

LEG. FINANCE - BILLS 1979 - 1980 1297

SB 170 cont. , 1297

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 directors
23 every shareholder entitled to vote may vote the number of shares owned
24 by him for as many persons as there are directors to be elected and for
25 whose election he has a right to vote. Shareholders may not cumulate
26 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 and 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 classificatic 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 may be held only 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 action.

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

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

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

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

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

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

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

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

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

6 Sec. 10.50.280. COURT MAY COMPEL INSPECTION. AS 10.50.265 - 10.-
7 50.285 do not impair the power of a court, upon proof by a shareholder
8 of proper purpose, to compel the production for examination by the
9 shareholder of the books and records of account, minutes, and record of
10 shareholders of a corporation.

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

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

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

28 (b) An individual director may be removed if the number of votes
29 cast for his removal exceeds the number of votes he received at the last

1 preceding election during which he was a candidate for the office of
2 director.

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

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

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

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

25 (e) If the action on behalf of the corporation is successful, in
26 whole or in part, or if anything is received by the plaintiff as the
27 result of a judgment, compromise or settlement of an action, the court
28 may award the plaintiff reasonable expenses, including reasonable attor-
29 ney fees, and shall direct the plaintiff to account to the corporation

1 for the remainder of the proceeds received by him. This subsection does
2 not apply to a judgment rendered only for the benefit of an injured
3 shareholder and limited to a recovery of the loss or damage sustained by
4 him.

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

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

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

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

1 aggregate for all defendants. If the court, upon motion, decides that
2 security must be furnished by the plaintiff as to any one or more defen-
3 dants, the action shall be dismissed as to the defendant or defendants,
4 unless the security required by the court is furnished within a reason-
5 able time fixed by the court. The corporation and the moving party have
6 recourse to the security in the amount the court determines upon the
7 termination of the action.

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

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

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

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

25 (1) make contributions or spend money to influence the nomi-
26 nation or election of a candidate for office or the outcome of a ballot
27 proposition or question;

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

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

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

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

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

14 ARTICLE 2. FORMATION OF CORPORATIONS.

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

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

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

1 who were residents of the state on the effective date of its chartering
2 legislation and who continued to be residents until the date of issuance
3 of the shares;

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

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

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

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

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

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

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

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

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

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

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

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

7 Sec. 10.50.325. FILING OF ARTICLES OF INCORPORATION. (a) Dupli-
8 cate originals of the articles of incorporation shall be delivered to
9 the commissioner. If the commissioner finds that the articles of incor-
10 poration conform to law, he shall, when all fees prescribed in AS 10.-
11 05.708 - 10.05.774 have been paid,

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

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

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

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

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

28 Sec. 10.50.335. ARTICLES OF INCORPORATION AND INITIAL BYLAWS. (a)
29 The corporation shall submit copies of the original articles of incor-

1 poration and the initial bylaws adopted under AS 10.05.340 to the legis-
2 lature within 30 days of the issuance of the certificate of incorpora-
3 tion.

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

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

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

25 ARTICLE 3. APPLICATION FOR SHARES.

26 Sec. 10.50.345. NOTIFICATION OF ELIGIBLE SHAREHOLDERS. Beginning
27 not less than 90 days before the initial issue of stock, the corporation
28 shall at least weekly notify the public of its intention to issue stock
29 and the method for qualifying and applying for shares. The notice shall

1 be by publication in newspapers of all regions of the state, by radio
2 and television announcements, and by other means the corporation deter-
3 mines to be appropriate and reasonable, and shall be continued at least
4 one each month for 11 months following the date of issuance of shares.

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

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

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

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

22 Sec. 10.50.360. PENALTIES FOR MISREPRESENTATION OF ELIGIBILITY AS
23 SHAREHOLDER. The ownership interest in shares of the corporation's
24 stock issued to an individual ineligible to receive the initial shares,
25 who has presented fraudulent or misleading information regarding his
26 eligibility to own those shares, is void upon the issuance of an appro-
27 priate order by the superior court. The ineligible individual is also
28 liable for the full amount of dividends, or other distributions to
29 shareholders received by him plus interest from the date of distribu-

1 tion, and legal fees and costs of recovery incurred by the corporation.
2 This section applies to an individual who has presented fraudulent or
3 misleading information regarding the eligibility of another person for
4 whom he acts in the capacity of legal guardian.

5 ARTICLE 4. AMENDMENT.

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

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

- 14 (1) change its corporate name;
- 15 (2) change its period of duration;
- 16 (3) change, enlarge or diminish its corporate purposes;
- 17 (4) increase or decrease the aggregate number of shares, or
18 shares of a class, which the corporation may issue;
- 19 (5) 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 a vote of the shareholders entitled to
9 vote shall be taken on the proposed amendment. The proposed amendment
10 shall be adopted if it receives the affirmative vote of the holders of
11 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 nother 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 the shareholders may authorize the sale, lease, exchange, mortgage,
21 pledge, or other disposition and may fix, or may authorize the board of
22 directors to fix the terms and conditions and the consideration to be
23 received by the corporation. Each outstanding share of the corporation
24 is entitled to vote. The authorization requires the affirmative vote of
25 the holders of at least two-thirds of the shares voting.

26 Sec. 10.50.435. ABANDONMENT OF PLAN BY BOARD OF DIRECTORS. After
27 authorization by a vote of shareholders, the board of directors may,
28 nevertheless, abandon the sale, lease, exchange, mortgage, pledge, or
29 other disposition of assets, subject to the rights of third parties

1 under contracts relating to the disposition, without further action or
2 approval by shareholders.

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

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

25 Sec. 10.50.450. PAYMENT TO DISSENTING SHAREHOLDER AFTER AGREEMENT
26 ON VALUE OF SHARES. If within 60 days after the date on which the sale
27 or exchange was effected the value of the shares is agreed upon between
28 the dissenting shareholder and the corporation, payment shall be made
29 within 90 days after the date the sale or exchange was effected, upon

1 the surrender of his certificate or certificates representing the shares.
2 Upon payment of the agreed value, the dissenting shareholder ceases to
3 have an interest in the shares or in the corporation.

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

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

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

29 ARTICLE 6. DISSOLUTION.

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

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

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

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

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

20 (e) At the meeting a vote of shareholders entitled to vote shall
21 be taken on the resolution to dissolve the corporation. Each outstand-
22 ing share of the corporation may vote on the resolution. The resolution
23 is adopted if it receives the affirmative vote of the holders of at
24 least one-third of the shares entitled to vote.

25 Sec. 10.50.480. EXECUTION OF STATEMENT OF INTENT TO DISSOLVE.
26 Upon the adoption of the resolution, a statement of intent to dissolve
27 shall be executed in duplicate by the corporation by its president or
28 vice-president and by the secretary or an assistant secretary, and
29 verified by one of the officers signing the statement. The statement of

1 intent to dissolve shall set out

2 (1) the name of the corporation;

3 (2) the names and addresses of its officers;

4 (3) the names and addresses of its directors;

5 (4) a copy of the resolution adopted by the shareholders
6 authorizing the dissolution of the corporation;

7 (5) the number of shares outstanding;

8 (6) the number of shares voted for and against the resolu-
9 tion.

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

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

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

18 (3) return the other duplicate original to the corporation or
19 its representative.

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

27 Sec. 10.50.495. PROCEDURE AFTER FILING OF STATEMENT OF INTENT TO
28 DISSOLVE. After the commissioner has filed the statement of intent to
29 dissolve, the corporation

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

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

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

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

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

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

26 (c) Written or printed notice, stating that the purpose of the
27 meeting is to consider the advisability of revoking the voluntary dis-
28 solution proceedings, shall be given to each shareholder of record
29 entitled to vote at the meeting within the time and in the manner pro-

1 vided in this chapter for the giving of notice of special meetings of
2 shareholders.

3 (d) At the meeting a vote of the shareholders entitled to vote
4 shall be taken on the resolution to revoke the voluntary dissolution
5 proceeding. Adoption of the resolution requires the affirmative vote of
6 the holders of at least two-thirds of the shares voting.

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

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

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

- 27 (1) endorse on each duplicate original the word "filed" and
28 the date of the filing;
- 29 (2) file one duplicate original in his office;

1 (3) return the other duplicate original to the corporation or
2 its representative.

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

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

18 (1) the name of the corporation;

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

21 (3) that all debts, obligations and liabilities of the cor-
22 poration have been paid and discharged or that adequate provision has
23 been made for payment;

24 (4) that the remaining property and assets of the corporation
25 have been distributed among its shareholders in accordance with their
26 respective rights and interests;

27 (5) that there are no suits pending against the corporation,
28 or that adequate provision has been made for the satisfaction of a judg-
29 ment, order or decree which may be entered against the corporation in a

1 pending suit.

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

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

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

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

12 (b) The certificate of dissolution, together with the duplicate
13 original of the articles of dissolution affixed, shall be returned to
14 the representative of the dissolved corporation.

