

ing Ch. 108, SLA 1957; repealing Sec. 65-7-8, ACLA 1949; and providing for an effective date.

(H.B. 394)

Be it enacted by the Legislature of the State of Alaska:

Section 1. Ch. 108, SLA 1957, is amended to add a new Section 2A to read:

Sec. 2A. Whoever conveys into or about the yard or grounds of any jail or institution any disguise, material, instrument, tool, weapon, or other thing adapted to or useful in aiding any person or prisoner there committed or detained to escape, with intent to effect or facilitate the escape of such person or prisoner, or by any means whatever aids or assists any such person or prisoner

in an attempt to escape, whether such escape be effected or attempted or not, shall upon conviction thereof be punished as provided in Section 2 of this Act, depending upon whether the custody or confinement of the person intended to be aided is by virtue of extradition or arrest, charge of, or conviction of felony or misdemeanor as therein specified.

Sec. 2. Sec. 65-7-8, ACLA 1949, is repealed.

Sec. 3. This Act takes effect on the day after its passage and approval or on the day it becomes law without such approval.

Approved April 3, 1962

CHAPTER 52

AN ACT

Relating to the Alaska State Development Corporation; amending Ch. 135, SLA 1961; and providing for an effective date.

(S.B. 290)

Be it enacted by the Legislature of the State of Alaska:

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

Article I

Creation and Organization

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

Section 1. **Alaska State Development Corporation.** The Alaska state development corporation is a public corporation of the state. The corporation is an instrumentality of the state within the Department of Commerce, but has a legal existence independent of and separate from the state.

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

Sec. 2. **Board of Directors Governing Body.** The corporation board of directors shall conduct the business of the corporation.

Sec. 4. Subsec. b, Sec. 3, Art. I, Ch. 135, SLA 1961, is amended to read:

Sec. 3. **Appointment and Composition of Board.** (a) The board consists of the commissioner of commerce and six residents of the state. Members of the board are appointed by the governor and they serve at his pleasure. Membership on the board is on a nonpartisan basis with due regard to representation from all areas of the state. At least one member shall be appointed from each major senate district if, in the opinion of the governor, a qualified person resides in the district. One-half of the appointed members must be active in the banking business and the other half must be from the other professions, but shall have extensive knowledge of financial matters.

(b) The appointment of members to the board must be confirmed by the legislature meeting in joint session. A member may act and receive compensation from his appointment until his confirmation or rejection by the legislature.

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

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

Sec. 4. **Term of Office.** The term of office for an appointed member of the board is three years. The term of office expires on February 1 of each year. Upon initial appointment, two members serve for one year, two members serve for two years, and two members serve for three years. A member appointed by the governor to fill a vacancy serves for the unexpired term of the member he succeeds.

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

Sec. 5. **Conflict of Interests.** Upon appointment and during his term of office, a board member shall declare privately in writing to the governor and the board any financial or business interest he has which might conflict with the public nature of his membership on the board. If there is a serious conflict, the board may ask him to abstain from decisions resulting in a conflict or to resign from the board. A loan or contract of the corporation which is otherwise valid is not invalid because of a personal interest of a board member in it if the interest is declared and the board member abstains from decisions pertaining to the loan or contract.

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

Sec. 6. **Officers.** At the first regular meeting of every odd-numbered year, the board shall meet and elect from among its members a president, a vice president, a secretary, and a treasurer. The president also serves as chairman of the board. The vice president shall preside in the absence of the president.

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

Sec. 7. **Compensation and Expenses.** Members of the board receive no salary, but are entitled to per diem and travel expenses authorized by law for other boards.

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

Sec. 8. **Legal Adviser.** The attorney general is the legal counsel for the corporation. He shall advise the corporation in legal matters and represent it in suits.

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

Sec. 9. **Public Board Meetings.** The meetings of the board are public except meetings to discuss and pass on loan applications.

Sec. 10. **Quorum and Notice of Meetings.** Four members, which may include the commissioner of commerce, constitute a quorum for the transaction of business unless the bylaws require a larger number, except that notice of a meeting of the board must be given to each member.

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

Sec. 11. **Minutes of Meetings.** The board shall keep minutes of each meeting and send a certified copy to the governor.

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

Sec. 12. **Executive Vice President.** The board may employ an executive vice president to manage the corporation. He must be professionally trained and experienced in the performance of his duties. His selection is subject to the approval of the governor. The executive vice president may not have any financial or business interest that might conflict with the management of the corporation in the best public interest. The board may delegate powers and duties to the executive vice president.

