

ALABAMA LEGISLATURE CONFIDENTIAL FILED 1900 1900 00/2

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adjournment of the meeting.

SUMMARY OF COVERAGE: ACC Section .408 provides three alternatives for effecting a determination as to shares entitled to vote in an annual or special meeting, or to participate in a distribution. Under the first alternative, the board may simply close the stock transfer books. A second alternative is for the board to declare a "record date" for such determination. Finally, the default mode for determining the shareholders if the board has not exercised its options under the first or second alternative is to adopt the date on which the notice of the meeting is called, or the date that the resolution of the board declaring the distribution is adopted.

COMPARISON WITH THE FINAL DRAFT DRAFT OF THE RMBCA: RMBCA Sections 7.07 and 7.05(d) contain the three alternatives specified in ACC Section .408 with slightly differing minimum and maximum times.

Section .410 NOTICE OF SHAREHOLDERS' MEETING

ORIGIN: ACC Section .410 is predicated upon MBCA Section 29 and AS 10.05.141. The only change is to set a twenty day minimum for delivery of notice, a general policy running throughout the ACC.

SUMMARY OF COVERAGE: ACC Section .410 establishes the minimum content and the minimum and maximum time restraints on written or printed notice for annual or special meetings. The notice must be "delivered" not less than twenty nor more than fifty days before the date of an annual or special meeting, and in every instance, the notice must state the place, day, and hour of the meeting. For special meetings only, the notice must also declare the purpose(s) for which the meeting is being convened.

COMPARISON WITH THE FINAL DRAFT OF THE RMBCA: RMBCA Section 7.05 is in substantive accord with ACC Section .410. The RMBCA does propose a minimum of 10 and a maximum of 60 days for notice. The ACC uses 20 and 50.

Section .413 VOTING LIST; LIABILITY

ORIGIN: ACC Section .413 is predicated upon AS 10.05.147, which was based upon the pre-1962 version of Section 31 of the MBCA. ACC Section .413(c) is based upon MBCA Section 31 and AS 10.05.150.

SUMMARY OF COVERAGE: ACC Section .413 mandates that at least twenty days prior to each meeting of shareholders, the officer or agent having charge of the stock transfer books make a list of all shareholders entitled to vote. This list must be kept open and subject to inspection by a shareholder at any

time during usual business hours for a period of twenty days prior to the meeting. This right of inspection prior to the meeting may be exercised by an agent or attorney of the shareholder.

ACC Section .413(c) imposes a civil liability penalty of \$5000 upon an officer or agent having charge of the stock transfer books who fails or refuses to prepare or exhibit such a list as above provided. Such a liability runs to the shareholder or jointly among shareholders making written request for the performance of the duties imposed by this section.

COMPARISON WITH THE FINAL DRAFT OF THE RMBCA: RMBCA Section 7.20 substantially mirrors the provisions of ACC Section .413. RMBCA Section 7.20(d) sanctions a summary court ordered inspection in the case that the access to the shareholder list mandated is denied. A similar provision is found in ACC Section .430(d). RMBCA Section 7.20 does not establish any potential civil liability in the event of a denial of inspection rights. In his address to the Alaska Bar Association Convention Professor Hamilton stated the view that personal liability sanctions are rarely imposed and thus do not serve as a pragmatic deterrent.

Section .415 QUORUM OF SHAREHOLDERS

ORIGIN: ACC Section .415(a) is predicated upon MBCA Section 3? and AS 10.05.153, and reflects no change in existing Alaska law. ACC Section .415(b) is predicated upon GCL Section 602(b), and is unprecedented in Alaska law.

SUMMARY OF COVERAGE: Absent a provision in the articles or bylaws, the default quorum requirement is the presence, in person or by proxy, of an absolute majority of the shares entitled to vote. The articles or the bylaws may establish a greater than majority quorum requirement. Only the articles are competent to establish a less than majority quorum requirement, which may not be less than one-third of the voting shares. The affirmative vote of the majority of the shares represented at which a quorum is present is the act of the shareholder. Once a quorum has been established, it is not possible for a disgruntled minority to defeat the capacity of the majority to transact business by simply "walking out" of the meeting.

COMPARISON WITH THE FINAL DRAFT OF THE RMBCA: RMBCA Section 7.25 is functionally identical to ACC Section .415.

Section .418 PROXIES

ORIGIN: ACC Section .418 is taken from GCL Section 705, with a modification to eliminate Section 705(e)(3) (rights of creditors). Section .418 replaces AS 10.05.159 and .168,

which had been based on Section 33 of the MBCA. The explicit treatment of the question of "revocation" and the circumstances under which a proxy may be made "irrevocable" by agreement are unprecedented in Alaska law.

SUMMARY OF COVERAGE: ACC Section .418 permits a shareholder to create a legal power in a nominee to vote his or her shares, the life of which can not exceed eleven months. A revocable proxy is treated as destructible at the will of the proxy giver. This Section regulates the circumstances or acts which will "revoke" the proxy, thus disabling management from recognizing the power of the nominee to cast the votes represented by the shares. Finally, for the first time, Alaska law contains explicit provisions defining the circumstances under which a proxy may be made irrevocable.

COMPARISON WITH THE FINAL DRAFT OF THE RMBCA: RMBCA Section 7.22 is identical to ACC Section .418.

Section .420 VOTING OF SHARES

ORIGIN: ACC Section .420 is predicated upon MBCA Section 33, with the exception of subsections (d) and (i). Section .420(d) is predicated upon GCL Section 708(a), and replaces AS 10.05.156 to .168. Section .420(i) is new and unprecedented in Alaska law. It is based upon GCL Section 509(d).

SUMMARY OF COVERAGE: ACC Section .420 establishes a cumulative voting scheme designed to enhance the opportunity for minority share interests to obtain representation on the board. Section .420(d) makes cumulative voting optional and presumptive unless eliminated by a provision of the articles. It goes beyond the Model Act to provide that if elimination of cumulative voting is sought via amendment to the articles, such an amendment shall not be effective if a sufficient number of votes are cast against it as would elect a single director if voted cumulatively in an election for the entire board. Shares held by the corporation or its controlled subsidiary may not be voted or counted towards the outstanding shares entitled to vote.

COMPARISON WITH THE FINAL DRAFT OF THE RMBCA: RMBCA Section 7.21, 7.14, and 7.28 cover the subject matter addressed in ACC Section .420. There is substantial accord except with respect to the presumptive status of cumulative voting. Cumulative voting rights exist under ACC Section .420(d) unless extinguished in the articles. This is a continuation of historic Alaska practice and reflects a Legislative solicitude for representation of minority share interests on the board. Under RMBCA Section 7.28(a) such rights do not exist unless the articles make affirmative provision.

Section .423 ACTIONS TAKEN WITHOUT MEETING: WRITTEN CONSENT;

REVOCATION OF CONSENT

ORIGIN: ACC Section .423(a) is predicated upon Section 145 of the MBCA and AS 10.05.807, with language added to make it clear that the written consents are invalid unless of identical content as to all shareholders. Section .423(b) is adapted from GCL Section 603(c), and is unprecedented in Alaska law.

SUMMARY OF COVERAGE: ACC Section .423 provides for informal action by shareholders, as long as the action is taken by the unanimous, written consent of the shares. The Commission considered and rejected the California and Delaware positions which would tolerate informal action by less than unanimous consent, believing that the unanimous consent requirement was a valid trade-off for the abolition of a formal meeting. This presumption for informal action may be extinguished by the articles or the bylaws.

COMPARISON WITH THE FINAL DRAFT OF THE RMBCA: RMBCA Section 7.04 is in substantial accord with ACC Section .423. The prudential requirement that the consents be identical in content is not contained in Section 7.04. The official comment (7-17, 18) makes it clear that, like the Code Revision Commission, the framers of the RMBCA do not advocate adopting a position wherein informal action may be taken by less than the unanimous consent of the voting shares.

Section .425 VOTING TRUSTS AND AGREEMENTS AMONG SHAREHOLDERS

ORIGIN: ACC Section .425(a) is taken from MBCA Section 34 and AS 10.05.171. Unlike existing Alaska law, Section .425(a) has adopted the Model Act's language designed to require disclosure of the terms and identity of voting trusts. Section .425(b) is taken from GCL Section 706(d), and is unprecedented in Alaska law.

SUMMARY OF COVERAGE: ACC Section .425 permits a voting trust, regulates its duration, and requires disclosure of its terms and members. Shares committed to a voting trust must be surrendered to the trustee in exchange for trust certificates, while all incidents of share ownership other than voting rights remain with the shareholder/participant. The Model Act language on the extension of voting trusts has not been adopted, in the belief that at the end of the ten year maximum life, the parties are capable of forming a new trust. Section 425(b) tolerates other agreements such as pooling agreements and share classification, leaving to common law any limitations upon their use.

COMPARISON WITH THE FINAL DRAFT OF THE RMBCA: RMBCA Sections 7.30 and 7.31 cover the subject of voting trusts and voting agreements among shareholders. Their content is in substantial accord with ACC Section .425, except for the provision

on extending the period of time for a voting trust.

Section .428 SHAREHOLDERS' PREEMPTIVE RIGHTS

ORIGIN: ACC Section .428 is predicated upon MBCA Section 26A and replaces AS 10.05.129. Existing Alaska law contains no provision comparable to Section .428's presumptions as to shares or offerings to which preemptive rights are not extended.

SUMMARY OF COVERAGE: Unless limited or denied by provisions of the articles, ACC Section .428 establishes preemptive rights in certain shareholders to acquire under fair and reasonable terms unissued shares or convertible securities. Preemptive rights do not exist in holders of any class of preferred shares, nor do common shareholders have preemptive rights to the issuance of nonconvertible preferred shares. If a majority of the shares approve, preemptive rights do not exist as to shares issued to directors, officers, or employees. This provision is intended to facilitate the implementation of qualified deferred compensation schemes under the Internal Revenue code. Section .428 expressly recognizes that the articles are competent to enlarge or diminish the scope of preemptive rights.

COMPARISON WITH THE FINAL DRAFT OF THE RMBCA: RMBCA Section 6.30 reverses the statutory presumption on preemptive rights. Under ACC Section .428 such rights exist unless limited or extinguished in the articles. Under RMBCA Section 6.30(a), such rights do not exist unless affirmatively provided in the articles. Assuming the presence of such rights, the balance of RMBCA Section 6.30 is in accord with the provisions of ACC Section .428.

Section .430 BOOKS AND RECORDS

ORIGIN: ACC Section .430 is based upon Section 52 of the MBCA and AS 10.05.237 to .249.

Section .430(a) continues the content of AS 10.05.237 with added provisions for minutes of meetings of board committees and for electronic processing. Section .430(b) continues the policy of AS 10.05.237(b), but has eliminated the durational and numerical qualifications of AS 10.05.240. Section .430(c) continues the policies of AS 10.05.243, with the modification of imposing a minimum liability of \$5000. Section .430(d) has modified AS 10.05.246 in view of the standing requirements eliminated under Section .430(b). Section .430(e) adopts without change the content of AS 10.05.249 regarding the right to demand a copy of the most recent financial statement.

SUMMARY OF COVERAGE: ACC Section .430(a) creates the obligation for any corporation organized under this Chapter to keep

specified books and records of account, minutes of proceedings, and a record containing the names and addresses of all shareholders and the number and class of shares held by each. This subsection facilitates the collection and keeping of such data by electronic processing so long as such data can be reduced to writing.

Subsection .430(b) creates the right of inspection and vests that right in any shareholder and the Department of Commerce and Economic Development. The shareholder must make written demand and state the purpose(s) for which inspection is demanded. The inspection may be made in person or by agent or attorney, and at a reasonable time and for a proper purpose.

Subsection .430(c) creates personal liability in any officer or agent who denies a right of inspection which the shareholder can establish was properly demanded, with certain affirmative defenses available to defeat this liability.

Subsection .430(d) affirms the power of a competent court to enforce a right of inspection properly demanded.

Subsection .430(e) gives the shareholder a right to receive, upon written request, a copy of the corporation's most recent financial statement.

COMPARISON WITH THE FINAL DRAFT OF THE RMBCA: RMBCA Section 7.20 requires that the corporation maintain and make available for inspection a list of the names and addresses of its shareholders. RMBCA Section 16.01 requires the keeping of books, records of account and minutes of the proceedings of all shareholder, board and board committee meetings. RMBCA Section 16.02 creates a right of inspection in shareholders asserting a proper purpose to inspect reasonably related portions of the Section 16.01 materials. RMBCA Section 16.04 details the circumstances under which a court may order observance of the Section 16.03 inspection rights. In total, these provisions accord with those of ACC Section .430, except that they do not expressly allow for civil liability on the part of the officer or agent who wilfully frustrates what are later determined to have been valid assertions by shareholders of inspection rights.

Section .433 ANNUAL REPORT TO SHAREHOLDERS: CONTENT; FINANCIAL STATEMENT ON REQUEST

ORIGIN: ACC Section .433 is new and without precedent in Alaska law. It is adapted from Sections 1501 and 2000 of the GCL. GCL Section 1501(g) on attorney fees and costs was omitted from Section .433.

SUMMARY OF COVERAGE: ACC Section .433 establishes the obligation of the board to send an annual report to shareholders within 180 days after the close of the fiscal year. The report must contain a balance sheet and an income statement prepared according to generally accepted accounting principles. The report need not be prepared by independent ac-

countants, but if so prepared it must be certified by the independent accountant.

If the corporation has fewer than 100 shareholders the articles are competent to waive the obligation to provide an annual report.

If the corporation has more than 100 shareholders the content of the annual report is expanded to include a brief description of all "insider transactions" (transactions, other than compensation, in which the corporation has engaged with one of its officers, directors, or a controlling shareholder) involving an amount in excess of \$40,000. Corporations reporting under Section 12 of the Federal Securities and Exchange Act, and those reporting under Sections 7(c), 8(c), and 28 of the Alaska Native Claims Settlement Act are exempted from ACC Section .433(b) on the grounds that their federal reporting obligations cover these important items.

Section .433(c) permits shareholders holding at least 5% of the outstanding shares of any class to make written requests for periodic income statements.

Section .433(f) establishes the penal consequences of any failure, refusal, or neglect to make or disseminate the reports and statements required by this section, and also provides that a competent court may specifically enforce these rights.

Section .433(g) makes this section applicable to foreign corporations with principal executive offices in or meetings held in Alaska.

COMPARISON WITH THE FINAL DRAFT OF THE RMBCA: RMBCA Section 16.20 follows the California/ACC example and imposes an annual reporting obligation upon corporations. It does not contain any exemption for small corporations and the comment (16-20) makes it clear that it will have ". . .its principal impact on small, closely held corporations. . . ." Corporations which report under federal law would not be exempt from the RMBCA Section 16.20 obligation. Thus Native Corporations would face the duplicative burden of reporting.

RMBCA Section 16.21 requires that some of the "insider transactions" addressed in ACC Section .433(b) be reported to shareholders. In general, it does not require disclosure of major transactions with directors, officers or controlling shareholders. Yet it would require special reports of every instance of advances or indemnification. ACC Section .433(b)(2) requires this only if the instances aggregate more than \$10,000 to an individual officer or director during the fiscal year.

The RMBCA does not guarantee access on the part of shareholders holding at least 5% of the outstanding shares to quarterly financial statements. Nor does it contain any express sanction for defiance of the reporting obligations it does impose. This last point reveals a distinction between the attitudes of the framers of the two statutes. The Alaska Code Revision Commission felt that it is unwise for a statute to create any positive obligation and then fail to spell out the consequences of a refusal on the part of affected persons

to comply with its terms.

Section .435 SHAREHOLDERS' DERIVATIVE ACTION

ORIGIN: ACC Section .435 is new and without statutory precedent in Alaska. Shareholders' derivative actions are presently regulated by the Alaska Supreme Court's adoption of Federal Rule of Civil Procedure 23.1.

Subsection .435(a) is taken in modified form from Section 626(a) of the NBCL. Subsection .435(b) is taken from GCL Section 800(b)(1). Subsections .435(c) through (i) represent original work by the Code Revision Commission. Subsection (h), security for expenses, is taken from MBCA Section 49. Subsections (j) and (i) are predicated upon NBCL Section 626(d) and (e).

SUMMARY OF COVERAGE: ACC Section .435(a) subjects shareholders' derivative actions to statutory regulation for the first time. Section .435(b) establishes a limited departure from what is otherwise a contemporaneous share ownership requirement. If a noncontemporaneous shareholder can establish to the satisfaction of the court that the criteria enumerated in Sections .435(b)(1)-(5) are satisfied, the statute empowers the court to grant standing to such a plaintiff.

Section .435(c) requires that a qualified shareholder make a demand upon the board to secure such action as the plaintiff desires, unless the shareholder can show that such demand would be futile. Under Section .435(d), the burden to establish excuse is upon the plaintiff-shareholder. If a demand on the board is not excused, Section .435(e) provides that a decision by the board, consonant with its duties of care and loyalty, that in its business judgment such litigation would not be in the best interest of the corporation, terminates the right created by Section .435(a). A shareholder is not thereafter precluded from offering evidence that any or all of the directors who have decided that the litigation not go forward are implicated in the wrong complained of.

If an initial demand on the board has been excused, or if the shareholder is able to prove that the recommendation by a board upon which demand has been made should be ignored as tainted, Section .435(f) provides for the subsequent intervention by allegedly disinterested directors asserting that, in their good faith, independent, and informed business judgment, the action should be dismissed as inimical to the best interests of the corporation. Assuming that these disinterested directors are able to meet their burden of establishing good faith, independence, and informed business judgment, the trial court is directed to make an independent assessment in exercising its own judgment as to whether the action should be maintained.

Section .435(g) aligns Alaska with California and New York in omitting the requirement that a shareholder make a

demand upon the outstanding shares.

Section .435(h) enables a corporation or the actual defendants to move the court at any time before final judgment to require the plaintiffs to give security for the reasonable expense, including attorney fees, that may be incurred by the petitioners. The amount of security shall be determined by the court in its discretion, except that if the plaintiff shareholder(s) hold 5% or more of any class of outstanding shares or voting trust certificates representing shares, there shall be no security for expenses requirement.

Section .435(i) forbids any form of "out of court settlement" of a derivative action without court approval.

Section .435(j) provides that any recovery should be accounted for to the corporation, however, the court may award the prevailing party reasonable expenses, including attorney fees.

COMPARISON WITH THE FINAL DRAFT OF THE RMBCA: RMBCA Section 7.40 accords with the Commission's recommendation that demands upon shareholders be eliminated. However, RMBCA Section 7.40 also would eliminate the security for expenses provided by ACC Section .435(h). Finally, the official comment to RMBCA Section 7.40 (7-85) make it clear that it takes no position on the question of the power of independent directors to seek dismissal of the derivative action on the ground that, in their collective business judgment, it is not in the best interests of the corporation. Such matters are resolved by ACC Section .435.

Section .438 LIABILITY OF SHAREHOLDERS AND SUBSCRIBERS

ORIGIN: ACC Section .438 is predicated upon MBCA Section 25 and AS 10.05.125.

SUMMARY OF COVERAGE: ACC Section .438 establishes the basic proposition of limited liability of shareholders, except for their liability to pay the full consideration for the shares which runs to designated classes of successors in interest.

COMPARISON WITH THE FINAL DRAFT OF THE RMBCA: RMBCA Section 6.22 is functionally identical to ACC Section .438 except that it does not clarify the non-liability of executors, administrators, conservators, guardians, trustees, assignees for the benefit of creditors, receivers or pledgees.

ARTICLE 6. DIRECTORS AND OFFICERS

Section .450 BOARD OF DIRECTORS; DUTY OF CARE; RIGHT OF INSPECTION; FAILURE TO DISSENT

ORIGIN: ACC Section .450(a) is premised upon the 1977 revision of the MBCA Section 35. The rights, privileges, and duties which are fixed upon the board devolve upon delegates. ACC Section .450 differs from the Model Act language to make it clear that with this delegation flows the liabilities which the Chapter otherwise imposes upon the directors. This modification follows GCL Section 300(d).

Subsection (b) is also premised upon the revised content of MBCA Section 35. Presently, there is no statutorily defined duty of care to be observed by a corporate director. One deviation from the MBCA is the provision in ACC Section .450(b) in which the duty of care includes the duty of reasonable inquiry. This is taken from GCL Section 300(d).

This section replaces AS 10.05.174, .222, and .219.

SUMMARY OF COVERAGE: Under Section .450 there must be a board of directors. ACC Section .450 provides for the exercise and delegation of board functions; the duty of care which must be observed by the directors and their right to rely upon certain information, opinions, reports, or statements from officers, experts, and committees of the board; the grant of an absolute right of inspection to every director as to all corporate books, records, and documents, together with the right to use an agent or attorney and the right to make copies or extracts; and, the consequences of a director's failure to dissent as to any action taken by the board at a meeting at which she is present.