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

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

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

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

26 (3) the corporation has failed for 30 days after change of
27 its registered office or registered agent to file in the office of the
28 commissioner a statement of the change;

29 (4) the corporation has failed for two years to complete

1 dissolution under a statement of intent to dissolve; or

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

5 (b) A corporation may not be involuntarily dissolved unless the
6 commissioner has given the corporation at least 60 days notice of its
7 delinquency or omission by certified mail addressed to its registered
8 office or in care of one of its principal officers or directors, at the
9 last known address of the officer or director, as shown by the records
10 of the commissioner, and the corporation has failed to correct the
11 neglect, omission or delinquency before involuntary dissolution.

12 (c) When a corporation has given cause for involuntary dissolution
13 and has failed to correct the neglect, omission or delinquency as pro-
14 vided in this section, the commissioner shall dissolve the corporation
15 by issuing a certificate of involuntary dissolution containing a state-
16 ment that the corporation has been dissolved, the date, and the reason
17 for which it was dissolved. The original certificate of dissolution
18 shall be placed in the department files and a copy of it mailed to the
19 corporation at its registered office or in care of one of its principal
20 officers or directors, at the last known address of the officer or
21 director, as shown by the records of the commissioner. Upon the issu-
22 ance of the certificate of involuntary dissolution, the existence of the
23 corporation shall cease, except as otherwise provided in this section,
24 and its name shall be available to and may be adopted by another cor-
25 poration no less than six months after the dissolution.

26 (d) A corporation dissolved by the commissioner under the provi-
27 sions of this section may be reinstated by the commissioner at any time
28 within two years from the date of the certificate of involuntary disso-
29 lution whenever it is established to the satisfaction of the commis-

1 sioner that in fact there was no cause for the dissolution, or whenever
2 the neglect or delinquency resulting in dissolution has been corrected
3 and payment made of double the amount delinquent along with the amount
4 the corporation would have paid had it not been dissolved during the
5 two-year period. Reinstatement may not be authorized if the same or a
6 deceptively similar corporate, limited partnership, reserved or regis-
7 tered name is currently on file with the commissioner, unless the cor-
8 poration being reinstated contemporaneously amends its articles of incor-
9 poration to change its name to conform with the provisions of this
10 chapter.

11 (e) Nothing in this section relieves a corporation reinstated
12 under this section from penalty of forfeiture of its powers as a corpo-
13 ration in case of failure to pay subsequently accruing licenses and
14 taxes imposed by a law of this state.

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

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

25 (h) In addition to any other remedies provided by law a corpora-
26 tion may be dissolved involuntarily by a decree of the superior court in
27 an action filed by the attorney general when it is established that

28 (1) the corporation procured its certificate of incorporation
29 through fraud; or

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

3 Sec. 10.50.535. VENUE AND PROCESS. (a) An action for the invol-
4 untary dissolution of a corporation shall be commenced by the attorney
5 general in the superior court.

6 (b) Summons shall issue and be served as in other civil actions.
7 If process is returned not found, the attorney general shall publish
8 notice as in other civil cases in a newspaper published in the judicial
9 district where the registered office of the corporation is situated,
10 containing a notice of the pendency of the action, the title of the
11 court, the title of the action, and the date on or after which default
12 may be entered. The attorney general may include in one notice the
13 names of any number of corporations against which actions are pending in
14 the same court.

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

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

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

24 Sec. 10.50.540. JURISDICTION OF COURT TO LIQUIDATE ASSETS AND
25 BUSINESS OF CORPORATION. The superior court may liquidate the assets
26 and business of a corporation in the cases provided in AS 10.50.545 -
27 10.50.560.

28 Sec. 10.50.545. ACTION BY SHAREHOLDER FOR LIQUIDATION. In an
29 action by a shareholder, the superior court may liquidate the assets and

1 business of a corporation when it is established

2 (1) that the directors are deadlocked in the management of
3 the corporate affairs and the shareholders are unable to break the
4 deadlock, and that irreparable injury to the corporation is being
5 suffered or is threatened by reason of the deadlock;

6 (2) that the acts of the directors or those in control of the
7 corporation are illegal, oppressive or fraudulent;

8 (3) that the shareholders are deadlocked in voting power, and
9 have failed, for a period which includes at least two consecutive annual
10 meeting dates, to elect successors to directors whose terms have expired
11 or would have expired upon the election of their successors; or

12 (4) that the corporate assets are being misapplied or wasted.

13 Sec. 10.50.550. ACTION BY CREDITOR FOR LIQUIDATION. In an action
14 by a creditor, the superior court may liquidate the assets and business
15 of a corporation when

16 (1) the claim of the creditor has been reduced to judgment
17 and an execution on the judgment has been returned unsatisfied and it is
18 established that the corporation is insolvent; or

19 (2) the corporation has admitted in writing that the claim of
20 the creditor is due and owing and it is established that the corpora-
21 tion is insolvent.

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

27 Sec. 10.50.560. LIQUIDATION IN ACTION BY ATTORNEY GENERAL FOR
28 DISSOLUTION. When an action has been filed by the attorney general to
29 dissolve a corporation and it is established that liquidation of its

1 business and affairs should precede the entry of a decree of dissolu-
2 tion, the superior court may liquidate the assets and business of a
3 corporation.

4 Sec. 10.50.565. JOINDER OF SHAREHOLDERS NOT MANDATORY. It is not
5 necessary to make shareholders parties to an action or proceeding for
6 liquidation of the assets and business of a corporation unless relief is
7 sought against them personally.

8 Sec. 10.50.570. PROCEDURE IN LIQUIDATION OF CORPORATION BY COURT.
9 In a proceeding to liquidate the assets and business of a corporation,
10 the superior court may issue injunctions, appoint a receiver pendente
11 lite with powers and duties as the court may direct, and take other
12 proceedings necessary to preserve the corporate assets wherever situated
13 and carry on the business of the corporation until a full hearing is
14 had.

15 Sec. 10.50.575. APPOINTMENT OF RECEIVER. After a hearing held
16 upon such notice as the court may direct to be given to all parties to
17 the proceedings and to any other parties in interest designated by the
18 court, the court may appoint a liquidating receiver with authority to
19 collect the assets of the corporation, including amounts owing to the
20 corporation by shareholders on an unpaid portion of the consideration
21 for the issuance of shares. The liquidating receiver may, subject to
22 the order of the court, sell, convey and dispose of all or a part of the
23 assets of the corporation wherever situated, either at public or private
24 sale.

25 Sec. 10.50.580. DISPOSITION OF ASSETS OR PROCEEDS FROM SALE OF
26 ASSETS. The assets of the corporation or the proceeds from a sale,
27 conveyance or other disposition of assets shall be applied to the ex-
28 penses of liquidation and to the payment of the liabilities and obli-
29 gations of the corporation. Remaining assets or proceeds shall be

1 distributed among shareholders according to their respective rights and
2 interests.

3 Sec. 10.50.585. STATED POWERS AND DUTIES OF RECEIVER. The order
4 appointing the liquidating receiver shall state his powers and duties.
5 The powers and duties may be increased or diminished at any time during
6 the liquidation proceedings.

7 Sec. 10.50.590. COMPENSATION OF RECEIVER AND ATTORNEYS. The court
8 may allow from time to time as expenses of the liquidation compensation
9 to the receiver and to attorneys in the proceeding, and direct the
10 payment of compensation out of the assets of the corporation or the
11 proceeds of a sale or disposition of assets.

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

15 Sec. 10.50.600. APPOINTING COURT HAS EXCLUSIVE JURISDICTION. The
16 court appointing the receiver has exclusive jurisdiction of the corpora-
17 tion and its property, wherever situated.

18 Sec. 10.50.605. QUALIFICATIONS OF RECEIVERS. A receiver shall be
19 a citizen of the United States or a corporation authorized to act as
20 receiver, which corporation may be a domestic corporation or a foreign
21 corporation authorized to transact business in the state. A receiver
22 shall give the bond the court directs with sureties the court requires.

23 Sec. 10.50.610. FILING OF CLAIMS IN LIQUIDATION PROCEEDINGS. (a)
24 In a proceeding to liquidate the assets and business of a corporation,
25 the court may require creditors of the corporation to file with the
26 clerk of the court or with the receiver, in the form the court pre-
27 scribes, proof under oath of their respective claims.

28 (b) If the court requires the filing of claims, it shall fix a
29 date, not less than four months from the date of the order, as the last

1 day for the filing of claims, and shall prescribe the notice to be given
2 to creditors and claimants of the date fixed. Before the date fixed,
3 the court may extend the time for the filing of claims.

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

7 Sec. 10.50.615. DISCONTINUANCE OF LIQUIDATION PROCEEDINGS. The
8 liquidation of the assets and business of a corporation may be discon-
9 tinued at any time during the liquidation proceeding when it is estab-
10 lished that cause for liquidation no longer exists. In this event, the
11 court shall dismiss the proceeding and direct the receiver to redeliver
12 to the corporation its remaining property and assets.

