

SB

389

HFIN

FILE

FISCAL NOTE

STATE OF ALASKA
2004 LEGISLATIVE SESSION

Fiscal Note Number: 1
Bill Version: SB 389
(S) Publish Date: 4/21/04

Revision Date/Time (Note if correction): _____ Dept. Affected: DCED
Title Corp.Conversion: Limited Liability Co. RDU Banking, Securities & Corporations (115)
Component Banking, Securities & Corporations
Sponsor Senate Labor & Commerce
Requester Senate Labor & Commerce Component No. 1233

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ()						
------------------------	--	--	--	--	--	--

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2004) cost: 0.0
Mark this box (X) if funding for this bill is included in the Governor's FY 2005 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

The proposed legislation will allow certain domestic or foreign corporations to convert to limited liability companies.

The division does not anticipate any fiscal impact with the proposed legislation.

Prepared by: Mark Davis, Director Phone (907) 465-2521
Division Banking, Securities & Corporations Date/Time 4/20/04 12:11 PM
Approved by: Edgar Blatchford, Commissioner Date 4/20/2004
Agency Department of Community & Economic Development

FISCAL NOTE

STATE OF ALASKA
2004 LEGISLATIVE SESSION

Fiscal Note Number: 2
Bill Version: SB 389
(S) Publish Date: 4/21/04

Revision Date/Time (Note if correction): _____ Dept. Affected: Revenue
Title Corp. Conversion: Limited Liability Co. RDU Revenue Programs & Services
Component Tax Division
Sponsor (S) Labor & Commerce
Requester (S) Labor & Commerce Component No. 2476

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
----------------------	--	--	--	--	--	--

CHANGE IN REVENUES ()						
------------------------	--	--	--	--	--	--

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2004) cost: 0.0

Check this box (X) if funding for this bill is included in the Governor's FY 2005 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

Pursuant to federal income tax law, a limited liability company ("LLC") is an entity that is not automatically classified as a corporation. The default classification of a multimember business entity organized as an LLC is a partnership and the default classification of a single member business entity organized as an LLC is a disregarded entity where the owner is the taxpayer. The LLC may instead, however, elect to be taxed as a corporation in lieu of a default classification.

An LLC taxable as a corporation for federal income tax purposes is subject to the Alaska Corporation Net Income Tax in the same manner as any other corporation. An LLC with corporate member owners

Prepared by: Chuck Harlament Phone 465-2320
Division: Tax Division Date/Time 4/19/04 8:25 AM
Approved by: Steve Porter, Deputy Commissioner Date 4/19/2004
Agency: Department of Revenue

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FISCAL NOTE #2

STATE OF ALASKA
2004 LEGISLATIVE SESSION

BILL NO. SB 389

ANALYSIS CONTINUATION

that is treated as a partnership for federal income tax purposes is not itself subject to the Alaska income tax but each corporate owner would report the owner's share of the income and apportionment factors of the LLC on the owner's Alaska corporate tax return. In essence, there should be no income tax effect as long as the LLC either elects to be taxed as a corporation or the LLC is 100% owned by corporate entities, and remains so following the conversion. Since the bill provides that only subsidiary corporations may convert to an LLC the act of conversion would not have a fiscal impact on state tax revenues regardless of the federal tax characterization as either a corporation or partnership.

Current tax law provides a large incentive for business to be conducted in the state outside the regular corporate form, as partnerships, individuals, and S-Corporations are not subject to the income tax. The bill provides for a more direct method of converting a corporate subsidiary to an LLC, but does not influence the federal or state tax consequences. Since this incentive already exists, the practical effect of the bill is to enable conversions that would not occur under existing law due to non-tax reasons. Therefore, there should be no measurable revenue impact due to the legislation. It should be noted that a measurable revenue impact is possible if the conversion option were made available to non-subsiary corporations.

Alaska State Legislature

DURING SESSION
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Senator.Con.Bunde@legis.state.ak.us

SENATOR CON BUNDE

District P

VICE-CHAIR: SENATE FINANCE COMMITTEE
CHAIR: SENATE LABOR & COMMERCE COMMITTEE
MEMBER: LEGISLATIVE BUDGET & AUDIT COMMITTEE

Sponsor Statement for SB 389

“An Act relating to the conversion of certain corporations to limited liability companies; and providing for an effective date.”