COMPARISON WITH THE FINAL DRAFT OF THE RMBCA: RMBCA Section 8.01 parallels ACC Section .450(a) in requiring a board of directors. The authority to delegate board functions is more limited under RMBCA Section 8.01 in that the corporations with more than 50 shareholders may not delegate board functions.

RMBCA Section 8.30 establishes the standards of care which must be observed for directors. Like ACC Section .450(b) it imposes a standard of honesty in fact augmented by the requirement that the conduct meet the level which an "ordinarily prudent person in a like position would exercise under similar circumstances. . . ." Unlike the California and ACC standard, the one articulated in the RMBCA does not reference a duty of reasonable inquiry. RMBCA Section 8.30(b) and (c) are similar to ACC Section .450(b) in enabling a director to rely upon information, opinions, reports

and statements from officers, experts, or committees of the board. This right of reliance is qualified and inapplicable if the director knows, or as a reasonable person ought to know, that, as to the matter in question, reliance is unwarranted.

Section .453 NUMBER AND ELECTION OF DIRECTORS

ORIGIN: ACC Section .453(a) and (b) are premised upon a modification of New York Business Corporation Law Section 702(a) and (b), and were adopted in lieu of comparable provisions of Section 36 of the MBCA. Section .453(c), (d), and (e) are taken from MBCA Section 36. This section replaces AS 10.05.177, .180, and .183.

SUMMARY OF COVERAGE: Section .453(a) continues the policy of AS 10.05.177, which sets the minimum number of directors at three, save for a corporation with less than three shareholders. In a corporation with less than three shareholders, the number of directors need not exceed the number of shareholders. The Model language which would permit a corporation to function with a board of one regardless of the number of shareholders was rejected. Further, Section .453(a) makes it impossible for a board to adopt bylaws changing the number of directors without participation of the shares (as now provided in AS 10.05.177), unless the board acts under a provision of the articles or bylaws adopted by approval of the outstanding shares.

This section also directs that there shall be an election of directors at each annual meeting except in the case of a classified board, and defines the tenure in office of incumbent directors. Subsection (c) sanctions a provision in the articles which would secure the election of one or more directors to the holders of the shares of a class or series voting as a class or series. Subsection (e) makes clear that a director serves until the expiration of the term for which he is elected and until a successor has been elected and qualified.

COMPARISON WITH THE FINAL DRAFT OF THE RMBCA: RMBCA Section 8.03 governs the number and election of directors. It perpetuates the concept previously not adopted by the Legislature which would permit a board of a single director regardless of the number of persons who own shares. RMBCA Section 8.03 tracks ACC Section .453(b) in permitting the articles or bylaws to establish a formula permitting either the shareholders or the board to increase or decrease the number of positions on the board. The RMBCA limits the power of the board under such a provision to an increase or decrease of no more than 30 percent from the number last approved by the shareholders. It, too, establishes the norm of one year terms unless the board is classified with staggered terms.

RMBCA Section 8.04 parallels ACC Section .453(c) in permitting the articles to permit classes to elect certain

positions on the board. Unlike the ACC, it would not permit series of shares to have discrete voting rights.

RMBCA Section 8.05 is functionally identical to ACC Section .453(e) respecting terms of directors and the continuation of a director's liability until a successor shall have been elected and qualified.

Section .455 CLASSIFICATION OF DIRECTORS

ORIGIN: ACC Section .455 is an enactment of MBCA Section 37, and works an important change from AS 10.05.186. Under existing Alaska law, the decision to classify the board could be taken by a bylaw adopted by the board without shareholder participation. Subsection (b), continuing the concern for minority shareholder representation on the board, is new. Section .455 replaces AS 10.05.186.

SUMMARY OF COVERAGE: ACC Section .455 provides for optional classification of the board if there are nine or more board members, as long as the option is specified in the articles. However, if the corporation has not eliminated cumulative voting, an amendment to the articles attempting to provide for board classification is ineffective if the number of shares voting against classification is sufficient to elect one director under a cumulative voting scheme.

COMPARISON WITH THE FINAL DRAFT OF THE RMBCA: 8.06 is functionally identical to ACC Section .455(a). Classification cannot be made unless there are nine or more directors and there may not be more than three classes serving staggered one year terms. Unfortunately, the RMBCA does not contain any protective mechanism for those corporations which have elected cumulative voting rights.

Section .458 VACANCIES ON THE BOARD

ORIGIN: ACC Section .458 is adapted from GCL Section 302. It has no direct parallel in Alaska law.

SUMMARY OF COVERAGE: ACC Section .458 provides that the board may declare vacant the office of a director who has been declared of unsound mind by a court order, or who has had civil rights suspended due to imprisonment as provided in AS 33.30.310.

COMPARISON WITH THE FINAL DRAFT OF THE RMBCA: The RMBCA contains no comparable provision.

Section .460 REMOVAL OF DIRECTOR WITHOUT CAUSE

ORIGIN: ACC Section .460 is premised upon Section 303 of the GCL, and has no parallel in Alaska law. This section pro-

vides an important shareholder check upon the incumbent directors innovated in California (as mandatory), and now found in Delaware (optional), New York (optional), and in the MBCA (optional). Section .460 follows the California version, and is mandatory. The special provisions regarding notice are original, having no parallel in statutory precedent, and apply only to those corporations with 500 or more record shareholders.

SUMMARY OF COVERAGE: ACC Section .460 provides for removal of incumbent directors at any time without any reason by a vote of the outstanding shares, subject to specific notice provisions. If the attempted removal is to be made at a special meeting, or at a regular meeting of a corporation with more than 500 record shareholders, notice of the removal action must be given. Provisions are also made for the protection of representatives of a minority of the shares, or the directors elected by a class or series of shares.

COMPARISON WITH THE FINAL DRAFT OF THE RMBCA: RMBCA Section 8.08 continues the Model Act tradition of suggesting that this provision be made optional according to provisions of the articles. It contains no notice provisions respecting corporations with a relatively large number of shareholders. Like ACC Section .460, RMBCA Section 8.08 contains provisions to protect directors seated through cumulative voting or as the representatives of a particular class of shares.

Section .463 REMOVAL OF DIRECTOR BY SUPERIOR COURT

ORIGIN: ACC Section .463 is taken from GCL Section 304, and is without parallel in Alaska law. This section modifies the GCL by adding "gross neglect of duties" as a ground for judicial removal, and in granting standing to the board to seek removal.

SUMMARY OF COVERAGE: The primary recourse for shareholders dissatisfied with the performance of a director is to seek removal under ACC Section .460. However, if there are insufficient votes, ACC Section .463 specifies the serious grounds under which the holders of at least ten percent of the shares of any class or a majority of the board of directors have standing to seek removal in the superior court.

COMPARISON WITH THE FINAL DRAFT OF THE RMBCA: 8.09 is functionally identical to ACC Section .463.

Section .465 VACANCIES AND RESIGNATION; SPECIAL MEETING OF SHAREHOLDERS

ORIGIN: ACC Section .465 is modeled upon GCL Section 305 with certain modifications. Section .465(a) continues the policy of AS 10.05.189 in vesting broad authority to fill

vacancies with the remaining member(s) of the board, yet unlike AS 10.05.189, this presumption may be modified by provisions in the articles or bylaws. The 1976 amendment to AS 10.05.189, requiring expansion vacancies to be filled by shareholders, has been dropped, given shareholders' expanded mandatory role in ACC .453. Section .465(b) has no parallel in Alaska law. Section .465(d) is a substantial modification of GCL Section 305(c), omitting Section 305(c)(2) (eliminating the role of the superior court).

SUMMARY OF COVERAGE: This section and Section .458 define when a vacancy exists upon the board. ACC Section .465 provides that in the absence of contrary provisions in the articles or bylaws, and unless the vacancy has occurred by removal by shareholders (Section .460), the vacant position(s) may be filled by the director(s) remaining in office, even though there may be less than a quorum of the entire board. This section also provides for resignation by a director and his status until the election and qualification of a successor.

COMPARISON WITH THE FINAL DRAFT OF THE RMBCA: RMBCA Section 8.10 differs from ACC Section .465 in two particulars. It fails to make clear that, unless otherwise provided in the articles or bylaws, a sole remaining director may act to fill vacancies on the board. This provision may be especially important in the event of a disaster in which nearly all of the directors may have perished. To some extent this omission is remedied by Section 3.03(b)(2) under which one or more officers of the corporation may be deemed directors for a meeting during a defined period of emergency. RMBCA Section 8.10 does not contain a comparable provision to ACC Section .465(c) whereby if the directors elected by the shareholders constitute less than a majority of the board, shareholders holding as few as 10% of the outstanding shares may call a special meeting to elect the entire board.

Section .468 EXECUTIVE AND OTHER BOARD COMMITTEES

ORIGIN: ACC Section .458 is a modified version of the new Section 42 of the MBCA, and clarifies AS 10.05.195.

SUMMARY OF COVERAGE: ACC Section .468 permits the articles or bylaws to empower the board to set up executive and other committees, and to delegate to such committees the powers otherwise vested in the board, with certain exceptions. The duty of care of directors not members of such committees is provided for in Section .468(b).

COMPARISON WITH THE FINAL DRAFT OF THE RMBCA: RMBCA Section 8.25 is functionally identical to ACC Section .468 with two exceptions. RMBCA Section 8.25(a) requires that each committee have two or more director-members. This limitation is not found in ACC Section .468. RMBCA Section 8.25 does not

explicitly cover the creation of committees and the delegation of board functions to the duty of care owed by non-member directors.

Section .470 MEETINGS: CALL, PLACE, NOTICE, AND WAIVER

ORIGIN: ACC Section .470 is a modified version of GCL Section 307, which replaces AS 10.05.198 (which was predicated upon MBCA Section 43).

SUMMARY OF COVERAGE: ACC Section .470 defines the officers or directors who have authority to call regular or special meetings of the board or board committee, the notice requirements that must be observed, and the waiver of such notice requirements by unnoticed directors.

ACC Section .470(a) is unprecedented in Alaska law and for the first time defines the corporate officers or directors who have authority to call regular or special or special meetings of the board or board committee.

ACC Section .470(b) follows the Alaska's existing no notice policy for regular meetings. With respect to special meetings there is a standardization of a twenty day written notice requirement with broad authority to use the instrumentalities of electronic telecommunications in which case the time provision is the 72 hour requirement observed for personal communication. Section .470(b) goes beyond either the GCL or the Model Act in requiring that notice of special meetings disclose the purpose or business to be transacted. Section .470(c) defines the circumstances under which an unnoticed director can or will be taken to have waived the notice requirements.

COMPARISON WITH THE FINAL DRAFT OF THE RMBCA: RMBCA Sections 8.22 and 8.23 contain coverage comparable ACC Section .470(b) and (c). RMBCA Section 8.22 does not specify who may call meetings of the board or board committees, nor does it, in the absence of a requirement in the article or bylaw, necessitate that notice of special meetings disclose the purpose and business to be transacted. This omission may prove troublesome in the context of a closely held corporation in which the minority's only pragmatic protection may be to refrain from attending a special meeting thus blocking the formation of a quorum.

RMBCA Section 8.23 on waiver of notice is substantively identical to ACC Section .470(c).

Section .473 QUORUM OF DIRECTORS

ORIGIN: ACC Section .473 continues the policy and language of AS 10.05.192 and MBCA Section 40.

SUMMARY OF COVERAGE: ACC Section .473 fixes the quorum of the board or any board committee at an absolute majority of

the positions of such body. The articles or bylaws are competent to set a higher quorum requirement, but may not go below the majority requirement. This position reflects a continuation of prior Model Act policy which opposed less than majority quorum requirements. ACC Section .473 also establishes the norm that the act of the majority of the directors at a meeting at which a quorum is present is the act of the board unless the articles require a greater number.

COMPARISON WITH THE FINAL DRAFT OF THE RMBCA: RMBCA Section 8.24(a) and (c) are functionally identical to ACC Section .473. RMBCA Section 8.24(b) deviates from prior Model Act policy and would permit the articles or bylaws to fix the quorum requirement as low as one-third of the number of members of the board or committee.

Section .475 INFORMAL ACTION BY DIRECTORS

ORIGIN: ACC Section .475(a) is a straight enactment of the last paragraph of MBCA Section 43. Section .475(b) is a modified version of AS 10.05.199 and MBCA Section 44.

SUMMARY OF COVERAGE: ACC Section .475 provides for board meetings to be conducted via telecommunications equipment allowing simultaneous contact of all participants. It also provides for business to be transacted without any form of meeting via the use of written consents identical in content obtained from all directors.

COMPARISON WITH THE FINAL DRAFT OF THE RMBCA: RMBCA Section 8.20(b) is functionally identical to ACC Section .475(a) in permitting board meetings to be conducted via communications equipment. RMBCA Section 8.21 is functionally identical to ACC Section .475(b) in permitting the board to act without a meeting utilizing written consents signed by all of the members. The prudential requirement that those consents be identical in content is omitted from the RMBCA.

Section .478 DIRECTOR CONFLICTS OF INTEREST

ORIGIN: Existing Alaska law has no statutory law on director conflicts of interest. ACC Section .478 is modeled upon GCL Section 310, with modifications designed to produce a more stringent standard regarding director conflict of interest. One departure from the GCL was the omission of its provision permitting a committee of the board to validate certain interested transactions. Also omitted was California's third alternative for validation, which would be a showing by the proponent of a contract or transaction that such transaction was just and reasonable. Instead of being an independent vehicle for validation, such a requirement is imposed as an additional ground for validation under Section .478(a)(2).

SUMMARY OF COVERAGE: ACC Section .478 addresses conflict of interests in two distinct and classical instances: (1) where the contract or other transaction is between the corporation and one or more of its directors; and (2) where the contract or transaction is between two corporations sharing a common director or directors.

ACC Section .478(a) provides that transactions between the corporation and a director or a business entity in which the director has a material financial interest must be approved either by validation via the informed approval of the shareholders, or by the approval of a disinterested and fully informed majority of a quorum of the full board. The director's shares are not to be computed either for purposes of determining a quorum of the shares or a quorum of the board. The proponent of the contract has the additional burden to show that the contract or transaction is just and reasonable.

In the case of a common director(s) on the boards of each of the corporate parties to a transaction, there is no objection as long as the other directors are fully apprised of all facts, including the common directorship. Nothing in ACC Section .478(c) is intended to influence Alaska's anti-trust laws, nor does this section intend to operate in derogation of a director's common law duty of loyalty in the context of the corporate opportunity doctrine.

COMPARISON WITH THE FINAL DRAFT OF THE RMBCA: RMBCA Section 8.31 parallels ACC Section .478 is primarily concerned with conflicts of interest in which the director has a direct or indirect adverse financial interest. Its coverage is very similar to ACC Section .478(a). There is no explicit RMBCA coverage of the secondary conflict of interest situation in which a common director or directors serve on the boards of both corporate parties to a contract or transaction.

Section .480 LIABILITY OF DIRECTORS

ORIGIN: ACC Section .480 is an augmented version of new Model Act Section 48, and replaces AS 10.05.216 and .225. Section .480(a) continues the policy of AS 10.05.216 imposing joint and several liability upon directors. Section .480(a) (3) continues an imposition of liability for illicit loans to officers or employees contained in AS 10.05.216(d), which is not found in MBCA Section 48. The affirmative defense by a director that she observed the duty of care defined in ACC Section 450(b) is new to Alaska law.

SUMMARY OF COVERAGE: ACC Section .480 imposes joint and several liability upon directors who vote for or assent to three types of illicit transactions: distributions to shareholders contrary to provisions of Article 4 of this Chapter; distributions to shareholders which are prejudicial to the rights of creditors during the liquidation of the corporation; and loans or extensions of corporate credit to any officer or employee contrary to the restrictions of ACC

Section .485 and any provisions of the articles of incorporation. A defense to liability is proof by the defendant(s) of an observance of the duty of care articulated in Section .450(b).

COMPARISON WITH THE FINAL DRAFT OF THE RMBCA: RMBCA Section 8.33(a) is functionally identical to ACC Section .480(a)(1) in dealing with the consequences of a director's personal liability for voting for or assenting to illicit distributions. The rights of contribution recognized in ACC Section .480(b) are mirrored in RMBCA Section 8.33(b). The ACC's coverage of distributions which are illicit during the course of liquidation are not contained in the RMBCA. Illicit loans to officers or directors, covered by ACC Section .480(a)(3), are the subject of RMBCA Section 8.32. The circumstances under which such loans may be licitly extended are covered by ACC Section .485. They are more stringent than the circumstances recognized under RMBCA Section 8.33(a)(1) and (2).

Section .483 OFFICERS: TENURE, RESIGNATION, AGENCY, DUTY OF CARE

ORIGIN: ACC Subsection .483(a) is adapted from GCL Section 312(a), former GCL Section 821, and NBCL Section 715(e). Unlike AS 10.05.228, Section 483(a) eliminates the necessity of a vice president.

Subsection .483(b) is taken from GCL Section 312(b), and differs from AS 10.05.228 by providing that officers must be selected by the board.

Subsection .483(c) is taken from NBCL Section 715(g), and replaces AS 10.05.231; it reflects no substantive change in defining the source of real authority of officers.

Subsection .483(d) is taken from GCL Section 313, which in turn, is adapted from Pennsylvania BCL Section 305.

Subsection .483(e) is premised upon NBCL 715(h), without inclusion of the specific "right of reliance" provision of the New York act. For the first time, the ACC defines the duty of care for officers, however, unlike NBCL Section 715, ACC Section 483(e) makes it clear that the duty of care includes a duty of reasonable inquiry.

SUMMARY OF COVERAGE: Five major topics are addressed by ACC Section .483: (1) the minimum number of officers which a corporation must have; (2) the manner of selection and the right of resignation of officers; (3) the source of real authority of corporate officers; (4) a strategy by which a third party can preclude a corporate principal's denial of the authority of an officer as agent; and, (5) a definition of the standard of care according to which officers are to discharge their responsibilities to the corporation.

COMPARISON OF THE FINAL DRAFT OF THE RMBCA: The five topics covered by ACC Section .483 are treated in five separate sections of the RMBCA.

RMBCA Section 8.40 deals with the required officers. It differs from ACC Section .483(a) in several particulars. Section 8.40 merely requires that the corporation have "the officers described in its bylaws or appointed by the board of directors. . . ." Thus it would appear that under the RMBCA a corporation could be headed by the "Great Poobah", an individual assisted by the "Supreme Tweeb." Notwithstanding, there must be at least one officer who has the functions of the corporate secretary and who assumes all statutorily imposed duties of that office.

RMBCA Section 8.41 is in accord with ACC Section .483(a) in describing the duties of officers. They are fixed by the terms of the bylaws or, the the extend permitted, by the board. The RMBCA misses the accomplishment of ACC Section .483(c) in making explicit the grant of real agency authority to corporate officers.

RMBCA Section 8.42 joins ACC Section .483(e) in defining a duty of care for corporate officers. Unlike the ACC, the RMBCA does not make an express reference to a duty to make reasonably inquiry as part of the "reasonable person in like circumstances" standard. RMBCA Section 8.42 parallels its treatment of the duty of care for corporate directors by articulating "safe harbor" provisions wherein an officer may rely upon reports and representations of others. The ACC does not spell out this concept.

RMBCA Section 8.43 parallels ACC Section .483(b) in providing that officers serve at the pleasure of the board. It also recognizes circumstance under which an officer may resign her position.

RMBCA Section 8.44 is functionally identical to ACC Section .483(b) in providing that the removal of an officer does not prejudice any contract rights which the officer might have in the event that removal was in breach of a contract of employment. Both the ACC and RMBCA language aim to forestall circumstances in which a corporation could be ordered to specifically perform a contract with an officer in whom the board no longer reposed confidence. Such a corporation may, however, be liable in damages.

Section .485 LOANS TO DIRECTORS, OFFICERS, AND EMPLOYEES

ORIGIN: ACC Section .485 is unique, borrowing from MBCA Section 47 and GCL Section 315, but reflecting policies which are more protective of the corporate fisc than either of those provisions. It replaces AS 10.05.213.

SUMMARY OF COVERAGE: ACC Section .485 repudiates AS 10.05.213's flat prohibition against loans to corporate directors or officers. However, loans may not be made to directors without the approval of two-thirds of the voting shares. The board is competent to extend loans to officers and employees. A "loan" is defined broadly, to include securities or real or personal property, as well as cash. Directors, officers, and employees of parent, subsidiary, and sibling corporate af-

filiates are restrained under this section for purposes of obtaining a corporate loan.