13 Sec. 10.50.620. DECREE OF INVOLUNTARY DISSOLUTION. In a pro-
14 ceeding to liquidate the assets and business of a corporation, when the
15 costs and expenses of the proceeding and the debts, obligations and
16 liabilities of the corporation have been paid and discharged and the
17 remaining property and assets are not sufficient to satisfy and dis-
18 charge the costs, expenses, debts and obligations, and all the property
19 and assets have been applied to their payment, the court shall enter a
20 decree dissolving the corporation.

21 ARTICLE 7. GENERAL PROVISIONS.

22 Sec. 10.50.625. AS 10.05 INCORPORATED BY REFERENCE. The provi-
23 sions of AS 10.05.699 - 10.05.819 apply to a corporation organized under
24 this chapter and are incorporated by reference as a part of this chapter,
25 except when inconsistent with this chapter.

26 Sec. 10.50.630. FALSE STATEMENTS AFFECTING VALUE OF SHARES. A
27 director, officer or agent of a corporation who knowingly concurs in
28 making, publishing or posting either generally or privately to the
29 shareholders or other persons (1) a written report, exhibit, statement

1 of its affairs or pecuniary condition or notice containing any material
2 statement which is false, or (?) an untrue or wilfully or fraudulently
3 exaggerated report, prospectus, account, statement of operations, values,
4 business, profits, expenditures or prospects, or (3) any other paper or
5 document intended to produce or give, or having a tendency to produce or
6 give, the shares of stock in the corporation a greater value or a less
7 apparent or market value than they really possess, or who refuses to
8 make any book entry or post any notice required by law in the manner
9 required by law, upon conviction, is guilty of a misdemeanor.

10 Sec. 10.50.635. DIRECTOR MAKING UNLAWFUL DIVIDEND OR DISTRIBUTION
11 OF ASSETS. A director of a corporation who concurs in any vote or act
12 of the directors of the corporation to knowingly and with dishonest or
13 fraudulent purpose make a dividend or distribution of assets either with
14 the design of defrauding creditors or shareholders or of giving a false
15 appearance to the value of the stock and thereby defrauding subscribers
16 or purchasers, upon conviction, is guilty of a misdemeanor.

17 Sec. 10.50.640. RESERVATION OF POWER. The legislature reserves
18 the power to make amendments to this chapter to apply to all existing
19 and future corporations organized under this chapter. An amendment to
20 this chapter may not alter or impair the power of a corporation to
21 fulfill the terms of a contractual agreement or impair the rights of a
22 person with whom a corporation has entered into a contractual agreement.

23 Sec. 10.50.645. DEFINITIONS. In this chapter,

24 (1) "articles of incorporation" means the original or re-
25 stated articles of incorporation and all amendments;

26 (2) "authorized shares" means the shares which the corpora-
27 tion may issue;

28 (3) "certificate" means any evidences of ownership of shares
29 of a corporation;

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

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

6 (6) "corporation" means a general stock ownership corpora-
7 tion;

8 (7) "department" means the Department of Commerce and Econo-
9 mic Development;

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

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

14 (10) "net assets" means the amount by which the total assets
15 of a corporation, excluding treasury shares, exceed the total debts of
16 the corporation;

17 (11) "resident" means an individual who maintains a permanent
18 place of abode in the state with the intention of making the state his
19 permanent place of residence and who resides in the state continuously
20 except for temporary purposes only and with the intent of returning; a
21 person may not be considered to have gained a residence solely by reason
22 of his presence and he may not lose it solely by reason of his absence
23 while in the civil or military service of this state or of the United
24 States or by reason of his absence because of marriage to a person
25 engaged in the civil or military service of this state or the United
26 States; a person may not be considered to lose his residence while a
27 student at an educational institution, while in an institution at public
28 expense, while confined in prison, while engaged in the navigation of
29 waters of this state, of the United States, or of the high seas, or

1 while residing upon an Indian or military reservation; a minor takes the
2 residence of his parent or of his legal guardian; a married woman may
3 establish her own residence and does not presumptively take the resi-
4 dence of her husband;

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

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

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

11 (15) "treasury shares" means shares which have been issued,
12 have been subsequently acquired by and belong to the corporation, and
13 have not either by reason of the acquisition or thereafter, been can-
14 celled or restored to the status of authorized but unissued shares;
15 treasury shares are "issued" shares, but not "outstanding" shares.

16 Sec. 10.50.650. SHORT TITLE. This chapter may be cited as the
17 Alaska General Stock Ownership Corporation Act.

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

19 (6) other securities, including [CORPORATE] securities of
20 corporations other than general stock ownership corporations;

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

22 (b) A copy of all annual reports, ballots, consent authorizations
23 and other materials relating to the shareholder ballots, published or
24 made available by any person to the shareholders of a general stock
25 ownership corporation, shall be filed with the administrator concu-
26 rrently with its distribution to the shareholders. The administrator
27 shall have authority to review all documents submitted and make regula-
28 tions regarding content of shareholder materials to insure fairness,
29 completeness, and nondiscrimination.

1 * Sec. 4. (a) The Alaska General Stock Ownership Corporation shall be
2 created in accordance with this section. This section constitutes the char-
3 tering legislation for the Alaska General Stock Ownership Corporation as the
4 term is defined in AS 10.50.645(4).

5 (b) The governor, the speaker of the house of representatives, and the
6 president of the senate, shall each appoint one person to act as incorpora-
7 tors of the Alaska General Stock Ownership Corporation which shall be formed
8 in accordance with subchapter U, chapter 1, of the Internal Revenue Code of
9 1954, as amended (26 U.S.C. secs. 1391 - 1397) and AS 10.50. The incorpora-
10 tors shall select nine persons to act as the initial board of directors of
11 the corporation and shall submit their names to the governor, to the speaker
12 of the house of representatives, and to the president of the senate. A
13 majority of the governor, the speaker of the house of representatives, and
14 the president of the senate may disapprove a candidate for the initial board
15 of directors within 15 days of receipt of the incorporators' nominations.

16 (c) The articles of incorporation of the Alaska General Stock Ownership
17 Corporation shall provide that all shareholders of the corporation shall be
18 residents of the state as defined in AS 10.50.645(11), and that if a share-
19 holder ceases to be a resident of the state or his shares pass by operation
20 of law to a nonresident,

21 (1) within five years of the date of issuance of his shares the
22 corporation shall purchase the shares at book value;

23 (2) more than five years after the date of issuance of his shares
24 the shareholder or his executor, administrator or guardian shall have the
25 right to sell the shares to the corporation at book value.

26 (d) There is a special fund of the state known as the "Alaska General
27 Stock Ownership Corporation loan guarantee fund", which may not exceed
28 \$5,000,000, which shall be completely segregated from all other funds of the
29 state, and which shall be used by the commissioner of revenue to guarantee

1 loans made to the Alaska General Stock Ownership Corporation by lenders other
2 than the state solely for initial costs of the corporation and not for the
3 acquisition by the corporation of major investments. In guaranteeing a loan,
4 the commissioner of revenue shall review the loan for the purposes of ascer-
5 taining the general soundness of the proposed loan and guarding against fraud
6 and misrepresentation. The guarantee of a loan may not be for an amount in
7 excess of the unobligated balance of the fund at the time the guarantee is
8 made.

9 * Sec. 5. In sec. 1 of this Act, AS 10.50.300 has the effect of changing
10 Rule 23.1, Rules of Civil Procedure, with respect to shareholder derivative
11 suits brought by the shareholders of a general stock ownership corporation.
12 The changes

13 (1) make provision for notification of shareholders in the event
14 of dismissal or settlement of the suit;

