

V.

ENACTED LEGISLATION AND COMPLETED PROJECTS

2023-2027 Quadrennium

1. Nonprofit Entities Code Revisions

This act passed in 2023 as Act 2023-503. The Business Entities Committee reviewed the Alabama Nonprofit Corporation Law. In doing so, the Committee recognized that, except for the first steps taken in 2021, the Alabama Nonprofit Corporation Law had become outdated and out of step with the other states and with the Model Nonprofit Corporation Act. The Committee began its work on the Alabama Nonprofit Corporation in 2021 and continued that work throughout the year in 2022. The Committee purposefully included the leading nonprofit lawyers in the State of Alabama and consulted the drafters of the Model Business Nonprofit Act as well as leading lawyers in Delaware regarding their Act.

Features:

- Effective January 1, 2024
- Applies to all nonprofit corporations incorporated on or after that date
- Applies to nonprofit corporations incorporated before that date which elect to be governed by the new law
- Applies to all nonprofit corporations on and after January 1, 2025
- Harmonizes the Alabama Nonprofit Corporation Law with the provisions of Chapters 1 (the “Hub”), 2A (the Alabama Business Corporation Law), 5A (the “Alabama Limited Liability Company Law”), 8A (the Alabama Partnership Law), and 9A (the Alabama Limited Partnership Law) of the Alabama Business and Nonprofit Entity Code.

Major Changes:

- The addition of certain procedures providing for the ratification of defective corporate actions.

- The addition of a requirement that electronic transmission of notices or other communications must be consented to by the recipient under certain circumstances.
- The addition of a provision that authorizes the certificate of incorporation to limit or eliminate the duty of a director or other person to bring a business opportunity to the corporation.
- The addition of a provision that authorizes the certificate of incorporation or bylaws to create an exclusive forum for the adjudication of internal corporate claims.
- The elimination of the requirement that special meetings of members may be called by holders of one-twentieth of the votes entitled to be cast at any such special meeting.
- Action may be taken by members by written consent without a meeting if the consents are signed by members having not less than the minimum number of votes that would be required to take action at a meeting.
- The addition of a provision authorizing the appointment in advance of a members' meeting, of one or more inspectors of election.
- The addition of provisions allowing for the designation, appointment, or approval of directors.
- The elimination of prior restrictions on the power of the board of directors to fix or change the number of directors.
- Revises the requirements regarding a "classified" or "staggered" board of directors.
- Revision of the methods of removing directors.
- Revisions to the standard of conduct for directors and the addition of provisions regarding the standard of liability for directors.
- The addition of a new Article 13, providing for the conversion of another organization to a nonprofit corporation, or a conversion of a nonprofit corporation to another organization.
- The addition of a provision allowing the board of directors to adopt certain amendments to the certificate of incorporation without member approval.
- The reduction in the required member vote on approval of a plan of merger or on certain dispositions of the nonprofit corporation's assets, from two-thirds to a majority.
- The addition of provisions that allow for the certificate of incorporation to provide for a person or group of person to approve certain nonprofit transactions, such as amendment of

the certificate of incorporation, certain dispositions of the nonprofit corporation's assets, and the dissolution, merger and conversion of the nonprofit corporation.

Chapters 1, 2A, 5A, 8A, 9A Changes:

Most of the changes made to Chapters 1, 2A, 5A, 8A, and 9A were made to allow for the proper implementation of Chapter 3A, to conform those chapters to new Chapter 3A, and to clarify certain issues regarding conversions and mergers.

2. Uniform Commercial Code 2022 Amendments

This act passed in 2023 as Act 2023-492. The Uniform Commercial Code (the “UCC”) has long provided reliable commercial law rules for broad categories of transactions such as the sale or lease of goods, secured transactions, and transactions involving negotiable instruments, bank deposits and collections, funds transfers, letters of credit, documents of title, and securities. As the backbone of United States commerce, its adoption in every state (Alabama’s version of the UCC is Title 7 of the Code of Alabama) has allowed the development of strong interstate markets, reducing transaction costs and giving Alabamians confidence in their everyday commercial transactions.

The act incorporates the latest updates from a joint effort of the American Law Institute and the Uniform Law Commission employing a three-year drafting effort using over 350 experts to accommodate newly emerged and still emerging technologies including distributed ledger technology (blockchain). These updates bring Alabama’s UCC statutes into the digital age by providing needed commercial guardrails and delivering legal clarity where existing legal structures presently either inhibit these newly emerging technologies or increase their cost.

Some updates are as follows:

- The amendments promote commercial activity involving new types of property. A new UCC Article 12 deals with a category of intangible digital assets referred to as “controllable electronic records” (“CERs”) such as virtual currencies, non-fungible tokens, and electronic promises to pay. The

amendments provide rules to determine the rights of a person who receives a CER and for the perfection and priority of a security interest in a CER, based on who has control (the power to receive the benefits, prevent others from receiving the benefits, and transferring the benefits) of the CER. The updated law will stimulate economic activity by providing legal certainty to these increasingly common transactions.

- The amendments reduce transaction costs and the cost of credit through uniformity. The UCC has been successful because of its adoption by states on a substantially uniform basis, creating greater certainty and thereby reducing the cost of credit as well as transaction costs. The need for uniformity is especially important to minimize forum shopping for disputes concerning digital assets, which by their nature cross state borders.
- The amendments are narrowly focused to avoid stifling innovation. The UCC amendments only address the rules that govern consensual transactions. They do not regulate the use of CERs, whether as a security or a commodity, address the taxation of CERs, alter the law governing tangible money transmitters, or revise anti-money laundering rules. The regulation of these matters continues to be left to law outside of the UCC.
- The amendments preserve uniformity of state commercial law. Interstate commercial markets developed in the United States because the UCC provided standard default rules to govern transactions between parties in different jurisdictions. Adopting the latest amendments will preserve the uniformity that benefits businesses and consumers in every state.
- The amendments clarify rules for money in electronic form. Some governments and central banks are experimenting with digital currency. The amendments (along with a corresponding amendment to The Alabama Monetary Transmission Act – Ala Code §§8-7a-1 to 8-7a-27) contain clearer rules for transactions involving electronic money than exist under current law, which generally contemplates that money exists only in tangible form, such as bills or coins.
- The amendments update UCC terminology for the digital age. The language of many current UCC rules assumes parties still use paper documents. The amendments ensure that the law applies equally to electronic transactions. For example, “sign” is redefined to include electronic signatures, the term “record”

is substituted for “writing” to encompass electronic documents, and the term “conspicuous” is redefined to apply more broadly to the terms of both paper and electronic documents.

- The amendments apply to future technologies. The new amendments facilitate transactions using distributed ledger technology but are drafted using technologically neutral language, i.e., they are not wedded to any particular technology. Consequently, the updated UCC will accommodate not only technologies known today but also technologies yet to be invented.
- The amendments incorporate existing Alabama law in connection with hybrid transactions and brings clarity to other legal rules. A hybrid transaction is a transaction where services or licenses of information are supplied in connection with the sale or lease of goods. Alabama case law has long followed the predominate purpose test which is now formerly adopted in the amendments. In addition, chattel paper is properly recognized as a right to payment as opposed to the record evidencing the right to payment, the roles of assignee and assignor are clarified, certain ministerial terms within an instrument will not affect the instruments’ negotiability, and images of certain instruments are allowed to be substituted for the instrument in accordance with federal banking regulations.
- The amendments handle conflict of laws issues unique to digital assets. Because digital assets have no physical location, conflict of laws questions often arise. The amendments clear conflict of laws guidance alleviates this concern.
- The amendments include a grace period to preserve pre-established priorities. The amendments contain transition provisions designed to protect the expectations of parties to pre-effective-date transactions. For example, a secured lender who has a priority security interest in collateral under the prior law will retain its priority through a transition period, giving parties to preexisting transactions plenty of time to revise their agreements and if necessary, obtain control to comply with the updated law.
- The amendments are thoroughly vetted. The UCC amendments reflect the efforts of the American Law Institute and the Uniform Law Commission in conjunction with approximately 350 knowledgeable advisors and stakeholder observers who met dozens of times over a three-year period to reach

consensus on updates to this crucial area of state law.

Since the UCC is the law in every state, these amendments are expected to be rapidly adopted in every jurisdiction Alabamians will be doing business.

3. Uneconomic Trust Statute Revisions

This act passed in 2023 as Act 2023-176. Under previous law (Ala. Code §19-3B-414) the trustee of trust property, after notice to the qualified beneficiaries, had been able to terminate a trust having a value of less than \$50,000 without the expense of a judicial termination proceeding if the value of the trust property was insufficient to justify the ongoing cost of trust administration. The trust property was then distributed by the trustee in a manner consistent with the purposes of the trust.

The initial threshold value (\$50,000) has been the same since the statute's inception in Alabama in 2006. Given the significant passage of time and the inevitable effects of inflationary pressures, the initial threshold sum now is impairing the statute's ability to accomplish its economical and beneficent purposes.

Therefore, the Standing Trust Committee of the Alabama Law Institute (ALI) proposed what has already been undertaken in several other states – the raising of the threshold amount to the more workable figure of \$100,000. Additionally, to ensure no further need to adjust this figure with additional amendments, the act ties any future adjustments to the Federal Consumer Price Index (CPI).

With \$100,000 set as the initial amount, the State Treasurer from that point will have the authority to monitor the CPI for the purposes set out in this act and annually publish his/her computation of the value determination as having increased, decreased, or remaining the same. If any increase or decrease produced by the computation is not a multiple of \$100, the increase or decrease shall be rounded up or down for that year to the next multiple of \$100.

4. Alabama Adoption Code

This act passed in 2023 as Act 2023-92. With concern for enhancing the integrity of the system while also modernizing it, the ALI Adoption Committee proposed the first major change to the Alabama Adoption Code in over 30 years.

The act takes into account the need to streamline the process while still maintaining safety and confidentiality. One particular innovation to facilitate the process is the ability of multiple courts handling an adoption matter to communicate and coordinate with one another. The new Code also takes into account technological advances in communications, service/notification procedures, and document transfers.

This act establishes prompt deadlines for action. It also clarifies and specifies expectations upon petitioners regarding qualifications for adoption along with the documentation to be completed and provided to the court.

Some of the updates and innovations in this Adoption Code are as follows:

Court Procedure

- Courts may communicate with one another as in proceedings under the Uniform Child Custody Jurisdiction and Enforcement Act (UCCJEA).
- Allows a juvenile court hearing a contest to transfer the adoption case back to probate court for final dispositional proceedings.
- Adds putative father to the notice list if he has complied with the Putative Father Registry requirements (§ 26-20C-1).
- Adds a grandparent of a deceased parent to the notice list unless there has been a termination of parental rights.
- Enables service by posting if personal service is not successful or available.
- Proof of service must be filed with the court.
- Guardian ad litem fees may be estimated in advance and payable by the petitioner(s) and any contestant(s) proportionately.

- Contempt power for failure to comply with payment of fees awarded.
- Specifies application of the Alabama Rules of Civil Procedure, the Alabama Rules of Evidence, and the Alabama Rules of Appellate Procedure.
- Clarifies that contest and termination orders are final judgments.
- DHR may place the minor child pending investigations, home studies, or subsequent orders of the juvenile court.
- A minor 14 years of age or older may elect to retain his or her current legal name.
- Clarification of jurisdiction added in response to court ruling K.L.R. v K.G.S., 264 So.3rd 65, 69 (Ala. Civ. App. 2018). (This case put in doubt a probate court's ability to enter a protective order in an adoption case).
- Adopts the policy expressed in Ala. Code § 38-7-13 (identification provided only upon biological parent consent/with the court's option available for weighing interests).
- References Ala. Code § 38-7-12 and the ICPC (§§ 44-2-20, et seq.).

Court Records Confidentiality

- Allows for the anonymity of the natural parent where the parent executing the document desires it – also allows for its waiver.
- Sets ground rules and parameters for the confidentiality and sealing of records and procedures to petition for the release of those records.
- Adopts an assumption of confidentiality regarding minor adoption records and an initial assumption of availability of adult adoption records.
- Provides for both in state and out of state confidentiality procedures.

Investigation Facilitation

- Adds to the investigation requirements reference letters, tax returns, or financial worksheets of the petitioner, Adam Walsh Act clearances/letters of suitability, divorce decrees of the petitioners, if any, and agency/social worker licenses.

- Mandates completion of report within 60 days of receipt of the petition notification.
- 120 day/maximum from time the petition and all necessary documentation is filed to the dispositional hearing.
- Scales back the full battery of investigations for stepparents (unless the court thinks they are necessary), but requires at least investigation into suitability of the stepparent and the home place.
- Accelerates requirement of the filing of any investigations (30 days) for stepparents.

Protections Enhanced

- Contains provisions for mandating all protections/procedures in adoption proceedings to remain in place even if the case is transferred to juvenile or circuit court.
- Fraud and subsequent sex abuse convictions added to kidnapping as grounds for post-adoption collateral attack.
- Eliminates the preplacement investigation waiver except for stepparent or relative.
- Adds more information to the notifications.
- Legal custody to be retained by DHR or a licensed child-placement agency until final judgement, so adopting parents custody is subject to the court continuing supervision pending entry of the final judgment.
- Ability to order follow-up investigation by a court designee if current file investigation deemed insufficient.
- Requests proof of licensing for a placement agency.
- Establishes a list of specific background checks.
- Requires an order of custody pending appeal by the final judgement court.
- Requires proof of de facto parent/child relationship in stepparent adoptions.
- Excludes a former spouse who has divorced a living parent from definition of stepparent.
- Requires a report on fees and charges with stepparent and qualifying family member adoptions.
- Unless a relative or stepparent adoption, any previous grandparent visitation order is no longer of any force once the adoption is final. Also, clarifies parents of an adoptive parent

will be treated as the grandparent of the adoptee (per recent Alabama case law).

