.50.360. PENALTIES FOR MISREPRESENTATION OF ELIGIBILITY AS
25 SHAREHOLDER. The ownership interest in shares of the corporation's
26 stock issued to an individual ineligible to receive the initial shares,
27 who has presented fraudulent or misleading information regarding his
28 eligibility to own those shares, is void upon the issuance of an appro-
29 priate order by the superior court. The ineligible individual is also

1 liable for the full amount of dividends, or other distributions to
2 shareholders received by him plus interest from the date of distribu-
3 tion, and legal fees and costs of recovery incurred by the corporation.
4 This section applies to an individual who has presented fraudulent or
5 misleading information regarding the eligibility of another person for
6 whom he acts in the capacity of legal guardian.

7 ARTICLE 4. AMENDMENT.

8 Sec. 10.50.365. RIGHT TO AMEND ARTICLES OF INCORPORATION. A cor-
9 poration may amend its articles of incorporation so long as its articles
10 of incorporation as amended contain provisions which could be lawfully
11 contained in original articles of incorporation at the time the amend-
12 ment is made.

13 Sec. 10.50.370. PURPOSES FOR WHICH ARTICLES MAY BE AMENDED. With-
14 out limitation on the general power of amendment, a corporation may
15 amend its articles of incorporation to

- 16 (1) change its corporate name;
17 (2) change its period of duration;
18 (3) change, enlarge or diminish its corporate purposes;
19 (4) exchange or cancel its shares, whether issued or un-
20 issued.

21 Sec. 10.50.375. PROCEDURE TO AMEND ARTICLES OF INCORPORATION.
22 Amendments to the articles of incorporation shall be made in the follow-
23 ing manner.

24 (1) The board of directors may adopt a resolution setting out
25 the proposed amendment and directing that it be submitted to a vote at
26 the next meeting of shareholders.

27 (2) A proposed amendment shall be submitted to a vote at the
28 next meeting of shareholders if the secretary of the corporation re-
29 ceives a petition setting out the proposed amendment and is signed by at

1 least 1,000 shareholders.

2 (3) Written or printed notice setting out the proposed amend-
3 ment or a summary of the changes to be effected shall be given to each
4 shareholder of record entitled to vote within the time and in the manner
5 provided in this chapter for the giving of notice of meetings of share-
6 holders. If the meeting is an annual meeting, the proposed amendment or
7 summary may be included in the notice of the annual meeting.

8 (4) At the meeting, if a quorum is present, a vote of the
9 shareholders entitled to vote shall be taken on the proposed amendment.
10 The proposed amendment shall be adopted if it receives the affirmative
11 vote of the holders of at least two-thirds of the shares voting.

12 (5) More than one amendment may be submitted to the share-
13 holders and voted upon at one meeting.

14 Sec. 10.50.380. ARTICLES OF AMENDMENT. The articles of amendment
15 shall be executed in duplicate by the corporation by its president or
16 vice-president and by its secretary or an assistant secretary, and
17 verified by one of the officers signing the articles, and shall set out

- 18 (1) the name of the corporation;
19 (2) the amendment adopted;
20 (3) the date of the adoption of the amendment by the share-
21 holders;
22 (4) the number of shares outstanding and the number of shares
23 voting;
24 (5) the number of shares voted for and against the amendment,
25 respectively;
26 (6) if the amendment provides for an exchange or cancellation
27 of issued shares, and if the manner in which this is carried out is not
28 set out in the amendment, a statement of the manner in which it is to be
29 carried out.

1 Sec. 10.50.385. FILING OF ARTICLES OF AMENDMENT. (a) Duplicate
2 originals of the articles of amendment shall be delivered to the commis-
3 sioner. If the commissioner finds that the articles of amendment con-
4 form to law, he shall, when all fees and franchise taxes prescribed in
5 this chapter have been paid,

6 (1) endorse on each duplicate original the word "filed" and
7 the date of the filing;

8 (2) file one duplicate original in his office;

9 (3) issue a certificate of amendment and affix the other
10 duplicate original to it.

11 (b) The certificate of amendment, together with the duplicate
12 original of the articles of amendment affixed by the commissioner, shall
13 be returned to the corporation or its representative.

14 Sec. 10.50.390. EFFECT OF CERTIFICATE OF AMENDMENT. (a) Upon the
15 issuance of the certificate of amendment by the commissioner, the amend-
16 ment becomes effective and the articles of incorporation are considered
17 amended accordingly.

18 (b) No amendment may affect an existing cause of action in favor
19 of or against the corporation, or a pending suit to which the corpora-
20 tion is a party, or the existing rights of persons other than share-
21 holders. In the event the corporate name is changed by amendment, no
22 suit brought by or against the corporation under its former name abates
23 for that reason.

24 Sec. 10.50.395. RESTATED ARTICLES OF INCORPORATION. A corporation
25 may at any time, by resolution adopted by the board of directors, re-
26 state its articles of incorporation as amended up to that time. Upon
27 the adoption of the resolution, restated articles of incorporation shall
28 be executed in duplicate by the corporation by its president or a vice-
29 president and by its secretary or assistant secretary and verified by

1 one of the officers signing the articles and shall set out all of the
2 operative provisions of the articles of incorporation as amended up to
3 that time together with a statement that the restated articles of incor-
4 poration correctly set out without change the corresponding provisions
5 of the articles of incorporation as amended up to that time and that the
6 restated articles of incorporation supersede the original articles of
7 incorporation and all amendments to them.