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

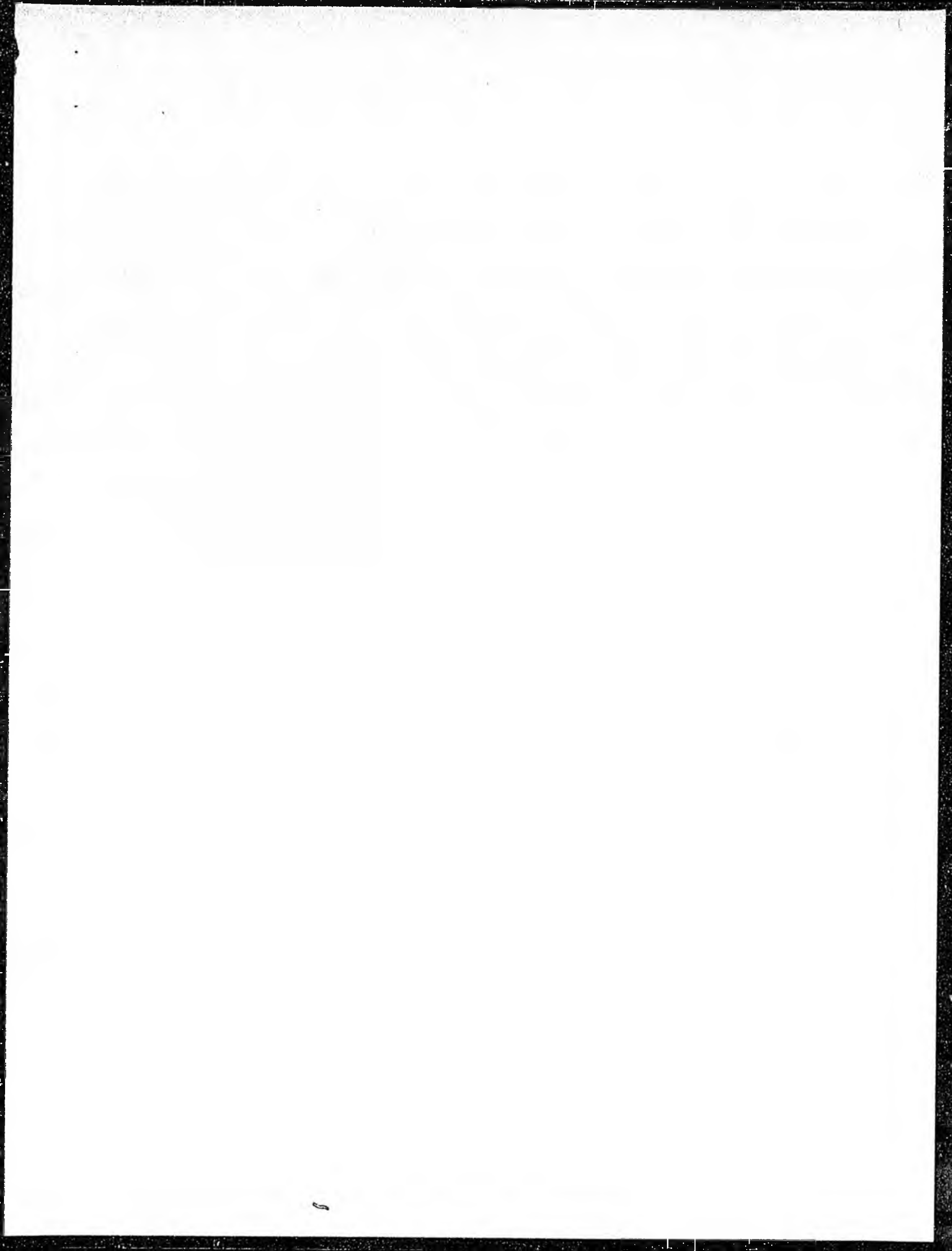
17 (3) provide that the court may require the plaintiff to furnish
18 security for the suit.

19 * Sec. 6. This Act takes effect immediately in accordance with AS 01.10.-
20 070(c).

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ALASKA
GENERAL STOCK OWNERSHIP
CORPORATION

Sponsor Substitute for House Bill No 240
Sponsor Substitute for Senate Bill No. 170



CONTENTS

HOW IT WORKS:	Alaska General Stock Ownership Corp.
EXPLANATION:	Federal GSOC Provisions
AGSOC ILLUSTRATED:	Transactional structure
TAX TREATMENT:	General Stock Ownership Corporations
TWO POINTS:	AGSOC is not a "Giveaway" AGSOC is not State Ownership
BILL SUMMARY:	State Legislation
SPONSOR SUBSTITUTE:	AGSOC Legislation

HOW IT WORKS

THE ALASKA GENERAL STOCK OWNERSHIP CORPORATION

- * A corporation is formed and each resident of Alaska is issued one share of stock.
- * The corporation borrows money to invest in profitable projects, having assured itself of the investment's soundness.
- * Private lenders will be willing to provide loans because they can be secured by the assets of AGSOC and, if necessary subject to legislative approval, by a state guarantee.
- * The loan proceeds will be invested in the project or projects, making AGSOC an owner and thus making each Alaskan (as a shareholder of AGSOC) an owner.
- * Earnings from the project will be used to pay off the loan.
- * Dividend payments can be made to AGSOC shareholders as soon as profits are made. Once the loan is paid off, all profits from the corporation's investments will be paid out to the shareholders.

EXPLANATION: FEDERAL GSOC PROVISIONS

Federal law provides income tax advantages to certain broadly owned corporations. These companies, known as General Stock Ownership Corporations (GSOCs), are exempt from corporate income tax. GSOCs are privately owned corporations designed to leverage the typical citizen into capital ownership. As such the stock is to be distributed free of charge and investments purchase entirely through borrowed funds. As the loans are paid down from investment earnings equity is built into the shareholders.

Charter Provisions

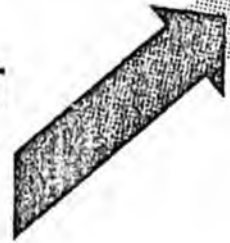
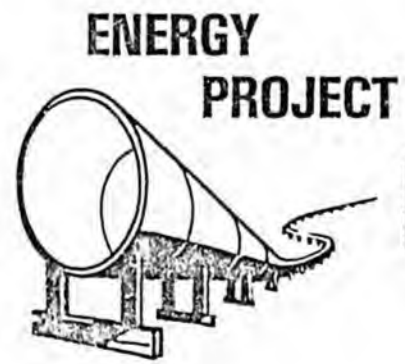
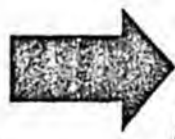
To qualify as a GSOC a corporation must be specially chartered by a state and have a single class of stock distributed to each qualified state resident. Transfers of stock must be limited to the earliest of five years from issue or the shareholder's death or emigration from the state. No shareholder may own or acquire more than 10 shares.

GSOC Taxation

The GSOC is exempt from corporate income taxes, but its shareholders must report their share of GSOC income personally. GSOC income is computed like that of other corporations with special treatment for tax credits. Audit adjustments are included in income of the corporation for the year during which they are finally determined. Net losses are subject to a 10 year carryover and investment credit and recapture is prorated to the shareholders.

Shareholder Taxation

GSOC shareholders are taxed on their share of GSOC income. If a shareholder disposes of his stock GSOC income will be prorated on a daily basis. The shareholder's stock basis will be increased by GSOC income attributed to him and reduced by cash distributions. Since GSOC shareholders are attributed GSOC income distributions from the GSOC are generally tax free. Distributions greater than attributed income are nontaxable to the extent of the shareholder's basis and the excess taxed as capital gains. To assure shareholders have cash for taxes on their share of GSOC income GSOCs must distribute 90% of taxable income by January 31. Noncompliance will subject the GSOC to a 20% tax on the distribution deficiency. To assure payment of taxes the GSOC must withhold 25% of each distribution. The amount withheld is a credit against shareholder income taxes. Individuals not required to pay taxes (because of insufficient income) may avoid withholding on GSOC distributions.



TAX TREATMENT OF GENERAL STOCK OWNERSHIP CORPORATIONS

THERE HAS BEEN CONFUSION OVER THE EXTENT TO WHICH GENERAL STOCK OWNERSHIP CORPORATIONS RECEIVE SPECIAL TAX TREATMENT. IN A GSOC THE CORPORATE INCOME TAX IS ELIMINATED AND THE INCOME OF THE CORPORATION IS TAXED DIRECTLY TO THE SHAREHOLDERS AT THEIR OWN PERSONAL RATES.

SIMILAR TAX TREATMENT HAS APPLIED TO SMALL CORPORATIONS FOR MANY YEARS. A CORPORATION WITH 10 OR FEWER SHAREHOLDERS MAY ELECT TO BE TREATED AS A "SUBCHAPTER S" CORPORATION. IT IS THEN EXEMPT FROM THE CORPORATE INCOME TAX AND THE CORPORATION'S INCOME IS TAXED TO THE SHAREHOLDERS IN MUCH THE SAME MANNER AS IN A GSOC. IN FACT, THE PROVISIONS OF INTERNAL REVENUE CODE "SUBCHAPTER S" WERE USED AS A MODEL IN DRAFTING THE GSOC TAX LAW.

THUS, THE GSOC TAX BENEFITS ARE NEW AS APPLIED TO CORPORATIONS WITH A LARGE NUMBER OF SHAREHOLDERS, BUT SIMILAR PROVISIONS HAVE BEEN IN EFFECT WITH RESPECT TO SMALL CORPORATIONS FOR SOME TIME.

TWO IMPORTANT POINTS ABOUT THE ALASKA GENERAL STOCK OWNERSHIP CORPORATION

1. THE AGSOC IS NOT A "GIVEAWAY".

AGSOC stock would be issued to all citizens of Alaska. No cash investment is required of the shareholder because the AGSOC would borrow the funds necessary for profitable investments. The loan could be secured by the AGSOC assets and a state guarantee. As the loan is repaid the citizens' AGSOC equity increases.

This type of financing is not unique. The wealthy often borrow money on a nonrecourse basis for investment in profitable enterprises. They use their profits to repay the loans leaving themselves with an increased net worth. The AGSOC simply allows the rest of our citizens access to this type of financing.

2. AGSOC IS NOT STATE OWNERSHIP.

The stock of AGSOC will be held by the citizens of Alaska. They will vote this stock for a board of directors responsible for running the AGSOC in a profitable manner. AGSOC will be run in the same way as a typical business corporation. The only role for the State in AGSOC will be chartering the corporation and, if necessary, subject to legislative review, guaranteeing loans to the AGSOC.