- Limits the number of parents that can be listed on new birth certificate to two and mandating that if two parents listed they must be married to one another.
- Makes placing a child by any other person or entity than those specifically authorized a crime.
- Makes “baby selling” and “baby buying” crimes while still making proper provisions for necessary expenses and professional services.
- Guardrails promotional practices for those engaging in adoption services.

Pleading Improvements

- Establishes a rebuttable presumption for implied consent which requires a preponderance of the evidence to overcome.
- Reduces the period for when the rebuttable presumption is established from six months to four months.
- Incorporates the Putative Father Registry (§ 26-10C-1) into the Adoption Code by determining the failure to comply with the Registry Act as an irrevocable implied consent in the Adoption Act.
- No longer requires consent from a person whose parental rights have been terminated.
- Allows the court to determine if clear and convincing evidence is present for the allegation of the sexual assault for purposes of adoption related decisions.
- Provides for the waiver of further notice of the adoption proceedings of one executing a waiver or relinquishment.
- Five business days to withdraw express consent, ensuring the last day will not occur on a weekend or holiday.
- Requires specific documents to be attached to the petition, including the preplacement investigation.
- Anticipates contests on three grounds: availability of adoption, qualifications of petitioner to adopt, and both the obtaining of necessary consents and their validity.

General Application

- Repeals the current adoption chapter and reorganizes minor and adult/incapacitated person adoptions into separate sections.

- Allows transfer of some documents by electronic means. Also updates the names of state offices and agencies.
- Judgments entered under the previous adoption code will remain in effect. However, any further proceedings in existing cases will be governed under the new adoption statutes.
- Applies to petitions filed January 1, 2024 and after.

2018-2022 Quadrennium

5. Garnishment Condemnation Request Notification by Posting

This act passed in 2022 as Act 2022-397. This act provides a notification by posting bill, limited in scope to post-trial garnishment condemnation motions. It is a very simple solution to the often unlikely, if not impossible, second personal service (after initially having been served with the lawsuit, many defendants have moved, quit their jobs, etc.).

The posting of the garnishment notice on the circuit clerk's community-accessible website and on a courthouse community-accessible bulletin board is a realistic approach calculated to provide a reasonable prospect of a defendant having a realistic opportunity to learn of the garnishment condemnation and his/her rights in that process. The act addresses the constitutional issues raised in cases about the information a defendant must have access to for the notification to be meaningful – such as being apprised of possible exemption opportunities and the right to request a hearing on that issue.

6. Gig Economy/Marketplace Platform

This act passed in 2022 as Act 2022-197. Assessing and properly characterizing the employment status of marketplace contractors in relation to marketplace platforms has been challenging, with important issues such as benefits and tax liabilities at stake. The Gig Economy drafting committee drafted this act with an uncomplicated approach beneficial to marketplace platforms and contractors alike. It provides a clear picture of responsibilities and expectations.

Key provisions of the Alabama Marketplace Platform/Marketplace Contractor Classification Act are as follows:

- Adds the definitions for marketplace platform and marketplace contractor to Ala. Code Section 25-4-10.
- Excludes certain marketplace platforms/marketplace contractors from the definition of employment in Ala. Code Section 25-4-10.
- Sets out IRS and Department of Labor adopted and approved criteria as benchmarks to enable someone to clearly assess when a marketplace contractor would be classified as an independent contractor in activities involving a marketplace platform.

7. Uniform Probate Code Preliminary Revisions

This act passed in 2022 as Act 2022-427. While the Stand Trust Committee continues its work on comprehensive revisions to the Uniform Probate Code, the committee has targeted and addressed a few areas where some immediate improvements/upgrades can be made in the interim.

Some examples follow:

- Specifically incorporates some of the definitions of Title 43 Chapter 8 and some from the Uniform Act.
- All will contests will originate in probate court.
- No removal will be available in counties where the probate judge exercises equity jurisdiction concurrent with that of the circuit court by virtue of a local act or Alabama constitutional amendment specific to such county.
- Upon the filing by a party of a notification to remove, the probate court clerk shall send the record to the circuit court clerk.
- Any failure by the probate clerk to send the entire record to the circuit clerk can be cured upon motion and will not be considered a jurisdictional defect.

- The removing party is required to provide the circuit court with some specified information about the proceedings (parties, reason for removal, whether it will be a full or partial removal, etc.)
- The circuit court may remand a removed matter to the probate court (regardless of whether or not the probate judge is required to be learned in the law, as is required under current law).
- The court may consider taxation of costs in for improper or vexatious removals.
- The removal of a will contest may not be made within 42 days of the first probate court trial setting without leave of court.

8. Probate Judges' Jurisdiction Revisions

This act passed in 2022 as Act 2022-123. The Alabama Constitution lists the powers of the probate court in Article VI, Section 144. That section sets out the general jurisdiction of the probate court and also provides probate courts shall have “such further jurisdiction as may be provided by law.” Alabama Code Section 12-13-1 provides that further jurisdiction.

Despite this, appellate courts have had to address some uncertainty about the extent of the probate court’s authority on name changes. Further, the state needs increased court resources to deal with Adult Protective Services and Elder Abuse matters. A unique committee made up of circuit judges, district judges, and probate judges was convened to study the matter, and proposes amending Ala. Code Section 12-13-1 in the following three ways.

First, the amendment gives probate judges concurrent jurisdiction with circuit judges in Adult Protective Services cases. This work is in line with the type assessments probate judges are already making. Also, these Adult Protective Services matters require DHR officers to find judicial officers just about any time of day. DHR having another resource available to address these issues will enhance judicial efficiency and responsiveness.

Second, the amendment allows probate judges that are attorneys to handle Elder Abuse cases. Again, this is a natural extension of the work already being done by the probate courts in

guardianship, conservatorship and other protective proceedings matters. The limiting provision requiring appointment by the presiding circuit judge of attorney probate judges is necessary because the quasi-criminal nature of the Elder Abuse statutes impacts upon due process issues attorneys should assess.

Third, a recent case confirmed that, despite some previous practices to the contrary, name change authority of probate courts is only for adult name changes. Since name changes are already routinely handled by probate courts, Section 12-13-1 specifying probate courts also have the ability to rule on name change petitions for minors is appropriate, provided circuit courts maintain that authority where a domestic relations matter involving that minor is pending.

9. Business Entities Fractional Stock Revision

This act passed in 2022 as Act 2022-124. The act provided a small change in the Business and Nonprofit Entities Code at Section 10A-2A-6.04 (regarding fractional stock) so that corporations would no longer issue scrip in registered or bearer form. The proposed revisions also establish notice requirements for when scrip is issued or transferred.

These changes are necessary for consistency with current Ala. Code Section 10A-2A-6.25, which provides that no stock certificate may be issued in bearer form. The change also conforms with the Alabama General Partnership Law, the Alabama Limited Partnership Law, the Alabama Limited Liability Company Law, and follows a current national trend.

10. Alabama Non-Disparagement Obligations Act

This act passed in 2021 as Act 2021-503. Non-disparagement obligations (NDO's) have become common in many agreements, particularly in employment law. Alabama law is silent on what constitutes "disparagement" and how to enforce NDO provisions or defend against enforcement, leaving businesses, individuals, and courts lacking statutory guidance on the issue.

The act: a) Establishes the circumstances and scope of both enforcement and defense of an NDO provision; b) Allows enforcement without further publicizing the alleged disparagement; and c) Places the parties on notice that NDO clauses will not interfere with the ability to communicate with law enforcement, regulators, or legal counsel. This act governs contractual rights only. Therefore, it does not expand or contract any existing common law tort causes of action.

11. Alabama Model Procurement Code

This act passed in 2021 as Act 2021-296. The protocols and practices that apply when the State of Alabama purchases goods and services have not been comprehensively reviewed in over 20 years. In the interim, particularly in today's digital world, some of the laws and approaches in this area have become obsolete. With State spending for goods and services reaching \$850 million in FY 2018 alone, keeping abreast in this area is critical. Therefore, this committee, chaired by John Montgomery, General Counsel for the Department of Finance, and made up of more than 20 members representing a cross-section of the State's legislative and executive agencies, universities, and county and local governments, studied Alabama's current government procurement regime and compared it to the ABA Model Procurement Code.

With the Model Act as a best practices guide, the Committee developed proposals to reorganize and modernize State purchasing policies and procedures. These will create a comprehensive baseline for more effective, efficient, flexible, and transparent public procurement for State agencies and universities, while still maintaining the current independence of the legislative and judicial branches, local governments, and public works projects. Notable features of the proposal include:

- Bringing the state's procurement law, currently scattered across multiple code titles, together into an updated and easier to locate format.
- Creating within the Department of Finance the position of a State Chief Procurement Officer with regulatory creation authority and limited review of individual agency procurement officer's decisions. The CPO shall also have

- the responsibility of maintenance of a database for requests for proposals for public contracts.
- Extensively defines essential terms in governmental procurement procedure.
- Establishes limited due process procedures for review of contractor suspension or debarment.
- Updates, but maintains the essential provisions of Public Works contract award procedures under Article 39.
- Allows local governments to continue to elect to operate apart from the proposed state uniform procedures.
- Maintains a carve-out for interagency agreements.
- Addresses ethnic and gender fairness/access issues.
- Provides much needed updates to thresholds that would trigger the implementation of mandated competitive bid processes
- Updates the procedures for execution, submission, amendment, and review of competitive bid proposals.
- Clarifies and updates agency bid opening and award processes and procedures.
- Maintains the requirement of Attorney General/Gubernatorial approval of state legal services and also of governing boards of institutions of higher learning for their legal services.

12. Alabama Qualified Dispositions in Trust Act

This act passed in 2021 as Act 2021-238. Nineteen states now allow for some form of domestic asset protection trust. Such trusts allow additional flexibility in estate planning by allowing a self-settled trust for the settler's own benefit to protect assets from subsequent creditors. In an effort to help Alabama keep pace with other states, the Trust Committee has reviewed and adapted a Michigan statute for Alabama to allow the creation of such trusts.

Key provisions of the Alabama Qualified Dispositions in Trust Act include:

- Harmonization with the Voidable Transactions Act and limitation of trust creation in certain instances to prevent fraudulent use of trusts to shield assets from existing creditors.

- Insertion of a spendthrift provision to protect trust beneficiaries by limiting their ability to transfer their interests in qualifying trusts.
- Integration of the new provisions with existing trust law and definitions.
- Specification of procedures and rights concerning challenges to the trust by creditors of the beneficiary.
- Delineation of the rights maintained by the trust beneficiary, including the right to remove and replace trustees
- Clarification that these new provisions exist as a restriction on trust disposition rather than as a separate determination of trust instruments.

13. Small and Disadvantaged Entities Data-Collection Act

This act passed in 2021 as Act 2021-223. Since the Model Procurement Code Act also became law, this companion act defines small and disadvantaged businesses. The act then permits the state procurement officer to obtain data from the Secretary of State and others on entities defined as small and disadvantaged entities that are engaging in procurement - or interested in doing so. There is further a reporting component that will inform the legislature on a regular basis the ongoing findings of this data collection project.

The information obtained will allow the legislature to assess a need for policy calculated to encourage the participation of small and disadvantaged entities in Alabama's procurement process. The access and use of the collected data should result in better-informed and more-targeted policy decisions than could be made without the data.

14. Alabama Business Entities and Non-Profits Entities Code Revisions

This act passed in 2021 as Act 2021-299. The Business Entities committee continues to review and update Alabama's Business and Nonprofit Entities Code (Title 10A) (the "Code"). Since inception, members of the committee have incorporated

technological advances into the Code. The first focus was allowing electronic name reservations which was codified during the 2013 Legislative Session. During the 2014 session, amendments were passed regarding mergers and conversions for all entities.

The committee drafted and the Alabama Law Institute presented (a) the Alabama Limited Liability Company Law in 2014 which passed the Alabama Legislature that year, (b) the Alabama Limited Partnership Law in 2016 which passed the Alabama Legislature that year, (c) the Alabama Partnership Law in 2017 which passed the Alabama Legislature in 2018, and (d) the Alabama Business Corporation Law in 2019 which passed the Alabama Legislature that year. In 2020, the committee drafted and the Alabama Law Institute presented a number of changes to the Code which allowed for Benefit Corporations and also provided for simplified filing procedures to allow all Code entities to file their various documents with the Secretary of State electronically. These changes passed the Alabama Legislature in 2020.

The committee continues its work by preparing proposed changes annually, or as needed, so that the Code (i) stays current with the rest of the country, (ii) provides Alabama businesses with the tools to quickly and efficiently conduct business in the state, and (iii) encourages Alabama businesses to use Alabama entities rather than being forced to utilize Delaware or another state's entity laws.

This year, in preparation of the upcoming session, the committee has reviewed the Code and focused its efforts on resolving a number of technical issues in the Code. Among the proposed changes are those which:

- Amend Chapter 1 (the “HUB”) to clarify when a provision of the HUB applies to a specific Chapter, and allow the specific Chapter to specify that provisions of the HUB do not apply to that Chapter.
- Amend the HUB to clarify certain filing requirements to provide for easier administration of filings.
- Amend the HUB to clarify the name of a reinstated entity to align those naming conventions with the various chapters that have separate provisions regarding reinstatement.

- Amend Chapter 2A (Business Corporations) to conform with the changes to the HUB, and to clarify issues surrounding remote or virtual stockholder meetings and electronic notices.
- Amend Chapter 3 (Nonprofit Corporations) to allow for electronic communications among members and to allow for remote or virtual meetings.
- Amend Chapter 3 (Nonprofit Corporations) to remove certain traps for the unwary regarding the expansion or contraction of the board of directors and who may serve as an officer of the nonprofit corporation.
- The amendments to Chapters 2A and 3 regarding electronic notices and remote or virtual meetings prevented any need to amend Chapter 4 since Chapter 4 relies on Chapters 2A and 3 for those processes.
- Amend Chapter 5A to conform with the changes to the HUB.
- Amend Chapter 8A to conform with the changes to the HUB.
- Amend Chapter 9A to conform with the changes to the HUB.