8 Sec. 10.50.400. EXECUTION OF RESTATED ARTICLES OF INCORPORATION.
9 Upon approval of the restated articles of incorporation, they shall be
10 executed in duplicate by the corporation by its president or vice-presi-
11 dent and by its secretary or assistant secretary, and verified by one of
12 the officers signing the articles.

13 Sec. 10.50.405. CONTENTS OF RESTATED ARTICLES OF INCORPORATION.
14 The restated articles of incorporation shall set out
15 (1) the name of the corporation;
16 (2) the period of its duration;
17 (3) the purpose or purposes which the corporation is autho-
18 rized to pursue;
19 (4) the aggregate number of shares which the corporation may
20 issue;
21 (5) any provisions, not inconsistent with law, which are set
22 out in the articles of incorporation as amended, for the regulation of
23 the internal affairs of the corporation;

24 (6) a statement that the restated articles of incorporation
25 correctly set out without change the corresponding provisions of the
26 articles of incorporation as amended, and that the restated articles of
27 incorporation supersede the original articles of incorporation and all
28 amendments to the original articles of incorporation.

29 Sec. 10.50.410. FILING OF RESTATED ARTICLES OF INCORPORATION WITH

1 COMMISSIONER. (a) Duplicate originals of the restated articles of
2 incorporation shall be delivered to the commissioner. If the commis-
3 sioner finds that the restated articles of incorporation conform to law,
4 he shall, when all fees and franchise taxes prescribed in this chapter
5 have been paid,

6 (1) endorse on each duplicate original the word "filed" and
7 the date of the filing;

8 (2) file one duplicate original in his office;

9 (3) issue a restated certificate of incorporation and affix
10 the other duplicate original to it.

11 (b) The restated certificate of incorporation, together with the
12 duplicate original of the restated articles of incorporation affixed by
13 the commissioner, shall be returned to the corporation or its repre-
14 sentative.

15 Sec. 10.50.415. EFFECT OF ISSUANCE OF RESTATED CERTIFICATE OF
16 INCORPORATION. Upon the issuance of the restated certificate of incor-
17 poration, the restated articles of incorporation become effective and
18 supersede the original articles of incorporation and all amendments.

19 ARTICLE 5. SALE OF ASSETS.

20 Sec. 10.50.420. SALE OR MORTGAGE OF ASSETS IN REGULAR COURSE OF
21 BUSINESS. The sale, lease, exchange, mortgage, pledge, or other dispo-
22 sition of all, or substantially all, the property and assets of a cor-
23 poration, when made in the usual and regular course of the business of
24 the corporation, may be made upon the terms and conditions and for the
25 consideration, which may consist in whole or in part of money or pro-
26 perty, real or personal, including shares of another corporation, domes-
27 tic or foreign, authorized by the board of directors. No authorization
28 or consent of the shareholders is required.

29 Sec. 10.50.425. SALE OR MORTGAGE OF ASSETS OTHER THAN IN REGULAR

1 COURSE OF BUSINESS. A sale, lease, exchange, mortgage, pledge, or other
2 disposition of all, or substantially all, the property and assets, with
3 or without the good will, of a corporation, if not made in the usual and
4 regular course of its business, may be made upon the terms and condi-
5 tions and for the consideration, which may consist in whole or in part
6 of money or property, real or personal, including shares of another
7 corporation, as authorized in the following manner.

8 (1) The board of directors shall adopt a resolution recom-
9 mending the sale, lease, exchange, mortgage, pledge, or other disposi-
10 tion and directing the submission of the resolution to a vote at the
11 next meeting of shareholders.

12 (2) Written or printed notice shall be given to each share-
13 holder of record entitled to vote at the meeting within the time and in
14 the manner provided in this chapter for the giving of notice of meetings
15 of shareholders, and, whether the meeting is an annual or a special
16 meeting, shall state that the purpose, or one of the purposes, of the
17 meeting is to consider the proposed sale, lease, exchange, mortgage,
18 pledge, or other disposition.

19 Sec. 10.50.430. APPROVAL OF PLAN BY SHAREHOLDERS. At the meeting,
20 if a quorum is present, the shareholders may authorize the sale, lease,
21 exchange, mortgage, pledge, or other disposition and may fix, or may
22 authorize the board of directors to fix the terms and conditions and the
23 consideration to be received by the corporation. Each outstanding share
24 of the corporation is entitled to vote. The authorization requires the
25 affirmative vote of the holders of at least two-thirds of the shares
26 voting.

27 Sec. 10.50.435. ABANDONMENT OF PLAN BY BOARD OF DIRECTORS. After
28 authorization by a vote of shareholders, the board of directors may,
29 nevertheless, abandon the sale, lease, exchange, mortgage, pledge, or

1 other disposition of assets, subject to the rights of third parties
2 under contracts relating to the disposition, without further action or
3 approval by shareholders.