Many states allow a corporation to be converted to a limited liability company (LLC). Alaska allows every kind of business except a corporation to be converted into a LLC. SB 389 amends existing law to allow subsidiary corporations owned directly or indirectly by one or more parent corporations to convert to limited liability companies (LLCs). Restricting this authority to subsidiaries ensures there is not a negative tax consequence.

Many Alaska Native Corporations (ANCs) have subsidiary companies that are active in the field of government contracting. For example, the ANCs and their subsidiaries are eligible to participate in the federal 8(a) contracting program. However, in order to participate in these programs, the ANCs have had to comply with the regulations promulgated by the Small Business Administration (SBA). Formerly, these regulations required that the ANCs establish subsidiary corporations with a great deal of separation in management from the parent.

LLCs are now much more widely accepted as a form of doing business. As a result, the SBA regulations have changed. The most efficient way for an ANC to participate in minority contracting is to use a LLC. Almost all of the subsidiaries that have been formed for minority contracting in recent years have been LLCs. However, there are still some subsidiary corporations left from the old days. These corporations could be changed into LLCs under current law by a roundabout process of liquidating the corporation and transferring its assets to a new LLC. This procedure is fraught with problems for the minority contracting subsidiaries. It means that the subsidiary must get the government agency for each of its contracts to agree to the transfer. The SBA must also approve each transfer of a government contract. This can probably be accomplished, but it is time consuming and inefficient.

The efficient way to turn these subsidiaries into LLCs is to convert them. If Alaska elects to not change its law to be comparable to that in other states, businesses will be encouraged to form new entities elsewhere. For example, the law of Colorado and of Delaware is more favorable than Alaska's because it is possible to convert a corporation to an LLC. Changing the law will not allow an action that cannot already be done; it will just make the procedure quicker and more efficient.

It is our understanding that the Department of Revenue does not object to the change, so long as it does not present an adverse tax impact. Since the subsidiary corporations are consolidated with the parent for tax purposes, they do not pay a separate corporate income tax. For that reason, the wording of the amendment is designed to allow conversion only by subsidiary corporations. This means that there should be no tax impact resulting from the change.

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Advantages of forming an LLC

In general: An LLC is a hybrid between a partnership and a Corporation in that it combines the "pass-through" treatment of a partnership with the limited liability accorded to corporate shareholders.

Two members required: Unlike a corporation which can have as few as one shareholder, most states require that an LLC consist of two or more members (owners). Recently, however, more states are allowing single-member LLCs. Please note, however, that the IRS may treat a single person LLC differently than an LLC with more than one member.

Separate Legal Entity: Like limited partnerships and corporations, an LLC is recognized as a separate legal entity from its "members."

Limited Liability: Ordinarily, only the LLC is responsible for the company's debts thus shielding the members from individual liability. However, there are some exceptions where individual members may be held liable:

Guarantor Liability: Where an LLC member has personally guaranteed the obligations of the LLC, he or she will be liable. For example, where an LLC is relatively new and has no credit history, a prospective landlord about to lease office space to the LLC will most likely require a personal guarantee from the LLC members before executing such a lease.

Alter Ego Liability: Very similar to the judicial doctrine applied to corporations where a court may hold the individual shareholders liable where the business entity is merely the "Alter Ego" of its shareholders, a member of an LLC may also be held liable for the LLC's debts if the court imposes its "alter ego liability" doctrine.

Please note, however, that although a corporation's failure to hold shareholder or director meetings may subject the corporation to alter ego liability, this is not the case for LLCs in California. An LLC's failure to hold meetings of members or managers is not usually considered grounds for imposing the alter ego doctrine where the LLC's Articles of Organization or Operating Agreement do not expressly require such meetings.

Management and control: Management and control of an LLC is vested with its members unless the articles of organization provide otherwise.

Voting Interest: Ordinarily, voting interest directly corresponds to interest in profits, unless the articles of organization or operating agreement provide otherwise

Transferability: No one can become a member of an LLC (either by transfer of an existing membership or the issuance of a new one) without the consent of members having a majority in interest (excluding the person acquiring the membership interest) unless the articles of organization provide otherwise.