15. Decanting Act Fixes

This act passed in 2021 as Act 2021-143. Some small changes have been deemed advisable by the Standing Trust Committee to the very well-received Decanting Act of 2018 (Act 2018-519). These changes are of a technical, non-substantive nature, but should work well to clarify terms that could currently be considered confusing.

The first is to change the term “record notice” to “notice in a record” at Section 19-3D-7(c). This is since “record notice” is undefined while the term “record” is.

The other change is in Section 19-3D-9(c). “Failure to receive notice shall not extend the notice period” is to be changed to “Failure to receive notice shall not extend the time by which such proceeding must be commenced if the authorized fiduciary acted with reasonable diligence to comply with the requirements of

Section 19-3D-7(c)...” This change is to clarify that what is being referenced is that of the time in which to commence an action (six months), and *not* the period before which an authorized fiduciary may exercise the decanting power after providing the required notice (60 days). The change is appropriate because Section 19-3D-9 addresses court involvement, whereas Section 19-3D-7 addresses the notice requirement in the notice period. Therefore, it seemed inappropriate to address the notice period in Section 19-3D-9. It is worth noting that Section 19-3D-7(h) already provides that: “An exercise of the decanting power is not ineffective because of the failure to give notice to one or more persons under subsection (c) if the authorized fiduciary acted with reasonable care to comply with subsection (c).”

16. Elimination of the term “Orphans’ Business” in Probate Court

This act passed in 2021 as Act 2021-202. This constitutional amendment is a result of the Article VI Committee and eliminated the obsolete term “Orphans’ Business” from the Alabama Constitution.

17. Alabama Business and Non-Profit Entities Code (Title 10A) Revisions

This act passed in 2020 as Act 2020-73. It became effective on January 1, 2021. This act represents the second major change to Alabama’s corporate entities statutes in consecutive sessions. This time the subject of revision was the Alabama Business and Non-Profit Entities Code (10A). Notable features of this act include:

- Allows Business Corporations to elect to become benefit corporations.
- Allows for electronic filing of all entity filings thereby increasing the speed at which businesses may be formed and by which transactions may be accomplished.
- Update definition section to include critical terms applicable to the allowance of electronic/digital transactions and transmissions of filings, notices, and data.

- Established certain basic standards for all filing instruments to allow for easier electronic transmission.

18. Judicial Administration and Discipline Constitutional Amendment

This proposed constitutional amendment was passed in 2019 as Act 2019-187, but failed the popular statewide vote in 2020.

The work of ALI's Judicial Article Committee, this set of amendments represents a substantial overhaul of Article VI of the Alabama Constitution. These amendments make a number of procedural and cleanup changes, revising gendered language and deleting a number of archaic provisions. The power to appoint the Administrative Director of Courts would be shifted from the Chief Justice to the Supreme Court as a whole.

Additionally, several amendments update the judicial discipline process. Membership of the Judicial Inquiry Commission would be increased and members will be limited to two terms. The procedures for interim judicial suspensions will be revised to provide more procedural protections for judges accused of misconduct before they can be suspended from office. Also, the provisions that allow judges to be legislatively impeached will be removed entirely, making judicial discipline solely the province of the Judicial Inquiry Commission and Court of the Judiciary, as originally envisioned by the 1973 Revised Judicial Article.

19. Administrative Director of Courts Nominating Commission

This bill was passed in 2019 as Act 2019-497, but failed the popular statewide vote in 2020.

This bill was also developed by the Judicial Article Committee as a companion to its recommended amendment to Article VI. While that amendment assigns the power to appoint the Administrative Director of Courts to the Supreme Court as a whole, this bill subjects that appointment to a nominating commission process. This six-member commission, made up of

judges, a circuit clerk, and a Bar commissioner, would nominate 3 candidates for the position of Administrative Director of Courts by majority vote. The Supreme Court would then, by majority vote, exercise its power under the proposed Section 149 by appointing one of the candidates to the position, or request that the commission nominate three additional candidates.

The goal of this new procedure is to provide greater stability to an office that has featured 11 separate tenures over the last 30 years and 6 over the past 15 years. Accordingly, the Administrative Director of Courts would serve a 10-year term, subject to removal by a majority vote of the Supreme Court. The term could be automatically renewed once by a majority vote of the Supreme Court.

20. Permanent Place Names for Appellate Courts Act

This act was passed in 2019 as Act 2019-469. It became effective on February 1, 2021.

Previously, the individual seats on Alabama's Supreme Court and Courts of Appeals lacked permanent designations. In each election, contested seats were numbered on the ballot sequentially starting at "Place 1," so that seats held by different judges were given the same numbers in different election cycles. This situation led to difficulties in referring to specific seats, particularly in the election filing process, which requires that candidates specify which seat they are seeking. This act remedies the situation by giving each seat a permanent numerical designation to minimize confusion beginning with the 2022 statewide election cycle.

21. Alabama Collateral Consequences Act

This act was passed in 2019 as Act 2019-464. It became effective on September 1, 2019.

A felony conviction imposes a status that not only makes felons vulnerable to future sanction, but also affects their economic opportunities. Record numbers of individuals with a felony record are exiting prisons and returning to communities across the state of Alabama. These individuals must confront a wide range of

collateral consequences stemming from their convictions, including ineligibility for federal welfare benefits, public housing, student loans, and employment opportunities.

The Law Institute's Collateral Consequences committee developed an act that will allow those convicted of crimes who face collateral consequences automatically barring them from employment to seek judicial relief. Inspired by similar Uniform Law Commission work in the field, this bill focuses on creating an individualized assessment. When public safety is not seriously implicated, exceptions may be granted to blanket bans that prohibit consideration of applications for licensure or employment-related permissions. Individuals who face such restrictions may apply to the circuit court, where a petition and hearing process will allow them to present their situation to the judge. Upon considering the collateral consequences in question and the individual's record, the court may act to relieve the petitioner from certain collateral consequences, allowing them to pursue employment or licensing in a given field.

22. Alabama Business Corporation Revisions

This act was passed in 2019 as Act 2019-94. It became effective on January 1, 2020.

Alabama's business corporation law has long been based on the ABA's Model Business Corporation Act. After over two decades without any significant changes to the Model Act, the ABA's committee recently conducted a full revision. ALI's Business Entities Standing Committee then reviewed the revised act to develop a plan for revising Alabama's own business corporation law. The result was the Alabama Business Corporation Law of 2019. Notable features of the act include:

- Implementation of centralized filing of corporate filing instruments with the Secretary of State, which is a step toward making Alabama's filing system consistent with those of the other 49 States.
- The addition of certain procedures providing for the ratification of defective corporate actions, including over-issuances of stock.

- The addition of a requirement that electronic transmission of notices or other communications must be consented to by the recipient.
- The addition of a provision that authorizes the certificate of incorporation to limit or eliminate the duty of a director or other person to bring a business opportunity to the corporation.
- The addition of a provision that authorizes the certificate of incorporation or bylaws to create an exclusive forum for the adjudication of internal corporate claims.
- The board of directors will be authorized to issue stock for consideration which consists of a “contribution,” including, with some exceptions, cash, property, services rendered, a contract for services to be performed, a promissory note or other obligation of a person to pay cash or transfer property to the corporation, or securities or other interests in or obligations of an entity.
- The denial of preemptive rights to stockholders except to the extent that the certificate of incorporation provides for preemptive rights.
- The elimination of the requirement that special meetings of stockholders may be called by holders of 10% or more of the stock.
- Action may be taken by stockholders by written consent without a meeting if the consents are signed by stockholders having not less than the minimum number of votes that would be required to take action at a meeting.
- The addition of a provision allowing for remote participation at a meeting of stockholders.
- The addition of a provision requiring the appointment in advance of a stockholders’ meeting, of one or more inspectors of election.
- The addition of provisions relating to stockholder derivative proceedings.
- The elimination of prior restrictions on the power of the board of directors to fix or change the number of directors.
- The elimination of the prior requirement that a “classified” or “staggered” board of directors must be comprised of nine or more directors; and a related change to the term of the director elected to fill a vacancy in such a “classified” or staggered” board.

- The elimination of the requirement that in order for a stockholder to bring a proceeding to remove a director that stockholder must hold at least 10% of the outstanding stock of any class.
- Revisions to the standard of conduct for directors and the addition of provisions regarding the standard of liability for directors.
- Revisions to narrow the mandatory indemnification requirements.
- The addition of a new Article 9, providing for the conversion of another organization to a corporation, or a conversion of a corporation to another organization.
- The addition of a provision allowing the board of directors to adopt certain amendments to the certificate of incorporation without stockholder approval.
- The reduction in the required stockholder vote on approval of a plan of merger or stock exchange or on certain dispositions of the corporation's assets, from two-thirds to a majority.
- The elimination of stockholder dissenters' or appraisal rights with respect to certain types of corporations.
- The elimination of certain thresholds of ownerships or time periods of ownership in order to obtain certain corporate records.
- The elimination of the application of Article 16 to foreign corporations.

23. Alabama Limited Liability Company Amendments

This act was passed in 2019 as Act 2019-304. It became effective upon signing by the governor, retroactive to January 1, 2019.

In 2014, the Legislature passed the Law Institute's proposed revision of Alabama's Limited Liability Company (LLC) laws. Since that time, a number of minor technical problems with that law have become apparent. This act corrects these errors:

- The year "2014" is removed from the name of the law.
- The definition of "partnership" is revised to more clearly include all entities formed under or governed by the LLC

law. This revision removes the requirement that a partnership be “an association of two or more persons” in order to allow a partnership to continue existence for a brief time with one or no partners.

- A partner’s duty of loyalty not to compete with the partnership is clarified to extend until the dissolution of the partnership.

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24. Alabama General Partnership Act

This act was passed in 2018 as Act 2018-125. It became effective on January 1, 2019.

Following previous revisions to Alabama’s Limited Liability Company Law and Limited Partnership Law, the business entities committee turned to the task of updating the general partnership law.

This new act updates Alabama’s partnership law to better align it with the Limited Partnership and Limited Liability Company Laws. The act is not based on a single source, but rather has borrowed concepts and provisions from a variety of sources.

Significant features of the act include:

- (a) Contractual Nature. The act focuses on the contractual nature of the partnership. There are few mandatory provisions in the act. Most features of a partnership can be modified by the parties to suit their needs. The act includes many default provisions that apply if the partners do not modify those default provisions in the partnership agreement.
- (b) Mandatory Safeguards. Despite the emphasis on allowing the parties to make their own contract, the act provides that certain obligations, such as the implied contractual covenant of good faith and fair dealing, cannot be modified.

- (c) Notice Filing. Normally, a filing is not required to form a partnership. Rather, a partnership is the least formal of Alabama's entities, and thus the partners and third parties must look to the partnership agreement to determine many aspects of a partnership. However, the act does permit or under certain circumstances require notice filings normally referred to in the Law as "statements," such as (i) a statement of partnership, (ii) a statement of not for profit partnership, (iii) a statement of limited liability partnership, (iv) a statement of authority, (v) a statement of dissolution, (vi) a statement of conversion, (vii) a statement of merger, and (viii) a certificate of reinstatement. These statements are designed to notify the State and third parties that the partnership exists and how to contact it. The details about the conduct of the partnership will generally be contained in the partnership agreement.
- (d) Not for Profit Partnerships. In addition, a new feature allows a partnership to conduct not for profit activities. Under existing law, partnerships are by definition only "for profit" entities. The main difference is that formation of a "for profit" partnership requires little formality and can be accomplished with or without an intention to do so. However, in order to form a not for profit partnership, the partners must intend to do so, and must file a statement of not for profit partnership with the Secretary of State.
- (e) Agency. Unlike a limited liability company, but similar to a limited partnership, agency of a partnership is set by statute and is vested in the partners.

25. Alabama Uniform Voidable Transactions Act

This act was passed in 2018 and became effective on January 1, 2019. It is codified as Chapter 9B of Title 8 of the Code of Alabama.

The Uniform Fraudulent Transfer Act (UFTA) (enacted in Alabama in 1989 as Alabama Code §8-9A-1 et seq., with only minor variations) governed not only transfers made with the intent to hinder or delay any creditor but also transfers made by an insolvent or to be insolvent debtor for less than reasonably equivalent value. To better emphasize this overriding dual role of the UFTA, the Uniform Bar Commissioners in 2014 revised the UFTA by amendments and promulgated the Uniform Voidable Transfer Act (UVTA) upon which this act is modeled. Under the UVTA the term “fraudulent” is replaced by the word “voidable” to minimize confusion and to emphasize the continuing dual role of the act.

In addition to this clarifying wordsmithing, the UVTA also deals with a small number of narrowly defined issues (as opposed to being a comprehensive revision). These issues include:

- (a) Choice of Law. The act adds a new § 10, which sets forth a choice of law rule focusing on the residence of the debtor.
- (b) Evidentiary Matters. New §§ 4(c), 5(c), 8(g), and 8(h) add uniform rules allocating the burden of proof and defining the standard of proof with respect to claims for relief and defenses under the act.
- (c) Deletion of the Special Definition of “Insolvency” for Partnerships. Section 2(c) of the UFTA sets forth a special definition of “insolvency” applicable to partnerships. The act deletes UFTA § 2(c), with the result that the general definition of “insolvency” in § 2(a) now applies to partnerships. One reason for this change is that original § 2(c) gave a partnership full credit for the net worth of each of its general partners. That makes sense only if each general partner is liable for all debts of the partnership, but such is not necessarily the case under modern partnership statutes. A more fundamental reason is that the general definition of “insolvency” in § 2(a) does not credit a non-partnership debtor with any part of the net worth of its guarantors. To the extent that a general partner is liable for the debts of the partnership, that liability is analogous to that of a guarantor. There is no good reason to define “insolvency” differently for a partnership debtor than for a

non-partnership debtor whose debts are guaranteed by contract.