4 Sec. 10.50.440. RIGHTS OF DISSENTING SHAREHOLDERS UPON SALE OR
5 EXCHANGE OF ASSETS. If a sale or exchange of all or substantially all
6 of the property and assets of a corporation other than in the usual and
7 regular course of its business, or in connection with the dissolution
8 and liquidation of the corporation, is authorized by a vote of the
9 shareholders of the corporation, a shareholder who files a written
10 objection with the corporation, before or at the meeting of shareholders
11 at which the sale or exchange is authorized, and who does not vote in
12 its favor may, within 10 days after the date on which the vote was
13 taken, make written demand on the corporation for the payment to him of
14 the fair value of his shares as of the day before the date on which the
15 vote was taken. If the sale or exchange is effected, the corporation
16 shall pay to the shareholder, upon surrender of his certificate or other
17 evidence of ownership representing the shares, their fair value. The
18 demand shall state the number of shares owned by the dissenting share-
19 holder. A shareholder failing to make demand within the 10-day period
20 is bound by the terms of the sale or exchange.

21 Sec. 10.50.445. NOTICE TO DISSENTING SHAREHOLDER. Within 10 days
22 after the sale or exchange is effected, the corporation shall give
23 notice that it is effected to each dissenting shareholder who has made
24 demand as provided in AS 10.50.440 for the payment of the fair value of
25 his shares.

26 Sec. 10.50.450. PAYMENT TO DISSENTING SHAREHOLDER AFTER AGREEMENT
27 ON VALUE OF SHARES. If within 60 days after the date on which the sale
28 or exchange was effected the value of the shares is agreed upon between
29 the dissenting shareholder and the corporation, payment shall be made

1 within 90 days after the date the sale or exchange was effected, upon
2 the surrender of his certificate or certificates representing the
3 shares. Upon payment of the agreed value, the dissenting shareholder
4 ceases to have an interest in the shares or in the corporation.

5 Sec. 10.50.455. ACTION BY DISSENTING SHAREHOLDER TO COMPEL PAYMENT
6 UPON FAILURE TO AGREE ON VALUE. If within the 60-day period the share-
7 holder and the corporation do not agree, the dissenting shareholder may,
8 within 60 days after the expiration of the 60-day period, file a peti-
9 tion in the superior court asking for a finding and determination of the
10 fair value of the shares, and is entitled to judgment against the cor-
11 poration for the amount of the fair value as of the day before the date
12 on which the vote was taken approving the sale or exchange, together
13 with interest to the date of the judgment. The judgment is payable only
14 upon and simultaneously with the surrender to the corporation of the
15 certificate or other evidence of ownership representing the shares.
16 Upon payment of the judgment, the dissenting shareholder ceases to have
17 an interest in the shares or in the corporation. Unless the dissenting
18 shareholder files the petition within the 60-day period, he and all
19 persons claiming under him are bound by the terms of the sale or ex-
20 change.

21 Sec. 10.50.460. EFFECT OF ABANDONMENT OR REVOCATION OF SALE OR
22 EXCHANGE ON SHAREHOLDER'S RIGHTS. The right of a dissenting shareholder
23 to be paid the fair value of his shares ceases when the corporation
24 abandons the sale or exchange or the shareholders revoke the authority
25 to make the sale or exchange.

26 Sec. 10.50.465. STATUS OF SHARES ACQUIRED FROM DISSENTING SHARE-
27 HOLDER. Shares acquired by the corporation pursuant to the payment of
28 the agreed value or to payment of the judgment entered for the agreed
29 value may be held and disposed of by the corporation as treasury shares.

ARTICLE 6. DISSOLUTION.

Sec. 10.50.470. EFFECT OF CERTIFICATE OF DISSOLUTION. Upon the issuance of the certificate of dissolution, the existence of the corporation ceases.

Sec. 10.50.475. VOLUNTARY DISSOLUTION BY ACT OF CORPORATION. (a) A corporation may be dissolved by the act of the corporation when authorized in the manner provided in this section and in AS 10.50.485.

(b) The board of directors shall adopt a resolution recommending that the corporation be dissolved, and directing that the question of dissolution be submitted to a vote at the next meeting of shareholders.

(c) A proposed dissolution of the corporation shall be submitted to a vote at the next meeting of shareholders if the secretary of the corporation receives a petition proposing dissolution signed by at least 100 shareholders.

(d) Written or printed notice shall be given to each shareholder of record entitled to vote at the meeting within the time and in the manner provided in this chapter for the giving of notice of meetings of shareholders, and, whether the meeting is an annual or special meeting, the notice shall state that the purpose of the meeting is to consider the advisability of dissolving the corporation.

(e) At the meeting, if a quorum is present, a vote of shareholders entitled to vote shall be taken on the resolution to dissolve the corporation. Each outstanding share of the corporation may vote on the resolution. The resolution is adopted if it receives the affirmative vote of the holders of at least two-thirds of the shares entitled to vote.

Sec. 10.50.480. EXECUTION OF STATEMENT OF INTENT TO DISSOLVE. Upon the adoption of the resolution, a statement of intent to dissolve shall be executed in duplicate by the corporation by its president or

1 vice-president and by the secretary or an assistant secretary, and
2 verified by one of the officers signing the statement. The statement of
3 intent to dissolve shall set out

- 4 (1) the name of the corporation;
- 5 (2) the names and addresses of its officers;
- 6 (3) the names and addresses of its directors;
- 7 (4) a copy of the resolution adopted by the shareholders
8 authorizing the dissolution of the corporation;
- 9 (5) the number of shares outstanding;
- 10 (6) the number of shares voted for and against the resolu-
11 tion.