Duration: Although many states now allow an LLC to have a perpetual existence, LLC's traditionally were required to specify the date on which the LLC's existence will terminate. In most cases, unless otherwise provided in the articles of organization or a written operating agreement, an LLC is dissolved at the death, withdrawal, resignation, expulsion, or bankruptcy of a member (unless within 90 days a

majority in both the profits and capital interests vote to continue the LLC).

Formalities: The existence of an LLC begins upon the filing of the Articles of Organization with the Secretary of State. The articles must be on the form prescribed by the Secretary of State. Among the required information on the form is the latest date at which the LLC is to dissolve and a statement as to whether the LLC will be managed by one manager, more than one manager, or the members.

To validly complete the formation of the LLC, members must enter into an Operating Agreement. This Operating Agreement may come into existence either before or after the filing of the Articles of Organization and may be either oral or in writing.

Although states have differing definitions for LLC's, the more important scorekeepers the IRS. Per my Jeff's sister and husband, who has worked for the IRS since 1978, the IRS will consider an LLC a corporation, if they determine so, thereby subjecting it to double taxation.

Liz Ross

RGMC

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AS 10.50.570. Conversion to Limited Liability Company.

(a) Any other entity may convert to a limited liability company by filing with the department

(1) a certificate of conversion to a limited liability company that has been executed under (b) of this section by one or more persons organizing the conversion; and

(2) articles of organization that comply with AS 10.50.075 and that have been signed by one or more persons organizing the conversion.

(b) The certificate of conversion to a limited liability company must state

(1) the date on which and the jurisdiction where the other entity was first created, formed, or incorporated, or otherwise came into being, and, if the other entity has changed its jurisdiction, its jurisdiction immediately before its conversion to a limited liability company;

(2) the name of the other entity immediately before the filing of the certificate of conversion to a limited liability company;

(3) the name of the limited liability company as stated in its articles of organization filed under (a) of this section; and

(4) the future effective date or time, which must be a certain date or a certain time, of the conversion to a limited liability company if the conversion is not to be effective on the filing of the certificate of conversion to a limited liability company and the articles of organization.

(c) On the filing with the department of the certificate of conversion to a limited liability

company and the articles of organization, or upon the future effective date or time of the certificate of conversion to a limited liability company and the articles of organization, the other entity is converted to a limited liability company and, after the conversion, is subject to all of the provisions of this chapter, except that, notwithstanding AS 10.50.080 , the existence of the limited liability company is considered to have commenced on the date the other entity commenced its existence in the jurisdiction in which the other entity was first created, formed, or incorporated, or otherwise came into being.

(d) The conversion of any other entity to a limited liability company does not affect any obligation or liability of the other entity incurred before the conversion, or the personal liability of any person that is incurred before the conversion.

(e) When a conversion of any other entity to a limited liability company becomes effective under this section, for all purposes of the laws of this state,

(1) all rights, privileges, and powers of the other entity, all real, personal, and mixed property, all debts due to the other entity, and all other things and causes of action belonging to the other entity, are vested in the limited liability company and are after the conversion, the property of the limited liability company as they were of the other entity;

(2) the title to any real property vested by deed, or otherwise vested, in the other entity does not revert and is not in any way impaired by reason of this chapter;

(3) all rights of creditors and all liens on property of the other entity attach to the limited liability company; and

(4) all debts, liabilities, and duties of the other entity attach to the limited liability company, and may be enforced against it to the same extent as if the debts, liabilities, and duties had been incurred or contracted by the limited liability company.

(f) Unless otherwise agreed, or as required under the applicable law of another state, any other entity that converts to a limited liability company under this section is not required to wind up its affairs or to pay its liabilities and distribute its assets, and the conversion does not constitute a dissolution of the other entity.

(g) Before filing a certificate of conversion to a limited liability company with the department, a limited liability company agreement must be approved in the manner provided for by the document, instrument, agreement, or other writing governing the internal affairs of the other entity and the conduct of its business, or by applicable law, as appropriate.