In Alaska AGSOC may be an alternative to what would otherwise be State ownership of equity interests in some of Alaska's major energy projects. It was out of concern for this possibility that AGSOC was born.

ALASKA
GENERAL STOCK OWNERSHIP CORPORATION

BILL SUMMARY

Federal law requires state authorization of general stock ownership corporations receiving special tax treatment under Subchapter "U" of the Internal Revenue Code. The bill creates the Alaska General Stock Ownership Corporation (AGSOC). This corporation is a completely private for profit corporation which will operate under the Alaska Business Corporations Act to the extent consistent with the AGSOC act. The shares of the AGSOC will be owned and voted by the citizens of Alaska with each resident holding a share of stock.

The bill directs the Governor to appoint incorporators to form the AGSOC and sets forth the following:

- 1) Board membership limitations assuring Alaskan control;
- 2) Federal requirements for corporate articles;
- 3) Stock distribution to all Alaska residents;
- 4) Penalties for fraudulent acquisition of AGSOC stock;
- 5) One year statute of limitations on AGSOC challenges;
- 6) Financing for AGSOC startup costs; and,
- 7) Technical amendments required to Alaska statutes.

The corporation is designed to have as its shareholders existing Alaskan residents. Stock will be distributed to eligible individuals without cost. Investments by the AGSOC will be made through the use of borrowed funds and the earnings from those investments used to retire the loan and distribute dividends to the shareholders. Except for minor exemptions the AGSOC will be subject to the same rules as all other Alaska corporations.

ANALYSIS: SECTION 1

Section 1 of the bill constitutes the primary legislative section. It creates a new chapter, Chapter 50, of the Alaska Statutes, Title 10, setting forth technical requirements for the Alaska General Stock Ownership Corporation. The Chapter is divided into nine sections dealing with creation of the AGSOC, federally required charter limitations, board of directors, notification of shareholders' eligibility, limitations on corporate liability, restrictions on application for shares, fraud penalties, corporate dividends and definitions. A section by section analysis of Chapter 50 follows.

50.010. ALASKA GENERAL STOCK OWNERSHIP CORPORATION CREATED.

This section directs the Governor to appoint nine people as the incorporators and initial board members of the Alaska General Stock Ownership Corporation. These nine people, a majority of whom must be Alaskans, will adopt corporate articles and by-laws and file with the state to create the corporation as required under the Alaska Business Corporations Act. The bill allows the appointment of some non-Alaskan directors to provide flexibility in obtaining special expertise.

The status of the general stock ownership corporation is made clear by this section. AGSOC is not and may not be considered to be an agency, instrumentality or political subdivision of the State of Alaska. This parallels the federal statute which provides that a GSOC shall be treated as a private corporation and not as a governmental unit. The section also clarifies AGSOC status in relation to other statutes by requiring that it comply with the provisions of Subchapter U of the Internal Revenue Code and the Alaska Business Corporations Act. To the extent that the AGSOC authorizing legislation is not inconsistent with Chapter 5 of Alaska Statutes Title 10, AGSOC will be subject to all the rules applicable to any other Alaska business corporation.

CORRECTION

**THIS DOCUMENT
HAS BEEN REPHOTOGRAPHED
TO ASSURE LEGIBILITY**

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DETAILED EXPLANATION

The bill creates a new Chapter 50, entitled "Alaska General Stock Ownership Corporation", within Title 10, the Corporations and Associations title, of Alaska Statutes. The act contains nine sections which may be summarized as follows:

Section 1 sets forth those areas where the AGSOC differs from a typical Alaska business corporation organized under Chapter 5 of Title 10. To the extent that these provisions do not conflict with the provisions of Chapter 5, the Alaska Business Corporations Act, Chapter 5 will apply;

Section 2 includes the corporation among those organizations eligible to receive secured loans from the Permanent Fund;

Section 3 allows the investment of surplus state funds in bonds of the AGSOC;

Section 4 exempts the AGSOC from registration under the Alaska securities laws while providing protection from fraud;

Section 5 creates a one year statute of limitations on suits brought to challenge legality of the AGSOC;

Section 6 makes the provisions regarding eligibility for stock ownership "nonseverable" in order to assure that if this fundamental section is found unconstitutional the entire law will be voided;

Section 7 makes fraud or misrepresentation in obtaining or selling shares of the AGSOC a Class C felony; and,

Sections 8 and 9 provide effective dates immediately following the Governor's signature for most of the legislation.

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50.020. ARTICLES OF INCORPORATION.

Federal law requires certain charter provisions for general stock ownership corporations and these are set out as requirements for the articles of incorporation of the Alaska General Stock Ownership Corporation. Each of the subsections in .020 set forth a different requirement which must be included in the AGSOC articles.

Subsection 1 provides that the AGSOC may issue only one class of stock which impliedly must be voting common stock.

Subsection 2 provides that stock may be issued only to a certain class of individuals. The group to whom stock may be issued, a closed class of original issue shareholders, are those people who fulfill two tests:

- a) They were residents of Alaska, as defined by the definition Section .900, as of the effective date of the legislation which, under Section 8 of the bill, will be the day following the Governor's signing; and,
- b) They remain residents of Alaska until the shares are issued.

50.900 defines resident as a person who lives in Alaska and intends to remain here permanently. The definition allows for temporary travel or employment outside without loss of residency. If a dispute arises over residency all of the facts and circumstances indicative of permanent residency must be considered.

Subsection 3 provides that at least one share of stock must be issued to each eligible resident unless that person elects within one year not to receive the stock. The legislation contemplates issuance of shares to eligible individuals free of charge with corporate investments financed entirely with borrowed funds. The one year period allows shareholders who do not wish to receive stock for whatever reason to reject their share, but this election not to receive stock is irrevocable and once made may not be changed.

Subsection 4 provides for limitations on the transferrability of the stock so that shares may not be sold or used as security for a loan during the first five years unless the shareholder dies or moves out of the state. Shares may only be transferred to another Alaska resident and then only if that person would not own more than ten shares of AGSOC stock after the transfer. Corporations and other artificial persons may not be shareholders. Finally, in order to protect minors, shares may not be transferred until the shareholder reaches 18.

Subsection 5 provides that the corporation shall qualify as a general stock ownership corporation subject to the special tax provisions of Subchapter U of the Internal Revenue Code.

Subsection 6 provides for a limitation on investments which the corporation may purchase. The corporation may not invest in assets acquired by it or for its benefit through the power of eminent domain. This is not to imply that the AGSOC has the power of condemnation since that power may be exercised only by the government. The limitation is designed to prevent the AGSOC from acting in collusion with an agency or local government to acquire a going business from an unwilling seller. It is not intended to prevent the purchase at arm's length of a business where a portion of the seller's assets may have been acquired by condemnation. The AGSOC would not be prevented from investing in a project where some minor portion of the assets must be acquired through eminent domain if the State or local government determines that the exercise of its condemnation power is appropriate. Such a situation might occur should the AGSOC become involved in the construction of a major pipeline.

Subsection 7 provides the AGSOC with a right of first option to purchase, at a price not less than book value, any stock offered for sale during the first five years of the corporation. The terms and conditions for exercise of this right will be set forth in detail in the corporate bylaws and a notice of the restriction will appear on the stock certificates or receipts.

The five year period for the right of first option parallels the time during which shareholders are prohibited from selling their stock. Only a limited number of shares will become available for sale during this period of time and it is unlikely that an organized market for AGSOC stock will develop during this period. Discretion is left with the corporation to pay prices higher than book value for the stock, but it is likely that the directors will determine that book value is the appropriate price.

Since shareholders who become non-residents during the five year period of transfer restrictions may be able to sell their stock at a high price in an uncontrolled market emigration might be encouraged. The option by the corporation provides a controlled market during the transfer restriction period and allows time to structure the full public market which will develop after the transfer restrictions lapse.

50.030. BOARD OF DIRECTORS.

This section sets out the provisions for AGSOC directors which differ from those applicable under Alaska Statutes Title 10, Chapter 5. The nine incorporators serve as the original board of directors and are divided into three groups in accordance with AS 10.05.186, except that only one-third of the directors will stand for election at the first annual meeting, one-third at the second annual meeting and one-third at the third annual meeting. Thereafter each director will serve for a term of three years as provided in AS 10.05.186. None of the other provisions of the Alaska Business Corporations Act regarding directors are changed and the normal rules of Chapter 5 apply to the AGSOC.

50.040. NOTIFICATION OF ELIGIBLE SHAREHOLDERS.

Since stock is to be distributed free of charge all Alaska residents must be notified of its availability. This section sets out the minimum notice requirements of weekly broadcast and publication for at least three months before stock distribution and monthly broadcast and publication for eleven months after distribution. These are minimum requirements only and the board of directors may determine that the corporation should take other steps to identify and notify potential shareholders. The AGSOC might want to compile mailing lists from various sources to develop a list of potential shareholders while in the bush it might be appropriate for it to hire census personnel to locate and identify eligible Alaskans.