12 Sec. 10.50.485. FILING OF STATEMENT OF INTENT TO DISSOLVE. Dupli-
13 cate originals of the statement of intent to dissolve shall be delivered
14 to the commissioner. If the commissioner finds that the statement
15 conforms to law, he shall, when all fees and franchise taxes prescribed
16 in this chapter have been paid,

- 17 (1) endorse on each duplicate original the word "filed" and
18 the date of the filing;
- 19 (2) file one duplicate original in his office;
- 20 (3) return the other duplicate original to the corporation or
21 its representative.

22 Sec. 10.50.490. EFFECT OF STATEMENT OF INTENT TO DISSOLVE. On the
23 filing by the commissioner of a statement of intent to dissolve, the
24 corporation shall cease to carry on business, except that necessary for
25 the winding up of its business. However, corporate existence continues
26 until a certificate of dissolution has been issued by the commissioner
27 or until a decree dissolving the corporation has been entered by a
28 competent court as provided in this chapter.

29 Sec. 10.50.495. PROCEDURE AFTER FILING OF STATEMENT OF INTENT TO

1 DISSOLVE. After the commissioner has filed the statement of intent to
2 dissolve, the corporation

3 (1) shall immediately mail notice of the filing to each known
4 creditor of the corporation;

5 (2) shall proceed to collect its assets, convey and dispose
6 of its property which is not to be distributed in kind to its share-
7 holders, pay, satisfy and discharge its liabilities and obligations and
8 do all other acts required to liquidate its business and affairs, and,
9 after paying or adequately providing for the payment of its obligations,
10 distribute the remainder of its assets, either in cash or in kind, among
11 its shareholders according to their respective rights and interests;

12 (3) at any time during the liquidation of its business and
13 affairs may apply to a court of competent jurisdiction in the state to
14 have the liquidation continued under the supervision of the court;

15 (4) shall, if it has not completed dissolution proceedings
16 within two years after the date the statement of intent to dissolve is
17 filed, be involuntarily dissolved by the commissioner after 60 days
18 notice of his intent to do so has been given to the corporation.

19 Sec. 10.50.500. MANNER OF REVOKING A VOLUNTARY DISSOLUTION PRO-
20 CEEDING. (a) The board of directors may adopt a resolution recommend-
21 ing that the voluntary dissolution proceedings be revoked, and directing
22 that the question of revocation be submitted to a vote at a special
23 meeting of shareholders.

24 (b) A proposed revocation of a voluntary dissolution of the cor-
25 poration shall be submitted to a vote at the next meeting of share-
26 holders if the secretary of the corporation receives a petition pro-
27 posing revocation signed by at least 1,000 shareholders.

28 (c) Written or printed notice, stating that the purpose of the
29 meeting is to consider the advisability of revoking the voluntary dis-

1 solution proceedings, shall be given to each shareholder of record
2 entitled to vote at the meeting within the time and in the manner pro-
3 vided in this chapter for the giving of notice of special meetings of
4 shareholders.

5 (d) At the meeting, if a quorum is present, a vote of the share-
6 holders entitled to vote shall be taken on the resolution to revoke the
7 voluntary dissolution proceeding. Adoption of the resolution requires
8 the affirmative vote of the holders of at least two-thirds of the shares
9 voting.

10 (e) Upon the adoption of the resolution, a statement of revocation
11 of voluntary dissolution proceedings shall be executed in duplicate by
12 the corporation by its president or vice-president and by its secretary
13 or an assistant secretary, and verified by one of the officers signing
14 the statement. The statement of revocation of voluntary dissolution
15 shall set out

- 16 (1) the name of the corporation;
- 17 (2) the names and addresses of its officers;
- 18 (3) the names and addresses of its directors;
- 19 (4) a copy of the resolution adopted by the shareholders
20 revoking the voluntary dissolution proceedings;
- 21 (5) the number of shares outstanding;
- 22 (6) the number of shares voted for and against the resolu-
23 tion.

24 Sec. 10.50.505. FILING OF STATEMENT OF REVOCATION OF A VOLUNTARY
25 DISSOLUTION PROCEEDING. Duplicate originals of the statement of revo-
26 cation of voluntary dissolution proceedings shall be delivered to the
27 commissioner. If the commissioner finds that the statement conforms to
28 law, he shall, when all fees and franchise taxes prescribed in this
29 chapter have been paid,

1 (1) endorse on each duplicate original the word "filed" and
2 the date of the filing;

3 (2) file one duplicate original in his office;

4 (3) return the other duplicate original to the corporation or
5 its representative.

6 Sec. 10.50.510. EFFECT OF STATEMENT OF REVOCATION OF A VOLUNTARY
7 DISSOLUTION PROCEEDING. Upon the filing by the commissioner of a state-
8 ment of revocation of a voluntary dissolution proceeding, the revocation
9 of the proceeding becomes effective and the corporation may again carry
10 on its business.