COMPARISON WITH THE FINAL DRAFT OF THE RMBCA: 8.32 also prohibits a corporation from extending loans or guarantees to corporate directors. It does not cover loans to officers or employees. Further, the power to loan or guarantee the loans of directors is easier to achieve under RMBCA Section 8.32. Either a simple majority of the voting shares may approve or the board may determine that the loan or guarantee benefits the corporation and, having so determined, approves it.

Section .488 SECONDARY LIABILITY OF DIRECTORS AND OFFICERS

ORIGIN: ACC Section .488 is new and without direct precedent in corporate law. This section was adapted from NBCL Section 630, which imposes personal joint and several liability upon the ten largest shareholders of a non-publicly traded corporation for all debts, wages, or salaries due and owing to any of the corporation's laborers and employees.

SUMMARY OF COVERAGE: The social problem targeted for redress by ACC Section .488 is the abuse of unsecured creditors, including employees, who are precluded by the relatively small dimension of their demands, contrasted with the high costs of litigation, from asserting the more traditional common law efforts to "pierce the corporate veil".

Section .488 creates a "secondary liability" on the part of incorporators, directors (other than a provisional director appointed under Section 640), and the president, secretary, and treasurer in the event that corporate assets prove insufficient to meet corporate obligations for contract indebtedness, materials, supplies, inventory, or services furnished in the state during their period of service. This secondary liability is joint and several, and may amount to a maximum of \$25,000 for each creditor. The terms of a written contract between a corporation and a third party may modify or preclude the liability created by this section. The liability of this section also extends to directors, incorporators, and officers of every foreign corporation doing business within Alaska to the extent that materials, supplies, inventory, or services were furnished within the state.

COMPARISON WITH THE FINAL DRAFT OF THE RMBCA: The exposure draft of the RMBCA contained nothing comparable to the New York precedent or the ACC provision on secondary liability. However, the final draft states in Section 2.02 that the articles can impose personal liability on shareholders for specified amounts in specified conditions.

Section .490 INDEMNIFICATION OF OFFICERS, DIRECTORS, EMPLOYEES, AND AGENTS: INSURANCE

ORIGIN: ACC Section .490 is premised upon Section 5 of the Model Act and works few changes on the provisions of AS 10.05.010.

SUMMARY OF COVERAGE: Corporate director, officers, and employees are vulnerable to attack in their personal capacity for acts done in their corporate roles. There is an understandable demand for financial protection from potentially ruinous costs and liabilities. Standing in opposition to this demand are social policies implicit in the condemnation of activity or behavior as criminal, violative of administrative regulations, or harmful to the interests of the corporation. These competing interests must be confronted in any statutory provision covering indemnification.

ACC Section .490 distinguishes between those circumstances in which a claim for indemnification may be made as of "right" from those in which it is addressed to the discretion of the corporation. As a further limitation upon discretionary indemnification, ACC Section .490(a) and (b) specify standards which must have obtained as to both the conduct and state of mind of the defendant. Finally, the corporation is empowered to purchase and maintain insurance which would recompense a defendant for any costs or liabilities incurred irrespective of the power of the corporation to have effected indemnification for its own resources.

Indemnification as a matter of right under ACC Section .490(c) can be asserted by a defendant who has been exonerated on the merits. Discretionary indemnification is provided in two circumstances. ACC Section .490(a) deals with a defendant in direct civil, administrative or criminal proceedings. While the decision to indemnify is left to the judgment of the corporation under subsection (d), it is conditioned upon a finding that the defendant ". . . acted in good faith and in a manner reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to a criminal action pro proceeding, had no reasonable cause to believe the conduct unlawful. . ." ACC Section .490(b) deals with the even more troubling situation of discretionary indemnification where the defendant has been assailed in a derivative proceeding. If the defendant has been adjudged guilty of violating either the duty of care or loyalty, the power of the corporation to indemnify against the very harm which it has suffered, or the court incurred costs in resisting liability, can only be exercised pursuant to a specific finding by and order of the court in which the action was tried.

COMPARISON WITH THE FINAL DRAFT OF THE RMBCA: Chapter 8, sub-chapter E of the RMBCA contain the coverage on indemnification. RMBCA Section 8.51(a), (b) and (c). deals with the authority of a corporation to indemnify. It is functionally equivalent to ACC Section .490(c). RMBCA Section 8.51(d) prohibits indemnification in the instance of a successful derivative suit or other proceeding charging personal

benefit to the defendant. However this ironclad prohibition is later qualified by RMBCA Section 8.54(2) where it is recognized that the court may order indemnification. The combination of these two provisions is a result not unlike ACC Section .490(b). RMBCA Section 8.52 on mandatory indemnification deals with the defendant who was wholly successful. It accords with ACC Section .490(c).

RMBCA Section 8.53 deploys a stricter attitude upon advances against the defendant's anticipated expenses. ACC Section .490(e) leaves the question within the discretion of the corporation conditioned only upon an undertaking by or on behalf of the defendant that the amount will be repaid if it is ultimately determined that there is no indemnification as a matter of right. The MBCA would require a prior determination of the defendant's good faith, the furnishing of a written personal undertaking to repay the advance, and a determination that the facts then known would not preclude indemnification.

RMBCA Section 8.55 is in substantial accord with ACC Section .490(d)'s position on how and by whom the corporate decision to indemnify is to be made. The primary responsibility is that of disinterested and uninvolved directors so long as they constitute a majority of a quorum. If this quorum cannot be mustered the decision may be reached by independent legal counsel or approved by the outstanding shares.

RMBCA Section 8.56 extends the provisions on the indemnification of directors to employees and officers. This accords with the provisions of ACC Section .490.

RMBCA Section 8.57 accords with ACC Section .490(g) permitting a corporation to purchase and maintain a policy of insurance covering directors, officers and employees which would cover any liability arising out of that status whether or not the corporation would have the power to indemnify with its own funds.

ARTICLE 7. AMENDMENTS AND CHANGES

Section .502 AUTHORIZATION: PERMITTED AND PROHIBITED AMENDMENTS

ORIGIN: ACC Section .502(a) is taken from GCL Section 900. It repeats the substance of AS 10.05.270, which it replaces. Section .502(b) is largely a reenactment of AS 10.05.273, with several deletions reflecting the elimination of the concept of par value. The language under Section .502(b)(2) is new, and reflects a major change in Alaska law, in order to carefully and unequivocally authorize only changes which extend limitations imposed upon a corporation's duration. Subsections .502(b)(5) and (6) follow MBCA Section 58, in order to conform Alaska law to the language of the Model Act.

SUMMARY OF COVERAGE: ACC Section .502 permits a corporation to amend its articles in "any and as many respects as may be desired." Whether a provision is required or permitted in the articles of incorporation is determined as of the effective date of the amendment.

COMPARISON WITH THE FINAL DRAFT OF THE RMBCA: RMBCA Section 10.01 confers a power to amend the corporate articles in the most general of terms. It does not differ substantively from ACC Section .502 but does not contain the non-exhaustive list of permitted amendments found in the ACC. This reflects a differing drafting style in which the Alaska statute would contain illustrations and examples to guide both lay persons and counsel.

Section .504 PROCEDURE TO AMEND ARTICLES OF INCORPORATION

ORIGIN: ACC Section .504's subsections (a)(1), (b), and (c) are taken from AS 10.05.276 and MBCA Section 59. Section .504(a)(2) is adapted from Section 902(a) of the GCL, and changes Alaska law by explicitly giving shareholders the power to initiate amendments to the articles.

SUMMARY OF COVERAGE: ACC Section .504 sets forth the mandatory procedures which must be followed to amend the articles. Under Section .504(a)(2), once shares have been issued, the power to initiate amendments resides concurrently in the board and with the voting shares. An amendment initiated by the shares does not become effective until approved by the board; likewise, an amendment initiated by the board requires shareholder approval to become effective. Alaska law presently requires a two-thirds majority of the shareholders to approve amendments; ACC Section .504(a)(2) opts for a majority of the outstanding shares entitled to vote, but makes the articles competent to establish a supermajority voting re-

quirement. This section also provides for notice as well as the power of the board alone to amend the articles if no shares have been issued.

COMPARISON WITH THE FINAL DRAFT OF THE RMBCA: Several provisions of the RMBCA contain coverage of topics addressed in ACC Section .504. RMBCA Section 10.05 accords with ACC Section .506(a)(1) in providing that if no shares have been issued the power to amend the articles is with the board. Once shares have been issued ACC Section .504 requires the approval of both the directors and an absolute majority of the shares to amend the articles. RMBCA Section 10.02 creates a limited exception to this norm for what the official comment terms "housekeeping amendments" (10-9). These amendments can be affected by board approval only. Among them are two which Alaska law has always prohibited: deleting the name and address of the original registered agent and initial directors.

Once shares are outstanding RMBCA Section 10.03 severely restricts the power of shareholders. They cannot initiate amendments but can only approve those proposed by the board. Both statutes require that shareholders be given notice of the amendment whether it is to be considered at a regular or special meeting of the shares.

Section .506 CLASS VOTING ON AMENDMENTS

ORIGIN: ACC Section .506 is largely a reenactment of AS 10.05.282. Section .506(6) amends AS 10.05.282 to conform with Section 60 of the MBCA, and includes an increase in the authorized number of shares of a superior class as an amendment giving a right to class voting. This section also replaces AS 10.05.279.

SUMMARY OF COVERAGE: ACC Section .506 provides for "class voting", which obtains irrespective of any provisions in the articles, and may not be impaired or denied by any internal rule. Further, as to any amendment on which there is a right to vote by class, there is no "approval by the shareholders" unless the amendment receives the affirmative vote of a majority of the affected class as well as a majority of the other shares entitled to vote.

COMPARISON WITH THE FINAL DRAFT OF THE RMBCA: RMBCA Section 10.04 accords with ACC Section .506(a) in mandating class voting rights under circumstances where an amendment would affect the rights, privileges, or restrictions imposed upon that class of shares. Unfortunately, there is nothing in the RMBCA or its official comments which parallels ACC Section .506(b)'s express statement that if the holders of shares of a class are entitled to vote as a class then the amendment is not approved unless it receives a majority vote of the outstanding shares of that class and also receives an absolute majority of the outstanding shares.

Section .508 GREATER VOTING REQUIREMENTS

ORIGIN: ACC Section .508 is taken from GCL Section 902(e), and is new to Alaska law.

SUMMARY OF COVERAGE: This section permits the articles to set up supermajority or even unanimous voting requirements. An amendment affecting such an article must be approved by the same supermajority vote.

COMPARISON WITH THE FINAL DRAFT OF THE RMBCA: RMBCA Section 7.27 directly parallels the content of ACC Section .508. The official comment (7-65) makes it clear that the articles may establish unanimous voting requirements.

Section .510 ARTICLES OF AMENDMENT

Section .512 FILING OF ARTICLES OF AMENDMENT

ORIGIN: ACC Section .512 is a reenactment of AS 10.05.285, with the deletion of the provision regarding stated capital. Section .512 is a reenactment of AS 10.05.288.

SUMMARY OF COVERAGE: In order for an amendment to the articles to become effective, it is necessary to make a filing with the commissioner (ACC Section .512) and receive a certificate of amendment. Section .510 specifies what the articles of amendment are to include.

COMPARISON WITH THE FINAL DRAFT OF THE RMBCA: RMBCA Section 10.06 is functionally identical to ACC Section .512 except that it would require filing with the secretary of state and it omits the requirement that the articles of amendment be signed by designated corporate officers.

Section .514 EFFECT OF CERTIFICATE OF AMENDMENT

ORIGIN: ACC Section .514 is essentially a reenactment of AS 10.05.291, with language added from MBCA Section 63 permitting up to a 30-day delay in effectiveness.

SUMMARY OF COVERAGE: An amendment to the articles is not effective until the commissioner has reviewed the amendment to ascertain its conformity with law, and has issued a certificate of amendment. Section .514(b) specifies that an amendment does not have a retroactive effect so as to compromise any pending litigation.

COMPARISON WITH THE FINAL DRAFT OF THE RMBCA: RMBCA Section 10.09 provides that, unless a delayed effective date is specified, the amendment or restatement becomes effective

when the articles of amendment or restatement are filed.

Section .516 RESTATED ARTICLES OF INCORPORATION

Section .518 FILING OF RESTATED ARTICLES OF INCORPORATION

Section .520 EFFECT OF ISSUANCE OF RESTATED CERTIFICATE OF INCORPORATION

ORIGIN: ACC Section .516 is a reenactment of AS 10.05.294. ACC Section .518 is a reenactment of AS 10.05.303; Section .520 is a verbatim reenactment of AS 10.05.306.

SUMMARY OF COVERAGE: This section authorizes a corporation to restate its articles as they may have been amended as a matter of form by resolution of the board. The substantive provisions cannot be so amended, and in fact, Section .516 requires that a statement be filed with the restated articles averring that the restated articles correctly set out without change the corresponding provisions of the articles.

ACC Section .518 specifies the procedure to be followed by the corporation and the commissioner in the filing and administrative handling of the restated articles. Section .520 provides that the restated articles become effective and supersede the original articles and all amendments to them upon the issuance of the restated certificate of incorporation.

COMPARISON WITH THE FINAL DRAFT OF THE RMBCA: RMBCA Section 10.07(e) and (f) follow the provisions of ACC Section .516 except that the restated articles may contain an amendment not previously reported to the state. Under this section the filing is again with the Secretary of State, not the commissioner as provided in ACC Section .518.

Section .522 AMENDMENT OF ARTICLES OF INCORPORATION IN REORGANIZATION PROCEEDINGS

Section .524 FILING OF AMENDMENT OF ARTICLES IN REORGANIZATION PROCEEDINGS

Section .526 EFFECT OF ISSUANCE OF CERTIFICATE OF AMENDMENT IN REORGANIZATION PROCEEDINGS

ORIGIN: ACC Section .522 is taken from MBCA Section 65, and is new to Alaska law.

ACC Sections .524 and .526 are derived from MBCA Section 65, and are new to Alaska law, being added in the wake of Section .522. Section .526 varies from the MBCA by omitting the 30-day effectiveness delay provision found in the Model Act.

SUMMARY OF COVERAGE: ACC Section .522 is designed to coordinate Alaska law with the Federal Bankruptcy Act. It permits

amendment of the articles as part of the reorganization proceedings, which amendment might otherwise not obtain the affirmative vote of the shares. Without this provision, an involuntary dissolution and reincorporation may be necessary to achieve the desired result of the bankruptcy reorganization, with a possible increase in federal income tax liability.

ACC section .524 specifies the filing procedure for any amendments to the articles accomplished by bankruptcy reorganization under ACC Section .522. Section .526 provides for the effectiveness of the amendments upon the issuance of a certificate of amendment by the commissioner.

COMPARISON WITH THE FINAL DRAFT OF THE RMBCA: RMBCA Section 10.08 is functionally identical to ACC Section .522 -- .526.

ARTICLE 8. ORGANIC CHANGE

Section .530 MERGER

Section .532 PROCEDURE FOR MERGER

Section .534 CONSOLIDATION

Section .536 PROCEDURE FOR CONSOLIDATION

Section .538 SHARE EXCHANGE

Section .540 PROCEDURE FOR SHARE EXCHANGE

ORIGIN: ACC Sections .530 and .532 (pertaining to the definition of and procedure for merger) are taken from MBCA Section 71, and reflect without change AS 10.05.375 and .378. ACC Sections .534 and .536 (pertaining to the definition and consolidation) are taken from MBCA Section 72, and reflect without change AS 10.05.381 and .384. ACC Sections .538 and .540 (define and determine the procedure for a share exchange). They are taken from MBCA Section 72A, and are without precedent in Alaska law.

SUMMARY OF COVERAGE: These sections define and set create uniform procedures for the proposal of the three classic forms of organic change. In the event of either a merger or consolidation, one or both of the participating corporations formally ceases to exist. In the case of a share exchange there is no formal suppression of a constituent corporation but it becomes a wholly owned subsidiary of the acquiring corporate entity. In each instance, the ACC places the responsibility for the framing of the proposal within the discretion of the boards of the participating corporations. The ACC provides for a share exchange for the first time in Alaska law.

COMPARISON WITH THE FINAL DRAFT OF THE RMBCA: RMBCA Sections 11.01 and 11.02 cover the subjects addressed in ACC Sections .530 -- .540. The RMBCA provisions on merger and share exchange parallel those of the ACC. There is no separate treatment of consolidation in the RMBCA. This departure from the prior provisions of the Model Act and the statutory laws of all jurisdictions currently following it is explained by the drafters of the RMBCA as reflecting sentiment that consolidations are currently out of fashion. If the plan is that both participating corporations are to cease existence and emerge and a new, third corporation, the RMBCA would require the extra steps of prior formation of that third corporation and then merging the two constituent corporations into it. Under ACC Section .534 this result can be effected

in a single, and far simpler step.

Section .542 DISPARATE TREATMENT OF SHARES OF THE SAME CLASS OR SERIES PROHIBITED: EXCEPTIONS

ORIGIN: ACC Section .542 is predicated upon, but not adapted from GCL Section 1101, and is unprecedented in Alaska law.

SUMMARY OF COVERAGE: ACC Section .542 establishes a legal presumption against treating the holders of shares of the same class or series in any plan for an organic change in a different manner. A major question much litigated in the last decade is whether organic changes may be used to eliminate certain shareholders by forcing them to accept cash or non voting stock for their shares while other holders of identical stock receive voting shares in the surviving corporation. ACC Section .542 resolves this issue for Alaska in a manner that comports with Delaware and California decisional law. The fiduciary duties of majority or controlling shareholders are recognized in Section .542(a). Section 542(b) recognizes that disparate treatment may be necessary to preserve a Subchapter S election under the Internal Revenue Code. Disparate treatment may also be necessary for other sound business reasons, but the proponents of the plan have the burden to prove it is consistent with fiduciary duties owed to all the shareholders.

COMPARISON WITH THE FINAL DRAFT OF THE RMBCA: The official comment to the RMBCA (11-4, 5) makes it clear that the framers of that statute did not resolve this basic question. Any state which chooses to follow this recommendation will condemn to totally unstructured litigation all participants in any organic change which is challenged for its discriminatory treatment of shareholders. Under ACC Section .542 the presumption is against discriminatory treatment unless it can be justified on the predicate of some corporate business reason, as opposed to the personal goals of dominant shareholders.

Section .544 NOTICE TO AND APPROVAL BY SHAREHOLDERS

ORIGIN: ACC Section .544 is a modified version of new Section 73 of the MBCA, and has been extended to treat share exchange in a manner identical to merger or consolidation.

SUMMARY OF COVERAGE: This section mandates the steps necessary to seek the approval of shareholders of each corporation participating in a merger, consolidation, or share exchange. Written notice stating that one of the purposes of the meeting is to consider the proposed organic change, a copy of the plan for such change, and the text of the ACC provisions on the rights of dissenting shareholders must be given to each shareholder irrespective of voting rights.

COMPARISON WITH THE FINAL DRAFT OF THE RMBCA: RMBCA Section 11.03 follows ACC Section .544 in requiring notice to shareholders which specifies that an organic change is to be proposed by the board and accompanied by a summary of the plan. This notice is statutorily deficient unless it also includes notice of dissenter's rights. However, unlike ACC Section .544 which express this important obligation in the provision entitled "notice to and approval by shareholders", the RMBCA command that there be notice of dissenter's rights is found in Section 13.20(a).

Section .546 MANNER OF APPROVAL BY SHAREHOLDERS

ORIGIN: ACC Section .546 is premised upon new Section 73 of the MBCA, with a modification to retain the two-thirds voting requirement found in AS 10.05.390. The only change worked by Section .546 pertains to the inclusion of share exchanges.

SUMMARY OF COVERAGE: ACC Section .546 enfranchises all shares of every class or series of each constituent corporation to an organic change. The plan prepared by the board and noticed to the shareholders is "approved" upon receiving the affirmative vote of an absolute two-thirds majority of all outstanding shares. If the articles of any of the participating corporations provide for class voting on plans for organic change, then in addition to the two-thirds voting requirement for approval by the outstanding shares, there is also a two-thirds affirmative vote requirement for that class. If the articles do not provide for class voting, but the plan for organic change contains provisions which, had they been proposed as amendments to the articles, would have required the affirmative vote of a class, then class voting is required under Section .546.