(d) Defenses. The act refines in relatively minor respects several provisions relating to defenses available to a transferee, as follows:

- (1) Section 8(a) of the UFTA created a complete defense to an action under § 4(a)(1) (which renders voidable a transfer made with actual intent to hinder, delay, or defraud any creditor of the debtor) if the transferee takes in good faith and for a reasonably equivalent value. The act adds to § 8(a) the further requirement that the reasonably equivalent value must be given the debtor.
- (2) Section 8(b), derived from Bankruptcy Code §§ 550(a), (b) (1984), creates a defense for a subsequent transferee (that is, a transferee other than the first transferee) that takes in good faith and for value, and for any subsequent transferee from such a person. Among other things, the act make clear that the defense applies to recovery of or from the transferred property or its proceeds, by levy or otherwise, as well as to an action for a money judgment.
- (3) Section 8(e)(2) of the UFTA created a defense to an action under § 4(a)(2) or § 5 to avoid a transfer if the transfer results from enforcement of a security interest in compliance with Article 9 of the Uniform Commercial Code. The act excludes from that defense acceptance of collateral in full or partial satisfaction of the obligation it secures (a remedy sometimes referred to as “strict foreclosure”).

(e) Series Organizations. A new § 11 provides that each “protected series” of a “series organization” is to be treated as a person for purposes of the act, even if it is not treated as a person for other purposes. This change responds to the emergence of the “series organization” as a significant form of business organization. See Alabama Code § 10A-5A-11.01 et seq.

(f) Medium Neutrality. In order to accommodate modern technology, the references in the act to a “writing” have been replaced with “record,” and related changes made.

(g) Style. The act makes a number of stylistic changes that are not intended to change the meaning of the act. For example, the act consistently uses the word “voidable” to denote a transfer for which the act provides a remedy. As originally written the UFTA sometimes inconsistently used the word “fraudulent.” No change in meaning is intended.

In keeping with Alabama’s long-standing practice of not addressing “obligations,” the act included no such references, leaving their determination to existing common law. Whether an obligation is void as a voidable conveyance is to be determined by the courts by applying by analogy all the law that existed before the enactment of this act. The act is neutral on this issue concerning an obligation.

Likewise, Alabama’s existing statute of limitations for actions was retained.

Finally, the old Alabama Uniform Fraudulent Transfer Act was amended to only apply to transfers made prior to January 1, 2019.

26. Alabama Uniform Condominium Act

This act was passed in 2018 and became effective on January 1, 2019. It is codified at Chapter 8A of Title 35 of the Code of Alabama.

Alabama’s Condominium Act was originally passed in 1990. During the previous 26 years several issues arose requiring clarification. This act provides for consistent language throughout and addresses a number of practical matters. Specifically, it made the following changes:

(a) Section 35-8A-102(c) was amended to clarify when an offering statement is required for the sale of units in condominiums located outside of Alabama which are sold to Alabama residents.

- (b) The amendment to § 35-8A-103(4) recognizes that easements and other interests in real property can be a common element.
- (c) The amendment to § 35-8A-103(11) identifies the development right to convert common elements to units when reserved in the declaration.
- (d) The amendment to § 35-8A-105(c) recognizes that some property subject to development rights cannot be separately assessed and taxed.
- (e) The amendment to § 35-8A-107(c) requires that any portion of an award attributable to condemnation of limited common elements be divided among the owners in accordance with the value of the interest in a particular limited common element assigned to the units rather than requiring the amounts to be equally divided among the unit owners.
- (f) Section 35-8A-201(b) was amended to delete the requirement of maintenance of a condominium book by the judge of probate in each Alabama county.
- (g) Section 35-8A-201(c) was amended to clarify that a declaration or an amendment to the declaration is not effective until there is substantial completion of the structural and mechanical systems in the buildings located on the property being submitted to the condominium form of ownership. The amendment to § 35-8A-210(c) also removes the requirement that the engineer or architect certify that the structural and mechanical systems of all buildings were "completed in accordance with the plans."
- (h) Section 35-8A-208(a) was amended to require the association's consent for limited common element reallocations.
- (i) The amendments to § 35-8A-209(b) were substantially revised to require all information to be included on the plat to the extent such information could be shown on a two

dimensional page, showing the subdivision of land and reciprocal rights relating to the subdivision.

- (j) The amendments to § 35-8A-209(d) eliminate the requirement of showing development rights to subdivide if such rights are described in the declaration.
- (k) Section 35-8A-(209)(g) was amended to allow a licensed surveyor to provide the required certification. This change expands the prior law which provided that only a licensed engineer or architect could certify to a plat.
- (l) Section 35-8A-313 was amended to clarify that the association shall be responsible for the insurance deductible unless the declaration provides otherwise.
- (m) Section 35-8A-410 was previously amended in 2015 by and the current draft of this bill includes such language as previously amended.

27. Alabama Uniform Trust Decanting Act

This act was passed in 2018 as Act 2018-519. It became effective on January 1, 2019.

In recent years, other states have begun enacting “decanting statutes.” These statutes are a recent innovation in trust law which allow modification of a trust or distribution of its assets to another trust so that the settlor’s material purposes may still be carried out after changing circumstances have rendered the original trust nonfunctional. Due to this tide of legislation, the Uniform Law Commission drafted the Uniform Trust Decanting Act, to establish uniform procedures to govern this new operation. Likewise, this Act represents a modification of the uniform law to clearly establish the rules and procedures for trust decanting in Alabama.

28. Alabama Uniform Fiduciary Access to Digital Assets Act

This act was passed in 2017 and became effective on January 1, 2018. It is codified as Chapter 1A of Title 19 of the Code of Alabama.

The Revised Uniform Fiduciary Access to Digital Assets Act (Revised UFADAA) modernizes fiduciary law to accommodate our digital lives. Nearly everyone now has digital assets, such as documents, photographs, email, and social media accounts. Often times, fiduciaries are prevented from accessing those accounts by various means of protection or restrictive terms of service. While digital assets have both monetary and sentimental value, they also present novel privacy concerns. The Revised UFADAA provides legal authority for fiduciaries to manage digital assets in accordance with the user's estate plan, while protecting a user's private communications from unwarranted disclosure.

29. Alimony

This act was passed in 2017 and became effective on January 1, 2018. It is codified at Sections 30-2-56 through 58 of the Code of Alabama.

This law applies to divorce, legal separations, or annulment actions filed after the effective date. It furthers existing law that allows the court to award interim alimony by enumerating the factors for the court to consider when determining whether to award interim alimony. The court may also order that litigation costs and expenses, including attorney fees necessary to pursue or defend the action, be paid out of marital property.

While the act does continue the existing law of allowing the court to award alimony after a final decree, the act also establishes priorities, limitations, and factors to be considered when making an award. Unless the court expressly finds that rehabilitative alimony is not feasible, the court is to award rehabilitative alimony, which is limited to five years absent extraordinary circumstances.

If the court determines that rehabilitative alimony is not feasible or has failed, the court may award periodic alimony. Generally, for marriages of less than 20 years, periodic alimony shall be limited to a period not to exceed the length of the marriage. If the parties have been married for 20 years or longer, the time limit on the eligibility to receive alimony does not apply. However, both rehabilitative and periodic alimony continue to terminate upon remarriage or cohabitation as provided in current law.

Modification of both rehabilitative and periodic alimony continues to be allowed based on a showing of a material change in circumstances. Also unchanged is the current law that if there is not an award of alimony or a reservation of jurisdiction for awarding alimony at the time of the divorce, the court permanently loses the ability to subsequently award alimony.

30. Division of Retirement Benefits Upon Divorce Act

This act was passed in 2017 and became effective on January 1, 2018. It is codified at Section 30-2-51 of the Code of Alabama.

This act significantly amends Section 30-2-51 of the Code of Alabama, which concerns the division of retirement benefits upon divorce. The court retains the discretion to award retirement benefits to the non-employed spouse within certain limitations. The act retains the limitation that precluded the court from awarding more than 50% of the non-employed spouse's retirement benefits accrued during the marriage. However, the act eliminated the threshold requirements that the parties must be married for at least 10 years before the court could consider awarding retirement benefits.

The act grants the court broad discretion to use any equitable method of valuing, dividing, and distributing the benefits. It eliminates the costly requirement of providing evidence of the present value of the retirement benefits in all cases. Subsection (d) provides a more equitable result by requiring that each party equally bear the burden or benefit of the passive appreciation or depreciation of the retirement benefits during the time between the award of the benefits and their distribution.

Finally, the court is given the authority to enter orders to protect and preserve the interest of either spouse in the retirement benefits.

31. Common Law Marriage Repeal

This act was passed in 2016 and became effective on January 1, 2017. It is codified at Section 30-1-20 of the Code of Alabama.

Prior to this law, Alabama was in the minority of states that retained common law marriage. To address the issue, the Institute

prepared two bills for the 2016 Legislative Session. One codified the elements required to establish the existence of a common law marriage, while the other abolished the practice entirely. The second bill passed. Accordingly, Alabama has now joined the majority of states that no longer recognize common law marriage. Only Alabama common law marriages entered into before January 1, 2017, remain valid.

32. Alabama Limited Partnership Law

This act was passed in 2016 and became effective on January 1, 2017. It is codified as Chapter 9A of Title 10 of the Code of Alabama, replacing Alabama's previous Limited Partnership Law.

The previous Alabama Limited Partnership Law and the Alabama Business and Nonprofit Entity Code were both enacted in 2010, but had not been through the Alabama Law Institute process of integration with the Alabama Business and Nonprofit Entity Code. Rather, that integration process was left to the Code Commissioner. See Section 10A-1-1.02(e).

During the drafting of the Alabama Limited Liability Company Law of 2014 (the "LLC Law"), several anomalies were found in the current Alabama Limited Partnership Law (the "current LP Law"), including a number of integration issues. It was also determined that the two laws had many similar provisions, but utilized different language to accomplish the same result.

The Business Entities Committee charged with keeping the Alabama Business and Nonprofit Entity Code (the "Code") current agreed that the LP Law needed to be better integrated with the Code using the process developed in the drafting of the LLC Law. Also the language of the current LP Law and the LLC Law needed to be as similar as possible in areas where the same result was sought. This harmonization of the current LP Law and the LLC Law, along with the better integration of the current LP Law, is intended to (i) assist the practitioner by reducing the differences between the two laws where possible and (ii) allow for more consistent case law developments between the two laws.

A few noteworthy features of the law are:

- (a) Contractual Nature. Much like the current LP Law, this new LP Law focuses on the contractual nature of the limited partnership, and thus, there are few mandatory provisions. Most features of a limited partnership can be modified by the partners to suit their needs in a partnership agreement. However, since the new LP Law, like the current LP Law, includes many default provisions, those default provisions apply if the partners do not modify them in the partnership agreement.
- (b) Mandatory Safeguards. Despite the emphasis on allowing the partners to make their own contract, the new LP Law maintains that certain obligations, such as the implied contractual covenant of good faith and fair dealing, cannot be modified.
- (c) Notice Filing. In keeping with the contractual nature of the limited partnership, the filings required to form, dissolve, merge, or convert a limited partnership are designed only to notify the State and third parties that the limited partnership exists and how to contact it. The details about the limited partnership will be contained in the partnership agreement.
- (d) Agency. Unlike a limited liability company, the agency of a limited partnership is set by statute and is vested in the general partners. Thus, the certificate of formation requires that the general partners be listed.
- (e) Purposes. The rules governing limited partnerships are phrased in terms of “activities and affairs,” reflecting the fact that limited partnerships can be used for purposes other than carrying on a business (e.g., holding title to property, estate planning).
- (f) Harmonization. The committee went to great lengths to harmonize, to the extent possible, the various processes of formation, filings, notice, amendment and restatement of certificates of formation, admission of limited partners and general partners, contributions and distributions, dissociation of partners and the effects thereof, transfers of interests, charging orders, rights of personal

representatives, dissolution and winding up, direct and derivative actions, and conversions and mergers. This process revealed some issues with the Chapter 1 of the Code (the “Hub”), which are dealt with in Part 2.

- (g) Dissolution. The dissolution process has been modified to follow the more modern rule of filing a statement of dissolution rather than amending the certificate of formation. This change places the new LP Law on the same footing as the Alabama General Partnership Law and the LLC Law.
- (h) Conversions. The process for conversions was slightly modified to take into account a request from the Secretary of State—that is when both the converting entity and the converted entity are domestic entities, to have the statement of conversion and the certificate of formation filed simultaneously with the Secretary of State to resolve confusion that many practitioners were having utilizing the current LP Law. That change simply reflects current practice by the Secretary of State in its application of the conversion provisions under the Hub.
- (i) Powers of Personal Representatives. During the drafting process, the Alabama Supreme Court issued its ruling in *L.B. Whitfield, III Family LLC v. Virginia Ann Whitfield et al.*, 150 So.3d 171 (Ala 2014). The new LP Law, along with the changes to the LLC Law in Part 3, clarifies that the holding in that case should not apply to the default powers of a deceased partner’s personal representative or other legal representative so long as that personal representative or other legal representative holds the deceased partner’s transferable interests.

33. Grandparent Visitation Act

This act was passed in 2016 and became effective August 1, 2016. It is codified at Section 30-3-4.2 of the Code of Alabama. It repealed the previous grandparent visitation statute codified at Section 30-3-4.1.

This law was drafted by the Standing Family Law Committee. Under common law, grandparents did not have any legal rights to court-ordered visitation with their grandchildren over the objection of the parents of the grandchild. Thus, grandparent visitation has been authorized by legislative enactment.