11 Sec. 10.50.515. EXECUTION OF ARTICLES OF DISSOLUTION. If a volun-
12 tary dissolution proceeding has not been revoked, then when all debts,
13 liabilities, and obligations of the corporation have been paid and
14 discharged, or adequate provision has been made for payment, and all of
15 the remaining property and assets of the corporation have been distri-
16 buted to its shareholders, articles of dissolution shall be executed in
17 duplicate by the corporation by its president or vice-president and by
18 its secretary or an assistant secretary, and verified by one of the
19 officers signing the articles. The articles of dissolution shall set
20 out

21 (1) the name of the corporation;

22 (2) that the commissioner has filed a statement of intent to
23 dissolve the corporation, and the date on which the statement was filed;

24 (3) that all debts, obligations and liabilities of the cor-
25 poration have been paid and discharged or that adequate provision has
26 been made for payment;

27 (4) that the remaining property and assets of the corporation
28 have been distributed among its shareholders in accordance with their
29 respective rights and interests;

1 (5) that there are no suits pending against the corporation,
2 or that adequate provision has been made for the satisfaction of a judg-
3 ment, order or decree which may be entered against the corporation in a
4 pending suit.

5 Sec. 10.50.520. FILING OF ARTICLES OF DISSOLUTION. (a) Duplicate
6 originals of the articles of dissolution shall be delivered to the
7 commissioner. If the commissioner finds that the articles of dissolu-
8 tion conform to law, he shall, when all fees and franchise taxes pre-
9 scribed in this chapter have been paid,

10 (1) endorse on each duplicate original the word "filed" and
11 the date of the filing;

12 (2) file one duplicate original in his office;

13 (3) issue a certificate of dissolution and affix the other
14 duplicate original to it.

15 (b) The certificate of dissolution, together with the duplicate
16 original of the articles of dissolution affixed, shall be returned to
17 the representative of the dissolved corporation.

18 Sec. 10.50.525. EFFECT OF CERTIFICATE OF DISSOLUTION. Upon the
19 issuance of the certificate of dissolution the existence of the corpora-
20 tion ceases, except for the purpose of suits, other proceedings and
21 appropriate corporate action by shareholders, directors and officers as
22 provided in this chapter.

23 Sec. 10.50.530. INVOLUNTARY DISSOLUTION. (a) A corporation may
24 be dissolved involuntarily by the commissioner when

25 (1) the corporation is delinquent six months in filing its
26 annual report or in paying a license filing fee or penalty;

27 (2) the corporation has failed for 30 days to appoint and
28 maintain a registered agent in this state; or

29 (3) the corporation has failed for 30 days after change of

1 its registered office or registered agent to file in the office of the
2 commissioner a statement of the change;

3 (4) the corporation has failed for two years to complete
4 dissolution under a statement of intent to dissolve; or

5 (5) a vacancy in the board of directors of a corporation is
6 not filled within six months or the time of the next annual meeting,
7 whichever occurs first.

8 (b) A corporation may not be involuntarily dissolved unless the
9 commissioner has given the corporation at least 60 days notice of its
10 delinquency or omission by certified mail addressed to its registered
11 office or in care of one of its principal officers or directors, at the
12 last known address of the officer or director, as shown by the records
13 of the commissioner, and the corporation has failed to correct the
14 neglect, omission or delinquency before involuntary dissolution.

15 (c) When a corporation has given cause for involuntary dissolution
16 and has failed to correct the neglect, omission or delinquency as pro-
17 vided in this section, the commissioner shall dissolve the corporation
18 by issuing a certificate of involuntary dissolution containing a state-
19 ment that the corporation has been dissolved, the date, and the reason
20 for which it was dissolved. The original certificate of dissolution
21 shall be placed in the department files and a copy of it mailed to the
22 corporation at its registered office or in care of one of its principal
23 officers or directors, at the last known address of the officer or
24 director, as shown by the records of the commissioner. Upon the issu-
25 ance of the certificate of involuntary dissolution, the existence of the
26 corporation shall cease, except as otherwise provided in this section,
27 and its name shall be available to and may be adopted by another cor-
28 poration no less than six months after the dissolution.

29 (d) A corporation dissolved by the commissioner under the provi-

1 sions of this section may be reinstated by the commissioner at any time
2 within two years from the date of the certificate of involuntary disso-
3 lution whenever it is established to the satisfaction of the commis-
4 sioner that in fact there was no cause for the dissolution, or whenever
5 the neglect or delinquency resulting in dissolution has been corrected
6 and payment made of double the amount delinquent along with the amount
7 the corporation would have paid had it not been dissolved during the
8 two-year period. Reinstatement may not be authorized if the same or a
9 deceptively similar corporate, limited partnership, reserved or regis-
10 tered name is currently on file with the commissioner, unless the cor-
11 poration being reinstated contemporaneously amends its articles of incor-
12 poration to change its name to conform with the provisions of this
13 chapter.

14 (e) Nothing in this section relieves a corporation reinstated
15 under this section from penalty of forfeiture of its powers as a corpora-
16 tion in case of failure to pay subsequently accruing licenses and taxes
17 imposed by a law of this state.

18 (f) An action arising out of a contract assigned by a corporation
19 dissolved under this section may be brought in the name of the assignee.
20 The fact of assignment and of purchase by the plaintiff shall be set out
21 in the complaint or other process. The defendant may avail himself of
22 any matter of defense of which he might have availed himself in a suit
23 upon the claim by the corporation, had it not been dissolved under this
24 section.

25 (g) Service of process on a corporation dissolved under this
26 section shall be made in the same manner prescribed by law as if the
27 corporation had not been dissolved.

28 (h) In addition to any other remedies provided by law a corpora-
29 tion may be dissolved involuntarily by a decree of the superior court in

1 an action filed by the attorney general when it is established that

2 (1) the corporation procured its certificate of incorporation
3 through fraud; or

4 (2) the corporation has continued to exceed or abuse the
5 authority conferred upon it by law.