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

Sec. 13. **Employees' Bonds.** The corporation shall bond its employees. The amount of a bond is determined by the board.

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

Article II

Powers and Duties

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

Sec. 20. **Powers.** (a) The corporation may

(1) exist continuously as a corporation;

(2) adopt a seal;

(3) adopt bylaws and regulations governing the business of the corporation;

(4) sue and be sued;

(5) appoint officers, employees, trustees for certificate holders, and agents, and prescribe their powers and duties;

(6) make contracts and execute instruments necessary or convenient in the exercise of its corporate powers;

(7) make loans in participation with financial institutions, and establish and regulate the terms of the loans;

(8) acquire by purchase, lease, bequest, devise, gift, the satisfaction of debts, or the foreclosure of mortgages, and hold, maintain, use, operate, and convey real or personal property;

(9) borrow money and issue secured and unsecured evidence of indebtedness for a corporate purpose or fund, refund, pay, or discharge outstanding obligations, and enter agreements and contracts concerning these obligations;

(10) secure the payment of its obligations by pledge or mortgage or other lien on its contracts, revenues, income, or property, except that it may not incur secondary liability by guaranty or endorsement of the obligations of another corporation or legal entity, except endorsement of checks, bank drafts, or other commercial paper in the ordinary course of business;

(11) accept grants on loans from and contract with the federal government, the state, or its political subdivisions, and to that end comply with the provisions of federal, state, or local programs when necessary;

(12) lease, alienate, and dispose of property;

(13) acquire, hold, and dispose of stocks, memberships, contracts, bonds, or other interests in another corporation or legal entity, and exercise the powers or rights in connection with these interests which are provided in contracts or

agreements and which are allowed by law concerning the satisfaction of debts;

(14) do what is necessary to carry out the powers granted by this Act or other acts of the Alaska legislature, or the laws and regulations of the federal government.

(b) The corporation may not pledge the credit or the taxing power of the state or its political subdivisions. The state and its political subdivisions are not liable for the debts of the corporation.

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

Sec. 21. **Annual Report.** Before December 1 of each year, the board shall submit to the governor and the legislature a comprehensive report describing the operations, fiscal transactions, financial condition, and future plans of the board. The governor may prescribe the form of the report.

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

Sec. 22. **Annual Audits.** (a) The board shall have its financial records audited annually. The legislative auditor shall conduct the annual audit. If an audit conducted by a certified public accountant is satisfactory in the judgment of the legislative auditor, it may be accepted instead of the state audit. The legislative auditor may prescribe the form and content of the financial records of the board and may have access to these records at any time.

(b) The state bank examiner shall examine the records of the corporation at least annually.

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

Sec. 23. **Loan Advisory Committees.** The board may establish loan advisory committees in the different regions of the state. Members of these committees serve without compensation or per diem. Each committee shall make recommendations to the board and advise it generally.

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

Sec. 24. **Location of Offices.** The principal office of the corporation is at the

state capital. The board may establish offices at other locations in the state.

Sec. 20. The title to Article II, Ch. 135, SLA 1961, is amended to read:

Article III

Financial Provisions

Sec. 21. Sec. 20, Art. II, Ch. 135, SLA 1961, is amended to read:

Sec. 30. **Initial Capital.** Appropriations and loans from the state general fund necessary for the initial operation of the corporation are authorized.

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

Sec. 31. **Debenture Certificates.** (a) The corporation may issue three classes of negotiable debenture certificates as provided by this section.

(b) "Class A certificates" shall be issued as evidence of indebtedness of the corporation either through private or public sales. The maximum principal amount of class A certificates that may be sold is \$15,000,000. Class A certificates are backed by the full resources and credit of the corporation, and take priority in the payment of principal and interest to class B and C certificates. Class A certificates shall be sold at a price which results in an effective interest rate over the life of the certificates of not more than five percent a year and upon other terms set by the board, except that the class A certificates outstanding at any time may not exceed five times the principal amount of class B certificates outstanding.

(c) "Class B certificates" shall be issued as evidence of indebtedness of the corporation either through private or public sales. The maximum principal amount of class B certificates that may be sold is \$3,000,000. Class B certificates are backed by the full resources and credit of the corporation and take priority in the payment of principal and interest to class C certificates. Class B certificates shall be sold at a price which results in an effective interest rate over the life of the certificates of not more than six percent a year and upon other terms set by the board.