In 2011, Alabama's previous grandparent visitation statute was declared unconstitutional in *Ex parte E.R.G.*, 73 So.3d 634 (Ala. 2011), based in part on *Troxel v. Granville*, 530 U.S. 57, 120 S.Ct. 2054, 147 L.Ed.2d 49 (2000). This law is intended to meet the constitutional requirements the court determined to be lacking in the existing statute by providing for a rebuttable presumption that a fit parent's decision denying or limiting visitation to the petitioner is in the best interest of the child. It is based on an Arkansas law held by Arkansas courts to meet the *Troxel* requirements.

Moreover, in this law Alabama uses an enhanced standard of clear and convincing evidence, rather than the preponderance of the evidence standard embraced by the Arkansas statute.

Thus to rebut the decision of the parent to deny visitation, the grandparent must prove by clear and convincing evidence, both of the following: the grandparent has a significant and viable relationship with the grandchild and visitation with the grandparent is in the best interest of the grandchild.

Under limited circumstances, courts may grant temporary visitation pending a final order. The court also has the discretion to award any party reasonable expenses incurred by or on behalf of the party.

34. Restrictive Covenants in Contracts

This act was passed in 2015 and became effective January 1, 2016. It is codified as Article 10 of Chapter 1 of Title 8 of the Code of Alabama.

The prior law, Section 8-1-1 of the Alabama Code, dated back to the Code of 1923 and stood for the proposition that contracts in the restraint of trade were void.

The new act provides clarity and statutory structure to this area of the law, while not varying widely from prior principles. Section 1 preserves the prior presumption in Alabama Code Section 8-1-1 against contracts in restraint of trade. It also retained two exceptions from the previous statute. Because other "partial restraints" have been recognized by the courts as not being inconsistent with the general prohibition, this new act codifies those exceptions.

In addition, it makes explicit three limitations to those exceptions which have developed over time. The first is the requirement in Section 1(b) that all exceptions must preserve a protectable interest, defined in Section 2. The second is that two of the limitations, Sections 1(b)(3) and (4), impose a requirement that time and place restraints be reasonable. The third is that courts are given a general power not to enforce, in whole or in part, restraints which cause undue hardship.

Section 2 confirms prior Alabama law with regard to the requirement to show the actual protectability of the information or commercial relationship that is the purported subject of the restrictive. Merely prospective commercial relationships are not be protectable, unless the proponent of the covenant can show substantial investment in the specific prospective commercial relationship. Restrictive covenants related to good will in franchise or other agreements that otherwise satisfy the requirements of this act are enforceable.

Section 3 requires mutuality with respect to all significant provisions of a restrictive covenant. Section 7 continues the professional exemptions recognized by Alabama law.

35. Right of Publicity Act

This act was passed in 2015 and became effective August 1, 2015. It is codified as Article 39 of Chapter 5 of Title 6 of the Code of Alabama.

The right of publicity can be defined as the right to control the commercial use of one's identity. The right of publicity evolved from the general principles of invasion of privacy that

prohibit using a person's name or likeness to gain a benefit. The elements typically comprising the right of publicity are referred to as the name, image and likeness of every person. The right of publicity presumes that everyone, regardless of fame, has a right to prevent unauthorized use of their name or image to sell products. This right has also been held to prohibit any implication that a person endorses a product (without the person's permission).

This act protects a person from the wrongful commercial use of his or her likeness during life and creates a descendible right for a period of 55 years after death. The act recognizes that many uses are protected by the First Amendment, but creates a cause of action and statutory damages for those that are not.

36. Uniform Interstate Family Support Act

This act was passed in 2015 and became effective June 2, 2015. It is codified as Chapter 3D of Title 30 of the Code of Alabama.

The Uniform Interstate Family Support Act (UIFSA) provides universal and uniform rules for the enforcement of family support orders. In 1996, the U.S. Congress mandated the enactment of UIFSA (1996) as a condition of state eligibility for the federal funding of child support enforcement. Each state, including Alabama, subsequently enacted the UIFSA (1996).

In 2008, amendments to UIFSA were drafted to incorporate the provisions of the 2007 Hague Convention on the International Recovery of Child Support of Family Maintenance into state law ("the Convention"). The Convention contains numerous provisions that establish uniform procedures for the processing of international child support cases.

In 2014, Congress enacted the Preventing Sex Trafficking and Strengthening Families Act. That act required each state to expeditiously enact the UIFSA 2008 amendments during their 2015 legislative session as a condition for continued receipt of federal funds supporting state child support programs. Failure to enact these amendments by that time may result in a state's loss of important federal funding.

Additionally, the enactment of the 2008 UIFSA amendments will improve the enforcement of American child support orders abroad and will ensure that children residing in the United States will receive the financial support due from parents, wherever the parents reside. The amendments provide guidelines and procedures for the registration, enforcement, and modification of foreign support orders from countries that are parties to the Convention.

37. Deployed Parents Custody and Visitation Act

This act was passed in 2015 and became effective June 5, 2015. It is codified as Section 30-3-9 of the Code of Alabama.

This act was drafted by the Standing Family Law Committee and concerns the custody and visitation issues of deployed parents. This act is drafted in conformity with a provision of the National Defense Authorization Act of 2014 passed by the United States Congress in December 2013. It provides that a military deployment may not be the sole factor considered by the court in making a custody determination. Furthermore, it provides clarification to the court on its ability to issue a pendente lite custody determination order in situations in which a case is continued or stayed based on Federal law.

38. Alabama Limited Liability Company Law of 2014 Amendments (2015)

This act was passed in 2015, and became effective May 7, 2015. It is codified as Chapter 5A of Title 10A of the Code of Alabama.

This act amends the Alabama Limited Liability Company Law of 2014 to clarify three issues. First, the act clarifies the law to make clear that the law of the state in which a foreign limited liability company is formed governs the internal affairs of that entity. Second, the act clarifies that under normal circumstances the liability of a member of a limited liability company for wrongful distributions is limited to the amount of the distributions received. Third, the act corrects some technical errors in cross-references.

39. Amendments to Probate Code

This act was passed in 2015 and became effective September 1, 2015. It is codified as Section 30-4-17 of the Code of Alabama.

Under existing law, a person who is divorced from a decedent is not a surviving spouse for purposes of inheritance through a will. However, the prior law was silent as to the passage of assets through other devices or payable on death instruments.

This act expanded this concept to cover “will substitutes” such as revocable inter-vivos trusts, life insurance and retirement-plan beneficiary designations, transfer-on-death accounts, and other revocable dispositions to the former spouse that the divorced individual established before the divorce or annulment.

The act also affected a severance of the interests of the former spouses in property that they held at the time of the divorce or annulment as joint tenants with the right of survivorship by causing their co-ownership interests become tenancies in common.

2010-2014 Quadrennium

40. Article 9 of the Uniform Commercial Code (2010 Amendments)

This act was passed in 2014 and became effective July 1, 2014. It is codified in Chapter 9A of Title 7 of the Code of Alabama.

Article 9 of the Uniform Commercial Code governs secured transactions in personal property. It provides the rules governing any transaction (other than a finance lease) that couples a debt with a creditor’s interest in a debtor’s personal property. If the debtor defaults, the creditor may repossess and sell the property (generally called collateral) to satisfy the debt. The creditor’s interest is called a “security interest.”

The 2010 amendments to Article 9 modified the existing statute to respond to filing issues and address other matters that have arisen in practice following experience with the current law.

One of the most importance aspects of the amendments is that it provides greater guidance as to the name of an individual debtor to be provided on a financing statement. For business entities and other registered organizations, the amendments clarify the proper name for perfection purposes.

Other improvements made by the Amendments to Article 9 of the Uniform Commercial Code include:

- (a) Amendments providing greater protection for an existing secured party having a security interest in after-acquired property when its debtor merges with another entity;
- (b) Amendments addressing perfection issues arising on after-acquired property when a debtor (individual or organization) moves to a new jurisdiction by giving the filer perfection for four months in collateral acquired post-move; and
- (c) Safe harbor for the transfer of chattel paper in conformance with the Uniform Electronic Transactions Act.

41. Alabama Limited Liability Company Law of 2015

This act was passed in 2014 and became effective January 1, 2015. It is codified as Chapter 5A of Title 10A of the Code of Alabama.

This act marks a significant improvement in the state of the law in Alabama relating to limited liability companies. Prior to this act, the last substantive revision to Alabama's Limited Liability Company Act came in 1997. This revision brings Alabama to the forefront in laws governing limited liability companies.

This act updates Alabama's Limited Liability Company Law. It continues the practice of updating the law as the laws governing limited liability companies continues to evolve. This act,

like its predecessors, is not based on a single source, but rather has borrowed concepts and provisions from a variety of sources including the Revised Uniform Limited Liability Company Act and the Revised Prototype Limited Liability Company Act. A few important features of this act are:

- (a) Contractual Nature. The act focuses on the contractual nature of the limited liability company. There are few mandatory provisions in the act. Most features of a limited liability company can be modified by the parties to suit their needs. The act includes many default provisions that apply if the members do not modify them in the limited liability company agreement.
- (b) Mandatory Safeguards. Despite the emphasis on allowing the parties to make their own contract, the act provides that certain obligations, such as the implied contractual covenant of good faith and fair dealing, cannot be modified.
- (c) Notice Filing. In keeping with the contractual nature of the limited liability company, the filings required to form, dissolve, merge, or convert a limited liability company are designed only to notify the State and third parties that the limited liability company exists and how to contact it. The details about the limited liability company will be contained in the limited liability company agreement.
- (d) Right To Direct. A person's right to direct and oversee the activities and affairs of the limited liability company will be determined by the limited liability company agreement. If the limited liability company agreement is silent, the members will direct and oversee the activities and affairs of the company.
- (e) Right to Bind. There is no statutory authority to bind. Rather, a person's authority to bind the limited liability company will be governed by the limited liability company agreement and the law of agency.

(f) Purposes. The rules governing limited liability companies are phrased in terms of “activities and affairs,” reflecting the fact that limited liability companies can be used for purposes other than carrying on a business (*e.g.*, holding title to property, estate planning).

(g) Series. Series provisions are provided throughout the act in an effort to accommodate the appearance of series rules in many other state limited liability company laws. The act permits a limited liability company to establish, by way of its certificate of formation and its limited liability company agreement, one or more designated series of assets with which certain members may be associated. It is intended that the assets of a series not be liable for the obligations of the limited liability company or another series.

42. Alabama Uniform Partition of Heirs Property Act

This act was passed in 2014 and became effective January 1, 2015. It is codified as Chapter 6A of Title 35 of the Code of Alabama.

The Uniform Partition of Heirs Property Act addresses a problem faced by many middle to low-income families who own real property: dispossession of their land through a forced sale. For many of these families, real estate is their single most valuable asset.

In summary, the Uniform Partition of Heirs Property Act preserves the right of a cotenant to sell his interest in inherited real estate, while ensuring that the other cotenants will have the necessary due process to prevent a forced sale: notice, appraisal, and right of first refusal. If the other cotenants do not exercise their right to purchase property from the seller, the court must order a partition-in-kind if feasible, and if not, a commercially reasonable sale for fair market value.

Section 7 of this act, concerning cotenant buyout, has been extensively revised from the uniform act. Likewise, Section 10 of this act, concerning sales, has been extensively revised from the uniform act. This section has been revised to clarify that when a

court orders a sale it can be conducted by one of several specific methods which are listed. The court can choose the method more economically advantageous to the cotenants as a whole.

This act supplements Chapter 6 of Title 35 of the Code of Alabama which continues to apply to partition of all property not deemed to be heir property. This act is effective for partition actions filed on or after January 1, 2015.

43. Amendments to Title 10A: Merger and Conversion Provisions

This act was passed in 2014 and became effective July 1, 2014. It amended Chapter 1 of Title 10A of the Code of Alabama.

In 2011, the new Alabama and Nonprofit Entities Code became effective. Since that time the Institute created the Standing Committee on Business Entities to continuously address amendments to improve the operation of Alabama's business formation and governance laws.

These revisions to the merger and conversion portions contained in Chapter 1 of the Alabama Business and Nonprofit Entities Code improve the operation of the laws related to the conversion and merger of business entities.

44. Constitutional Revision Commission

In 2011, the Legislature passed Act 2011-197, creating the Constitutional Revision Commission. The Commission was charged with completing an Article by Article Plan for revising the 1901 Alabama Constitution. The act further directed the Alabama Law Institute to staff the Commission. The plan was as follows:

Year 2011

- Article XII	Private Corporations
- Article XIII	Banking
- All Articles	Remove unconstitutional racist language

Year 2012

- Article III Distribution of Powers
- Article IV Legislative Department
- Article IX Representation

Year 2013

- Article I Declaration of Rights
- Article V Executive Department
- Article XIV Education

Year 2014

- Article VII Impeachments
- Article X Exemptions
- Article XVII Miscellaneous

Taxation was specifically excluded

Commission members were appointed by Governor Bentley, Senate Pro Tem Marsh and Speaker Hubbard with the Chairs of the House and Senate Judiciary and Constitution Committees as Ex-officio Members.

45. 10A Name Reservation

This act was passed in 2013 and became effective August 1, 2013. It amended Article 5, Division A of Chapter 1 of Title 10A of the Code of Alabama.

This act amended the Hub provisions of the Business and Entities Act to make name reservation a mandatory and universal process for all entities, including covering foreign entities. It extended the effectiveness of name reservations to one year. It deleted sections 10A-1-5.21 through 10A-1-5-25 (Division C) relating to name reservations of a foreign filing entity.

46. Study Committee on Campaign Finance Reform

In 2012, the Legislature passed Act 2012-358, creating the Study Committee on Campaign Finance Reform.

The committee was charged with studying Alabama's Fair Campaign Practices Act and making recommendations on its

improvement. At the request of the Chairpersons, the Law Institute served as research and drafting staff to the committee.