6 Sec. 10.50.535. VENUE AND PROCESS. (a) An action for the invol-
7 untary dissolution of a corporation shall be commenced by the attorney
8 general in the superior court.

9 (b) Summons shall issue and be served as in other civil actions.
10 If process is returned not found, the attorney general shall publish
11 notice as in other civil cases in a newspaper published in the judicial
12 district where the registered office of the corporation is situated,
13 containing a notice of the pendency of the action, the title of the
14 court, the title of the action, and the date on or after which default
15 may be entered. The attorney general may include in one notice the
16 names of any number of corporations against which actions are pending in
17 the same court.

18 (c) The attorney general shall have a copy of the notice mailed to
19 the corporation at its registered office within 10 days after the first
20 publication of it.

21 (d) Notice shall be published at least once each week for two
22 successive weeks, and the first publication may begin at any time after
23 the summons has been returned.

24 (e) Unless a corporation is served with summons, no default may be
25 taken against it earlier than 30 days after the first publication of the
26 notice.

27 Sec. 10.50.540. JURISDICTION OF COURT TO LIQUIDATE ASSETS AND
28 BUSINESS OF CORPORATION. The superior court may liquidate the assets
29 and business of a corporation in the cases provided in AS 10.50.545 -

10.50.560.

✓ Sec. 10.50.545. ACTION BY SHAREHOLDER FOR LIQUIDATION. In an action by a shareholder, the superior court may liquidate the assets and business of a corporation when it is established

(1) that the directors are deadlocked in the management of the corporate affairs and the shareholders are unable to break the deadlock, and that irreparable injury to the corporation is being suffered or is threatened by reason of the deadlock;

✓ (2) that the acts of the directors or those in control of the corporation are illegal, oppressive or fraudulent;

(3) that the shareholders are deadlocked in voting power, and have failed, for a period which includes at least two consecutive annual meeting dates, to elect successors to directors whose terms have expired or would have expired upon the election of their successors; or

(4) that the corporate assets are being misapplied or wasted.

Sec. 10.50.550. ACTION BY CREDITOR FOR LIQUIDATION. In an action by a creditor, the superior court may liquidate the assets and business of a corporation when

(1) the claim of the creditor has been reduced to judgment and an execution on the judgment has been returned unsatisfied and it is established that the corporation is insolvent; or

(2) the corporation has admitted in writing that the claim of the creditor is due and owing and it is established that the corporation is insolvent.

Sec. 10.50.555. LIQUIDATION ON APPLICATION BY CORPORATION. Upon application by a corporation which has filed a statement of intent to dissolve, as provided in this chapter, to have its liquidation continued under the supervision of the court, the superior court may liquidate the assets and business of the corporation.

1 Sec. 10.50.560. LIQUIDATION IN ACTION BY ATTORNEY GENERAL FOR
2 DISSOLUTION. When an action has been filed by the attorney general to
3 dissolve a corporation and it is established that liquidation of its
4 business and affairs should precede the entry of a decree of dissolu-
5 tion, the superior court may liquidate the assets and business of a
6 corporation.

7 Sec. 10.50.565. JOINDER OF SHAREHOLDERS NOT MANDATORY. It is not
8 necessary to make shareholders parties to an action or proceeding for
9 liquidation of the assets and business of a corporation unless relief is
10 sought against them personally.

11 Sec. 10.50.570. PROCEDURE IN LIQUIDATION OF CORPORATION BY COURT.
12 In a proceeding to liquidate the assets and business of a corporation,
13 the superior court may issue injunctions, appoint a receiver pendente
14 lite with powers and duties as the court may direct, and take other
15 proceedings necessary to preserve the corporate assets wherever situated
16 and carry on the business of the corporation until a full hearing is
17 had.

18 Sec. 10.50.575. APPOINTMENT OF RECEIVER. After a hearing held
19 upon such notice as the court may direct to be given to all parties to
20 the proceedings and to any other parties in interest designated by the
21 court, the court may appoint a liquidating receiver with authority to
22 collect the assets of the corporation, including amounts owing to the
23 corporation by shareholders on an unpaid portion of the consideration
24 for the issuance of shares. The liquidating receiver may, subject to
25 the order of the court, sell, convey and dispose of all or a part of the
26 assets of the corporation wherever situated, either at public or private
27 sale.

28 Sec. 10.50.580. DISPOSITION OF ASSETS OR PROCEEDS FROM SALE OF
29 ASSETS. The assets of the corporation or the proceeds from a sale,

1 conveyance or other disposition of assets shall be applied to the ex-
2 penses of liquidation and to the payment of the liabilities and obli-
3 gations of the corporation. Remaining assets or proceeds shall be
4 distributed among shareholders according to their respective rights and
5 interests.

6 Sec. 10.50.585. STATED POWERS AND DUTIES OF RECEIVER. The order
7 appointing the liquidating receiver shall state his powers and duties.
8 The powers and duties may be increased or diminished at any time during
9 the liquidation proceedings.

10 Sec. 10.50.590. COMPENSATION OF RECEIVER AND ATTORNEYS. The court
11 may allow from time to time as expenses of the liquidation compensation
12 to the receiver and to attorneys in the proceeding, and direct the
13 payment of compensation out of the assets of the corporation or the
14 proceeds of a sale or disposition of assets.