50.050. CORPORATION NOT LIABLE TO SHAREHOLDERS.

This section makes it clear that although the AGSOC is required to take reasonable steps to notify potential shareholders of their right to stock the burden of applying for stock lies with the resident and the corporation is not liable for failure to notify or issue stock to a potential shareholder. If a resident makes application for stock after the distribution of one or more dividends he loses his right to those dividends and is entitled to receive only those dividends declared and paid after the date upon which his stock was issued to him.

50.060. LATE APPLICATION FOR SHARES.

The legislation provides that stock is to be issued to all qualifying residents and the corporation directed to use reasonable efforts to identify potential shareholders. The burden of application is upon the resident. Those residents who are identified or who identify themselves will have one year in which to elect not to receive stock. To protect against those eligible residents who are not identified and fail to identify themselves hoping to see how the corporation fares before applying for their stock, a final cutoff date is provided after which distributions of stock will be made only upon payment to the corporation of book value.

50.070. PENALTIES FOR MISREPRESENTATION OF ELIGIBILITY AS SHAREHOLDER.

This section provides a civil right of action against individuals who obtain stock through fraud or misrepresentation and who sell stock on the same basis. It allows the stock to be voided, dividends to be recovered with interest and costs of the suit to be paid by the defendant.

50.080. DIVIDENDS OF THE CORPORATION.

Under the rules of the Alaska Business Corporations Act a corporation may pay dividends only out of earned surplus, the retained earnings of the corporation. Since the AGSOC is required by federal law to distribute 90% of its taxable income to its shareholders on an annual basis it may be necessary to distribute a dividend in excess of earned surplus. Such a situation can arise because accounting for tax purposes and for purposes of the corporation's books may not and are not required to be the same. For this reason an exception to the general rule of Chapter 5, Title 10, is required allowing the AGSOC to distribute dividends as required to meet the terms of Internal Revenue Code Subchapter U except where such distribution would cause the corporation to become bankrupt or when the corporation is already bankrupt. Bankruptcy in this situation means when the corporation is unable to meet its current obligations.

50.090. EXEMPTION FROM AS 10.05

This section exempts the AGSOC from the provisions of the Alaska Business Corporations Act which requires \$1,000 of paid in capital before operation of the corporation commences.

50.100. LOAN GUARANTEE FUND.

This section establishes a fund within the Department of Revenue which is to be used to guarantee loans to the AGSOC by private lenders. This fund is intended to provide security for private credit to be used by the AGSOC for its startup expenses such as the costs of stock issue and the investigation of potential investments.

50.900. DEFINITIONS.

This section defines the terms used in Chapter 50. Especially important is the definition of resident since that definition will determine who is eligible to receive AGSOC stock without charge.

Introduced: 3/6/79
Referred: Commerce

1 IN THE SENATE BY COLLETTA, STIMSON AND FAHRENKAMP
2 SPONSOR SUBSTITUTE FOR SENATE BILL NO. 170
3 IN THE LEGISLATURE OF THE STATE OF ALASKA
4 ELEVENTH LEGISLATURE - FIRST SESSION
5 A BILL

6 For an Act entitled: "An Act creating the Alaska General Stock Ownership
7 Corporation; and providing for an effective date."

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

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

10 CHAPTER 50. ALASKA GENERAL STOCK OWNERSHIP CORPORATION.

11 Sec. 10.50.010. ALASKA GENERAL STOCK OWNERSHIP CORPORATION

12 CREATED. (a) The governor shall appoint nine persons, at least five of
13 whom are residents of the state, to act as incorporators of the Alaska
14 General Stock Ownership Corporation.

15 (b) The corporation is a general stock ownership corporation and
16 shall be formed in accordance with subchapter U of the Internal Revenue
17 Code of 1954, as amended, (26 U.S.C. secs. 1391 - 1397), and with
18 AS 10.05. The corporation is subject to the provisions of AS 10.05,
19 except when inconsistent with this chapter or 26 U.S.C. sec. 1391(a).

20 (c) The corporation is not and may not be considered to be an
21 agency, instrumentality, or political subdivision of the state for any
22 purpose.

23 Sec. 10.50.020. ARTICLES OF INCORPORATION. The corporation's
24 articles of incorporation shall provide

- 25 (1) for the issuance of only one class of stock;
26 (2) that shares of stock may be issued only to individuals
27 who were residents of the state on the effective date of this Act, and
28 who continued to be residents until the date of issuance of the shares;
29 (3) for the issuance of at least one share of stock to each

1 individual eligible under (2) of this section, unless that individual
2 elects within one year after the date of issuance not to receive the
3 share;

4 (4) that no share of stock may be voluntarily or involun-
5 tarily transferred

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

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

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

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

16 (5) that the corporation must qualify as a general stock
17 ownership corporation under subchapter U of the Internal Revenue Code of
18 1954, as amended, (26 U.S.C. secs. 1391 - 1397);

19 (6) that the corporation may not invest in properties
20 acquired by it, or for its benefit, through the right of eminent domain;

21 (7) that the corporation has a first option to purchase, at
22 book value, its shares of stock offered to be transferred by a share-
23 holder within five years after the date of issuance of the shares; if
24 the corporation exercises the right to purchase, shares purchased shall
25 be considered treasury stock and not entitled to dividends, if any, or
26 to voting privileges.

27 Sec. 10.50.030. BOARD OF DIRECTORS. (a) The corporation shall be
28 governed by a board of directors. A majority of the members of the
29 board of directors shall be residents of the state at all times during

1 their terms of office. Except as provided in (b) of this section, the
2 term of office of each director is three years. A director, upon the
3 expiration of his term, shall continue to hold office until his succes-
4 sor is elected and qualified.

5 (b) The initial board of directors shall consist of the incorpor-
6 ators of the corporation. The board shall, as nearly as possible, be
7 equally divided into three classes of directors. The initial class one
8 directors shall serve one-year terms of office; the initial class two
9 directors shall serve two-year terms of office; and the initial class
10 three directors shall serve three-year terms of office.

11 Sec. 10.50.040. NOTIFICATION OF ELIGIBLE SHAREHOLDERS. Beginning
12 not less than 90 days before the issuance of any stock, the corporation
13 shall at least weekly notify the public of its intention to issue stock
14 and the method for qualifying and applying for shares. The notice shall
15 be by publication in at least one newspaper of statewide circulation, by
16 radio and television announcements, and by other means the corporation
17 determines to be appropriate and reasonable, and shall be continued at
18 least once each month for 11 months following the date of issuance of
19 shares.

20 Sec. 10.50.050. CORPORATION NOT LIABLE TO SHAREHOLDERS. Registra-
21 tion as a shareholder of the corporation is a responsibility solely of
22 an individual eligible under AS 10.50.020(2) to receive shares of the
23 corporation. The corporation may not be held liable for

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

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

29 Sec. 10.50.060. LATE APPLICATION FOR SHARES. An individual eli-

1 gible under AS 10.50.020(2) to receive shares of the corporation who
2 failed to apply for the shares before their issuance may apply for and
3 receive the shares any time within one year after the date of issuance
4 if he is otherwise qualified to own stock of the corporation and upon
5 the payment of the book value of the shares.

6 Sec. 10.50.070. PENALTIES FOR MISREPRESENTATION OF ELIGIBILITY AS
7 SHAREHOLDER. (a) The ownership interest in shares of the corporation's
8 stock issued to an individual ineligible to receive the shares who has
9 presented fraudulent or misleading information regarding his eligibility
10 to own the shares, is void upon the issuance of an appropriate order by
11 the superior court. The ineligible individual is also liable for the
12 full amount of dividends, or other distributions to shareholders re-
13 ceived by him plus interest from the date of distribution, and legal
14 fees and costs of recovery incurred by the corporation. This section
15 applies to an individual who has presented fraudulent or misleading
16 information regarding the eligibility of another person for whom he acts
17 in the capacity of legal guardian.

18 (b) An individual who transfers or obtains shares of the
19 corporation, or in his capacity as legal guardian obtains shares of the
20 corporation for another, through fraud, misrepresentation, or any
21 deceitful or illegal means is guilty of a felony.

22 Sec. 10.50.080. DIVIDENDS OF THE CORPORATION. Dividends, or other
23 distributions, may be declared and paid by the corporation at any time
24 and from any source to the extent considered necessary by the board in
25 order to comply with the distribution requirements of subchapter U of
26 the Internal Revenue Code of 1954, as amended, (26 U.S.C. secs. 1391 -
27 1397), except that no dividend or other distribution may be declared if
28 the corporation is insolvent or if the declaration would cause the
29 corporation to become insolvent.

1 Sec. 10.50.090. EXEMPTION FROM AS 10.05. The corporation is
2 exempt from the requirements of AS 10.05.012, 10.05.216(e), 10.05.255(7),
3 and 10.05.264.

4 Sec. 10.50.100. LOAN GUARANTEE FUND. (a) There is a special fund
5 of the state known as the "Alaska General Stock Ownership Corporation
6 loan guarantee fund" which shall be completely segregated from all other
7 funds of the state, and which is a trust fund for the uses and purposes
8 of this section.