In 2013, the committee made numerous recommendations to the Legislature which were ultimately passed as part of Act 2013-311.

As part of its support of this committee, the Institute in conjunction with the Secretary of State and Alabama State Bar facilitated numerous training seminars to educated public officials, candidates and the public on these significant changes to the law.

47. Unitrust

This act was passed in 2013 and became effective August 1, 2013. It amended the Alabama Principal and Income Act codified in Chapter 3A of Title 19 of the Code of Alabama.

Under federal law, a state is authorized to permit a trust to provide for an alternative for reasonable apportionment between the income and remainder beneficiaries of the total return of the trust. This type of provision is commonly referred to as a “unitrust.” The unitrust amount is determined by applying a fixed unitrust percentage to the net fair market value of the trust assets. For this purpose, net fair market value is determined by reducing the fair market value of the assets by the liabilities of the trust.

The Act updated the Alabama Principal and Income Act to allow trusts to be established initially as unitrusts and also provided procedures for existing trusts to be converted into unitrusts.

48. Uniform Commercial Code Article 4A Amendments

This act was passed in 2013 and became effective August 1, 2013. It amended Section 7-4A-108 of the Code of Alabama.

The Dodd-Frank Wall Street Reform and Consumer Protection Act is an amendment to the Federal Electronic Funds Transfer Act (EFTA) that will have an important impact on the

scope of Article 4A of the Uniform Commercial Code. Presently Article 4A does not apply to a funds transfer any part of which of which is governed by EFTA. The implementing regulations for the federal act were published in the Federal Register in November 2011, with a delayed effective date of the rules to February 2013, expressly to permit changes to UCC 4A so it might continue to govern aspects of some remittance transfers. Absent a change to Article 4A, there could be legal uncertainty for a class of remittance transfers currently governed by Article 4A. The Permanent Editorial Board for the Uniform Commercial Code has recommended an amendment to § 4A-108 and its comments. Both the American Law Institute and the Uniform Law Commission have approved the amendment.

UCC Article 4A was originally drafted to govern transfers between commercial parties. At the time of drafting, the EFTA governed only consumer wire transfers. UCC § 4A-108 was drafted with that in mind. When the amendment to EFTA goes into effect in 2013, EFTA will govern “remittance transfers”, whether those remittance transfers are also “electronic fund transfers” as defined in EFTA. Thus, when the amendment and its implementing regulation go into effect, the result of UCC § 4A-108 in its present form will be that a fund transfer initiated by a remittance transfer will be entirely outside the coverage of Article 4A, even if the remittance transfer is not an electronic fund transfer (not a consumer remittance transfer). Thus a number of important issues in those remittance transfers will be governed neither by Article 4A or the EFTA.

The amendment revised UCC § 4A-108 to provide that Article 4A does apply to a remittance transfer that is not an electronic funds transfer under the EFTA. The amendment then restated the rule of the supremacy clause that the federal statute controls in the case of any conflict between UCC Article 4A and the EFTA.

49. Alabama Uniform Collaborative Law

This act was passed in 2013 and became effective January 1, 2014. It is codified as Section 6-6-26 of the Code of Alabama.

The Uniform Collaborative Law Rules/Act (UCLR/A), was originally promulgated by the Uniform Law Commission as an act in 2009 and subsequently amended in 2010. The 2010 Amendments to the Uniform Collaborative Law Rules/Act created an explicit mechanism for the operative provisions of the act to be adopted in rule, rather than statute, thereby giving the state the option of the method for adoption. Alabama chose a hybrid position. The majority of the provisions were being presented as statutes to the Legislature for their consideration. However, several of the provisions that are more suited to adoption by rule were omitted and will be left to court rule. The act also provided states with the option to either limit application of the act to family law matters or to not impose such a limitation. Alabama chose to limit the application of the act to family law matters, but did broaden the application to family law matters in Probate Court, such as guardianships.

Collaborative law is a voluntary, contractually based alternative dispute resolution process for parties who seek to negotiate a resolution of their matter rather than having the matter decided by a court. Under the provisions of the act the lawyers and clients agree that the lawyers will represent the clients solely for purposes of settlement, and that the clients will hire new counsel if the case does not settle. The parties and their lawyers work together to find an equitable resolution of a dispute, retaining experts as necessary. No one is required to participate, and parties are free to terminate the process at any time.

The basic ground rules for collaborative law are set forth in a written agreement (“collaborative law participation agreement”) in which parties designate collaborative lawyers and agree not to seek a judicial resolution of a dispute during the collaborative law process. The parties agree that they have a mutual right to terminate collaborative law at any time without giving a reason.

The act mandated essential elements of a process of disclosure and discussion between prospective collaborative lawyers and prospective parties to better insure that parties who sign participation agreements do so with informed consent. It required collaborative lawyers to make reasonable inquiries and

take steps to protect parties against the trauma of domestic violence.

Specifically, the act:

- (a) Applied only to collaborative law participation agreements that meet the requirements of the act;
- (b) Established minimum requirements for collaborative law participation agreements;
- (c) Specified when and how a collaborative law process begins and is concluded;
- (d) Created a stay of proceedings when parties sign a participation agreement to attempt to resolve a matter related to a proceeding pending before a court while allowing the court to ask for periodic status reports;
- (e) Made an exception to the stay of proceedings for emergency orders to protect health, safety, welfare, or interests of a party or child of a party;
- (f) Required parties to voluntarily disclose relevant information during the collaborative law process without formal discovery requests and update information previously disclosed that has materially changed; and
- (g) Authorized judicial discretion to enforce agreements that result from a collaborative law process.

50. Uniform Principal and Income Act

This act was passed in 2012 and became effective January 1, 2013. It is codified as Chapter 3A of Title 19 of the Code of Alabama.

The Uniform Principal and Income Act provided the procedures for trustees administering an estate in separating principal from income. It was originally promulgated by the Uniform Law Commissioners in 1931 and has been revised or amended several times subsequent to the initial act. Alabama's

current law was passed in 2000 and is codified at Section 19-3A-101 et seq. of the Code of Alabama. The basic purpose of the act, like the earlier versions, was to ensure that the intention of the trust creator is the guiding principle for trustees.

This revision continued to distinguish between property that is principal, which will be distributed to remainder beneficiaries (persons entitled to receive principal when an income interest ends), and property that is income, distributed to income beneficiaries. The Uniform Act has always provided the default rules for such allocations in the event the trust investment is silent. These amendments updated the traditional income and allocation rules so that they can work with the doctrine of modern investment theory.

Improvements to the Uniform Principal and Income Act made by the amendments are as follows:

- (a) It updates the act to reflect current policy of the Internal Revenue Service and clarified technical language regarding withholdings.
- (b) It clarifies allocations of acquired assets, such as those from corporate distributions.
- (c) It includes an “unincorporated entity” concept to deal with businesses operated by a trustee, including farming and livestock operations, and investment activities in rental real estate, natural resources, and timber.
- (d) It adds a provision which deals with the problem of disbursements made because of environmental laws.
- (e) It follows the principles in Uniform Prudent Investor Act (adopted by Alabama—Ala. Code § 19-3B-901 et seq.), especially the principle for investing for total return instead of for a certain level of income.
- (f) It provides the power to make adjustments between principal and income to correct inequities caused by tax elections or peculiarities in the way the fiduciary income tax rules apply.

(g) It promotes the uniformity of law necessary for a healthy interstate investment environment.

51. Uniform Foreign-Country Money Judgments Recognition Act

This act was passed in 2012 and became effective January 1, 2013. It is codified as Section 6-9-250 of the Code of Alabama.

The Uniform Foreign-Country Money Judgments Recognition Act is a revision of the Uniform Foreign Money Judgments Recognition Act of 1962, which codified the most prevalent common law rules with regard to the recognition and enforcement of money judgments rendered in other countries. Under the 1962 Act, a state was required to recognize a foreign-country money judgment if the judgment satisfied the standards for recognition set out in the act.

Since its promulgation more than 40 years ago, the 1962 Act has been adopted in a majority of the states. Alabama adopted the 1962 Act in 1986, and it is codified at Section 6-9-232 et seq. of the Code of Alabama. The prior law was generally viewed as successful in carrying out its purpose of establishing clear and uniform standards under which state courts enforce the foreign money judgments that came within its scope.

However, in spite of the similarities in titles, these acts deal with quite different problems of judgment enforcement. The Enforcement of Foreign Judgments Act provided for enforcement of a state court judgment in another state to implement the Full Faith and Credit clause of the U.S. Constitution. The Foreign-Country Money Judgments Recognition Act provided for enforcement of foreign country judgments in a state court in the United States.

The increase in international trade in the United States has also meant more litigation in the interstate context. This means more judgments to be enforced from country to country. There is a strong need for uniformity between states with respect to the law governing foreign-country money-judgments. If foreign country judgments are not enforced appropriately and uniformly, it may

make enforcement of the judgments of American courts more difficult in foreign country courts.

Thus, it was necessary to update the 1962 Act to make it timely because of the continuing increase in international trade and the need to make Alabama a recognized forum for international business.

Among a long list of improvements, the Revised Act:

- (a) Provides simple court procedures for the enforcement of foreign-country money judgments;
- (b) Closes the gaps in the 1962 Act;
- (c) Addresses burdens of proof of the parties which is not covered in the current law;
- (d) Revises the grounds for denying recognition of foreign-country money judgments;
- (e) Establishes a statute of limitations for recognition actions;
- (f) Provides clear and certain rules for obtaining foreign-country money judgments; and
- (g) Provides a better response to the current conditions of international trade.

52. Uniform Interstate Depositions and Discovery Act

This act was passed in 2012 and became effective January 1, 2013. It is codified as Section 12-21-400 of the Code of Alabama.

The Uniform Interstate Depositions and Discovery Act addressed the need for an efficient and inexpensive procedure that would allow litigants to depose individuals and conduct discovery in a state other than the trial state.

Under the act, litigants can present a clerk of the court located in the state where discoverable materials are sought with a subpoena issued by a court in the trial state. Once the clerk receives the foreign subpoena, the clerk will issue a subpoena for service upon the person or entity on which the original subpoena is directed. For example, an Alabama litigant would be able to obtain service of a subpoena on a party in a neighboring state. The terms of the issued subpoena must incorporate the same terms as the original subpoena in Alabama and contain the contact information for all counsel of record and any party not represented by counsel.

The Uniform Act improved current state procedures in the following ways:

- (a) It provided an efficient procedure for the clerk of court in the discovery state to follow.
- (b) It lowered costs by eliminating the need for out-of-state litigants to obtain local counsel in the discovery state.
- (c) It decreased the need for judicial oversight since under the act there is no need to present the matter to a judge in the discovery state before a subpoena can be issued.
- (d) It clarified that discovery permitted by the act must comply with the laws of the discovery state.
- (e) It recognized that the discovery state has a significant interest in protecting its residents who become non-party witnesses in an action pending in a foreign jurisdiction from unreasonable or burdensome discovery requests.
- (f) It specified all motions to quash or modify a subpoena must comply with the law of the discovery state.

53. Share Exchange Act

This act was passed in 2012 and became effective May 23, 2012. It amended Section 10A-2-11.02 of the Code of Alabama.

Act 2012-563 provided for a share exchange between two corporations whereby a corporation may acquire all of the outstanding shares of one or more classes or series of stock of another corporation.

54. Uniform Durable Power of Attorney Act

This act was passed in 2011 and became effective January 1, 2012. It is codified as Sections 26-1A-101 et seq. of the Code of Alabama.

This act revised the former Durable Power of Attorney law. § 26-1-2. It followed the Uniform Power of Attorney Act drafted by the Uniform Law Commission in 2006.

Under prior law, one must designate the power of attorney as “durable” for the power to remain in effect when the maker subsequently becomes incompetent. The prior default rule was for powers of attorney to be void when the maker becomes incompetent unless the power of attorney specifically makes it durable. This act reversed the default to make all powers of attorney “durable” unless they specifically provide otherwise.

This act is prospective only in application. Prior § 26-1-2 will continue to govern all powers executed prior to the effective date of the new act. Furthermore, the prior durable attorney law and this act do not include healthcare decisions. Healthcare powers are governed by § 26-1-2.1 which will carry forward prior law as it relates to healthcare powers.

The act offered clear guidelines for the agent. It provided:

- (a) Agent protections, such that an agent who acts with care, competence, and diligence for the best interest of the principal is not liable solely because he or she also benefits from the act or has conflicting interests; and
- (b) Methods for the agent to give notice of his or her resignation if the principal becomes incapacitated.

The act encouraged acceptance of a power of attorney by third parties by:

- (a) Providing broad protections for the person who accepts or refuses a power of attorney without actual knowledge that the power of attorney is invalid or has been terminated;
- (b) Offering an additional protective measure for the principal by providing that third persons may refuse the power if they have the belief that “the Principal may be subject to physical or financial abuse, neglect, exploitation, or abandonment by the Agent or person acting for or with the Agent, and make a report to the appropriate adult protection service agency”; and
- (c) Providing an optional statutory form for granting a durable power of attorney.

55. Alabama Rule Against Perpetuities

This act was passed in 2011 and became effective January 1, 2012. It is codified as Sections 35-4A-1 et seq. of the Code of Alabama.

Alabama was the last of the fifty states to have the original common law rule against perpetuities in full force and effect. This distinctiveness was heightened because Alabama imposed by statute the rule upon personal property and land. (*See* Alabama Code of 1975 § 35-4-4). Simply stated, the common law rule provided that no future interest was good unless it must vest, if at all, no later than twenty-one years after a life in being at the creation of the interest.

Under the common law rule, any violation of the rule results in the transfer at issue being void. The rule can cause harsh results for two reasons. First, even a hypothetical violation of the rule, no matter how improbable, voids the transfer. Second, if the transfer is to a class of persons and even one has the potential of vesting outside the permissible time period, the transfer to all members of the class is void.