(d) "Class C certificates" shall be

accepted by a borrower of funds from the corporation at the time of a development loan instead of cash in an amount equal to five percent of the loan. Class C certificates mature not later than the outstanding class B certificates mature. The board determines the rate of interest earned by class C certificates. The corporation shall deposit the funds represented by the class C certificates in a time deposit account. The funds represented by class C certificates are a reserve for loan losses. The funds shall not be drawn unless the corporation first exhausts the reserve funds provided by Secs. 37 and 38 of this Act. Class C certificates shall not be issued when corporate money is invested in accordance with Secs. 40 and 43 of this Act.

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

Sec. 32. **Legal Opinion.** The corporation shall provide a legal opinion from a recognized private source concerning class A and B certificates.

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

Sec. 33. **Availability of Annual Report.** The annual report of the corporation shall be made available without cost to a certificate holder.

Sec. 25. Subsec. d, Sec. 21, Art. II, Ch. 135, SLA 1961, is amended to read:

Sec. 34. **Certificates as Legal Investments.** The certificates of the corporation are legal investments and may be accepted as security for all fiduciary, trust, and public funds of the state and its political subdivisions.

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

Sec. 35. **Commencement of Loan Activities.** The corporation may not commence its loan activities until it has received at least \$1,500,000 from the sale of class A and B certificates. Before the receipt of this \$1,500,000, funds received from the sale of class A and B certificates shall be held in trust.

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

Sec. 36. **General Fund.** The corporation shall maintain a general fund. Income received from loans and invest-

ments, and advances or loans from the state shall be credited to the fund. Expenses of the corporation, including interest payments on class A, B, and C certificates, and repayments of advances or loans from the state shall be charged to this fund.

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

Sec. 37. **Principal Reserve Fund.** The corporation shall maintain a principal reserve fund. The board shall determine the amounts, sources, and application of principal reserve funds to the amortization of class A and B certificates. No sinking or amortization fund may be created for class B certificates until an amount equal to the total principal amount of the three largest annual maturities on the class A certificates is set aside to secure the payment of class A certificates. Surplus money may be transferred to the development loan fund.

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

Sec. 38. **Loan Loss Reserve Fund.** The corporation shall maintain a loan loss reserve fund. Each year the board shall credit a sum equal to one-fourth percent of all outstanding loans to the fund. Loan losses shall be charged to the loan loss reserve fund. If a loan loss charged to the fund is recovered, it shall be credited to the loan loss reserve fund. Money in the general fund exceeding the estimated expenses of the following fiscal year shall be transferred to the loan loss reserve fund.

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

Sec. 39. **Development Loan Fund.** The corporation shall maintain a development loan fund. Money not required by other funds shall be credited to the development loan fund. Loans by the corporation shall be charged to the development loan fund.

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

Sec. 40. **Investments by Corporation.** (a) The corporation shall place money held in the reserve funds in one or more of the following: deposits in banks or trust companies having their principal

places of business in the state; or obligations of the United States, the state, or its political subdivisions if the obligations are secured by the general taxing power of the obligor.

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

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

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

Sec. 41. **Tax Exemption.** Because the purpose of the corporation, as an instrumentality of the state, is to benefit the people of Alaska by increasing their commerce, prosperity, and general well-being, the corporation is exempt from all taxes and assessments in the state. Debenture certificates issued by the corporation, their transfer, and their income are exempt from taxes and assessments.

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

Sec. 42. **Corporate Lending.** (a) The corporation may accept applications for development loans and extend credit on the basis of no greater than 90 percent participation by the corporation and no less than 10 percent participation by a bank.

(b) The corporation and the participating bank shall share the same ratable interest in the collateral securing a loan.

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

Sec. 43. **Short-term Loans.** The corporation may participate with banks in existing, short-term, development loans with its surplus funds on the same basis as provided in Sec. 42 of this Act. The intention of this section is to permit the corporation to use funds not immediately necessary for long-term development

loan purposes and to receive income to meet its financial obligations.

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

Sec. 44. **Corporation's Interest.** The rate of interest charged for the corporation's share of a development loan shall be determined by the board, except that it may not be greater than the legal contract rate of interest as set by state law. The corporation may also charge reasonable loan commitment fees.

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

Sec. 45. **Bank's Rate of Interest.** The participating bank shall fix the rate of interest charged by it. However, the rate of interest may not exceed the legal contract rate of interest prescribed by law.