COMPARISON WITH THE FINAL DRAFT OF THE RMBCA: RMBCA Section 11.03 differs radically from both existing and proposed Alaska law. Unless a greater number is required by the articles, a plan of merger or share exchange is approved by the holders of a simple majority of the shares. RMBCA Section 11.03 does not enfranchise all shares regardless of the presence or absence of voting rights under the articles. It does recognize class voting in a manner not unlike ACC Section .576. In a departure from the 1977 position of the Model Act (Section 73) and the laws of those states which currently accord with that section, the recommended content of RMBCA Section 11.03(g) would create certain circumstances in which mergers and share exchanges can be effected without shareholder approval. As explained in the official comment (11-15), "shareholders' votes should be required only if the transaction fundamentally alters the character of the enterprise or substantially reduces the shareholders' participation in voting or profit distribution." Unfortunately, RMBCA Section 11.03(g) pays no attention at all to the basic economic pursuit of the corporate entity before and after the

organic change. So long as the number of outstanding shares is not changed plus or minus 20%, shareholders who had invested in a corporation historically tied to the fishing industry could find themselves tied to the fate and fortune of a hulla hoop concern. They would never have been consulted, their approval would not have been required, and they would have no dissenter's rights!

Section .548 ABANDONMENT OF PLAN OF MERGER, CONSOLIDATION, OR EXCHANGE

ORIGIN: ACC Section .548 is taken from MBCA Section 73, and reflects without change the content of AS 10.05.393, save for the inclusion of share exchange.

SUMMARY OF COVERAGE: This section provides that, notwithstanding approval by the shareholders, the plan may fail without further action if any condition precedent or concurrent is not satisfied, or if any condition subsequent is triggered.

COMPARISON WITH THE FINAL DRAFT OF THE RMBCA: RMBCA Section 11.03(i) accords with ACC Section .548.

Section .550 ARTICLES OF MERGER, CONSOLIDATION, OR EXCHANGE

Section .552 FILING OF ARTICLES OF MERGER, CONSOLIDATION, OR EXCHANGE

ORIGIN: ACC Sections .550 and .552 are predicated upon new Section 74 of the MBCA. Section .550 changes AS 10.05.396 by the inclusion of share exchanges. Section .552 technically restates AS 10.05.402 to reflect the uniform processing procedures found in ACC Section 910.

SUMMARY OF COVERAGE: These sections establish the formal requirements necessary to reflect the combination. Section .550 provides that each constituent corporation must execute a set of recombination articles, including the mechanics of the shareholder vote. Section .552 directs that a duplicate copy of the recombine articles be delivered to the commissioner.

COMPARISON WITH THE FINAL DRAFT OF THE RMBCA: RMBCA Section 11.05 is functionally identical to ACC Section .552

Section .554 MERGER OF SUBSIDIARY CORPORATION

Section .556 PROCEDURE FOR MERGER OF SUBSIDIARY CORPORATION

Section .558 FILING OF ARTICLES OF MERGER OF SUBSIDIARY CORPORATION

ORIGIN: ACC Section .554 is taken from MBCA Section 75, and has no precedent in Alaska law.

ACC Section .556 is taken from MBCA Section 75, with a modification to create a presumption against disparate treatment of the shares.

ACC Section .558 is taken from MBCA Section 75.

SUMMARY OF COVERAGE: This section authorizes a merger between a parent and a subsidiary whenever at least 90 percent of all outstanding shares of each and every class are owned by the parent corporation.

ACC Section .556 places the power to propose and implement a merger of the subsidiary in the board of the parent. No shareholder approval is required. Disparate treatment of shares must pass muster under ACC Section .542.

ACC Section .558 continues the uniform filing procedures established in ACC Section .910.

COMPARISON WITH THE FINAL DRAFT OF THE RMBCA: RMBCA Section 11.04 is functionally identical to ACC Sections .554, 556 and .558 in the treatment of "short form mergers" between a parent and a 90% owned subsidiary. It does not, however, contain the ACC Section .556(a)(2)'s language creating the presumption of non-discriminatory treatment of all shares of the subsidiary.

Section .560 EFFECT OF MERGER, CONSOLIDATION, OR EXCHANGE

ORIGIN: ACC Section .560 is predicated upon revised MBCA Section 76. The provision for an optional delayed effective date, the inclusion of share exchanges, and the elimination of net surplus reflect the changes made to AS 10.05.405.

SUMMARY OF COVERAGE: ACC Section .560 governs the date, circumstances when an organic change becomes effective. It is a sufficient authority for the succession by the surviving or resulting corporation to all of the rights and liabilities of the constituent corporations. To the extent that the recombination articles purport to amend the articles of incorporation, such change is given effect. Finally, ACC Section .560(c) determines the fate of all shares of the constituent corporations which are to be converted or exchanged. The ownership claims and interests of shareholders in the constituent corporations are defined subject to any rights which may be asserted by a dissenting shareholder under ACC Section .574.

COMPARISON WITH THE FINAL DRAFT OF THE RMBCA: RMBCA Section 11.06 is functionally identical to ACC Section .560 except for its failure to spell out the consequences of a consolidation in which constituent corporations A and B emerge as resulting corporation C.

Section .562 MERGER, CONSOLIDATION, OR EXCHANGE OF SHARES BETWEEN DOMESTIC AND FOREIGN CORPORATIONS

ORIGIN: ACC Section .562 is predicated upon new Section 77 of the MBCA, and replaces AS 10.05.408, .411, and .414. The inclusion of share exchange is unprecedented.

SUMMARY OF COVERAGE: ACC Section .562 removes potential conflicts of laws when domestic and foreign corporations undergo organic change. This section provides that if the surviving or resulting corporation is foreign, it must as a condition of merging with a domestic corporation agree to service of process in Alaska, and to pay promptly all dissenting shareholders.

COMPARISON WITH THE FINAL DRAFT OF THE RMBCA: RMBCA Section 11.07 is functionally identical to ACC Section .562 except that the substantive law referenced and made applicable to the surviving foreign corporation differs as noted above.

Section .564 REORGANIZATION: DISCLOSURE OF ALIEN AFFILIATES

ORIGIN: ACC Section .564 reflects the content of AS 10.05.250, as amended in 1980.

SUMMARY OF COVERAGE: This section requires the disclosure of alien affiliates and the percentage of their outstanding shares in any corporation organized under this Chapter.

COMPARISON WITH THE FINAL DRAFT OF THE RMBCA: The RMBCA is indifferent to the status of alien affiliates.

Section .566 SALE OF ASSETS IN REGULAR COURSE OF BUSINESS; MORTGAGE OR PLEDGE OF ASSETS

ORIGIN: ACC Section .566 is predicated on the 1962 version of Section 78 of the MBCA, and modifies the content of AS 10.05.435.

SUMMARY OF COVERAGE: The proposed Alaska Corporations Code distinguishes between a sale of assets in the normal course of business (such as a sale of all inventory) and a sale of all or substantially all assets not in the regular course of business. Shareholder approval is necessary for the latter on the theory that, like a merger or share exchange, it represents another fundamental change.

ACC Section .566 is concerned with the sale, lease, exchange, or other disposition of all or substantially all of the property and assets of the corporation in the usual and regular course of its business. The power to effectuate such a transaction resides with the board; it does not require shareholder approval. A mortgage or pledge of these assets

may be made under similar authority irrespective of whether or not it is in the regular course of business. This last provision would change existing Alaska law which required shareholder approval of such mortgages or pledges of corporate property.

COMPARISON WITH THE FINAL DRAFT OF THE RMBCA: RMBCA Section 12.01 is functionally identical to ACC Section .556 and would also change existing Alaska law by not requiring shareholder approval for any pledge or mortgage of corporate assets.

Section .568 SALE OF ASSETS NOT IN REGULAR COURSE OF BUSINESS

Section .570 APPROVAL OF TRANSACTION BY SHAREHOLDERS

Section .572 ABANDONMENT OF TRANSACTION BY BOARD

ORIGIN: ACC Section .568 is predicated upon MBCA Section 79. AS 10.05.438 is modified to eliminate a mortgage or pledge of all or substantially all assets (now covered under Section .566). This section differs from the Model Act by requiring shareholder notice also to include a copy of the ACC Sections on the rights of dissenting shareholders.

ACC Section .570(a) is predicated upon MBCA Section 79(c), and preserves the two-thirds voting requirement of AS 10.05.441. Section .570(b) is new.

ACC Section .572 is predicated upon MBCA Section 79(d), and reflects without change AS 10.05.444.

SUMMARY OF COVERAGE: ACC Section .568 treats the sale, lease, exchange, or other disposition of all or substantially all of the assets of a corporation as the equivalent of an organic change if not made in the usual course of business. When not in the regular course of business, written notice of the proposed disposition of assets and a copy of the ACC provisions on dissenters' rights must be given to all shareholders regardless of voting rights.

The proposal for the sale of all or substantially all of the assets is approved by the affirmative vote of two-thirds of all outstanding shares, with all shares being enfranchised regardless of restrictions or limitations in the articles. Class voting is recognized. Section .572(b) requires the extraordinary absolute 90 percent approval by outstanding shares (with all shares franchised) when the buyer is in control of or under the control of the seller.

This section permits the board, in its discretion, to abandon a section .568 transaction notwithstanding its approval by the shareholders.

COMPARISON WITH THE FINAL DRAFT OF THE RMBCA: RMBCA Section 12.02 accords with ACC Sections .568 -- .572 in treating the sale, lease or exchange of all or substantially all corporate property other than in the usual and regular course of business as an organic change. The proposal must originate with

the board and cannot be effectuated without shareholder approval. Unlike existing and proposed Alaska law, the RMBCA requires only majority approval. The official comment makes it clear that class voting can be had in appropriate circumstances even though the section is silent on the question. The official comment also warns of the existence of dissenter's rights, a topic upon which RMBCA Section 12.02 is also silent. By contrast, the ACC gathers all of these important provisions into the three related sections rather than scattering them across a lengthy code.

Section .574 RIGHT OF SHAREHOLDERS TO DISSENT

ORIGIN: ACC Section .574 is predicated upon MBCA section 80, with alterations to allow dissenters' rights for shareholders in corporations party to a share exchange. This section consolidates AS 10.05.417 through .432 and AS 10.05.447. through .462.

SUMMARY OF COVERAGE: ACC Section .574 provides that a shareholder who has dissented from an organic change has a right to have the corporation purchase her shares at "fair valuation." Section .574(b) changes Alaska law by recognizing that a shareholder need not dissent with respect to all of her shares. Section .574(c) changes Alaska law by denying dissenters' rights in the case of a "short form" merger (Section .556). There is an additional change by the presumptive denial of dissenters' rights for holders of shares traded on a national securities exchange on the record date fixed for ascertaining the shares entitled to vote on the organic change.

ACC Sections .576 through .582 establish the criteria for perfecting dissenter's rights, withdrawal of a demand, notice, payment for shares, action to determine value of shares upon failure to agree, and status of shares reacquired by the corporation. Aside from the right to litigate the regularity of any organic change, or to challenge any disparate treatment of shares (Section .542), the right to claim the status of a dissenter is intended to be the exclusive remedy available to shareholders.

COMPARISON WITH THE FINAL DRAFT OF THE RMBCA: RMBCA Section 13.02 parallels ACC Section .574 in recognizing the right of shareholders to dissent in the case of an organic change, including the sale of all or substantially all of the corporate property other than in the usual and regular course of business. However, RMBCA Section 13.02(a)(4) goes beyond existing or proposed Alaska law, or the prior content of MBCA Section 80, in creating dissenter's rights in the event the corporation amends its articles to impair the shareholder's preemptive, redemption, or voting rights. The final draft of the RMBCA has added yet another circumstance in which dissenter's rights are recognized. It would allow a shareholder to dissent to an amendment which would reduce her shares to a

fraction of a share if the fractional share could be acquired for cash under Section 6.04.

The Model Act exception, reflected in ACC Section .574(d), which denies preemptive rights if the securities were readily marketable on a national exchange is not carried over into RMBCA Section 13.02.

Section .576 RIGHTS OF DISSENTING SHAREHOLDERS: PROCEDURE TO ENFORCE SHAREHOLDER'S RIGHT TO RECEIVE PAYMENT FOR SHARES; WITHDRAWAL OF DEMAND

ORIGIN: ACC Section .576 is predicated upon Section 623(a), (b), (c), (e), and (f) of the NYBCL as amended in 1982. The provisions which explicitly determine the impact upon the status of the dissenting shareholder, the restoration of full shareholder status, and the obligation of the corporation to tender what it determines to be the fair value of the dissenter's shares are new to Alaska law.

SUMMARY OF COVERAGE: ACC sec. 576 creates the machinery for perfecting the rights of a dissenting shareholder as well as the circumstances in which that status may be terminated or withdrawn.

A plan to engage in an organic change must originate with the board of directors, which is obligated to give written notice of the plan to shareholders prior to the meeting at which shareholders are to vote upon the plan. A shareholder electing to exercise a right to dissent is obligated to file a written objection to the proposed action to which the shareholder dissents prior to the shareholder meeting at which the vote on the action is to be taken. The written notice is to include, in part, a demand for payment should the proposed action be approved by the shareholders. If the proposed organic change is approved, the corporation is required to give written notice of the approval to dissenting shareholders and to shareholders from whom written objection was not required. A shareholder who votes in favor of the proposed change loses the right to dissent notwithstanding any written objection.

Under the ACC, the corporation is obligated to tender what it deems to be the fair value of dissenters' shares upon consummation of the organic change. Upon such consummation, shareholders who have perfected their status as dissenting shareholders cease to have any rights in the corporation except to be paid the fair value of their shares. However, a shareholder may elect to withdraw the objection and be restored to full status as a shareholder, including any intervening preemptive rights, dividends, or distributions at any time prior to acceptance under sec. 578(f).

Sec. 576(f) requires the dissenting shareholder to submit the share certificates for which payment is claimed to the corporation, which must then impress the certificates with a legend to the effect that they are subject to

corporate purchase. A shareholder who fails to submit shares within the specified time limits creates an option in the corporation to defeat the dissenter's rights otherwise conferred by this chapter.

COMPARISON WITH THE FINAL DRAFT OF THE RMBCA: The ACC provisions on dissenters' rights are substantively similar with those of the RMBCA. Where the ACC differs from the RMBCA, it usually has followed the New York Act or former Alaska provisions (which were based on the MBCA). The RMBCA itself "basically adopts the New York formula as to exclusivity of the dissenters' remedy ..." See RMBCA Official Comment to sec. 13.02.

RMBCA sec. 13.21 contains the requirement that a shareholder objecting to the proposed organic change submit written notice of his objection prior to the meeting of shareholders at which the vote on the proposal is taken. Further, this section also requires that a dissenting shareholder must not vote in favor of the action. RMBCA sec. 13.22 requires the corporation to provide dissenters with a written notice explaining what the dissenters must do to perfect their status. Unlike the ACC, the RMBCA requires the corporation to issue a "dissenters' form" that each dissenter must complete and return under sec. 13.24 in order to perfect the demand for payment.

Section .578 OFFER AND PAYMENT TO DISSENTING SHAREHOLDERS; CIRCUMSTANCES WHERE PROHIBITED

ORIGIN: ACC Section .578 is drawn from Section 623(g) of the NYBCL and Section 13.25 of the RMBCA. Under the New York formulation, the corporation's initial obligation was to tender only 80% of what it deemed to be the fair valuation of the dissenters' shares. The ACC adopts the Revised Model Act's requirement for a tender of 100% of that amount, a requirement new to Alaska law.

SUMMARY OF COVERAGE: Under this section, the corporation is obligated to make a written offer to pay each dissenter what the corporation estimates to be the fair value of such shares. The ACC adopts the rationale of the Official Comment to RMBCA sec. 13.25: "This obligation to make immediate payment is based on the view that since the person's rights as a shareholder are definitely terminated with the completion of the transaction, he should have immediate use of the money to which the corporation agrees it has no further claim. A difference of opinion over the total amount to be paid should not delay payment of the amount that is undisputed." The tender of advance payment of the corporation's estimate of fair value must be accompanied by advice that acceptance of the advance payment does not constitute a waiver of the shareholder's right to contest the fair value. However, a shareholder who fails to make a

written objection within a specified time limit is conclusively deemed to have agreed to the corporation's fair valuation.

Section 578(g) provides that if the corporation's total obligation to pay all dissenting shareholders would result in violation of statutory restraints upon distributions (ACC sections 358, 360, 363, 365, or 375), then the corporation is forbidden to make any payment. Thus, the ACC subordinates the rights of dissenting shareholders to creditors. This section proceeds to spell out what the corporation must do to notify shareholders of its inability to pay, explain to shareholders their options (either to withdraw their election to dissent or affirm their election and become creditors of the corporation, subordinated in interest to other corporate creditors), and make payment to dissenters at the point in time where payment can be made without violation of restraints upon distribution.

COMPARISON WITH THE FINAL DRAFT OF THE RMBCA: The ACC follows RMBCA sec. 13.25 in creating an obligation in the corporation to pay 100% of what the corporation estimates to be the fair valuation of dissenters' shares. The RMBCA, like existing Alaska law, is silent on the obligation of a corporation which could not make payments to dissenting shareholders without so debilitating its assets as to become irresponsible to its creditors. Thus, ACC sec. 578(g) follows the New York Act in clearly subordinating the rights of dissenting shareholders to corporate creditors.

Section .580 ACTION TO DETERMINE VALUE OF SHARES UPON FAILURE TO ACCEPT CORPORATE OFFER

ORIGIN: ACC sec. 580 is drawn from Section 623 of the NYBCL as amended, and replaces former AS 10.05.426 and 456. These former provisions of Alaska law did not contain the provisions designed to consolidate all dissenters and the corporation into one forum with a single litigation concerning "fair value." Former AS 10.05.456 also did not contain provision on costs and expenses, nor did it deal with the issue of payments to dissenters in violation of restraints upon distributions.

SUMMARY OF COVERAGE: If the corporation fails to make the offer required by sec. 578(a), or if the shareholder rejects it within the 30 day period specified in (f) of that section, sec. 580(a) sets the stage for a single judicial proceeding in which the fair value of the shares will be ascertained and all remaining dissenting shareholders will be bound. The initial obligation to commence this judicial proceeding is on the corporation; should it refuse or fail to initiate the proceeding, any dissenting shareholder may then proceed in the name of the corporation. All shareholders who have rejected the corporate offer are made parties to the

proceeding. The task of the court is defined in sec. 580(c). Under sec. 580(d), the judgment of the court shall include allowance for interest. Sec. 580(e) provides for the norm that each party shall bear its own expenses, but that the court is empowered, under prescribed guidelines, to apportion and assess any or all of the costs, expenses, and fees against either the shareholders or the corporation.

Finally, sec. 580(g) provides that unless payment should violate the restraints upon distribution made applicable by sec. 578(g), the corporation must pay dissenting shareholders within 60 days the fair price as determined by the court.

COMPARISON WITH THE FINAL DRAFT OF THE RMBCA: RMBCA Section 13.30 parallels ACC sec. 580(a)-(d). Under the RMBCA, if the corporation does not file for a judicial determination of fair value within the time proscribed, it is automatically obligated to pay the shareholder the amount demanded. The strategy of the ACC for coping with this eventuality is to grant to any dissenting shareholder the right to commence the judicial proceeding and then bind all shareholders to that single determination by assertion of quasi-in-rem jurisdiction of the superior court.

RMBCA Section 13.31 parallels ACC sec. 580(e) permitting the court to assess the costs associated with the determination of fair value.

Section .582 STATUS OF SHARES ACQUIRED FROM DISSENTING SHAREHOLDERS

ORIGIN: ACC Section .582 is predicated upon MBCA Section 81, and consolidates AS 10.05.429 and .462, with the substituted reference to "reacquired" for "treasury" shares.

SUMMARY OF COVERAGE: ACC Section .582 establishes that shares purchased from dissenters may be used by the surviving corporation as reacquired shares, except that in the case of merger or consolidation, they may be held and disposed of as the plan may otherwise provide.

COMPARISON WITH THE FINAL DRAFT OF THE RMBCA: It would appear that the RMBCA has failed to include an express provision comparable to former MBCA Section 81. Under RMBCA sec. 6.31, a corporation is generally empowered to acquire its own shares, which shares become authorized but unissued shares.

ARTICLE 9. DISSOLUTION

Section .605 VOLUNTARY DISSOLUTION BY VOTE, WRITTEN CONSENT OF SHARES, OR ELECTION OF THE BOARD

ORIGIN: Dissolution is to a corporate entity what death is to a natural person. As with the provisions respecting the articles and bylaws, amendments and organic change, the protection of the interests of shareholders and creditors and the imposition of duties of care and loyalty upon directors and officers are addressed in the ACC provisions governing dissolution. Article 9 carefully distinguishes between two fact patterns which are united only in the conclusion that the corporation ceases to exist. The distinction is predicated upon whether the decision to dissolve is that of a majority of the shareholders, or whether that result is inflicted upon the corporation by judicial decree because of the valid contention of a minority of shareholders or the commissioner that the continued existence of the corporate entity is intolerable. If majority consent is the key, the dissolution is said to be "voluntary." If the life of the corporation is to be taken as a consequence of gross abuse of the minority or persistent and serious flaunting of the state's regulation, then corporate termination is "involuntary."