The Uniform Statutory Rule adopted a “wait-and-see” approach. This means that rather than a transfer becoming void because of a possible violation of the rule, the Uniform Statutory Rule provides a period of time within which an interest can vest. If vesting occurs, the transfer is saved, if not, then it is invalid. This period of time in this act is one hundred years.

Next, the Uniform Statutory Rule allowed for a court to reform a transfer which violated the rule. This means that if the transfer does not vest within the one-hundred year time period allowed, an interested person can petition a circuit court to reform the transfer in a manner that would allow it to occur and which most approximates the will of the grantor.

There are a number of exceptions to the rule contained in the act as well. These include transfers which are business transactions and those related to charities. There is also an exemption which provides for a 360 year “wait-and-see” period for trusts which are governed by the laws of Alabama in which the trustee has the power to sell, lease or mortgage all of the property which is held in trust.

This act in essence continues the public policy goal of preventing perpetual non-vested interests in a manner which is more practical, less onerous, and less likely to result in harsh outcomes for the unsuspecting.

56. Alabama Unsworn Foreign Declarations Act

This act was passed in 2011 and became effective January 1, 2012. It is codified as Sections 12-21-80 et seq. of the Code of Alabama.

Declarations of persons abroad are used for numerous reasons in Alabama courts and administrative proceedings. The prior acceptable form of such declarations in Alabama was an affidavit sworn to in the presence of a notary public.

In recent years, access to United States Embassies and Consulates has become more difficult because of closing and

added security. This has made the obtaining of appropriately sworn foreign declarations more difficult.

The Uniform Unsworn Foreign Declarations Act (UUFDA) allows for the use of declarations made by persons outside the territorial boundaries of the United States which are signed under penalty of perjury, but are not sworn to in the presence of a notary public. The act excluded from its application declarations for depositions, oaths of office, oaths related to self-proving wills, declarations recorded under Title 35, oaths required to be given before specified officials other than a notary, and powers of attorney.

Federal Courts have allowed the flexibility of using unsworn declaration for many years. Since 1976, federal law has allowed an unsworn declaration to be recognized and valid as the equivalent of a sworn affidavit if it contained an affirmation substantially in the form set forth in the federal act.

57. Alabama Revised Notary Act

This act was passed in 2011 and became effective January 1, 2012. It is codified as Sections 36-20-70 et seq. of the Code of Alabama.

Alabama's Notary Laws were amended in 1987. Subsequently, a number of the provisions became outdated. Examples of outdated provisions included the requirement that a notary seal must leave an impression by embossing, limiting notaries to one county, and low bond limits.

These amendments changed the law in four ways:

- (a) The amendments allowed for the use of a stamped seal. This results in the seal on documents which are filed or stored electronically to show up better after scanning.
- (b) All new notaries and renewals are for a statewide commission. Prior law allowed for a notary to be either for one county or statewide. At the time of the passage of the

amendments, there were more than 50,000 active notaries and only 14 were limited to one county.

- (c) These amendments removed the statutory requirement for notaries to keep a journal of their notarial acts and to file them in probate court.
- (d) This act increased the bond a notary must hold from \$10,000 to \$25,000.

Notaries in existence at the passage of the act remain valid and unchanged until renewed. These amendments make no changes for Alabama International Notaries or Civil Law Notaries.

2006-2010 Quadrennium

58. Uniform Adult Guardianship Jurisdiction Act

This act was passed in 2010 and became effective January 1, 2011. It is codified as Sections 26-2B-101 through 503 of the Code of Alabama.

The current Guardianship and Protective Proceedings Act was passed by Alabama in 1987 and was based on the Uniform Act at the time.

With population mobility, cases involving simultaneous and conflicting jurisdiction over child custody increased to the point that Alabama passed the Uniform Child Jurisdiction Enforcement Act in 1999 to clarify the law concerning child custody when the parents are in different states.

This same jurisdictional problem existed for adult guardianships of aging parents as with children living in different states. Guardians are regularly appointed by courts to care for an aging adult in one state, then the individual moves to a second state. Sometimes guardianships must be initiated in a second state because of the refusal of financial institutions, care facilities, and the courts to recognize a guardianship or protective order issued in a second state.

This act provided an effective mechanism for resolving multi-jurisdictional disputes.

This law is organized into articles.

Article 1 - General Provisions contains definitions and provisions designed to facilitate cooperation between courts in different states.

Article 2 - Jurisdiction specifies which court has jurisdiction to appoint a guardian or conservator. Its overall objective is to have jurisdiction in only one state except in cases of an emergency or in situations where the individual owns property located in multiple states.

Article 3 - Transfer of Guardianship or Conservatorship specifies a procedure for transferring guardianship or conservatorship proceedings from one state to another.

Article 4 - Registration and Recognition of Orders from Other States addresses enforcement of guardianship and protective orders in other states.

The Uniform Adult Guardianship Jurisdiction Act clarified many guardianship issues including, registration and transfer, for out-of-state cases. The procedures in the act help reduce the cost of guardianship and protective proceedings from state to state.

59. Uniform Child Abduction Prevention Act

This act was passed in 2010 and became effective January 1, 2011. It is codified as Section 30-3C-1-13 of the Code of Alabama.

While prior Alabama law addressed initial child custody determination as well as criminal repercussions for child abductions, this act clarified the procedure for courts to follow to protect the child and all parties.

In 1999, Alabama passed the Uniform Child Custody Jurisdiction and Enforcement Act. This act complimented that act

including the temporary emergency jurisdiction available for minors.

The act also addressed special problems involved in international child abduction. These include risk factors related to whether the party is likely to take the child to a country that is not a party to The Hague Convention on the Civil Aspects of the International Child Abduction or to a country that is on a current risk of state sponsors of terrorism or engaged in active military war.

If an abduction appears imminent, the court may issue a warrant to take physical custody of the child, direct law enforcement officers to take steps to locate and return the child or exercise other appropriate powers existing under state law.

60. Alabama Trademark Act Amendments

This act was passed in 2010 and became effective January 1, 2011. It amended Chapter 12 of Title 8 of the Code of Alabama.

Rather than fully replace current Alabama trademark law, the Alabama Trademark Act was amended to add concepts from the Model State Trademark Act which improve existing law. The general areas improved were: dilution, the term for the trademark registration period, the classification system, and the remedies available for infringement.

Alabama retained the ability to register a trade name in addition to a trademark.

61. Redemption of Ad Valorem Tax Sales

This act was passed in 2009 and became effective September 1, 2009. It amended Title 40 of the Code of Alabama.

When Section 40-10-122 was amended in 2002 to limit 12% interest paid at tax sale to taxes and on the overbid up to 15% of assessed value, other sections of the law should have been amended. This act clarified and codified the existing law by amending other relevant code sections concerning the redemption

of property from ad valorem tax sales. It also codified case law on redemption and delineated the counties' responsibility with regard to holding and refunding an "overbid" by the tax sale purchaser who paid all taxes, fees and charges and any additional sums paid to the tax collector.

The act also:

- (a) Provided a procedure for redemption by the landowner from multiple tax sales;
- (b) Established that the owner who remains in possession after the sale may always redeem (The owner has a statutory redemption period for 3 years from sale; there is an additional 3-year redemption period by the owner from the purchaser after the original 3-year statutory redemption period.);
- (c) Allowed the tax status for Class 3 property to remain to be taxed as Class 3 residential property so long as the owner occupies the property;
- (d) Provided that after three years from the date of the tax sale, the probate judge must receive proof that all ad valorem taxes have been paid before a tax deed is issued; and
- (e) Provided a less complicated procedure for redeeming property sold at a tax sale.

62. Revised Uniform Limited Partnership Act

This act passed in 2009 and became effective January 1, 2010 for new Limited Partnerships. After January 1, 2011, the act governed all Limited Partnerships as a part of the Business and Nonprofit Entities Code. The act is codified in Chapter 9 of Title 10A of the Code of Alabama.

This revision updated the Limited Partnership Act to reflect modern business practices. The prior law had been revised in 1983. Limited partnerships are now used primarily in two ways: for family limited partnerships in estate planning arrangements,

and for highly sophisticated, manager-controlled limited partnerships.

A limited partnership is distinguished from a general partnership by the existence of limited partners who invest in the partnership. In return for limited liability, the limited partner usually relinquishes any right of control or management of partnership affairs. However, the general partner of a limited partnership traditionally receives no direct liability protection.

This act provisions include:

- (a) Perpetual Entity. No termination unless the agreement so provides. A limited partner leaving does not dissolve the entity.
- (b) Entity Status. A limited partner is clearly an entity.
- (c) Convenience. The act provided a single, self-contained source of statutory authority for issues pertaining to limited partnerships, no longer dependent upon the general partnership law for rules that are not contained within it.
- (d) LLLP Status. Under this act, limited partnerships may opt to become limited liability limited partnerships (LLLP), simply by so stating in the limited partnership agreement, and in the publicly filed certificate. The primary reason for a limited partnership to elect LLLP-status is to provide direct protection from liability for debts and obligations of the partnership to the general partner of the limited partnership.
- (e) Liability Shield. The prior limited partnership law provided only a restricted liability shield for limited partners. This act provided a full, status-based shield against limited partner liability for entity obligations. The shield applied whether or not the limited partnership is an LLLP.
- (f) Express Default Statute. The act provided default provisions between the partners and between partners and

the partnership. Therefore, when the partnership agreement does not define the relationship, there is a fallback default law.

The act also addressed issues such as allocating power between general partners and limited partners; and setting fiduciary duties owed by general partners to other general and limited partners.

63. Business and Nonprofit Entities Code

This law was passed in 2009 and became effective January 1, 2011. This act is codified as Title 10A of the Code of Alabama.

This act is a reorganization of the business and nonprofit laws much like the revision in 2007 of the Election Code. There were no substantive changes except when there currently exist conflicts between entities.

The Code is organized on a “Hub and Spoke” model in Title 10. Article 1, constituting the “Hub,” consists of provisions applicable to each of the various business entities. The remaining Articles of the “Spokes” of the act and are the individual entities, such as the Business Corporation Act. When possible, each entity retains its prior Chapter designation in the “Spoke.” For example, business corporation provisions formerly were in Chapter 2 and are in Chapter 2 of the act. This will make it easier to find for those familiar with the prior law.

Corporation, Nonprofit, Partnership, Limited Partnership, LLP, LLC, and numerous other entity laws were passed over the past 10 to 50 years with little regard as to the relation of similar, different or even conflicting provisions in one law to another. Businesses, in particular small business, may have multiple entities for ownership of their property and running their business. This requires knowledge by the owner and their attorney of each type law. Otherwise, these subtle differences become a trap for the unwary.

In May 1999, a committee of the Law Institute began its study of all the business entities in Alabama to clear up

inconsistencies between the entities that are a trap for lawyers and those with multiple entity organizations. The committee first drafted the Alabama Entities Conversions and Mergers Act for all entities. The act passed the legislature in 2000 and is codified at Section 10-15-1 et seq. of the Code of Alabama. Nine years later, with over 50 meetings held, the Institute drafting committee completed its study by top lawyers in the state who donated over \$2 million of their legal services.

The purpose of this Code is primarily non-substantive. It is to make the law encompassed by this Title more accessible and understandable by:

- (a) Rearranging the kinds of business and non-business organizations and the statutes applicable to them into a more logical order by a non-substantive revision of analogous or comparable provisions found in the prior Alabama Business Corporation Act, Alabama Non-Profit Corporation Act, Alabama Limited Liability Company Act, Alabama Revised Partnership Act, Alabama Revised Limited Partnership Act, Alabama Real Estate Investment Trust Act, Alabama Professional Associations Act, Alabama Professional Associations Act, and other existing provisions of Alabama statutes governing domestic and foreign business and non-profit entities;
- (b) Employing a format and numbering system designed to facilitate access to and citation of the law and to accommodate future expansion of the law;
- (c) Eliminating repealed, duplicative, expired, executed, and other ineffective provisions; and
- (d) Restating the law in modern language to the greatest extent possible.

The reorganization is as follows:

Chapter 1	General Provisions
Chapter 2	Alabama Business Corporation Act
Chapter 3	Non-Profit Corporation Act

Chapter 4	Alabama Professional Corporations Act
Chapter 5	Alabama Limited Liability Company Act
Chapter 8	Alabama Revised General Partnership Act
Chapter 9	Alabama Revised Limited Partnership Act
Chapter 10	Alabama Real Estate Investment Trust Act
Chapter 11	Employee Cooperative Corporations
Chapter 16	Business Trusts
Chapter 17	Alabama Unincorporated Nonprofit Corporations
Chapter 20	Special Purpose Entities
Chapter 30	Provisions for Entities that can no longer be formed

Alabama Professional Associations Act and Close Corporations

Chapter 1, General Provisions concerns: Definitions, application, and purposes; purpose and powers of a domestic entity; formation and governance; filings; names of entities, registered agents, and registered offices; indemnification and insurance; foreign entities; conversions and mergers; and winding up and termination of a domestic entity.

Chapter 2, Alabama Business Corporation Law and applicable portions of Chapter 1 concern: General provisions; formation and governing documents; purpose and powers; shares and distributions; shareholders; directors and officers; amendment of articles of incorporation; merger and share exchange; sale or mortgage of assets; dissenters' rights; dissolution; foreign corporations; records and reports; and application.

Chapter 3, Alabama Nonprofit Corporation Law and applicable portions of Chapter 1 concern: General provisions; substantive provisions; formation of nonprofit corporations; amendments; mergers and consolidation; sale of assets; dissolution; and miscellaneous provisions.

Chapter 4, Alabama Professional Corporation Law and applicable portions of Chapter 1 concern: General provisions; purposes, powers, and organization; shareholders; directors and officers and professional liability; special provisions as to amendments, merger, and consolidation; regulation of professional corporations, foreign

professional corporations, and application to existing corporations; and limited liability corporations.