9 (b) The commissioner of revenue shall use the fund to guarantee
10 loans made to the corporation by lenders other than the state. In
11 guaranteeing loans the commissioner of revenue shall review the loans
12 for the purpose of guarding against fraud and misrepresentation. A
13 guarantee of a loan may not be for an amount in excess of the un-
14 obligated balance of the fund at the time the guarantee is made.

15 Sec. 10.50.900. DEFINITIONS. In this chapter,

16 (1) "board" means the board of directors of the Alaska
17 General Stock Ownership Corporation;

18 (2) "corporation" means the Alaska General Stock Ownership
19 Corporation;

20 (3) "fund" means the Alaska General Stock Ownership Corpora-
21 tion loan guarantee fund;

22 (4) "resident" means an individual who maintains a permanent
23 place of abode in the state with the intention of making the state his
24 permanent place of residence and who resides in the state continuously
25 except for temporary purposes only and with the intent of returning; a
26 person may not be considered to have gained a residence solely by reason
27 of his presence and he may not lose it solely by reason of his absence
28 while in the civil or military service of this state or of the United
29 States or of his absence because of marriage to a person engaged in the

1 civil or military service of this state or the United States; while a
2 student at an institution of learning; while in an institution or asylum
3 at public expense; while confined in public prison; while engaged in the
4 navigation of waters of this state, of the United States, or of the high
5 seas; or while residing upon an Indian or military reservation; a minor
6 takes the residence of his parent or of his legal guardian; a married
7 woman may establish her own residence and does not presumptively take
8 the residence of her husband.

9 * Sec. 2. AS 37.10.065(a) is amended by adding a new paragraph to read:

10 (9) secured loans to the Alaska General Stock Ownership
11 Corporation.

12 * Sec. 3. AS 37.10.070(a) is amended by adding a new paragraph to read:

13 (14) bonds or other forms of indebtedness of the Alaska
14 General Stock Ownership Corporation.

15 * Sec. 4. AS 45.55.140(a) is amended by adding a new paragraph to read:

16 (12) a security issued by the Alaska General Stock Ownership
17 Corporation.

18 * Sec. 5. Notwithstanding any other provision of law, a civil action to
19 contest the legality of this Act is barred unless the complaint is filed
20 within one year of the effective date of this Act. The purpose of this
21 limitation on suits is to insure that, after the expiration of a reasonable
22 period of time, the right, title, and interest of shareholders of the Alaska
23 General Stock Ownership Corporation will be vested with certainty and that
24 the corporation will be able to carry on its business activities with cer-
25 tainty.

26 * Sec. 6. Notwithstanding AS 01.10.030, the requirements of this Act for
27 eligibility to receive original issue shares of the Alaska General Stock
28 Ownership Corporation are not severable. If those requirements, or the
29 application of them to any person or circumstance, are held invalid, this Act

1 is void in its entirety.

2 * Sec. 7. AS 10.50.070(b) is amended to read:

3 (b) An individual who transfers or obtains shares of the corpora-
4 tion, or in his capacity as legal guardian obtains shares of the
5 corporation for another, through fraud, misrepresentation, or any
6 deceitful or illegal means is guilty of a class C felony.

7 * Sec. 8. Sections 1 - 6 of this Act take effect immediately in accor-
8 dance with AS 01.10.070(c).

9 * Sec. 9. Section 7 of this Act takes effect January 1, 1980.

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Introduced: 3/6/79
Referred: Commerce

1 IN THE SENATE

BY COLLETTA, STIMSON AND FAHRENKAMP

2 SPONSOR SUBSTITUTE FOR SENATE BILL NO. 170

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 ELEVENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act creating the Alaska General Stock Ownership
7 Corporation; and providing for an effective date."

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13 whom are residents of the state, to act as incorporators of the Alaska
14 General Stock Ownership Corporation.

15 (b) The corporation is a general stock ownership corporation and
16 shall be formed in accordance with subchapter U of the Internal Revenue
17 Code of 1954, as amended, (26 U.S.C. secs. 1391 - 1397), and with
18 AS 10.05. The corporation is subject to the provisions of AS 10.05,
19 except when inconsistent with this chapter or 26 U.S.C. sec. 1391(a).

20 (c) The corporation is not and may not be considered to be an
21 agency, instrumentality, or political subdivision of the state for any
22 purpose.

23 Sec. 10.50.020. ARTICLES OF INCORPORATION. The corporation's
24 articles of incorporation shall provide

25 (1) for the issuance of only one class of stock;

26 (2) that shares of stock may be issued only to individuals
27 who were residents of the state on the effective date of this Act, and
28 who continued to be residents until the date of issuance of the shares;

29 (3) for the issuance of at least one share of stock to each

1 individual eligible under (2) of this section, unless that individual
2 elects within one year after the date of issuance not to receive the
3 share;

4 (4) that no share of stock may be voluntarily or involun-
5 tarily transferred

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

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

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13 more than 10 shares of stock of the corporation;

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

16 (5) that the corporation must qualify as a general stock
17 ownership corporation under subchapter U of the Internal Revenue Code of
18 1954, as amended, (26 U.S.C. secs. 1391 - 1397);

19 (6) that the corporation may not invest in properties
20 acquired by it, or for its benefit, through the right of eminent domain;

21 (7) that the corporation has a first option to purchase, at
22 book value, its shares of stock offered to be transferred by a share-
23 holder within five years after the date of issuance of the shares; if
24 the corporation exercises the right to purchase, shares purchased shall
25 be considered treasury stock and not entitled to dividends, if any, or
26 to voting privileges.

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28 governed by a board of directors. A majority of the members of the
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1 their terms of office. Except as provided in (b) of this section, the
2 term of office of each director is three years. A director, upon the
3 expiration of his term, shall continue to hold office until his succes-
4 sor is electe*d* and qualified.

5 (b) The initial board of directors shall consist of the incorpor-
6 ators of the corporation. The board shall, as nearly as possible, be
7 equally divided into three classes of directors. The initial class one
8 directors shall serve one-year terms of office; the initial class two
9 directors shall serve two-year terms of office; and the initial class
10 three directors shall serve three-year terms of office.

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14 and the method for qualifying and applying for shares. The notice shall
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9 presented fraudulent or misleading information regarding his eligibility
10 to own the shares, is void upon the issuance of an appropriate order by
11 the superior court. The ineligible individual is also liable for the
12 full amount of dividends, or other distributions to shareholders re-
13 ceived by him plus interest from the date of distribution, and legal
14 fees and costs of recovery incurred by the corporation. This section
15 applies to an individual who has presented fraudulent or misleading
16 information regarding the eligibility of another person for whom he acts
17 in the capacity of legal guardian.

18 (b) An individual who transfers or obtains shares of the
19 corporation, or in his capacity as legal guardian obtains shares of the
20 corporation for another, through fraud, misrepresentation, or any
21 deceitful or illegal means is guilty of a felony.

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23 distributions, may be declared and paid by the corporation at any time
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25 order to comply with the distribution requirements of subchapter U of
26 the Internal Revenue Code of 1954, as amended, (26 U.S.C. secs. 1391 -
27 1397), except that no dividend or other distribution may be declared if
28 the corporation is insolvent or if the declaration would cause the
29 corporation to become insolvent.

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5 of the state known as the "Alaska General Stock Ownership Corporation
6 loan guarantee fund" which shall be completely segregated from all other
7 funds of the state, and which is a trust fund for the uses and purposes
8 of this section.

9 (b) The commissioner of revenue shall use the fund to guarantee
10 loans made to the corporation by lenders other than the state. In
11 guaranteeing loans the commissioner of revenue shall review the loans
12 for the purpose of guarding against fraud and misrepresentation. A
13 guarantee of a loan may not be for an amount in excess of the un-
14 obligated balance of the fund at the time the guarantee is made.

15 Sec. 10.50.900. DEFINITIONS. In this chapter,

16 (1) "board" means the board of directors of the Alaska
17 General Stock Ownership Corporation;

18 (2) "corporation" means the Alaska General Stock Ownership
19 Corporation;

20 (3) "fund" means the Alaska General Stock Ownership Corpora-
21 tion loan guarantee fund;

22 (4) "resident" means an individual who maintains a permanent
23 place of abode in the state with the intention of making the state his
24 permanent place of residence and who resides in the state continuously
25 except for temporary purposes only and with the intent of returning; a
26 person may not be considered to have gained a residence solely by reason
27 of his presence and he may not lose it solely by reason of his absence
28 while in the civil or military service of this state or of the United
29 States or of his absence because of marriage to a person engaged in the

1 civil or military service of this state or the United States; while a
2 student at an institution of learning; while in an institution or asylum
3 at public expense; while confined in public prison; while engaged in the
4 navigation of waters of this state, of the United States, or of the high
5 seas; or while residing upon an Indian or military reservation; a minor
6 takes the residence of his parent or of his legal guardian; a married
7 woman may establish her own residence and does not presumptively take
8 the residence of her husband.

9 * Sec. 2. AS 37.10.065(a) is amended by adding a new paragraph to read:

10 (9) secured loans to the Alaska General Stock Ownership
11 Corporation.