The ACC provisions on voluntary dissolution reflect substantial modification of prior Alaska law and follow the format and content of the California General Corporation Law. However, the California model proved unacceptable as a basis for most of the provisions respecting involuntary dissolution where the decision was made to pattern the proposed code after the Model Business Corporation Act and historic Alaska statutes. Notwithstanding, certain innovations from the GCL have been engrafted onto the involuntary provisions and are noted in the official comments to the specific sections.

ACC Section .605 is an adapted version of GCL Section 1900, and a consolidation of AS 10.05.465, .474, and .477. This section differs from Alaska law insofar as it curtails the role of the board in initiating and approving a plan of voluntary dissolution.

SUMMARY OF COVERAGE: ACC Section .605 places the decision to voluntarily dissolve a functioning corporation with the shareholders. Under the ACC, the board of directors is given no role in either proposing or passing upon the decision to voluntarily dissolve. Thus, the shareholders initiate the proposal, and must cast at least a two-thirds affirmative vote of the shares in order to approve the plan. Alternatively, unanimous written consent of the franchised shares

will eliminate the need for a noticed meeting. Three exceptions, where the board does possess the power to voluntarily dissolve, are: (1) where the corporation has been adjudged bankrupt, (2) the corporation has no assets and a history of having transacted no business for the preceding five years, or (3) where the corporation is still-born having issued no shares.

COMPARISON WITH THE FINAL DRAFT OF THE RMBCA: The RMBCA also distinguishes between voluntary and what is termed "judicial dissolution." A third category, "administrative dissolution" is a specie of involuntary dissolution worked by the state as a consequence of corporate failure to comply with applicable law. The ACC classifies such administrative procedures as a specie of involuntary dissolution. Aside from this basic similarity, there are distinctions between the two codes which will be detailed in the following section by section analysis.

RMBCA Section 14.02 differs significantly from the ACC Section .605/California philosophy on voluntary dissolution. Under the RMBCA the shareholders have the power to initiate and effectuate the decision to voluntarily dissolve only if they can act unanimously under Section 7.04. In all other instances they must depend upon the board of directors to initiate a proposal to voluntarily dissolve the entity. In the absence of a provision in the articles requiring a greater vote, the board's proposal is approved if ratified by a majority of the shares.

RMBCA Section 14.01 makes the initial board or incorporators competent to dissolve a corporation which is still born having neither issued shares nor transacted business.

Section .608 CERTIFICATE OF ELECTION: CONTENTS, SIGNING, VERIFICATION AND FILING

ORIGIN: ACC Section .608 derives from GCL Section 1901, and consolidates AS 10.05.468, .474, .480, and .483 (MBCA Sections 82(b), 83(b), 84(b), and 85).

SUMMARY OF COVERAGE: ACC Section .608 imposes upon the corporation the requirement that it file with the commissioner a certificate of election to dissolve, the content of which is specified. This section works only minor changes in the signing, verifying, and filing procedures as found in current Alaska law.

COMPARISON WITH THE FINAL DRAFT OF THE RMBCA: RMBCA Section 14.03 is substantially in accord with ACC Section .608 substituting the term "articles of dissolution" for the "certificate of dissolution."

Section .610 CERTIFICATE OF REVOCATION OF ELECTION: CONTENTS, SIGNING, VERIFICATION, AND FILING

Section .613 EFFECT OF CERTIFICATE OF REVOCATION OF ELECTION

ORIGIN: ACC Section .610 is an adapted version of GCL 1902, which consolidates MBCA Sections 88,89, and 90, and AS 10.05.492 through .504.

ACC Section .613 is substantially a reenactment of AS 10.05.507, based upon MBCA Section 91.

SUMMARY OF COVERAGE: ACC Section .610 permits a corporation to revoke an election to wind up and dissolve prior to the distribution of any assets, and upon approval of the same power as made the initial decision to voluntarily dissolve. The provision that no assets be distributed prior to revocation of election to dissolve is the most important change wrought by Section .610, and is crucial in protecting the interests of creditors and senior shares as provided in ACC Sections .358 through .365. The contents and procedure for filing a certificate of revocation of election are specified.

Effectiveness of the certificate of revocation of election is contingent upon inspection, filing, and return of a duplicate original by the commissioner. Until that time, the corporation is deemed to be in the process of dissolution.

COMPARISON WITH THE FINAL DRAFT OF THE RMBCA: RMBCA Section 14.04 also permits a corporation to revoke the decision to dissolve by the same authority who made the initial decision to dissolve. The California and ACC condition that there have been no distribution of corporate assets under the aborted plan to dissolve is, unfortunately, not reflected in Section 14.04. Instead, it merely requires that the election to revoke the dissolution occur within 120 days of the date on which articles had been delivered to the secretary of state. The consequence of an effective revocation of the dissolution election under RMBCA Section 14.04(d) and (e) is identical to ACC Section .613.

Section .615 COMMENCEMENT AND CONDUCT OF VOLUNTARY PROCEEDINGS FOR WINDING UP; CESSATION OF BUSINESS; NOTICE

ORIGIN: ACC Section .615 is adapted from GCL Section 1903, and replaces AS 10.05.486 and .489(1) (MBCA Sections 86 and 87). The express provisions for board powers during winding up and the limited circumstances in which the corporation may continue normal business activities during winding up are new to Alaska law.

SUMMARY OF COVERAGE: Under ACC Section .615, "dissolution" is the decision to terminate the corporate existence. The actual steps which effectuate that decision are termed "winding up". Those steps begin and become obligatory upon electing to dissolve. In an important break with older statutes, winding up (the marshalling of all corporate assets, payment of all creditors and distribution of any net assets to share-

holders) is not vested in court appointed receivers, but is the responsibility of the board of directors.

A decision to dissolve the entity dramatically affects the real authority of the board. No longer may it continue pursuit of the original corporate business or purpose(s). Instead, it is to wind up the corporate affairs, file the articles of dissolution (ACC Section .620) and in so doing terminate the corporate existence (ACC Section .625). It is the goal of the statute that voluntary dissolution can, and typically will, be accomplished without the expense and inconvenience of judicial intervention by the elected representatives of the shares.

COMPARISON WITH THE FINAL DRAFT OF THE RMBCA: 14.05 is functionally identical to ACC Section .615.

Section .618 JUDICIAL SUPERVISION OF WINDING UP; PETITION AND NOTICE; ORDER PROTECTING SHAREHOLDERS AND CREDITORS

ORIGIN: ACC Section .618 is an adapted version of GCL Section 1904, broadening the coverage of AS 10.05.489(3) (which was based upon MBCA Section 87).

SUMMARY OF COVERAGE: ACC Section .618 creates standing in the corporation, a five percent shareholder(s), or three or more creditors to petition the superior court to assume jurisdiction over the winding up of the corporation which has elected to voluntarily dissolve. The assumption of jurisdiction is discretionary with the court. The standing in the shareholders and creditors is new to Alaska law.

COMPARISON WITH THE FINAL DRAFT OF THE RMBCA: RMBCA Section 14.30(4) attains only one of the prudential safeguards achieved by ACC Section .618. Under Section 14.30(4) the corporation is given standing to have its voluntary dissolution continued under court supervision. The official comment (14-38) explains that such a step may be "appropriate to permit the orderly liquidation of the corporate assets and to protect the corporation from a multitude of creditors' suits or suits by dissatisfied shareholders. Unfortunately, those creditors and shareholders are given no standing to invoke such a petition, a standing which is recognized under ACC Section .618.

Section .620 ARTICLES OF DISSOLUTION: CONTENT

Section. 623 FILING OF ARTICLES OF DISSOLUTION

Section .625 EFFECT OF CERTIFICATE OF DISSOLUTION

ORIGIN: ACC Section .620 is taken from GCL Section 1905, and replaces AS 10.05.510, which was modeled after MBCA Section 92.

ACC Sections .623 and .625 are reenactments of AS 10.05.513 and .516, based upon MBCA Section .93.

SUMMARY OF COVERAGE: Upon completion of the winding up process, a corporation is to file articles of dissolution, whose content and filing procedure are specified.

ACC Sections .623 and .625 establish a procedure whereby the articles are filed, processed by the commissioner, and a certificate of dissolution is issued. The issuance of the certificate terminates the existence of the corporation except for certain purposes.

COMPARISON WITH THE FINAL DRAFT OF THE RMBCA: The RMBCA contains no comparable coverage. The official comment to RMBCA Section 14.03 (14-9) makes it clear that the "articles of dissolution" are comparable to the ACC's certificate of dissolution and merely stipulate the procedure whereby the decision to voluntarily dissolve was achieved. The continuation of the corporate existence after dissolution is thought by the framers of the tentative draft a sufficient protection for corporate creditors and holders of shares with a liquidation preference. Such a notion was rejected in California and it is with the California precedent that the ACC is aligned.

**Section .628 INVOLUNTARY DISSOLUTION BY VERIFIED COMPLAINT;
FILING; INTERVENTION BY SHAREHOLDER OR CREDITOR**

ORIGIN: ACC Section .628 is predicated upon GCL Section 1800, with the deletion of 1800(d). It replaces AS 10.05.540 through .543, which was based upon MBCA Section 97. Section .628(b)(1), (2), (3), and (4) reenact comparable provisions of AS 10.05.540(1), (2), and (3). Section .628(b)(5) is new and designed to provide relief in what are, fundamentally, incorporated partnerships. Section .628(b)(6) is also new and in combination with subsection (a)(3), permits any shareholder to dissolve a corporation whose terms has expired. Section .628(c) replaces AS 10.05.552. Prior law specified that the joinder of shareholders was not necessary; this principle is implicit in subsection (c) which grants to any shareholder a right of intervention.

SUMMARY OF COVERAGE: ACC Section .628 envisions involuntary dissolution as an adversarial process conducted before a trial court. Section .628(a) provides that a verified complaint may be filed in the superior court by one-half or more of the directors then in office, a shareholder(s) holding shares representing not less than one-third of the common shares, any shareholder if the ground for dissolution is expiration of the period of time for which the corporation was formed, or any person expressly authorized to do so in the articles.

The grounds for involuntary dissolution are specified in Section .628(b). The use of involuntary dissolution to

resolve deadlocks at either the director or shareholder level is evident in Section .628(b)(2) and (3). However, in addition to deadlock, there must be a serious threat to the business or property of the corporate entity. With respect to shareholder deadlock, there must be the further element of a history of futile effort to resolve the impasse.

Section .628(b)(4) sets a specific standard for involuntary dissolution predicated upon the conduct of those in control of the entity. In essence, their pattern of behavior must have risen to such a damaging level as to make their continued exercise of the prerogatives of corporate existence obnoxious to both the minority shareholders and the state. If the corporation is held beneficially by 35 or fewer persons of record, Section .628(b)(5) sets a protection of the rights of the complaining shareholder(s) as a further ground for involuntary dissolution. Finally, under Section .628(d) the definition of shareholder is expanded to include those who hold beneficial interests in shares committed to a voting trust under ACC Section .425.

COMPARISON WITH THE FINAL DRAFT OF THE RMBCA: RMBCA Section 14.30(b) is similar to ACC Section .628(b) in enumerating grounds for involuntary dissolution. However, the standing is limited to a shareholder. By contrast, ACC Section .628(a) would grant standing to one half or more of the directors then in office, a shareholder(s) holding one-third or more of the voting power, and any other person authorized in the articles. The grounds include deadlock at either the shareholder or director level and, like ACC Section .628, require an allegation of a threat to the corporate business and affairs. Oppression, fraud, or illegal conduct by those in control of the corporation is also recognized as a ground for seeking involuntary dissolution. Unfairness toward shareholders is not an enumerated ground and, in another difference from ACC Section .628, there is no ground for utilizing involuntary dissolution proceedings to protect the interests of complaining shareholders in a closely held entity.

RMBCA Section 14.30(3) grants to a creditor standing to seek involuntary dissolution if her claim has been reduced to judgment and the corporation is insolvent. ACC Section .628 does not permit creditors to commence the involuntary dissolution proceeding but would permit a creditor or shareholder to intervene for reasons deemed satisfactory by the trial court.

Section .630 AVOIDING DISSOLUTION BY VERIFIED COMPLAINT;
PURCHASE OF PLAINTIFF'S SHARES; DETERMINATION OF
FAIR VALUE; STAY; APPRAISAL; AWARD; APPEAL;

ORIGIN: ACC Section .630 is a modified version of GCL Section 2000, and is unprecedented in Alaska law.

SUMMARY OF COVERAGE: The proposed code recognizes that the involuntary dissolution of a corporation is a step attended

by serious immediate and general social consequences. In addition to terminating the corporation as an investment vehicle for its beneficial owners, it is eliminated as an employer, competitor and vehicle for distributing goods or services in the market place. Each of these employee and consumer interests make alternatives to dissolution desirable. To accommodate these interests ACC Section .630 establishes two circumstances in which the continued corporate existence may be preserved while at the same time relieving the plight of the plaintiffs who sought involuntary dissolution. First, the corporation may avoid the dissolution by purchasing for cash at fair value the shares owned by the plaintiffs (subject to any contrary provision in the articles). If the corporation elects not to purchase plaintiffs' shares, holders of 50 percent or more of the voting power may do so. Fair valuation is determined on the basis of the liquidation value.

Section .630(b) provides for situations when agreement as to fair value cannot be reached between the purchasing party and the selling party. Upon application to the court and the posting of security for expenses, the court will stay the dissolution proceedings and ascertain the fair value of the shares. Section .630(c) states the procedures which the court and court appointed appraisers shall follow in ascertaining the fair value of the shares. The court is directed to include in its order an alternative decree for the winding up and dissolution of the corporation should the purchasing party fail to pay the amount determined by the appraisers. If the purchasing party wishes to appeal the appraisal, Section .630(d) requires that the purchasing party first pay the appraised value to the moving (selling) party.

COMPARISON WITH THE FINAL DRAFT OF THE RMBCA: Unfortunately for the public interest, the RMBCA contains no contingencies for saving the corporate existence once proceedings for judicial dissolution have been commenced.

Section .633 INVOLUNTARY DISSOLUTION BY THE COMMISSIONER: GROUNDS, PROCEDURE, REINSTATEMENT

ORIGIN: ACC Section .633 is a reenactment of AS 10.05.519 with substantial amendments. It continues the provisions of AS 10.05.519 which modified MBCA Section 94 to substitute involuntary dissolution by administrative process for judicial proceedings inaugurated by the Attorney General. However, the provisions respecting due process rights of the corporation (administrative hearing and trial de novo) are new to Alaska law. AS 10.05.519(h) has been severed from this section and is treated in ACC Section .635.

SUMMARY OF COVERAGE: ACC Section .633 creates discretion in the commissioner to effect an involuntary dissolution by administrative action for specified grounds, subject to an appeal to the superior court. This section provides for notice

to be sent to the corporation, and affords the corporation an opportunity to correct the neglect, omission, delinquency, or noncompliance, or, to request an administrative hearing. The ACC attempts to give the targeted corporation liberal due process in these administrative proceedings. Thus before the decision to administratively dissolve can be carried into effect, the corporation must be accorded a prior hearing to ascertain the presence or absence of the noticed grounds. If the commissioner continues to abide by the original decision to involuntarily dissolve, Section .633(c) grants the corporation an opportunity to appeal to a superior court where the matter will be tried de novo. Section .633(e) establishes a two year period in which a corporation dissolved by the commissioner may be reinstated. Finally, Section .633(g) provides for the non-gratuitous assignment of contract rights by the dissolved corporation, and for counterclaim and set-off to diminish liability to the assignee.

COMPARISON WITH THE FINAL DRAFT OF THE RMBCA: RMBCA Section 14.20 establishes the grounds for administrative dissolution. The list is shorter than that advanced under ACC Section .633 and ignores such Alaska interests as the failure of a control person to comply with the requirement of appointing a registered agent; the protracted failure to fill a vacancy on the board; and, the failure to complete dissolution within two years after filing a certificate of election to voluntarily dissolve. Under the RMBCA administrative dissolution is effected by the secretary of state.

RMBCA Section 14.21 details procedures for administrative dissolution which correspond to ACC Section .633(b). The prior hearing and court appeal rights guaranteed in the ACC are absent from the RMBCA provisions on administrative dissolution. There is no right to a prior hearing before the administrative official in RMBCA Section 14.21. The official comment (14-29) asserts the remarkable premise that grounds will rarely be controverted. Instead of a prior hearing, the corporation must either comply with the administrative demand for correction of the alleged ground or suffer administrative dissolution! The immediate consequence is that it is forbidden to conduct business. In this state of business paralysis, it may now invoke RMBCA Section 14.23 and petition the secretary of state for reinstatement. Only if that is denied can an appeal be taken, under RMBCA Section 14.23(b) to a trial court. Whether a trial de novo can be claimed in that court is left unspecified.

Section .635 COMMISSIONER'S AUTHORITY TO BRING ACTION FOR INVOLUNTARY DISSOLUTION; GROUNDS; RELIEF

ORIGIN: ACC Section .635 paragraphs (a)(1) and (a)(2) are taken from AS 10.05.519, which is based upon Oregon Revised Statutes Section 57.585 and MBCA Section 94. Paragraphs .635,a)(3) and (a)(4) and subsection (b) are taken from GCL Section 1801(a)(1),(3), and (c).

SUMMARY OF COVERAGE: The classical "quo warranto proceeding" where the corporate charter is revoked for serious legal offense is reflected in ACC Section .635. Following a long-standing legislative decision, the state's interest is guarded by the Commissioner of Commerce and Economic Development rather than the Department of Law. ACC Section .635 establishes the commissioner's authority to bring an action for involuntary dissolution in the superior court upon specified grounds. The court may order dissolution or other relief as it considers just and proper, and may appoint a receiver for the winding up or order the board to wind up the corporation under the court's supervision.

COMPARISON WITH THE FINAL DRAFT OF THE RMBCA: RMBCA Section 14.30(a) defines the quo warranto powers recommended in the tentative draft. They do not include the ground that the corporation has seriously violated a statute regulating corporations (ACC Section .635(a)(3)). The power of a court which has assumed jurisdiction over such a proceeding is confirmed in RMBCA Section 14.31(b) in a manner functionally equivalent to ACC Section .635(b).

Section .638 VENUE AND PROCESS FOR COMMISSIONER'S ACTION

ORIGIN: ACC Section .638 is a reenactment of AS 10.05.534, which is modeled after MBCA Section 96.

SUMMARY OF COVERAGE: This section establishes the venue and service of process rules governing suits for involuntary dissolution.

COMPARISON WITH THE FINAL DRAFT OF THE RMBCA: RMBCA Section 14.31(a) covers the venue for such a proceeding which is entrusted to prosecution by the attorney general. The statute does not specify the notice requirements mandated by ACC Section .638.

Section .640 APPOINTMENT OF PROVISIONAL DIRECTOR: DEADLOCK

ORIGIN: ACC Section .640 is predicated upon GCL Sections 308 and 1802.

SUMMARY OF COVERAGE: Where the ground for a complaint for involuntary dissolution is a deadlock in the board (ACC Section .628(b)(2)), Section .640 affords yet another opportunity to save the corporate existence. As an alternative to dissolving the corporation, the court may appoint a provisional director who is neither a shareholder nor a creditor of the corporation. The provisional director has all the rights and powers of a director until the deadlock is broken, or until the director is removed by order of the court or by approval of the outstanding shares. The provisional director

is exempted from secondary liability of directors under ACC Section .488(a).

COMPARISON WITH THE FINAL DRAFT OF THE RMBCA: RMBCA Section 14.31(c) details the ancillary jurisdiction of a court before which a complaint for involuntary dissolution is pending. Such a court has the power to issue injunctions, appoint a receiver or custodian pendente lite, take actions to preserve the corporate assets and carry on the business of the entity until a full hearing can be held. Unfortunately, none of these powers directly or by fair inference, includes the authority to resolve the deadlock at the board level by appointment of a provisional director.

Section .643 APPOINTMENT OF RECEIVER: APPLICATION, HEARING AND NOTICE, SECURITY, QUALIFICATIONS, POWERS, COMPENSATION

ORIGIN: ACC section .643(a) is taken from GCL Section 1803, and is new to Alaska law. Subsection (b) is taken from MBCA Section 99 and reflects the content of AS 10.05.576. Subsection (c) is taken from MBCA Section 98 and AS 10.05.567, with the modification of omitting attorneys fees.