(h) The provisions of this section may not be construed to limit the accomplishment of a change in the law governing, or of the domicile of, any other entity to this state by any other means provided for in a limited liability company agreement or other agreement, or, as otherwise permitted by law, including by the amendment of a limited liability company agreement or other agreement.

(i) In this section, "other entity" means a business trust, an association, a real estate investment trust, a common law trust, or any other unincorporated business, including a general partnership, a registered limited liability partnership, a limited partnership, a limited liability limited partnership, and a foreign limited liability company.

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KONIAG
INCORPORATED

April 23, 2004

The Honorable Con Bunde
Chairman
Senate Labor & Commerce Committee
Alaska State Senate
State Capitol
Juneau, Alaska 99801-1182

VIA FAX
465-3871

Re: SB 389 -- Conversion of Subsidiaries to LLC's

Dear Chairman Bunde:

On behalf of Koniag, Inc., I want to express our appreciation for your cooperation in permitting your committee to sponsor SB 389. Koniag strongly supports the passage of SB 389. As I am certain you are aware, the Alaska Native Corporations have been actively involved in investing in businesses in Alaska. The enactment of this law will provide us with additional flexibility in making those investments, without being tied to traditional structures that aren't that beneficial. This change will help Alaska be on equal footing with other states with respect to the opportunities offered by their laws for the structure of business.

We have appreciated your support and respectfully request your continued support of SB 389.

Yours truly,

KONIAG, INC.

Dennis Metrokin
President

cc: Martha Malavansky, President of The Aleut Corp.
Mark Hickey
William H. Timme, Koniag General Counsel
Vicki Otte, ANCSA President/CEO Assn

4300 B Street, Suite 407
Anchorage, Alaska 99503
(907) 561-2668
FAX (907) 562-5258



April 20, 2004

The Honorable Con Bunde
Chairman
Senate Labor & Commerce Committee
Alaska State Senate
State Capitol
Juneau, Alaska 99801-1182

Re: Sealaska Corporation Support for Senate Bill No. 389 – Conversion of
Certain Corporations to Limited Liability Companies

Dear Chairman Bunde:

On behalf of Sealaska Corporation, I wish to express strong support for Senate Bill No. 389 – Conversion of Certain Corporations to Limited Liability Companies (“SB389”). Sealaska is the Regional Corporation for Southeast Alaska. Over the past 20 years, Sealaska has been a stable contributor to the regional and state economy. A recent McDowell report prepared for Sealaska concluded that Sealaska is the largest private employer in S. E. Alaska.

Sealaska Corporation has numerous operating subsidiaries that benefit from the operating flexibility afforded by the Limited Liability Company Act (AS 10.50; “LLC Act”). The LLC is the structure of choice for Sealaska subsidiary entities. Under current law there has been no means, short of dissolving the corporation, to convert a for-profit entity into an LLC. SB389 will make it possible for Sealaska’s existing corporate subsidiaries to take advantage of the benefits of the LLC Act by empowering the direct conversion of for-profit subsidiary corporations into LLCs.

Sealaska appreciated the Labor & Commerce Committee for sponsoring SB389 and urges the Committee to take prompt action to assure its passage.

Sincerely,

SEALASKA CORPORATION

Chris E. McNeil, Jr.
President & CEO



Doyon, Limited

1 Doyon Place, Suite 300
Fairbanks, Alaska 99701-2941
(907) 459-2000
info@doyon.com

April 23, 2004

The Honorable Con Bunde
Chairman
Senate Labor & Commerce Committee
Alaska State Senate
State Capitol
Juneau, Alaska 99801-1182

Re: Doyon, Limited Regional Corporation Support for Senate bill No. 389 –
Conversion of Certain Corporations to Limited Liability Companies

Dear Chairman Bunde:

On behalf of Doyon, Limited, I wish to express strong support for Senate Bill No. 389 – conversion of Certain Corporations to Limited Liability Companies ('SB 389'). As you may be aware, Doyon, Limited is the Regional Corporation, formed pursuant to the Alaska Native claims Settlement Act ('ANCSA') for primarily Athabaskan people in the interior region of Alaska. For many years, Doyon, Limited has enjoyed the position of one of the largest private corporations in the state, with gross revenues of approximately \$56,224,275.00 annually. Doyon, Limited is also the largest private landowner in the State, steadily contributing to a productive Alaska economy.