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

Sec. 46. **Maximum Term of Loan.** The maximum term of a development loan is 20 years. However, a loan may not mature later than the final maturity date of the class A and B certificates outstanding at the time of the loan.

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

Sec. 47. **Application for Loan.** Development loans must be applied for and presented to the corporation for approval through the participating bank.

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

Sec. 48. **Banks' Fees.** (a) The participating bank shall administer the loans and may charge the borrower a reasonable loan fee for this service.

(b) The corporation shall enter into a servicing agreement with a participating bank. The servicing agreement may provide a participating bank with a fee equal to one-quarter of one percent interest on the corporation's share of the loan.

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

Sec. 42. Subsec. i, Sec. 27, Art. II, Ch. 135, SLA 1961, is amended to read:

Sec. 49. **Maximum Amount of Individual Loans.** The corporation may not have more than 10 percent of the principal amount of outstanding class A and B certificates or \$750,000, whichever is less, outstanding at one time to any one borrower. The borrowing of individuals who hold a controlling interest in a borrowing company is added to the debt of the company to determine this limitation.

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

Sec. 50. **General Limitations on Loans.**

(a) In making development loans, the board shall consider the proposed collateral, the integrity and the management ability of the borrower, and the borrower's past and prospective earnings.

(b) Before approving a development loan, the board shall consider the purpose of the loan. The board may make only loans that are economically advantageous to the state and the general public welfare.

(c) The board may make a development loan to a responsible borrower only if other credit is not readily available on reasonable terms. Before granting a development loan, the board shall determine, so far as it is reasonably possible, that the first opportunity to grant the loan is given to banking or financial institutions in the state.

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

Sec. 51. **Regulations for Loans.** The board may adopt regulations for loan policy and procedure, except that a regulation may not conflict with an indenture agreement or a provision of this Act.

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

Sec. 52. **Additional Securities.** The legislature may amend this Act to permit the corporation to issue additional series of securities, except that additional securities may not rely on assets accumulated in connection with the issuance of a previous series of securities, unless the reserves provided by agreements, this chapter, or legislation have been met.

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

Article IV

General Provisions

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

Sec. 60. **Dissolution.** After payment in full of its debentures and other obligations or after depositing in a trust sufficient money to secure the payment of its obligations, the board may dissolve the corporation by the majority vote of its directors. Dissolution is not effective until the legislature confirms it. The effective date of dissolution is the date the legislature confirms the dissolution or a date determined by the legislature at the time of confirmation. Assets remaining after satisfaction of liabilities and obligations of the corporation shall be deposited to the credit of the general fund of the state.

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

Sec. 61. **Purpose.** The purpose of this Act is to create an instrumentality of the state to develop, stimulate, and advance the business prosperity and economic welfare of Alaska and its citizens. This shall be accomplished by providing

critically needed development loans to encourage and assist the wholesome development of new business and industry in Alaska and to rehabilitate and expand existing business and industry. By providing development loans to all types of business activity, whether of an industrial, agricultural, or recreational nature, the economic stability of the state will be strengthened, the employment opportunities of its citizens enlarged, and their standard of living and general welfare enhanced.

Sec. 49. Art. II, Ch. 135, SLA 1961, is amended to add two new sections to read:

Sec. 62. **Definitions.** In this Act

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

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

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

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

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

Approved April 3, 1962

CHAPTER 53

AN ACT

Relating to corporate ownership of shares in banks; repealing and re-enacting Sec. 3.167, Ch. 129, SLA 1951, as amended; and providing for an effective date.

(S.C.S.H.B. 292)

Be it enacted by the Legislature of the State of Alaska:

Section 1. Sec. 3.167, Ch. 129, SLA 1951, as amended by Ch. 194, SLA 1959, and Ch. 139, SLA 1961, is repealed and re-enacted to read:

Sec. 3.167. **Corporate Ownership of Shares in Banks Prohibited.** a. It shall be unlawful for any corporation, foreign or domestic, to purchase or own in any manner whatsoever the capital stock, or

any of it, of any corporation which is subject to this Act; provided that, when it shall become a bona fide necessity to avoid loss for a creditor corporation to accept shares of stock in any such regulated corporation in payment of indebtedness owing to such creditor corporation, such shares of stock may be so accepted, but in all such cases the shares of the regulated corporation shall be disposed of in accordance with regulations of the Commissioner of Com-