SUMMARY OF COVERAGE: ACC section .643 grants broad powers to a court which has assumed jurisdiction over a complaint seeking involuntary dissolution, to act upon plaintiff's motion for the appointment of a receiver. Unlike AS 10.05.555 through .573, and MBCA Section 98, which uses a "liquidation receiver", the receiver under the ACC serves to preserve the corporation and its business pending a hearing on the complaint for involuntary dissolution. The directors under court supervision, are used to handle the affairs which the Model Act vests in the liquidating receiver.

COMPARISON WITH THE FINAL DRAFT OF THE RMBCA: RMBCA Section 14.32 is similar to ACC Section .643. Since the RMBCA is rather vague on the major premise that the winding up of a corporation is normally committed to the directors, Section 14.32(a) is less clear than ACC Section .643 that the appointment of a custodian should be upon the motion of some shareholder or creditor able to convince the court that the directors cannot be entrusted to marshal and properly apply the corporate assets. A "receiver" under the RMBCA terminology does not act to manage the business and affairs of the corporation but rather acts to liquidate its assets. Under the ACC the term "receiver" embraces both functions for one acting under the authority of ACC Section .643.

Section .645 DECREE FOR WINDING UP AND DISSOLUTION: FURTHER JUDICIAL RELIEF

ORIGIN: ACC Section .645 is new, and based upon GCL Section

1804. This section replaces AS 10.05.537, .546, and .549, which were modeled upon MBCA Section 97.

SUMMARY OF COVERAGE: ACC Section .645 empowers the court hearing a suit for involuntary dissolution under either ACC Section .628 or .633 to decree a winding up and dissolution, or, in a final effort to preserve the social interests advanced by preservation of the corporate existence, issue such less drastic orders, decrees, and injunctions as justice and equity may require.

COMPARISON WITH THE FINAL DRAFT OF THE RMBCA: RMBCA Section 14.33 covers the entry of a decree of dissolution. Unfortunately, it contains no reference to the authority of that court to order alternative relief aimed at the simultaneous resolution of the alleged ground for dissolution while preserving the corporate existence.

Section .648 COMMENCEMENT AND CONDUCT OF INVOLUNTARY PROCEEDINGS FOR WINDING UP; CESSATION OF BUSINESS; NOTICE

ORIGIN: ACC Section .648 is taken from GCL 1805, and replaces AS 10.05.555 and .558, which were based on MBCA Section 98.

SUMMARY OF COVERAGE: This section provides that upon entry of a decree under Section .645, the board is to commence winding up subject to court supervision. Regular business operations are to cease, except where the continuation of business activities is necessary to preserve goodwill or the going-concern value of assets which are to be sold. In the absence of a perfected appeal or stay order, notice is to be given to all shareholders and known creditors and claimants.

COMPARISON WITH THE FINAL DRAFT OF THE RMBCA: RMBCA Section 14.06(b) accords with ACC Section .648 that in the wake of a decree of dissolution the process of winding up and liquidation is to commence. The official comment (14-48) references Sections 14.05, 14.06, and 14.07 which import the provisions on the process of winding up, liquidation and distribution.

Section .650 JURISDICTION OF COURT

ORIGIN: ACC Section .650 is adapted from GCL Section 1806, and replaces AS 10.05.573, .579, .582, and .585, which reflected the content of MBCA Sections 98, 100, 101, and 102.

SUMMARY OF COVERAGE: This section sets forth an extensive list of the ancillary powers and jurisdiction that may be exercised by the superior court. Of particular interest is the power conferred by Section .650(6) for the court to fill any vacancy on the board which the directors or shareholders prove unable to fill. Also of interest is Section .650(7),

which grants extraordinary powers of removal and prohibition from further office holding of any director guilty of dishonesty, misconduct, neglect or abuse of trust in conducting the winding up of the corporation.

COMPARISON WITH THE FINAL DRAFT OF THE RMBCA: 14.31(c) contains a less explicit and expansive list of ancillary powers.

Section .653 CLAIMS AGAINST CORPORATION: COURT AND NON-COURT
DIRECTED WINDING UP; PRESENTATION; NOTICE; PAYMENT;
SECURED CLAIMS; REJECTED CLAIMS

ORIGIN: ACC Section .653 is predicated upon GCL Sections 1807 and 2008, and replaces AS 10.05.579, which was based upon MBCA Section 100.

SUMMARY OF COVERAGE: ACC Section .653 details procedures for settling all claims against the corporation. All claims must be presented within a specified time after which they are barred. This section makes separate provisions for the fate of contingent, unmatured, or disputed claims, or where there is uncertainty or dispute concerning the identity or capacity of the claimant, depending upon whether the winding up is with or without judicial supervision. When assets are reduced to cash, the Commissioner of Revenue is established as a stakeholder, under a provision which ensures that disputes do not leave the commissioner with custody of the assets for an indefinite period of time.

COMPARISON WITH THE FINAL DRAFT OF THE RMBCA: RMBCA Section 14.06 deals with known claims against the dissolved corporation. Like ACC Section .653, it provides for notice to creditors and the establishing of deadlines which, if not met, bar claims. RMBCA Section 14.07 covers unknown claims against the entity. Like ACC Section .653(d) and (f), there is provision for notice by publication. Assets covering the claims of creditors or claimants who cannot be found or who are not competent to receive them are to be deposited, under RMBCA Section 14.40 with the state treasurer.

The above provisions of the RMBCA on voluntary dissolution are made applicable in the case of judicial dissolution by Section 14.33.

Section .655 ORDER DECLARING CORPORATION WOUND UP AND DISSOLVED;
DECLARATIONS; EFFECT; ADDITIONAL ORDERS; DISCHARGE
OF DIRECTORS

ORIGIN: ACC Section .655 is derived from GCL Section 1808, and replaces AS 10.05.585, which was based upon MBCA Section 102.

SUMMARY OF COVERAGE: Upon final settlement of accounts and a determination that the corporation's affairs are in a condi-

tion for it to be dissolved, ACC Section .655 directs the court to make an order declaring the corporation duly wound up and dissolved. This order must specify information regarding provisions for taxes and penalties, known debts and liabilities, and distribution of assets to shareholders. The order must also declare that those conducting the winding up have settled their accounts and that their duties and liabilities are discharged. Upon the issuance of this order, corporate existence ceases.

COMPARISON WITH THE FINAL DRAFT OF THE RMBCA: The RMBCA does not contain an explicit provision covering what, under ACC Section .655, is the last step in the orderly winding up and distribution of corporate assets.

Section .658 FILING OF DECREE OF DISSOLUTION

ORIGIN: ACC Section .658 is a reenactment without change of AS 10.05.588, which was based upon MBCA Section 103.

SUMMARY OF COVERAGE: This section provides the procedure for filing of the decree of dissolution.

COMPARISON WITH THE FINAL DRAFT OF THE RMBCA: Section 14.22(a) of the RMBCA directs that the "clerk of the court shall deliver a certified copy of the decree [of dissolution] to the secretary of state, who shall file it."

Section .660 POWERS AND DUTIES OF DIRECTORS IN DISSOLUTION PROCEEDINGS

ORIGIN: ACC Section .660 is derived from GCL Section 2001, and is new to Alaska law. It replaces AS 10.05.489(2), .564, and .570, which were based respectively on MBCA Sections 87 and 98.

SUMMARY OF COVERAGE: ACC Section .660 is the heart of the reformed framework for utilizing the incumbent directors and officers to conduct both voluntary and involuntary dissolution, a significant change from existing law, which utilizes a "liquidating receiver" appointed by the court. This section enumerates powers and duties of the board. In the event the superior court does not repose confidence in the abilities or fidelity of the incumbent management, it has power under ACC Section .648 to appoint other persons to conduct the winding up.

COMPARISON WITH THE FINAL DRAFT OF THE RMBCA: As previously noted, it seems implicit under the terms of RMBCA Section 14.05 that the reform of utilizing incumbent directors in preference to court ordered authorities to conduct the winding up has been accepted by the framers of the tentative draft.

Section .663 PROCEEDING TO DETERMINE IDENTITY OF DIRECTORS OR TO APPOINT DIRECTORS

ORIGIN: ACC Section .663 is taken from GCL Section 1003. There is no comparable provision in Alaska law or the MBCA.

SUMMARY OF COVERAGE: This section creates a procedure for establishing the identity of those who are to wind up and dissolve the corporation, and to replace those who are unwilling or unable to perform their duties.

COMPARISON WITH THE FINAL DRAFT OF THE RMBCA: This power is not expressly provided in the RMBCA.

Section .665 DISTRIBUTION OF CORPORATE ASSETS AMONG SHAREHOLDERS; WHEN TO BE MADE

ORIGIN: ACC Section .665 is based upon GCL Section 2004. It replaces AS 10.05.489 and .561, which were based upon MBCA Sections 87 and 98.

SUMMARY OF COVERAGE: This section provides for the distribution of remaining assets to shareholders according to their respective rights and preferences once the interests of creditors and other claimants against the corporation have been settled.

COMPARISON WITH THE FINAL DRAFT OF THE RMBCA: RMBCA Section 14.05(a)(4) appears to be the only coverage of this point. It does not settle the issue of the timing of such distributions, an ambiguity which may work to the disservice of creditors.

Section .668 PROVISION FOR PAYMENT OF DEBT OR LIABILITY

ORIGIN: ACC Section .668 is taken from Section 2005 of the GCL. It is without precedent in Alaska law.

SUMMARY OF COVERAGE: ACC Section .668 provides a definition of the concept "adequate provision" for a debt or liability, a concept used extensively throughout Article 9 as a precondition for distributing assets to shareholders when all claims by creditors have not yet been settled.

COMPARISON WITH THE FINAL DRAFT OF THE RMBCA: RMBCA Section 14.05(a)(3) makes a reference to the power to ". . . mak[e] provision for discharging its liabilities." Section 14.40 utilizes the state treasurer as a repository for funds set aside to pay unknown or ineligible creditors or claimants.

Section .670 DISTRIBUTION IN MONEY OR IN KIND; INSTALLMENTS

ORIGIN: ACC Section .670 is taken from GCL Section 2006, and is without precedent in either Alaska law or the MBCA.

SUMMARY OF COVERAGE: ACC Section .670 gives express sanction to distribution schemes which gives shareholders property as opposed to cash. Installment plans are also sanctioned.

COMPARISON WITH THE FINAL DRAFT OF THE RMBCA: The RMBCA contains no coverage other than the general provisions of Section 14.05(a).

Section .673 PLAN OF DISTRIBUTION; ADOPTION; BINDING EFFECT; NOTICE; PAYMENT TO DISSENTING SHAREHOLDERS; ABANDONMENT

ORIGIN: ACC Section .673 is predicated upon GCL Section 2007, and is without precedent in Alaska law.

SUMMARY OF COVERAGE: ACC Section .673 permits the liquidation rights of outstanding shares to be altered to accommodate a plan of distribution of assets other than money upon the approval by the outstanding shares. Class voting is expressly provided. Preferred shares dissenting from the plan may require the corporation to make payment according to their unaltered liquidation preferences. If such dissent and demand prejudices the plan, the board is authorized to abandon the plan without further recourse to shareholders.

COMPARISON WITH THE FINAL DRAFT OF THE RMBCA: The RMBCA does not contain provisions incorporating these powers.

Section .675 RECOVERY OF AMOUNTS IMPROPERLY DISTRIBUTED

ORIGIN: ACC Section .678 is taken from GCL Section 2009, and is new to Alaska law.

SUMMARY OF COVERAGE: Any amount improperly distributed to shareholders may be recovered under Section .675. There is no requirement that shareholders have knowledge of the impropriety of such a distribution. Any recovery from shareholders may not function to alter their rights to share pro rata in the residual assets of the corporation.

COMPARISON WITH THE FINAL DRAFT OF THE RMBCA: RMBCA Section 14.07(d)(2) provides for the liability of shareholders who have received distributed corporate assets to the claims of creditors.

Section .678 CONTINUED EXISTENCE OF DISSOLVED CORPORATIONS; PURPOSES; ABATEMENT OF ACTIONS; DISTRIBUTION OF

OMITTED ASSETS

ORIGIN: ACC Section 678(a) is taken from AS 10.05.594, and is based upon MBCA Section 105. Subsections (b), (c), and (d) are taken from the 1980 amendment to AS 10.05.594 (SB 112).

SUMMARY OF COVERAGE: This section provides that a corporation that has been dissolved may continue to exist for an indefinite period of time for the purpose of winding up its affairs, prosecuting and defending actions by or against it, collecting and discharging obligations, disposing of and conveying its property, and collecting and dividing its assets.

COMPARISON WITH THE FINAL DRAFT OF THE RMBCA: RMBCA Section 14.05(b) contains similar provisions continuing the corporate existence.

ARTICLE 10. FOREIGN CORPORATIONS

Section .705 ADMISSION OF FOREIGN CORPORATION

ORIGIN: ACC Section .705 is a reenactment of AS 10.05.597, which is based upon Section 106 of the MBCA.

SUMMARY OF COVERAGE: ACC Section .705 conditions entry of a foreign corporation for the purpose of transacting business within Alaska. It is intended to exercise to the fullest the police power of the state while respecting the equal protection guarantees made obligatory by the Fourteenth Amendment to the Constitution of the United States.

COMPARISON WITH THE FINAL DRAFT OF THE RMBCA: RMBCA Section 15.01(a) parallels ACC Section .705 in requiring a certificate of authority as a precondition to a foreign corporations ability to transact business within a host state.

Section .708 APPLICATION TO CORPORATIONS NOW AUTHORIZED TO TRANSACT BUSINESS IN THE STATE

ORIGIN: ACC Section .708 is a reenactment without change of AS 10.05.587 and is based upon Section 123 of the MBCA.

SUMMARY OF COVERAGE: ACC Section .708 reflects the determination of the legislature to grant to foreign corporations, irrespective of their date of entry, the equal protections of the laws of Alaska including the imposition of all limitations, restrictions, liabilities, and duties prescribed in the ACC.

COMPARISON WITH THE FINAL DRAFT OF THE RMBCA: RMBCA Section 17.02 parallels ACC Section .708 in extending the provisions of a new corporations code to foreign corporations currently qualified to transact business in the host state.

Section .710 LIABILITY FOR TRANSACTING BUSINESS WITHOUT CERTIFICATE OF AUTHORITY

ORIGIN: ACC Section .710 is a reenactment of AS 10.05.696 and is based upon Section 124 of the MBCA.

SUMMARY OF COVERAGE: In order to enforce the requirement that a foreign corporation obtain a certificate of authority prior to transacting business within Alaska, ACC Section .710

imposes a penalty of up to \$10,000 per year or portion thereof during which such intrastate business was transacted without compliance with ACC Section .705. In addition, such a foreign corporation is made liable for all fees and taxes which would have been paid if there had been full compliance with the ACC.

COMPARISON WITH THE FINAL DRAFT OF THE RMBCA: RMBCA Section 15.02(d) authorizes the imposition of a penalty for transacting business without a certificate of authority.

**Section .713 TRANSACTING BUSINESS WITHOUT CERTIFICATE OF
 AUTHORITY AS BAR TO RIGHT TO SUE**

ORIGIN: ACC Section .713 reenacts AS 10.05.690 and is based upon Section 124 of the MBCA.

SUMMARY OF COVERAGE: Among the disciplinary consequences of a foreign corporation's transaction of business within Alaska without compliance with ACC Section .705 is the denial of its right to maintain any action, suit, or proceeding in Alaska state courts.

COMPARISON WITH THE FINAL DRAFT OF THE RMBCA: RMBCA Section 15.04(a), (b), and (c) creates identical consequences to those set forth in ACC Section .713.

**Section .715 TRANSACTING BUSINESS WITHOUT CERTIFICATE OF
 AUTHORITY NOT AFFECTING CONTRACTS AND RIGHT TO
 DEFEND ACTION**

ORIGIN: ACC Section .715 is a reenactment without change of AS 10.05..693.

SUMMARY OF COVERAGE: ACC Section .715 confines the disciplinary consequences of the transaction by a foreign corporation of intrastate business within Alaska without a certificate of authority to those imposed by the ACC. It does not generate grounds for a contracting party to assail the validity of a contract or transaction with a noncomplying foreign corporation. Finally, although precluded by ACC Section .713 from initiating any action, suit, or other proceeding, a noncomplying foreign corporation is not precluded from defending itself in proceedings commenced by others in Alaska courts.

COMPARISON WITH THE FINAL DRAFT OF THE RMBCA: RMBCA Section 15.02(e) accords with the provisions of ACC Section .715.

**Section .718 ACTIVITIES NOT CONSTITUTING TRANSACTING BUSINESS IN
 THIS STATE**

ORIGIN: ACC Section .718 is a reenactment of AS 10.05.600, and is based upon Section 106 of the MBCA.

SUMMARY OF COVERAGE: Under the interstate commerce clause and common law comity principles, a foreign corporation may engage in certain activities within a state without being required to first obtain a certificate of authority. In an effort to reduce litigation and clarify a murky body of decisional law precedent, ACC Section .718 enumerates activities which a foreign corporation may pursue without the necessity of obtaining a certificate of authority under ACC Section .705.

COMPARISON WITH THE FINAL DRAFT OF THE RMBCA: RMBCA Section 15.01(b) is substantively identical to ACC Section .718.

Section .720 CORPORATE NAME OF FOREIGN CORPORATION

Section .723 ASSUMED CORPORATE NAME

Section .725 CHANGE OF NAME BY FOREIGN CORPORATION

ORIGIN: ACC Section .720 represents a modified content of AS 10.05.606 and is based upon Section 108 of the MBCA.

ACC Section .723(a) is based upon AS 10.05.607 and predicated upon Section 108(c)(12) of the MBCA. wording changes have been made in order to avoid any confusion in coordinating this section with ACC Section .720. Section .723(b) is new and replaces the requirement that a corporation using an assumed name identify its true corporate name in all advertising, contracts, and other legal documents with a scheme whereby any interested party may resort to records maintained by the commissioner which references the actual and assumed names of foreign corporations.

ACC Section .725 reenacts AS 10.05.609, and is based upon Sections 109 of the MBCA.

SUMMARY OF COVERAGE: ACC Section .720 imposes upon foreign corporations seeking a certificate of authority the same limitations with respect to a corporate name which are imposed upon domestic corporations by ACC Section .105.

In order to accommodate a foreign corporation while at the same time vindicating the policies of Alaska law, ACC Section .723 permits a corporation disabled from using its actual name to adopt an assumed name which, if it is permissible under ACC Section .720, is the name under which it elects to do business in Alaska.

ACC Section .725 furthers the policy with respect to permissible and impermissible content of corporate names by providing that a foreign corporation will have its right to transact business suspended were it to adopt an impermissible name.

COMPARISON WITH THE FINAL DRAFT OF THE RMBCA: RMBCA Section 15.06 is functionally equivalent to ACC Sections .720, .723, and .725.

Section .728 APPLICATION FOR CERTIFICATE OF AUTHORITY

Section .730 CONTENTS OF APPLICATION

Section .733 FILING OF APPLICATION FOR CERTIFICATE OF AUTHORITY

ORIGIN: ACC Section .728 is a straight reenactment of AS 10.05.612.

ACC Section .730 is a reenactment of AS 10.05.615 as amended. It is predicated upon Section 110 of the MBCA.

ACC Section .733 is identical to AS 10.05.618 and .621 and is premised upon Section 111 of the MBCA.

SUMMARY OF COVERAGE: ACC Section .728 provides that the foreign corporation's application to do business in Alaska shall be filed with the commissioner.

ACC Section .730 specifies the subject matter and information which must be included in an application for a certificate of authority. Three of the required items are non-uniform: Section .730(5) goes beyond the statement of purpose to require selection from the identification code established under ACC Section .950; Section .730(12) mandates disclosure of the names and address of each alien affiliate; and, Section .730(13) requires that the application state the name and address of any person(s) owning at least 5% of the shares or any class of shares and then disclose the percentage owned by such individuals.

ACC Section .733 specifies that the application shall be on forms furnished by the commissioner.

COMPARISON WITH THE FINAL DRAFT OF THE RMBCA: RMBCA Section 15.01(a) is identical to ACC Section .728. RMBCA Section 15.01(b) is similar to ACC Section .730 with the exception of the three items added by the Alaska legislature and information regarding the capitalization of the applicant.

Section .735 EFFECT OF CERTIFICATE OF AUTHORITY

ORIGIN: ACC Section .735 is a reenactment of AS 10.05.624 and based upon Section 112 of the MBCA.

SUMMARY OF COVERAGE: ACC Section .735 parallels ACC Section .218 by establishing a "bright line" event upon which the authority to transact intrastate business is granted by the State of Alaska.

COMPARISON WITH THE FINAL DRAFT OF THE RMBCA: RMBCA Section 15.05(a) is the functional equivalent of ACC Section .735.