15 Sec. 10.50.595. POWER OF RECEIVER TO SUE AND BE SUED. A receiver
16 of a corporation appointed under AS 10.50.570 - 10.50.600 may sue and
17 defend in all courts in his own name as receiver of the corporation.

18 Sec. 10.50.600. APPOINTING COURT HAS EXCLUSIVE JURISDICTION. The
19 court appointing the receiver has exclusive jurisdiction of the corpora-
20 tion and its property, wherever situated.

21 Sec. 10.50.605. QUALIFICATIONS OF RECEIVERS. A receiver shall be
22 a citizen of the United States or a corporation authorized to act as
23 receiver, which corporation may be a domestic corporation or a foreign
24 corporation authorized to transact business in the state. A receiver
25 shall give the bond the court directs with sureties the court requires.

26 Sec. 10.50.610. FILING OF CLAIMS IN LIQUIDATION PROCEEDINGS. (a)
27 In a proceeding to liquidate the assets and business of a corporation,
28 the court may require creditors of the corporation to file with the
29 clerk of the court or with the receiver, in the form the court pre-

1 scribes, proof under oath of their respective claims.

2 (b) If the court requires the filing of claims, it shall fix a
3 date, not less than four months from the date of the order, as the last
4 day for the filing of claims, and shall prescribe the notice to be given
5 to creditors and claimants of the date fixed. Before the date fixed,
6 the court may extend the time for the filing of claims.

7 (c) A creditor who fails to file proof of his claim on or before
8 the date fixed may be barred by order of the court from participating in
9 the distribution of the assets of the corporation.

10 Sec. 10.50.615. DISCONTINUANCE OF LIQUIDATION PROCEEDINGS. The
11 liquidation of the assets and business of a corporation may be discon-
12 tinued at any time during the liquidation proceeding when it is estab-
13 lished that cause for liquidation no longer exists. In this event, the
14 court shall dismiss the proceeding and direct the receiver to redeliver
15 to the corporation its remaining property and assets.

16 Sec. 10.50.620. DECREE OF INVOLUNTARY DISSOLUTION. In a pro-
17 ceeding to liquidate the assets and business of a corporation, when the
18 costs and expenses of the proceeding and the debts, obligations and
19 liabilities of the corporation have been paid and discharged and the
20 remaining property and assets are not sufficient to satisfy and dis-
21 charge the costs, expenses, debts and obligations, and all the property
22 and assets have been applied to their payment, the court shall enter a
23 decree dissolving the corporation.

24 ARTICLE 7. GENERAL PROVISIONS.

25 Sec. 10.50.625. AS 10.05 INCORPORATED BY REFERENCE. The provi-
26 sions of AS 10.05.699 - 10.05.819 apply to a corporation organized under
27 this chapter and are incorporated by reference as a part of this chapter,
28 except when inconsistent with this chapter.

29 ✓ Sec. 10.50.630. FALSE STATEMENTS AFFECTING VALUE OF SHARES. A

1 director, officer or agent of a corporation who knowingly concurs in
2 making, publishing or posting either generally or privately to the
3 shareholders or other persons (1) a written report, exhibit, statement
4 of its affairs or pecuniary condition or notice containing any material
5 statement which is false, or (2) an untrue or wilfully or fraudulently
6 exaggerated report, prospectus, account, statement of operations, values,
7 business, profits, expenditures or prospects, or (3) any other paper or
8 document intended to produce or give, or having a tendency to produce or
9 give, the shares of stock in the corporation a greater value or a less
10 apparent or market value than they really possess, or who refuses to
11 make any book entry or post any notice required by law in the manner
12 required by law, upon conviction, is guilty of a misdemeanor.

13 ✓ Sec. 10.50.635. DIRECTOR MAKING UNLAWFUL DIVIDEND OR DISTRIBUTION
14 OF ASSETS. A director of a corporation who concurs in any vote or act
15 of the directors of the corporation to knowingly and with dishonest or
16 fraudulent purpose make a dividend or distribution of assets either with
17 the design of defrauding creditors or shareholders or of giving a false
18 appearance to the value of the stock and thereby defrauding subscribers
19 or purchasers, upon conviction, is guilty of a misdemeanor.

20 Sec. 10.50.640. RESERVATION OF POWER. The legislature reserves
21 the power to make amendments to this chapter to apply to all existing
22 and future corporations organized under this chapter. An amendment to
23 this chapter may not alter or impair the power of a corporation to
24 fulfill the terms of a contractual agreement or impair the rights of a
25 person with whom a corporation has entered into a contractual agreement.