12 * Sec. 3. AS 37.10.070(a) is amended by adding a new paragraph to read:

13 (14) bonds or other forms of indebtedness of the Alaska
14 General Stock Ownership Corporation.

15 * Sec. 4. AS 45.55.140(a) is amended by adding a new paragraph to read:

16 (12) a security issued by the Alaska General Stock Ownership
17 Corporation.

18 * Sec. 5. Notwithstanding any other provision of law, a civil action to
19 contest the legality of this Act is barred unless the complaint is filed
20 within one year of the effective date of this Act. The purpose of this
21 limitation on suits is to insure that, after the expiration of a reasonable
22 period of time, the right, title, and interest of shareholders of the Alaska
23 General Stock Ownership Corporation will be vested with certainty and that
24 the corporation will be able to carry on its business activities with cer-
25 tainty.

26 * Sec. 6. Notwithstanding AS 01.10.030, the requirements of this Act for
27 eligibility to receive original issue shares of the Alaska General Stock
28 Ownership Corporation are not severable. If those requirements, or the
29 application of them to any person or circumstance, are held invalid, this Act

1 is void in its entirety.

2 * Sec. 7. AS 10.50.070(b) is amended to read:

3 (b) An individual who transfers or obtains shares of the corpora-
4 tion, or in his capacity as legal guardian obtains shares of the
5 corporation for another, through fraud, misrepresentation, or any
6 deceitful or illegal means is guilty of a class C felony.

7 * Sec. 8. Sections 1 - 6 of this Act take effect immediately in accor-
8 dance with AS 01.10.070(c).

9 * Sec. 9. Section 7 of this Act takes effect January 1, 1980.
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BY COLLETTA, STIMSON AND FAHRENKAMP

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4 ELEVENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act creating the Alaska General Stock Ownership
7 Corporation; and providing for an effective date."

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

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

10 CHAPTER 50. ALASKA GENERAL STOCK OWNERSHIP CORPORATION.

11 Sec. 10.50.010. ALASKA GENERAL STOCK OWNERSHIP CORPORATION

12 CREATED. (a) The governor shall appoint nine persons, at least five of
13 whom are residents of the state, to act as incorporators of the Alaska
14 General Stock Ownership Corporation.

15 (b) The corporation is a general stock ownership corporation and
16 shall be formed in accordance with subchapter U of the Internal Revenue
17 Code of 1954, as amended, (26 U.S.C. secs. 1391 - 1397), and with
18 AS 10.05. The corporation is subject to the provisions of AS 10.05,
19 except when inconsistent with this chapter.

20 (c) The corporation is not and may not be considered to be an
21 agency or political subdivision of the state for any purpose.

22 Sec. 10.50.020. ARTICLES OF INCORPORATION. The corporation's
23 articles of incorporation shall provide

24 (1) for the issuance of only one class of stock;

25 (2) that shares of stock may be issued only to individuals
26 who were residents of the state on December 31, 1978, and who continued
27 to be residents until the date of issuance of the stock;

28 (3) for the issuance of at least one share of stock to each
29 individual eligible under (2) of this section, unless that individual

1 elects within one year after the date of issuance not to receive the
2 share;

3 (4) that no share of stock may be voluntarily or involun-
4 tarily transferred

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

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

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

13 (D) by a shareholder under 18 years of age;

14 (5) that the corporation must maintain its status as a
15 general stock ownership corporation under subchapter U of the Internal
16 Revenue Code of 1954, as amended, (26 U.S.C. secs. 1391 - 1397);

17 (6) that the corporation may invest in properties other than
18 those acquired by it, or for its benefit, through the right of eminent
19 domain;

20 (7) that the corporation has the right of first refusal to
21 purchase its shares of stock offered to be transferred by a shareholder
22 within five years after the date of issuance of the shares; if the
23 corporation exercises the right to purchase, shares purchased shall be
24 considered treasury stock and not entitled to dividends, if any, or to
25 voting privileges.

26 Sec. 10.50.030. BOARD OF DIRECTORS. (a) The corporation shall be
27 governed by a board of directors. A majority of the members of the
28 board of directors shall be residents of the state at all times during
29 their terms of office. Except as provided in (b) of this section, the

1 term of office of each director is three years. A director, upon the
2 expiration of his term, shall continue to hold office until his succes-
3 sor is elected and qualified.

4 (b) The initial board of directors shall consist of the incorpor-
5 ators of the corporation. The board shall be equally divided into three
6 classes of directors. The initial class one directors shall serve
7 one-year terms of office; the initial class two directors shall serve
8 two-year terms of office; and the initial class three directors shall
9 serve three-year terms of office.

10 (c) The number, terms of office, and classes of directors may be
11 amended by a majority of the shareholders of the corporation.

12 Sec. 10.50.040. NOTIFICATION OF ELIGIBLE SHAREHOLDERS. At least
13 90 days before the issuance of any stock, the corporation shall at least
14 weekly notify the public of its intention to issue stock and the method
15 for qualifying and applying for shares. The notification shall be by
16 publication in at least one newspaper of statewide circulation, by radio
17 and television announcements, and by other means the corporation deter-
18 mines to be appropriate and reasonable, and shall be continued at least
19 once each month for 11 months following the date of issuance of shares.

20 Sec. 10.50.050. CORPORATION NOT LIABLE TO SHAREHOLDERS. The cor-
21 poration may not be held liable for

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

24 (2) reimbursement of any individual who may incur tax lia-
25 bility from failure to apply for shares of the corporation; and

26 (3) payment of a declared or paid dividend to an individual
27 who would have been entitled to receive the dividend had he been a
28 shareholder at the time of declaration or payment.

29 Sec. 10.50.060. LATE APPLICATION FOR SHARES. An individual eli-

1 gible under AS 10.50.020(2) to receive shares of the corporation who
2 failed to apply for the shares before their issuance may apply for and
3 receive the shares at any time after the date of issuance if he is
4 otherwise qualified to own stock of the corporation.

5 Sec. 10.50.070. SHARE OWNERSHIP RECORDS; TRANSFER AGENT. The
6 corporation shall establish and maintain a system of share ownership
7 records. The system shall be designed to make the issuance of stock
8 certificates unnecessary and shall include the names and current
9 addresses of all shareholders. The corporation may issue nonnegotiable
10 evidences of ownership of shares of the corporation. The corporation
11 shall act as its own transfer agent.

12 Sec. 10.50.080. PENALTIES FOR MISREPRESENTATION OF ELIGIBILITY AS
13 SHAREHOLDER. (a) The ownership interest in shares of the corporation's
14 stock issued to an individual ineligible to receive the shares who has
15 presented fraudulent or misleading information regarding his eligibility
16 to own the shares, is voidable upon the issuance of an appropriate order
17 by the superior court. The ineligible individual is also liable for the
18 full amount of dividends, or other distributions to shareholders re-
19 ceived by him plus interest from the date of distribution, and legal
20 fees and costs of recovery incurred by the corporation. This section
21 applies to an individual who has presented fraudulent or misleading
22 information regarding the eligibility of another person for whom he acts
23 in the capacity of legal guardian.

24 (b) An individual who obtains shares of the corporation, or in his
25 capacity as legal guardian obtains shares of the corporation for
26 another, through fraud, misrepresentation, or any deceitful or illegal
27 means is guilty of a felony.

28 Sec. 10.50.090. DIVIDENDS OF THE CORPORATION. Dividends, or other
29 distributions, may be declared and paid by the corporation at any time

1 and from any source to the extent considered necessary by the board in
2 order to comply with the distribution requirements of subchapter U of
3 the Internal Revenue Code of 1954, as amended, (26 U.S.C. secs. 1391 -
4 1397), except that no dividend or other distribution may be declared if
5 the corporation is insolvent or if the declaration would cause the
6 corporation to become insolvent.

7 Sec. 10.50.900. DEFINITIONS. In this chapter,

8 (1) "board" means the board of directors of the Alaska
9 General Stock Ownership Corporation;

10 (2) "corporation" means the Alaska General Stock Ownership
11 Corporation;

12 (3) "resident" means an individual who maintains a permanent
13 place of abode in the state with the intention of making the state his
14 permanent place of residence and who resides in the state continuously
15 except for temporary purposes only and with the intent of returning; a
16 person may not be considered to have gained a residence solely by reason
17 of his presence and he may not lose it solely by reason of his absence
18 while in the civil or military service of this state or of the United
19 States or of his absence because of marriage to a person engaged in the
20 civil or military service of this state or the United States; while a
21 student at an institution of learning; while in an institution or asylum
22 at public expense; while confined in public prison; while engaged in the
23 navigation of waters of this state, of the United States, or of the high
24 seas; or while residing upon an Indian or military reservation; a minor
25 takes the residence of his parent or of his legal guardian; a married
26 woman shall establish her own residence and does not presumptively take
27 the residence of her husband.

28 * Sec. 2. AS 37.10.065(a) is amended by adding a new paragraph to read:

29 (9) secured loans to the Alaska General Stock Ownership