Doyon, Limited has in excess of fifteen operating subsidiary and affiliate companies working in Alaska, across the nation and internationally. The operating flexibility and tax benefits afforded by the Limited Liability Company Act (AS 10.50; "LLC Act") make it the structure of choice for new Doyon, Limited subsidiary entities. However, under current law there has been means, short of dissolving the corporation, to convert a for-profit entity into an LLC. SB 389 will make it possible for Doyon, Limited's existing corporate subsidiaries to take advantage of the benefits of the LLC Act by empowering the direct conversion of for-profit subsidiary corporations into LLC's.

Page 2
The Honorable Con Bunde

Doyon, Limited thanks the Labor & Commerce Committee for sponsoring SB 389 and urges the Committee to take prompt action to assure its passage.

Very truly yours,

DOYON, LIMITED

A handwritten signature in cursive script that reads "Orie Williams".

Orie Williams
President

OW/mkw



April 19, 2004

The Honorable Con Bunde
Chairman
Senate Labor & Commerce Committee
Alaska State Senate
State Capitol
Juneau, Alaska 99801-1182

Re: Arctic Slope Regional Corporation Support for Senate Bill No. 389 – Conversion of Certain Corporations to Limited Liability Companies

Dear Chairman Bunde:

On behalf of Arctic Slope Regional Corporation ("ASRC"), I wish to express strong support for Senate Bill No. 389 – Conversion of Certain Corporations to Limited Liability Companies ("SB 389"). As you may be aware, ASRC is the Regional Corporation, formed pursuant to the Alaska Native Claims Settlement Act ("ANCSA") for the Inupiat People of the Arctic Slope Region of Alaska. For many years, ASRC has enjoyed the position of the largest private corporation in the State, with gross revenues of approximately \$1 billion annually. ASRC is also the largest private employer in the State, steadily contributing to a productive Alaskan economy.

ASRC has in excess of seventy (70) operating subsidiary and affiliate companies working in Alaska, across the nation and internationally. The operating flexibility and tax benefits afforded by the Limited Liability Company Act (AS 10.50; "LLC Act") make it the structure of choice for new ASRC subsidiary entities. However, under current law there has been no means, short of dissolving the corporation, to convert a for-profit entity into an LLC. SB 389 will make it possible for ASRC's existing corporate subsidiaries to take advantage of the benefits of the LLC Act by empowering the direct conversion of for-profit subsidiary corporations into LLCs.

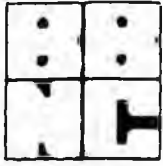
ASRC thanks the Labor & Commerce Committee for sponsoring SB 389 and urges the Committee to take prompt action to assure its passage.

Very truly yours,

ARCTIC SLOPE REGIONAL CORP.

A handwritten signature in dark ink, appearing to read "Oliver Leavitt", is written over a light-colored background.

Oliver Leavitt, Chairman and Vice President
Government Affairs



Bristol Bay Native Corporation

Enriching Our Native Way of Life

800 Cordova Street, Suite 200 / Anchorage, Alaska 99501-6299 / (907) 278-3602 / fax (907) 276-3924

April 16, 2004

The Honorable Con Bunde
Chairman
Senate Labor & Commerce Committee
Alaska State Senate
State Capitol
Juneau, Alaska 99801-1182

Dear Senator Bunde:

Bristol Bay Native Corporation (BBNC) is writing in support of SB 389, concerning limited liability companies. We appreciate the fact that you have agreed to sponsor this bill and facilitate fixing an onerous process.

BBNC is an active participant in the Small Business Administration's (SBA) 8(a) program. We have several companies participating in the program as corporations and have contemplated converting some of them to LLC's. Accomplishing that objective in Alaska is currently too big an obstacle.

We sincerely hope that this piece of legislation will move through supported by the full house and senate.

Respectfully,

A handwritten signature in black ink that reads "Tom Hawkins".