26 Sec. 10.50.645. DEFINITIONS. In this chapter,

27 (1) "articles of incorporation" means the original or re-
28 stated articles of incorporation and all amendments;

29 (2) "authorized shares" means the shares which the corpora-

1 tion may issue;

2 (3) "certificate" means any evidences of ownership of shares
3 of a corporation;

4 (4) "chartering legislation" means the Act of the legislature
5 or an initiative approval by the voters that creates a general stock
6 ownership corporation;

7 (5) "commissssioner" means the commissioner of commerce and
8 economic development;

9 (6) "corporation" means a general stock ownership corpora-
10 tion;

11 (7) "department" means the Department of Commerce and Econo-
12 mic Development;

13 (8) "franchise tax" means the annual corporation tax imposed
14 under Alaska law on corporations (AS 10.05.717);

15 (9) "insolvent" means inability of a corporation to pay its
16 debts as they become due in the usual course of its business;

17 (10) "net assets" means the amount by which the total assets
18 of a corporation, excluding treasury shares, exceed the total debts of
19 the corporation;

20 (11) "resident" means an individual who maintains a permanent
21 place of abode in the state with the intention of making the state his
22 permanent place of residence and who resides in the state continuously
23 except for temporary purposes only and with the intent of returning; a
24 person may not be considered to have gained a residence solely by reason
25 of his presence and he may not lose it solely by reason of his absence
26 while in the civil or military service of this state or of the United
27 States or by reason of his absence because of marriage to a person
28 engaged in the civil or military service of this state or the United
29 States; a person may not be considered to lose his residence while a

1 student at an educational institution, while in an institution at public
2 expense, while confined in prison, while engaged in the navigation of
3 waters of this state, of the United States, or of the high seas, or
4 while residing upon an Indian or military reservation; a minor takes the
5 residence of his parent or of his legal guardian; a married woman may
6 establish her own residence and does not presumptively take the resi-
7 dence of her husband;

8 (12) "shareholder" means one who is a holder of record of a
9 share in a corporation;

10 (13) "shares" means the units into which the proprietary
11 interest in a corporation is divided;

12 (14) "subscriber" means one who subscribes for a share in a
13 corporation before or after incorporation;

14 (15) "treasury shares" means shares which have been issued,
15 have been subsequently acquired by and belong to the corporation, and
16 have not either by reason of the acquisition or thereafter, been can-
17 celled or restored to the status of authorized but unissued shares;
18 treasury shares are "issued" shares, but not "outstanding" shares.

19 Sec. 10.50.650. SHORT TITLE. This chapter may be cited as the
20 Alaska General Stock Ownership Corporation Act.

21 * Sec. 2. AS 37.10.070(a)(6) is amended to read:

22 (6) other securities, including [CORPORATE] securities of
23 corporations other than general stock ownership corporations;

24 * Sec. 3. AS 45.55.130 is amended by adding a new subsection to read:

25 (b) A copy of all annual reports, ballots, consent authorizations
26 and other materials relating to the shareholder ballots, published or
27 made available by any person to the shareholders of a general stock
28 ownership corporation, shall be filed with the administrator concu-
29 rently with its distribution to the shareholders. The administrator

1 shall have authority to review all documents submitted and make regula-
2 tions regarding content of shareholder materials to insure fairness,
3 completeness, and nondiscrimination.

4 * Sec. 4. (a) The governor, the speaker of the house of representatives,
5 and the president of the senate, shall each appoint one person to act as
6 incorporators of the Alaska General Stock Ownership Corporation which shall
7 be formed in accordance with subchapter U, chapter 1, of the Internal Revenue
8 Code of 1954, as amended (26 U.S.C. secs. 1391 - 1397) and AS 10.50. The
9 incorporators shall select nine persons to act as the initial board of direc-
10 tors of the corporation and shall submit their names to the governor, to the
11 speaker of the house of representatives, and to the president of the senate.
12 A majority of the governor, the speaker of the house of representatives, and
13 the president of the senate may disapprove a candidate for the initial board
14 of directors within 15 days of receipt of the incorporators' nominations.

15 (b) The articles of incorporation of the Alaska General Stock Ownership
16 Corporation shall provide that all shareholders of the corporation shall be
17 residents of the state as defined in AS 10.50.640(11), and that if a share-
18 holder ceases to be a resident of the state or his shares pass by operation
19 of law to a nonresident,

20 (1) within five years of the date of issuance of his shares the
21 corporation shall purchase the shares at book value;

22 (2) more than five years after the date of issuance of his shares
23 the shareholder or his executor, administrator or guardian shall have the
24 right to sell the shares to the corporation at book value.

25 (c) There is a special fund of the state known as the "Alaska General
26 Stock Ownership Corporation loan guarantee fund", which may not exceed
27 \$5,000,000, which shall be completely segregated from all other funds of the
28 state, and which shall be used by the commissioner of revenue to guarantee
29 loans made to the Alaska General Stock Ownership Corporation by lenders other

? Sec. 37.10.085 (2) State may not "lend its credit
for the use of a corporation;"

1 than the state solely for initial costs of the corporation and not for the
2 acquisition by the corporation of major investments. In guaranteeing a loan,
3 the commissioner of revenue shall review the loan for the purposes of ascer-
4 taining the general soundness of the proposed loan and guarding against fraud
5 and misrepresentation. The guarantee of a loan may not be for an amount in
6 excess of the unobligated balance of the fund at the time the guarantee is
7 made.

8 * Sec. 5. In sec. 1 of this Act, AS 10.50.300 has the effect of changing
9 Rule 23.1, Rules of Civil Procedure, with respect to shareholder derivative
10 suits brought by the shareholders of a general stock ownership corporation.
11 The changes

12 (1) make provision for notification of shareholders in the event
13 of dismissal or settlement of the suit;

14 (2) require that the plaintiff account to the corporation for
15 proceeds received by him if the suit is successful; and

16 (3) provide that the court may require the plaintiff to furnish
17 security for the suit.

18 * Sec. 6. This Act takes effect immediately in accordance with AS 01.10.-
19 070(c).