The balance of the RMBCA section contains recitations that in granting a certificate of authority the host state does not intend to meddle in the internal affairs of the foreign corporation.

Section .738 AMENDED CERTIFICATE OF AUTHORITY

ORIGIN: ACC Section .738(a) is a reenactment of AS 10.05.657. Section .738(b) is new and conforms the entire section to MBCA Section 118.

SUMMARY OF COVERAGE: ACC Section .738 obliges a foreign corporation which changes its corporate name or desires to pursue an intrastate purpose in Alaska other than the one(s) set forth in its application for a certificate of authority to obtain an amended certificate as a precondition to effecting such change.

COMPARISON WITH THE FINAL DRAFT OF THE RMBCA: RMBCA Section 15.04 is similar to ACC Section .738 except that there is no interest in the purpose(s) which the applicant corporation proposes to pursue in the host state.

Section .740 POWERS OF FOREIGN CORPORATION

ORIGIN: ACC Section .740 reenacts AS 10.05.603 and is premised upon Section 107 of the MBCA.

SUMMARY OF COVERAGE: Consonant with Alaska's obligation to extend the equal protection of her laws, ACC Section .740 establishes that an authorized foreign corporation shall have the same powers as would a domestic corporation organized for the purposes stated in the application for or amendment to the certificate of authority.

COMPARISON WITH THE FINAL DRAFT OF THE RMBCA: RMBCA Section 15.05(b) is functionally identical to ACC Section .740.

Section .743 REVOCATION OF CERTIFICATE OF AUTHORITY

Section .745 LIMITATIONS ON REVOCATION OF CERTIFICATE OF AUTHORITY

Section .748 ISSUANCE OF CERTIFICATE OF REVOCATION

Section .750 EFFECT OF CERTIFICATE OF REVOCATION

ORIGIN: ACC Sections .743, .745, .748, and 750 are reenactments without change of AS 10.05.675, .678, .681, and .684. They are based upon Sections 121 and 122 of the MBCA.

SUMMARY OF COVERAGE: ACC Sections .743, .745, .748, and .750 authorize, regulate, and determine the effect of a certificate of revocation issued by the commissioner. The power of revocation under Section .743 is similar to the commissioner's power to involuntarily dissolve a domestic corporation under ACC Section .630. The sixty day notice and grace period established by ACC Section .745 is also similar to the procedures limiting the commissioner's power to effect involuntary dissolution. If the certificate of authority is revoked pursuant to ACC Section .748, Section .750 declares that the foreign corporation is no longer authorized to transact intrastate business in Alaska.

COMPARISON WITH THE FINAL DRAFT OF THE RMBCA: RMBCA Section 15.30 stipulates the grounds for revocation. They are similar to those set forth in ACC Section .743, except that the RMBCA lists as a ground for revocation that the foreign corporation has ceased to exist or been involved in an organic change. The ACC adds involvement in an illegal combination in restraint of trade as a ground for revocation. RMBCA Section 15.31(a) and (b) are similar to ACC Section .745 creating a grace period in which the foreign corporation can correct what would otherwise serve as a ground for revocation. This section also comports with ACC Section .748 on the issuance of a certificate of revocation and the effective date at which the authority of the foreign corporation to transact intrastate business ceases.

Section .753 REGISTERED OFFICE AND REGISTERED AGENT OF FOREIGN CORPORATION

Section .758 CHANGE OF REGISTERED OFFICE OR REGISTERED AGENT OF FOREIGN CORPORATION

Section .760 FILING OF STATEMENT OF CHANGE

ORIGIN: ACC Sections .753, .758, and .760 are reenactments without change of AS 10.05.627, .633, and .635. They reflect the content of Sections 113 and 114 of the MBCA.

SUMMARY OF COVERAGE: ACC Sections .753, .758, and .760 parallel Sections .150., 165., and .170 respecting domestic corporations. They oblige authorized foreign corporations to designate both a registered office and a registered agent, govern the change of such office or agent, and establish procedures for notification of the commissioner.

COMPARISON WITH THE FINAL DRAFT OF THE RMBCA: RMBCA Section 15.07 is identical to ACC Section .753 creating the obligation on the part of a foreign corporation to maintain a registered office and agent in the host state. RMBCA Section 15.08 is functionally identical to ACC Sections .758 and .760 respecting the procedures for changing either the agent or office and providing notification to the state.

Section .763 SERVICE OF PROCESS ON FOREIGN CORPORATION

Section .765 SERVICE ON COMMISSIONER

Section .768 RECORDS KEPT BY COMMISSIONER

Section .770 PROCEDURE NOT EXCLUSIVE

ORIGIN: ACC Sections .763, .765, .768, and .770 reiterate the content of AS 10.05.639, .642, and .648. They are based upon Section 115 of the MBCA. They have been modified to accord with the holding of the Supreme Court of Alaska in Northern Supply, Inc. v. Curtiss-Wright Corporation, 397 P.2d 1013 (1965), that the long-arm jurisdiction of the state courts is not dependent upon the statutory criteria requiring a certificate of authority.

SUMMARY OF COVERAGE: ACC Sections .763, .765, .768, and .770 balance the needs of a party desiring to initiate litigation against an authorized foreign corporation in Alaska with the need of that entity to maximize the circumstances in which notice and service of process will be actual as opposed to constructive.

COMPARISON WITH THE FINAL DRAFT OF THE RMBCA: RMBCA Section 15.10 accords with ACC Section .763 in making the registered agent the proper party upon whom service of process may be served in the host state. If a foreign corporation does not designate or maintain a registered agent, Section 15.10(b) differs from the prior provisions of the Model Act and the historic and recommended content of Alaska law. Rather than utilizing the commissioner as an agent of last resort for the service of process, Section 15.10(b) directs the plaintiff to effectuate service by registered or certified mail sent to the address of the foreign corporation at its principal office as shown on the certificate of authority or most recent annual report.

Section .773 AMENDMENT TO ARTICLES OF INCORPORATION OF FOREIGN CORPORATION

ORIGIN: ACC Section .773 is a reenactment of AS 10.05.651. It is predicated upon Section 116 of the MBCA.

SUMMARY OF COVERAGE: ACC Section .773 requires that the commission be noticed of amendments to the articles of foreign corporations which have sought and are enjoying a certificate of authority.

COMPARISON WITH THE FINAL DRAFT OF THE RMBCA: The RMBCA contains no coverage on this point.

Section .775 ORGANIC CHANGE OF FOREIGN CORPORATION

ORIGIN: ACC Section .775 recapitulates the content of AS 10.05.654 and reflects the content of Section 117 of the MBCA with terminology changes to clarify the scope of the section and conform to the style of the ACC.

SUMMARY OF COVERAGE: Whenever an authorized foreign corporation is involved in an organic change (defined in ACC Section .990(26)), notification of the commissioner is to be made by filing a copy of the articles of merger, consolidation, exchange, or reorganization authenticated by the proper authority in the jurisdiction in which it is domesticated.

COMPARISON WITH THE FINAL DRAFT OF THE RMBCA: The only related coverage in the RMBCA is Section 11.07 which requires a foreign corporation to file articles of merger with the secretary if the foreign corporation has merged with a domestic corporation with the foreign corporation as the surviving entity.

Section .778 WITHDRAWAL OF FOREIGN CORPORATION

Section .780 CONTENTS OF APPLICATION FOR WITHDRAWAL

Section .783 FORM OF APPLICATION FOR WITHDRAWAL

Section .785 FILING OF APPLICATION FOR WITHDRAWAL

Section .788 EFFECT OF CERTIFICATE OF WITHDRAWAL

ORIGIN: ACC Sections .778, .780, .783, .785, and .788 reenact AS 10.05.660, .663, .666, .669, and .672. They are based upon Sections 119 and 120 of the MBCA. ACC Section .785 has been restated to observe the consolidation of procedures effected by ACC Section .910.

SUMMARY OF COVERAGE: ACC Sections .778, .780, .783, .785, and .788 provide for the orderly and official withdrawal of a foreign corporation from Alaska. If these procedures are not followed, and the bright line events of ACC Sections .785 and .788 are not observed, the corporation would have a continued liability for taxes and fees.

COMPARISON WITH THE FINAL DRAFT OF THE RMBCA: RMBCA Section 15.20 is identical to ACC Section .778 on the procedure for withdrawal. It differs from ACC Section .780 specification of the contents of the application reflecting the RMBCA's indifference to disclosure of the financial structure of a foreign corporation. The RMBCA does not require the state to prepare a form for the application to withdraw as does ACC Section .783. The other distinctions between 15.20 and ACC Sections .785 and .788 reflect the distinction between uti-

ARTICLE 11. REPORTS, FEES, AND PENALTIES

Section .805 BIENNIAL REPORT OF DOMESTIC AND FOREIGN CORPORATIONS

Section .808 CONTENTS OF BIENNIAL REPORT

Section .811 FILING OF BIENNIAL REPORT

ORIGIN: ACC Sections .805, .808, and .811 are predicated upon AS 10.05.699, .702, and .705 as amended in 1980. These provisions of the Alaska Statutes were based upon MbCA Sections 125 and 126. ACC Section 811(d) is new, and was suggested by the Department of Commerce and Economic Development.

SUMMARY OF COVERAGE: ACC Sections .805, .808, and .811 establish an obligation on the part of each domestic and authorized foreign corporation to file a biennial report with the Department of Commerce and Economic Development, thus continuing the policy set by the 1980 legislature.

COMPARISON WITH THE FINAL DRAFT OF THE RMBCA: RMBCA Section 16.22 differs from ACC Section .808 in three particulars. It would require an annual as opposed to biannual report. That report would not include identification of alien affiliates or of control persons. The requirements for timely filing are similar in both provisions as is the opportunity for correction with incursion of penalties for tardy filing.

Section .813 FILING NOTICE OF CHANGE OF OFFICERS, DIRECTORS, FIVE PERCENT SHAREHOLDERS, AND ALIEN AFFILIATES

ORIGIN: ACC Section .813 is predicated upon AS 10.05.706 as enacted in 1980.

SUMMARY OF COVERAGE: This section reflects the intense concern of the state that it be informed as to the identity of current officers, directors, five percent shareholders, and alien affiliates.

COMPARISON WITH THE FINAL DRAFT OF THE RMBCA: The RMBCA contains no provision on this important issue.

Section .815 PENALTY FOR FAILURE TO FILE BIENNIAL REPORT

ORIGIN: ACC Section .815 is predicated upon AS 10.05.77i as

amended in 1980, which was based upon MBCA Section 135.

SUMMARY OF COVERAGE: ACC Section .815 imposes a sanction applicable to any failure or refusal to file a biennial report required by this chapter, employing a strict liability standard.

COMPARISON WITH THE FINAL DRAFT OF THE RMBCA: The RMBCA does not appear to contain a provision dealing with the consequences of late filings. The official comment (16-30) observes ". . . failure to file the annual report. . . is a ground for administrative dissolution or revocation of the certificate of authority to transact business."

Section .818 INTERROGATORIES BY COMMISSIONER; JUDICIAL PROCEEDING TO CONTEST

ORIGIN: ACC Section .818(a), (b), and (c) is predicated upon AS 10.05.777 and Section 137 of the MBCA. Subsection (d) is modeled after AS 45.52.210(f).

SUMMARY OF COVERAGE: ACC Section .818 grants broad powers to the commissioner to utilize interrogatories reasonably necessary to ascertain compliance with or violations of this Chapter. Subsection (d) permits either a corporation or an individual to challenge judicially the method, scope, or confidentiality of the interrogatory.

COMPARISON WITH THE FINAL DRAFT OF THE RMBCA: For unexplained reasons, the RMBCA has abandoned this useful practice.

Section .820 CONFIDENTIALITY OF INFORMATION DISCLOSED BY INTERROGATORIES

ORIGIN: ACC Section .820 is a reenactment of AS 10.05.780, and is based upon MBCA 138.

SUMMARY OF COVERAGE: This section exempts the answers to interrogatories from the disclosure requirements of AS 09.25.110 and .120, which provide that state agency records are public records unless specifically provided otherwise by state law. ACC Section .820 specifically provides otherwise.

COMPARISON WITH THE FINAL DRAFT OF THE RMBCA: Since, in contravention of former Model Act policy, the RMBCA does not provide for administrative interrogatories, it contains no provision making answers confidential.

Section .823 FAILURE TO ANSWER INTERROGATORIES

ORIGIN: ACC Section .823 combines provisions of AS

10.05.783, .786, and .777, which were predicated upon Sections 135, 136, and 137 of the MBCA. No substantive change is worked in existing Alaska law.

SUMMARY OF COVERAGE: ACC Section .823 provides that any corporate or natural person who fails or refuses to make a timely, full, and truthful answer to interrogatories shall be guilty of a misdemeanor. Further, the commissioner does not have to file any document to which the interrogatories relate until they have been properly answered.

COMPARISON WITH THE FINAL DRAFT OF THE RMBCA: The RMBCA contains no coverage on this point.

Section .825 PENALTIES IMPOSED UPON OFFICERS AND DIRECTORS

ORIGIN: ACC Section .825 represents a modification of AS 10.05.786 as amended in 1980. AS 10.05.786 was predicated upon MBCA Section 136.

SUMMARY OF COVERAGE: ACC Section .825 goes beyond Section .823, to impose further misdemeanor consequences upon any officer or director who signs any articles, statement, report, application, or other document filed with the commissioner, the content of which is known to be false.

COMPARISON WITH THE FINAL DRAFT OF THE RMBCA: RMBCA Section 1.29 contains a generic provision on the consequences a knowingly signing a false statement which is to be filed with the state. It must be customized by the adopting jurisdiction.

Section .828 INCORPORATION OR FILING FEES

ORIGIN: ACC Section .828 is a modified version of AS 10.05.708 (Section 130 of the MBCA) as amended in 1980. The provision fixing a filing fee for non-stock corporations organized under AS 21.69 is new, and designed to coordinate the specific provisions of Chapter 21 with the general cross reference to Chapter 10.05.

SUMMARY OF COVERAGE: ACC Section .828 establishes a filing fee for both domestic and foreign corporations doing business in Alaska, and fixes in the Department of Commerce and Economic Development the power to set the amount by regulation, with the mandate that the fee be fixed with reference to the amount of authorized capital stock of the corporation. The authority of the department is further subject to the provision of Section .860, which limits increases in fees to an amount that does not exceed the rise in the consumer price index for Anchorage.

COMPARISON WITH THE FINAL DRAFT OF THE RMBCA: RMBCA Section 1.22(a) recommends that the legislature set filing, service

and copying fees. ACC Section .828 grants authority to the commissioner to set the fees within legislatively prescribed limits tied to the cost of living index. Under the RMBCA, adjustment for inflation or deflation would have to be accomplished by way of legislative amendment.

Section .830 FEES ON APPOINTMENT OR REVOCATION OF APPOINTMENT

ORIGIN: ACC Section .830 is a redrafting without substantive change of AS 10.05.714, which was based upon MBCA Section 128.

SUMMARY OF COVERAGE: ACC Section .830 provides that when a foreign corporation files with the department a certificate of appointment of a process agent, or the change of address of a process agent, it shall pay a fee established by regulation.

COMPARISON WITH THE FINAL DRAFT OF THE RMBCA: See comparison of features noted under ACC Section .828.

Section .833 FEES AND PENALTIES PAYABLE ON WITHDRAWAL OF FOREIGN CORPORATION

Section .835 FEES ON DISSOLUTION OF DOMESTIC CORPORATION

Section .838 TAXES, PENALTIES, AND FEES ON FILING CERTIFICATE OF DISSOLUTION OF FOREIGN CORPORATION

Section .840 FEES FOR CERTIFIED COPIES OF DOCUMENT

Section .843 OTHER FILING FEES

ORIGIN: ACC Sections .833, .835, .838, .840, and .843 reenact without substantive change AS 10.05.750, .753, .756 (which were based upon MBCA Section 128), .762 (which was based upon MBCA Section 119), and .747, all as amended in 1980.

SUMMARY OF COVERAGE: ACC Sections .833 through .843 establish the indicated occasions for the imposition of fees, which are to be determined by the department of Commerce and Economic Development, subject to Section .860's cost of living ceiling.

COMPARISON WITH THE FINAL DRAFT OF THE RMBCA: See comparison of features noted under ACC Section .828.

Section .845 BIENNIAL CORPORATION TAX; PENALTY FOR NONPAYMENT

Section .848 FAILURE TO PAY TAX OR MAKE REPORT AS PRECLUDING

SUIT BY CORPORATION

Section .850 COMMISSIONER TO INSTITUTE SUITS TO COMPEL PAYMENT

Section .853 FAILURE TO PAY TAX AS EVIDENCE OF INSOLVENCY

Section .855 PAYMENTS TO BE MADE IN ADVANCE

Section .858 ACCOUNTING FOR AND DISPOSITION OF TAXES AND FEES

ORIGIN: ACC Sections .845 through .858 represent modifications and reenactments of AS 10.05.717, .720, .723, .726, 765, and .768. In turn, these provisions were predicated upon MBCA Sections 132, 133, and 134. ACC Section .850 substitutes the Commissioner of the Department of Commerce and Economic Development for the Attorney General as the official to commence suit to compel the payment of the biennial corporation tax.

SUMMARY OF COVERAGE: ACC Sections .845 through .858 impose on both domestic and foreign corporations doing business in Alaska a biennial corporation tax, and fix the consequences for failure to make payment of such tax.

COMPARISON WITH THE FINAL DRAFT OF THE RMBCA: As noted, the RMBCA does not address the issue of penalty consequences for failure to observe reporting requirements. The recommended fee structure is very rigid with adjustments necessitating legislative amendment.

Section .860 INCREASE IN FEES

ORIGIN: ACC Section .860 is a reenactment of AS 10.05.773, as enacted in 1980.

SUMMARY OF COVERAGE: ACC Section .860 explicitly limits increases in fees authorized throughout this Chapter to a ceiling reflecting changes in the consumer price index for Anchorage as determined by the Bureau of Labor Statistics of the United States Department of Labor.

COMPARISON WITH THE FINAL DRAFT OF THE RMBCA: There is no RMBCA provision on this point.

Section .863 APPEAL FROM REVOCATION OF CERTIFICATE OF AUTHORITY

ORIGIN: ACC Section .863 is a reenactment without change of AS 10.05.792, which was based upon MBCA Section 140.

SUMMARY OF COVERAGE: ACC Section .863 authorizes recourse to the superior court to contest any disapproval of any document or revocation of any certificate of authority. Upon compliance with the procedures set out in this section, the ap-

plicant is entitled to a trial de novo, and the court is empowered to take such action as is proper.

COMPARISON WITH THE FINAL DRAFT OF THE RMBCA: RMBCA Section 1.26 provides for judicial review of an administrative refusal to file a document. The official comment (1-27) makes it clear that the RMBCA does not take a position on either the burden of proof, scope or nature of the review. ACC Section .863 resolves these issues.

Section .865 CANCELLATION OF CERTIFICATES ISSUED AND FILINGS ACCEPTED

ORIGIN: ACC Section .865 is a reenactment with one change of AS 10.05.794 as enacted in 1980. The change makes clear that the ground for cancellation must be one that existed at the time of the original filing or issuance of the certificate.

SUMMARY OF COVERAGE: ACC Section .865 gives the commissioner a period of one year from the time which a document is filed to discover defects and act upon them. If the defect is a ground for refusal to issue the certificate or refusal to accept a filing and the discovery is made within one year, the commissioner is empowered upon proper notice and procedure to cancel the certificate issued or filing accepted.

COMPARISON WITH THE FINAL DRAFT OF THE RMBCA: The RMBCA does not contain an explicit provision on this important question. It is possible that the general powers provision (RMBCA Section 1.30) might be aggressively interpreted to invoke this power.

Section .868 FORMS TO BE FURNISHED BY THE COMMISSIONER

ORIGIN: ACC Section .868 is a reenactment without change of AS 10.05.798, and is based upon MBCA Section 142.

SUMMARY OF COVERAGE: This section grants the commissioner the right to prescribe the content of forms for any report required by this Chapter. It also obligates the commissioner to furnish appropriate forms for required reports and other documents. This provision is sought to serve both the convenience of persons attempting to comply with the act as well as facilitating the record keeping efforts of the state.

COMPARISON WITH THE FINAL DRAFT OF THE RMBCA: RMBCA Section 1.21 grants administrative authority to prescribe and furnish forms but, unlike ACC Section .868, does not oblige the state to create such forms.

Section .870 IDENTIFICATION CODE

ORIGIN: ACC Section .870 is a reenactment without change of AS 10.05.799, which was enacted in 1980.