Tom Hawkins
Senior Vice-President and COO



THE 13TH REGIONAL CORPORATION
An Alaska Native Corporation

1156 Industry Drive

Seattle, WA 98188

206/575-6229

FAX 206/575-6283

Email: info@the13thregion.com

April 16, 2004

The Honorable Con Bunde, Chairman
Senate Labor & Commerce Committee
Alaska State Senate
State Capitol
Juneau, Alaska 99804-1182

Attn: Jane Alberts
VIA FACSIMILE: (907) 465-3871

RE: SB 389

Dear Chairman Bunde:

We would like to confirm our support of SB 389. We formed three (3) new LLC companies as of January 2004, because of the federal tax advantage to as a pass through to its members. However, keeping in mind that each state has its own laws regarding LLC'S.

Our one non-LLC subsidiary (M. Kennedy Co., Inc.) will be graduating from the SBA's 8(a) program soon, so we may need to determine its future related to its organizational structure. All future companies that we form will be LLC'S.

As a result, the tax advantage of converting to an LLC form of organization, is something each Regional Corporation should be able to utilize and we encourage your passing this bill.

Sincerely,

Kenneth Krajewski
CEO



NANA Development Corporation

1001 E. BENSON BOULEVARD, ANCHORAGE, ALASKA 99504 / (907) 265-4100 / FAX (907) 265-4123

April 20, 2004

The Honorable Con Bunde
Chairman
Senate Labor & Commerce Committee
Alaska State Senate
State Capitol
Juneau, Alaska 99801-1182

Via Facsimile: 907-465-3871

Re: Senate Bill 389

Dear Honorable Con Bunde:

NANA Development Corporation would like to thank you for allowing your committee to sponsor Senate Bill 389. On behalf of NANA, I offer this letter of support for Senate Bill 389. We feel the passage of Senate Bill 389 would be beneficial to NANA and to all other corporations as well.

Sincerely,

A handwritten signature in black ink, appearing to read "Jacquelyn R. Luke". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Jacquelyn R. Luke
Vice President, General Counsel





April 19, 2004

Honorable Con Bunde
Chairman
Senate Labor & Commerce Committee
State Capitol
Juneau, Alaska 99801-1182

Dear Senator Bunde:

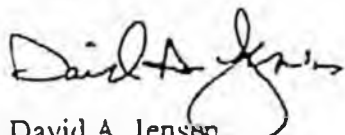
The Aleut Corporation incorporated C Corporations prior to legislation authorizing incorporation of Limited Liability Corporations. All of our new defense contracting companies have been or will be incorporated pursuant to provisions of incorporation of LLC's. The Aleut Corporation desires to standardize the corporate status of the subsidiary companies so that all subsidiary companies are LLC's strictly for tax and accounting purposes.

There is no affect on State corporate tax income whatsoever by permitting this conversion. Since our subsidiaries are 100% wholly owned there is no Federal income tax affect either. The Aleut Corporation consolidates all subsidiary company income and files a consolidated Federal and State income tax return annually.

Currently, other many states permit this conversion. It is logical that the State of Alaska clarify the statutory ambiguity by clearly authorizing conversion.

We look forward to testifying on support of SB389

Sincerely,
THE ALEUT CORPORATION



David A. Jensen
Chief Executive Officer



THE 13TH REGIONAL CORPORATION
An Alaska Native Corporation

1156 Industry Drive

Seattle, WA 98188

206/575-6229

FAX 206/575-6283

Email: info@the13thregion.com

April 16, 2004

The Honorable Con Bunde, Chairman
Senate Labor & Commerce Committee
Alaska State Senate
State Capitol
Juneau, Alaska 99804-1182

Attn: Jane Alberts

VIA FACSIMILE: (907) 465-3871

RE: SB 389

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Our one non-LLC subsidiary (M. Kennedy Co., Inc.) will be graduating from the SBA's 8(a) program soon, so we may need to determine its future related to its organizational structure. All future companies that we form will be LLC'S.

As a result, the tax advantage of converting to an LLC form of organization, is something each Regional Corporation should be able to utilize and we encourage your passing this bill.

Sincerely,

Kenneth Krajewski
CEO