SUMMARY OF COVERAGE: This section requires the commissioners of the Departments of Revenue and of Commerce and Economic Development to establish a coded list of business activities and make such list available to the public.

COMPARISON WITH THE FINAL DRAFT OF THE RMBCA: Reflecting its character as a statute designed for the needs and interests of no particular jurisdiction, the RMBCA contains no provision on this important Alaska effort.

ARTICLE 12. MISCELLANEOUS PROVISIONS

Section .905 VOTING OF SHARES; QUORUM; STATUS OF DISQUALIFIED SHARES

ORIGIN: ACC Section .905 is taken from GCL Section 112, and is without precedent in Alaska law.

SUMMARY OF COVERAGE: This section defines the references to a "majority of shares" found throughout the ACC to mean a majority of shares entitled to vote under the articles of incorporation. Votes disqualified from voting are not to be considered "outstanding" for determining a "quorum" or a "majority."

COMPARISON WITH THE FINAL DRAFT OF THE RMBCA: The RMBCA contains no explicit provision defining the terms "majority" or "majority of shares."

Section .910 PROCESSING OF WRITINGS FILED WITH THE COMMISSIONER

ORIGIN: ACC Section .910 consolidates without substantive change in one provision matters covered in AS 10.05.081, .258, .288, .303, .321, .339, .357, .402, .468, .483, .504, 513, .621, and .669.

SUMMARY OF COVERAGE: ACC Section .910 establishes a uniform procedure whereby the commissioner reviews and processes reports and documents which have been filed with the department.

COMPARISON WITH THE FINAL DRAFT OF THE RMBCA: RMBCA Section 1.25(a) and (b) seeks to accomplish the same uniform treatment of reports and documents submitted for filing.

Section .915 DISAPPROVAL OF WRITING BY COMMISSIONER: APPEAL

ORIGIN: ACC Section .915 is a reenactment without change of AS 10.05.792, and is based upon MBCA Section 140.

SUMMARY OF COVERAGE: ACC Section .915, like Section .663, authorizes a trial de novo in the superior court for purposes of contesting the disapproval of any document or the revocation of any certificate of authority.

COMPARISON WITH THE FINAL DRAFT OF THE RMBCA: RMBCA Section 1.25(c) requires that a refused document be returned with a

written explanation. RMBCA Section 1.26 establishes a right to seek judicial review although, as noted, it does not specify the standard of review or burden of proof.

Section .920 WRITINGS; CORRECTIONS

ORIGIN: ACC Section .920 is derived from NBCL Section 105.

SUMMARY OF COVERAGE: ACC Section .920 provides procedures for correcting minor mistakes without affecting the effective date in writings which have been filed. Major omissions and misinformation may not be corrected by this procedure.

COMPARISON WITH THE FINAL DRAFT OF THE RMBCA: RMBCA Section 1.24 is functionally identical to ACC Section .920.

Section .925 WRITINGS AS EVIDENCE

ORIGIN: ACC Section .925 is adapted from NBCL Section 106. The language in .925(a) regarding the absence of a filing is new. The remainder of subsection (a) is similar to AS 10.05.795, which was based upon MBCA Section 141.

SUMMARY OF COVERAGE: ACC Section .925 specifies that certain writings and certifications by the commissioner of the absence of a writing are to be regarded as prima facie evidence of the facts stated in the writings and the execution or nonexecution thereof.

COMPARISON WITH THE FINAL DRAFT OF THE RMBCA: RMBCA Section 1.27 creates a far more limited evidentiary value for writing filed with the state. The certificate of filing merely creates a conclusive evidentiary presumption that the original of the document has been filed. Nothing is created by way of evidentiary presumptions concerning the content of such writings.

Section .930 CORPORATE SEAL AS EVIDENCE

ORIGIN: ACC Section .930 is predicated upon NBCL Section 107, and is without precedent in Alaska law.

SUMMARY OF COVERAGE: ACC Section .930 treats the presence of a corporate seal on a writing as prima facie evidence that the writing was executed by authority of the corporation.

COMPARISON WITH THE FINAL DRAFT OF THE RMBCA: RMBCA Section 1.27 fails to establish this evidentiary quality respecting the use of the corporate seal.

Section .935 WAIVER OF NOTICE

ORIGIN: ACC Section .935 is a reenactment of AS 10.05.804, which was based upon MBCA Section 144.

SUMMARY OF COVERAGE: This section provides that a written waiver of notice, whether executed before or after the time stated for notice, is to be accepted as the equivalent of giving notice in any situation where notice to a director or shareholder is required.

COMPARISON WITH THE FINAL DRAFT OF THE RMBCA: RMBCA Section 7.05(a) is functionally identical to ACC Section .935.

ARTICLE 13. GENERAL PROVISIONS

Section .950 POWERS OF COMMISSIONER

ORIGIN: ACC Section .950 is a reenactment without change of AS 10.05.813, and is based upon MBCA Section 139.

SUMMARY OF COVERAGE: ACC Section .950 grants broad though nonsubstantive administrative authority to the Commissioner of the Department of Commerce and Economic Development. The limited authority of the Commissioner to adopt regulations is set forth in ACC Section .953.

COMPARISON WITH THE FINAL DRAFT OF THE RMBCA: RMBCA Section 1.30 is identical to ACC Section 950 except that it refers to the secretary of state.

Section .953 REGULATIONS

ORIGIN: ACC Section .953 is a redrafting of AS 10.05.823, which was enacted in 1980.

SUMMARY OF COVERAGE: ACC Section .953 is a restrictive grant of rulemaking authority to the commissioner and Department of Commerce and Economic Development. This rulemaking authority must be exercised in conformity with the Administrative Procedure Act (AS 44.62), and may be invoked only as specifically provided in this Chapter.

COMPARISON WITH THE FINAL DRAFT OF THE RMBCA: The RMBCA contains no comparable provision restricting either the substance or limiting the procedures to be employed in administrative rule making.

Section .955 APPLICATION

ORIGIN: ACC Section .955 subsection (a) is a modified version of NBCL Section 103, and replaces AS 10.05.816, which was based upon MBCA Section 147. Subsection (b) is a modified version of GCL Section 102(b), and replaces AS 10.05.816, which was based upon MBCA Section 147. This section supplements AS 01.10.100.

SUMMARY OF COVERAGE: ACC Section .955 makes the ACC applicable to domestic corporations formed under AS 10.05, and to foreign corporations to the extent provided generally in Article 10 and expressly elsewhere. Subsection .955(b) pro-

vides that the existence of corporations formed under existing law is not affected. Subsection .955(c) provides that enactment of the ACC does not affect pre-enactment legal disputes.

COMPARISON WITH THE FINAL DRAFT OF THE RMBCA: RMBCA Section 17.01 extends the application to domestic corporations while RMBCA Section 17.02 accomplishes the extension to foreign corporations authorized to transact business in the host state.

Section .958 PROVISIONS CONSTRUED AS RESTATEMENTS AND CONTINUATION

ORIGIN: ACC Section .958 is taken from GCL Section 2.

SUMMARY OF COVERAGE: Much of the ACC represents a reenactment of existing Alaska law, either verbatim or with minor changes to conform with ACC usage and style. ACC Section .958 construes these reenactments as restatements and continuations of existing law.

COMPARISON WITH THE FINAL DRAFT OF THE RMBCA: The RMBCA does not contain this useful transaction and application section.

Section .960 CORPORATIONS ORGANIZED UNDER P. L. 92-203

ORIGIN: ACC Section .960 is a reenactment of AS 10.05.005, with the addition of subsection (d) which exempts Native corporations from the provisions of ACC Section .488 on the liability of directors and officers. AS 10.05.005 was enacted in 1972 and amended in 1975 and 1981.

SUMMARY OF COVERAGE: Under the Alaska Native Claims Settlement Act, P.L. 92-203, either the general business corporations code or the nonprofit corporations code of the State of Alaska is to be used to organize the entities which are to hold the assets distributed through ANCSA. Due to the special nature of these corporations and the federal requirement that the corporate form be used, the ACC contains a variety of special provisions tailored to Native corporations. ACC Section .960 provides for the capitalization of Native corporations, distributions to shareholders, approval of plans of merger or consolidation, and the liability of directors and officers to contract claimants.

COMPARISON WITH THE FINAL DRAFT OF THE RMBCA: The RMBCA contains no provisions accomplishing discrete treatment of corporations formed under the Alaska Native Claims Settlement Act.

Section .963 SEVERABILITY

ORIGIN: ACC Section .963 is taken from NBCL Section 111. It supplements the provisions of AS 01.10.030.

SUMMARY OF COVERAGE: ACC Section .963 provides that the ACC will not be struck down as a whole on account of the invalidity of any provision in it.

COMPARISON WITH THE FINAL DRAFT OF THE RMBCA: RMBCA Section 17.04 contains a severability provision similar to ACC Section 963.

Section .965 RESERVATION OF POWER

ORIGIN: ACC Section .965 is based upon AS 10.05.822, MBCA Section 149, and NBCL Section 110.

SUMMARY OF COVERAGE: This section reserves unto the legislature the plenary right to alter, amend, suspend, or repeal in whole or in part the provisions of the ACC.

COMPARISON WITH THE FINAL DRAFT OF THE RMBCA: RMBCA Section 1.02 contains a reservation of power clause similar to ACC Section 965.

Section .968 SIGNATURE

ORIGIN: ACC Section .968 is derived from GCL Section 17, and is new to Alaska law.

SUMMARY OF COVERAGE: This section specifies that a mark is a signature when the signer cannot write and the signer's name is written out by a witness who signs his own name.

COMPARISON WITH THE FINAL DRAFT OF THE RMBCA: The RMBCA does not contain a provision anticipating the needs of citizens who cannot write.

Section .970 RULES OF CONSTRUCTION AND INTERPRETATION

ORIGIN: ACC Section .970 is derived from GCL Sections 5, 6, 7, 8, 113, 114, 118, 10, 11, 12, 13, 15, and 16 respectively, and are all new to Alaska law.

SUMMARY OF COVERAGE: ACC Section .970 sets out basic rules of construction to be applied to the ACC, to obviate the possibility of litigation on a variety of topics susceptible of differing interpretations and to specify the handling of financial accounting procedure. Of particular interest is subsection (5) on financial accounting. The ACC has abandoned the traditional corporate accounting concepts of "par

value", "stated capital", "capital surplus", and "earned surplus." These concepts have been replaced by the "retained earnings" and "ratio assets surplus" tests found in ACC Sections .358 through 365. This new approach relies upon generally accepted accounting principles in use at the time of performance of a financial accounting task.

COMPARISON WITH THE FINAL DRAFT OF THE RMBCA: The RMBCA contains no comparable specification of rules of construction and interpretation.

Section .990 DEFINITIONS

ORIGIN: ACC Section .990 is derived from existing Alaska law, typically based upon a definition from the MBCA Section 2, or the GCL. The following chart indicates specific sources:

1. NEW
2. AS 10.05.825(18) enacted 1976
3. AS 10.05.825(22) enacted 1980
4. GCL Section 151
5. GCL Section 152
6. GCL Section 153
7. AS 10.05.825(5)
3. AS 10.05.825(9)
9. GCL Section 155
10. AS 10.05.825(1)
11. GCL section 159
12. AS 10.05.825(19) enacted 1976
13. AS 10.05.825(2)
14. AS 10.05.825(17)
15. AS 10.05.825(3)
16. GCL Section 164
17. GCL Section 166
18. GCL Section 169
19. AS 10.05.825(24) enacted 1980
20. AS 10.05.825(4)
21. GCL Section 115
22. GCL Section 172
23. AS 10.05.825(11)
24. GCL Section 173
25. GCL Section 174
26. NEW
27. GCL Section 175
28. NEW
29. AS 10.05.825(20) enacted 1976
30. GCL Section 175
31. GCL Section 173
32. GCL Section 179
33. GCL Section 180
34. NEW replacing AS 10.05.825(14)
35. GCL Section 133
36. AS 10.05.825(8)

37. AS 10.05.825(6)
38. NEW
39. AS 10.05.825(7)
40. GCL Section 189
41. GCL Section 190
42. GCL Section 192
43. AS 09.63.040
44. GCL Section 194
45. GCL Section 195
46. NEW

COMPARISON WITH THE FINAL DRAFT OF THE RMBCA: RMBCA Section 1.40 contains a twenty-four item list of definitions.

Section .995 SHORT TITLE

ORIGIN: ACC Section .995 replaces AS 10.05.828.

SUMMARY OF COVERAGE: The title of the chapter regulating the organization and operation of business corporations will be changed from "Alaska Business Corporations Act" to "Alaska Corporations Code", which will facilitate distinctions between the old and the new law.

COMPARISON WITH THE FINAL DRAFT OF THE RMBCA: RMBCA Section 1.01 designates a generic short title.

PART II.

COMPARISON CHARTS

CROSS REFERENCING THE ALASKA CORPORATIONS CODE,
THE ALASKA BUSINESS CORPORATIONS ACT - AS 10.05, AND
THE 1984 REVISED MODEL BUSINESS CORPORATION ACT

A section by section comparison of the proposed Alaska Corporations Code (ACC) with the Alaska Business Corporations Act (ABCA), AS 10.05 and the 1984 Revised Model Business Corporation Act (RMBCA). N = No comparable provision.

<u>ACC</u>	<u>ABCA</u>	<u>RMBCA</u>
ARTICLE 1.		
.005	.003	3.01(a)
.010	.009	3.01(b)
.015	.018	3.04
.020	N	N
.025	N	N

ARTICLE 2.		
.105	.021	4.01
.110	.024	4.02
.115	.027	4.02
.120	.030	4.02
.125	.033	4.03
.130	.034	4.03
.135	.036	4.03
.140	.039	4.03
.145	.042	4.03
.150	.045	5.03
.155	.791	N
.160	.048	N
.165	.051	5.02
.170	.054	5.03
.175	.057	5.04

ARTICLE 3.		
.205	.252	N
.208	.255	N
.210	.255	N
.213	.258	N
.215	.259	N
.218	.810	2.03
.220	.810	2.04
.223	.267	2.05
.225	N	2.05(2)
.228	.135	10.20
.230	.135	2.06
.233	.237 - .249	N

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ARTICLE 4.

.305	.060, .069	6.01
.308	.063	6.02
.310	.066	6.03
.313	.069	6.03
.315	.072	6.03
.318	.075	6.03
.320	.078	6.03
.323	.084	6.03
.325	N	6.01(d)
.323	.087	6.20(a)
.330	.090	6.20(c)
.333	.093	6.20(d), (e)
.335	.096	6.21
.338	.099	6.21
.340	.102	6.21
.343	N	6.24
.345	.111	6.23
.348	.114	6.25
.350	.117	6.25
.353	.120	N
.355	.123	6.04
.358	.204(1), .012	6.40
.360	.201	6.40
.363	.207(4)	6.40
.365	.207(3)	6.40
.368	N	N
.370	N	N
.373	.204(5)	6.23
.375	N	6.40
.378	N	8.33(b)(2)
.380	.207(5)	N
.383	N	N
.385	N	6.31
.388	.312 - .345	6.31
.390	.108, .366	N

ARTICLE 5.

.405	.138	7.01, 7.02, 7.03
.408	.144	7.07, 7.05(c)
.410	.141	7.05
.413	.147, .150	7.20
.415	.153	7.25
.413	.159, .168	7.22
.420	.156 - .168	7.21, 7.14, 7.23
.423	.807	7.04
.425	.171	7.30, 7.31

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.428
 .430
 .433
 .435
 .438

.129
 .237 - .249
 N
 N
 .125

6.30
 7.20, 16.01, 16.02, 16.03
 16.20, 16.21
 7.40
 6.22

ARTICLE 6.

.450
 .453
 .455
 .458
 .460
 .463
 .465
 .468
 .470
 .473
 .475
 .478
 .480
 .483

 .485
 .488
 .490

.174, .222, .219
 .177, .180, .183
 .186
 N
 N
 N
 .189
 .195
 .198
 .192
 .199
 N
 .216, .225
 .228, .231

 .213
 N
 .010

8.01, 8.30
 8.03, 8.04, 8.05
 8.06
 N
 8.08
 8.08
 8.10
 8.25
 8.22, 8.23
 8.24
 8.20, 8.21
 8.31
 8.33
 8.40, 8.41, 8.42,
 8.43, 8.44
 8.32
 N
 8.51, 8.54, 8.52,
 8.53, 8.55, 8.56, 8.57

ARTICLE 7.

.502
 .504
 .506
 .508
 .510
 .512
 .514
 .516
 .518
 .520
 .522
 .524
 .526

.270, .273
 .276
 .282, .279
 N
 .285
 .288
 .291
 .294
 .303
 .306
 N
 N
 N

10.01
 10.05, 10.02, 10.03
 10.04
 7.27
 10.06
 10.06
 10.09
 10.07
 10.07
 10.07
 10.07
 10.07
 10.08
 10.08
 10.08

ARTICLE 8.

.530

.375

11.01, 11.02

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.532	.378	11.01, 11.02
.534	.381	11.01, 11.02
.536	.384	11.01, 11.02
.538	N	11.01, 11.02
.540	N	11.01, 11.02
.542	N	N
.544	N	11.03, 13.20(a)
.546	.390	N
.548	.393	11.03(i)
.550	.396	11.05
.552	.402	11.05
.554	N	11.04
.556	N	11.04
.558	N	11.04
.560	.405	11.06
.562	.408, .411, .414	11.07
.564	.250	N
.566	.435	12.01
.568	.438	12.02
.570	.441	12.02
.572	.444	12.02
.574	.417 - .432	13.02
	.447 - .462	
.576	N	13.20 -- 13.24
.578	.423, .453	13.25, 13.28
.580	.426, .456	13.30, 13.31
.582	.429, .462	N

ARTICLE 9.

.605	.465, .474, .477	14.02, 14.01
.608	.468, .474, .480,	14.03
	.483	
.610	.492 - .504	14.04
.613	.507	14.04
.615	.486, .489(1)	14.05
.618	.489(3)	14.03(4)
.620	.510	N
.623	.513	N
.625	.516	N
.628	.540 - .543, .552	14.30
.630	N	N
.633	.519	14.20, 14.21, 14.23
.635	.519	14.30, 14.31
.638	.534	14.31
.640	N	14.31(c)
.643	.576, .567	14.32
.645	.537, .546, .549	14.33
.648	.555, .558	14.05, 14.06, 14.07

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.650	.573, .579, .582	14.31(c)
	.585	
.653	.579	14.06, 14.07, 14.40, 14.33
.655	.585	N
.658	.588	N
.660	.489(2), .564, .570	14.05
.663	N	N
.665	.489, .561	14.05(a)(4)
.668	N	14.05(a)(3), 14.40
.670	N	14.05(a)
.673	N	N
.675	N	14.07(d)(2)
.678	.594	14.05(b)

ARTICLE 10.

.705	.597	15.01(a)
.708	.687	17.02
.710	.696	15.02(d)
.713	.690	15.04
.715	.693	15.02(e)
.718	.600	15.01(b)
.720	.606	15.06
.723	.607	15.06
.725	.609	15.06
.728	.612	15.01(a)
.730	.615	15.01(b)
.733	.618, .621	15.01
.735	.624	15.05(a)
.738	.657	15.04
.740	.603	15.05(b)
.743	.675	15.30
.745	.678	15.31
.748	.681	15.31
.750	.684	15.31
.753	.627	15.07
.758	.633	15.08
.760	.635	15.08
.763	.639	15.10
.765	.642	N
.768	.645	N
.770	.648	N
.773	.651	N
.775	.654	N
.778	.660	15.20
.780	.663	15.20
.783	.666	N
.785	.669	15.20
.788	.672	15.20

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ARTICLE 11.

.805	.699	16.22
.808	.702	16.22
.811	.705	16.22
.813	.706	N
.815	.771	N
.818	.777	N
.820	.780	N
.823	.783, .786, .777	N
.825	.786	1.29
.828	.708	1.22(a)
.830	.714	1.22(a)
.833	.750	1.22(a)
.835	.753	1.22(a)
.838	.756	1.22(a)
.840	.762	1.22(a)
.843	.747	1.22(a)
.845	.717	N
.848	.720	N
.850	.723	N
.853	.726	N
.855	.765	N
.858	.768	N
.860	.773	N
.863	.792	1.26
.865	.794	N
.868	.798	1.21
.870	.799	N

ARTICLE 12.

.905	N	N
.910	.081, .258, .288,	1.25
	.303, .321, .339,	
	.357, .402, .468,	
	.483, .504, .513,	
	.621, .669	
.915	.792	1.25, 1.26
.920	N	1.24
.925	.795	1.27
.930	N	1.27
.935	.804	7.05(a)

ARTICLE 13.

.950	.813	1.30
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