Chapter 5, Alabama Limited Liability Company Law and applicable portions of Chapter 1 concern: General provisions; formation; relationship of members and managers to third parties; relationship among members; contributions and distributions; transfer of membership interest; dissolution; and professional services.

Chapters 6 and 7 were reserved for future legislation.

Chapter 8, Alabama General Partnership Law and applicable portions of Chapter 1 concern: General provisions; nature of partnership; relations of partners to persons dealing with partnerships; relations to partners to each other and to partnership; transferees and creditors of partners; partners' dissolution; partners' dissolution when business not wound up; winding up partnership business; registered limited liability partnerships; and miscellaneous provisions.

Chapter 9, Alabama Limited Partnership Law and applicable provisions of Chapter 1 concern: General provisions; certificate of limited partnership; limited partners; general partners; finance; distributions and withdrawals; assignment of partnership interests; dissolutions; derivative actions; and miscellaneous provisions.

Chapter 10, Alabama Real Estate Investment Trust Law and applicable provisions of Chapter 1 concern: Form; compliance; declaration of trust; classification of shares; removal of trustee powers; investment and use; annual report; inspection of records; filing fees; amendment of declaration; merger; dissolution; liability of trust, shareholders, and trustees; service of process; income tax; and treatment.

Chapter 11, Alabama Employee Cooperative Corporations Law and applicable provisions of Chapter 1 concern: Election as employee cooperative and revocation of election; corporate names; members, membership shares, rights, and responsibilities; directors and officers; voting power, amendment of bylaws and protection of shareholders; apportionment of earnings and losses; internal capital

accounts; internal capital account cooperatives; and conversion of membership shares and merger of employee cooperatives.

Chapters 12, 13, 14, and 15 were reserved for future legislation.

Chapter 16, Business Trusts concerns: Establishment and purpose; powers and liabilities of trustees and liability of trust; certificate of ownership and liability of beneficial owners; contents and recordation of declaration of trust; duration and suits against trust; and attachment and execution.

Chapter 17, Alabama Unincorporated Nonprofit Association Law and applicable provisions of Chapter 1 concern: Governance; association as legatee, devisee, or beneficiary; statement of authority; liability in tort and contract; capacity to assert and defend and standing effect of judgment or order; disposition of personal property of inactive or dissolved association; appointment of agent; claims, venue, and service; transition; and acts not repealed, saving clause, and uniformity of application.

Chapters 18 and 19 were reserved for future legislation.

Chapter 20, Special Purpose Entities concerns: Bishop of diocese; churches, public societies, and graveyard owners; conferences of ministers; state conventions and association of churches; educational institutions; health care service plans; industrial development corporations; local fraternal orders; single tax and mutual economic associations; private foundations; charters of medical, dental, pharmaceutical, or similar associations; charters of corporations not of a business character; retail merchants' associations, wholesale merchants' associations; water and power companies; and liability of officers of nonprofit organizations.

Chapter 21, Certain Powers, Rights, and Duties of Corporations, concerns: Corporate political contributions; corporate powers of eminent domain; and prosecution of corporations.

Chapters 22 to 29, inclusive, were reserved for future legislation.

Chapter 30, Provisions Applicable to Existing Entities of a Type that May No Longer Be Formed concerns: Unincorporated professional associations and close corporations.

64. Electronic Recording of Real Estate Records

This act was passed in 2009 and became effective January 1, 2010. However, before implementation by a county, uniform standards must still be established. It is codified as Chapter 4 of Title 35 of the Code of Alabama.

As a result of the enactment of the Uniform Electronic Transactions Act passed by the Alabama Legislature in 2001, it is now possible to have contracts in electronic form with electronic signatures of the parties. However, real estate transactions require another step not addressed by the e-sign law.

Real estate documents must be recorded in public records in order to provide notice of the current owner of the property. Real estate records establish a chain of title based on filing the original document, preserving it by copying it, and recording the document in the probate office.

This act accomplished three primary objectives:

- (a) It equated electronic documents and electronic signatures to original paper documents and manual signatures. Thus, any requirements for original paper documents or manual signatures are satisfied by an electronic document and signature. The process is essentially a scan-in of the document and electronic filing by email.
- (b) It specified that electronic filing and storage of electronic records is purely an opt-in option by probate offices in each of the 67 counties and does not mandate them. Those electing to have electronic recording will be able to do so while maintaining the procedure for walk-up filing of paper documents.
- (c) It established a board to set uniform standards for filing electronically in every probate office that elects to opt-in to utilize electronic filing. This 13-person board consists of probate judges, lawyers, and other officials that have an interest in the recording process.

65. Uniform Prudent Management of Institutional Funds Act

This act was passed in 2008 and became effective January 1, 2009. It is codified as Chapter 3C of Title 19 of the Code of Alabama.

The act governed investment of the funds of charitable organizations and total return expenditure of those funds. It established a prudent management investment policy that was derived from the Uniform Prudent Investor Act that applies only to trusts which were passed in Alabama in 2006. It also provided for a delegation of authority for investment to outside agents and reformation of donor restrictions (cy pres) on funds when they are so outdated that the original objective can no longer be followed.

The act:

- (a) Made sure the best investment practices govern the actual investment of the institutional funds;
- (b) Changed obsolete rules governing prudent total return expenditure and provide a modern rule of prudence consistent with the rules that govern investment;
- (c) Eliminated differences in investment and expenditure rules that apply to different types to nonprofit organizations. The same rules govern all institutions under this act;
- (d) Encouraged growth of institutional funds while eliminating investment risks that threaten the principal;
- (e) Assured that there are adequate assets in any institutional fund to meet the program need; and
- (f) Made the law governing institutional funds uniform in all states.

66. Alabama Uniform Parentage Act

This act was passed in 2008 and became effective January 1, 2009. It is codified as Sections 26-17-101 et seq. of the Code of Alabama.

This act, which revised the Uniform Parentage Act of 1973, modernized the law for determining the parents of children and facilitated modern methods of testing for parentage. With the rising incidence of children born to unmarried parents, parentage determinations must be improved for the enforcement of child support. The Uniform Act was completed by the Uniform Law Commissioners in 2000 (and amended in 2002). This act repealed the prior parentage law, previously located at Ala. Code §§ 26-17-1 through 22.

There are seven substantive articles. Alabama chose to omit the optional Article 8 concerning surrogacy agreements. Although including an Article 4, Alabama chose to retain the current Alabama Putative Registry law rather than follow the policy and procedure embodied in the Uniform Act. The articles and their most notable features are:

Article 1 - General Provisions

Article 2 - Parent-Child Relationship

Determination of legal father. The legal father may be one of the following: an unrebutted presumed father, a man who has acknowledged paternity under Article 3, an adjudicated father as the result of a judgment in a paternity action, an adoptive father or a man who consents to an assisted reproduction under Article 7.

Article 3 - Voluntary Acknowledgment of Paternity

Consent proceeding for acknowledgment of paternity. The non-judicial acknowledgment of paternity proceeding under Article 3 of the new Uniform Act allows a knowing and voluntary acknowledgment of paternity that is the equivalent of a judgment of paternity for enforcement

purposes. An acknowledgment from another state is given the privilege of full faith and credit in Alabama.

Article 4 - Registry of Paternity

Continued Alabama's current Putative Father's Registry. Ala. Code § 26-10C-1.

Article 5 - Genetic Testing

Separate procedure for genetic testing. Standards for genetic testing are part of Article 5. The standard for a presumption of paternity as a result of testing is also established by statute. The measure is 99% probability of paternity based on appropriate calculations of “the combined paternity index.”

Article 6 - Proceeding to Adjudicate Parentage

Basic proceeding to determine parentage. Under the new Uniform Act, the child, the mother of the child, a man whose paternity is to be adjudicated, DHR, an authorized adoption agency or licensed child-placing agency, a representative of a deceased, incapacitated or minor person, or “any interested person” have standing.

Article 7 - Child of Assisted Conception

Parentage in cases of assisted conception. Generally, if a married couple consents to any sort of assisted conception and the woman gives birth to the resultant child, they are the legal parents.

67. Revised Uniform Anatomical Gift Act

This act was passed in 2008 and became effective November 1, 2008. It is codified as Article 9 of Chapter 19 of Title 22 of the Code of Alabama.

Notable features of the revision include:

- (a) Donor's consent (i.e., an individual's anatomical gift of the their own organs, eyes, and tissue, to take effect at death) is substantially strengthened to bar others from amending, revoking, or refusing to honor a gift made by the donor.
- (b) Absent a donor's consent, gifts by family members are facilitated if the deceased has not acted to make a donation or specifically refuses to make an anatomical gift by:
 - (1) Expanding those that can act to include a health care agent, grandchildren, and persons exhibiting special care;
 - (2) Easing consent by enabling a majority of the children to decide;
 - (3) Eliminating the need for consent from individuals who are not "reasonably available"; and
 - (4) Clarifying the manner by which consent may be obtained.
- (c) The revision specifically authorizes gifts on donor registries and state-issued identification cards.
- (d) Registries are encouraged and standards are provided for their operations.
- (e) It provides for cooperation and coordination between procurement organizations and medical examiners, particularly with regard to procurement from potential donors under the jurisdiction of the medical examiner.
- (f) The new act provides remedies for intentional acts in violation of the act while retaining immunity for good faith acts under the act.
- (g) It harmonizes the Uniform Anatomical Gift Act with federal law, current technology and practice, and Advance Medical Directives.

68. Estate Tax Apportionment

This act was passed in 2007 and became effective January 1, 2008. It is codified as Sections 40-15B-1 through 13 of the Code of Alabama.

The Internal Revenue Code places the primary responsibility of paying federal and state tax on the personal representative but does not direct from which beneficiary the taxes are to be paid. This is left to state law. Most states have an apportionment of tax law but formerly Alabama required the taxes to be taken from the residuary of the account unless the will directs otherwise.

This act applies only to:

- (a) estates over 2 million dollars;
- (b) where there is a will and the will does not enumerate who pays the taxes; or,
- (c) to persons who die after January 1, 2008.

The act does not affect:

- (a) The total amount of tax paid;
- (b) estates with no will;
- (c) estates less than 2 million dollars;
- (d) charitable gifts;
- (e) specifically willed gifts of personal property less than \$100,000 to any person;
- (f) specifically willed gifts of money less than \$25,000 to any person;
- (g) persons who are incompetent; or,
- (h) any person who dies before January 1, 2008.

The act generally allowed taxes to be shared by beneficiaries proportional to the amount received when the testator does not direct otherwise.

69. Uniform Environmental Covenants Act

This act was passed in 2007 and became effective January 1, 2008. It is codified as Sections 35-19-1 through 14 of the Code of Alabama.

This act was for the long-term enforcement of clean-up controls which will be contained in a statutorily-defined agreement known as an “environmental covenant” that is binding on subsequent purchasers of the property and filed in the local land records.

The fundamental purpose of this act was to remove various legal barriers to the use of environmental restrictions and lessen liability concerns of sellers and lenders associated with the redevelopment and sale of “brownfields.” At the same time, this requires state approval of the remediation and control plan and gives notice to surrounding landowners, local governments, and other parties in interest. This act both protects human health and makes it economically feasible to reuse the property.

What the act Does:

- (a) It provides a legal mechanism for long term control of use and clean-up that allows some properties to be safely returned to use so that it may be bought and sold. Former real property law was inadequate. Various common-law doctrines and other legal rules often work against such long-term controls, a situation which undermines the use and marketability of contaminated property. Cleanup, if possible, would often cost much more than the market value.
- (b) It creates a statutory legal framework called an “environmental covenant.” Covenants are a means of creating restrictions on use of land. The act creates an environmental covenant for the specific purpose of controlling the use of contaminated real estate forever while allowing that real estate to be conveyed from one person to another subject to those controls. It does not affect the validity of prior recorded mortgages.

- (c) It introduces the environmental covenant, a specific recordable interest in real estate in response to environmental issues that arise under a federal or state law for the clean up of the property or closure of a waste management site. No environmental covenant is effective without the Alabama Department of Environmental Management's signature. The covenant recites the controls and remediation requirements imposed upon the property. The rights under the covenant must be granted to a party. The covenant is perpetual unless limited in time within the instrument.
- (d) It promotes two principal policies, which are served by environmental covenants:
 - (1) It ensures that land use restrictions, mandated environmental monitoring requirements, and engineering controls designed to control the potential environmental risk of residual contamination will be recorded in the land records and enforced over time.
 - (2) It further allows the return of previously contaminated property to the stream of commerce. Under prior law, these properties did not attract interested buyers and remained vacant, blighted, and unproductive. Large numbers of brownfields are unlikely to be successfully recycled until regulators, owners, responsible parties, affected communities, and prospective purchasers and their lenders become confident that environmental covenants will be properly drafted, implemented, monitored, and enforced. This act is designed to encourage sale of property and re-use by offering a clear and objective process for creating, modifying, or terminating environmental covenants and for recording these instruments which will appear in any title abstract for the property in question.
- (e) It applies to both federal and state-led cleanups. It ensures that a covenant will survive despite tax lien foreclosure, adverse possession, and marketable title statutes. The act

also provides detailed provisions regarding termination and amendment of covenants, and included provisions on dealing with recorded interests that have priority over the new covenant. Any party to the covenant and appropriate agencies may enforce the covenant. Further, the act offers guidance to courts confronted with a proceeding that seeks to terminate a covenant through eminent domain or the doctrine of changed circumstances.

- (f) The act does not supplant or impose substantive clean-up standards, either generally or in a particular case. The act assumes those standards will have been developed in the prior regulatory process. Despite best efforts, total cleanups of many contaminated sites are not possible, but property may be put to limited uses without risk to others. The act also does not affect the liability of principally responsible parties for the cleanup or any harm caused to third parties by the contamination—rather it provides a method for minimizing the exposure of third parties to such risks and for owners to engage in long-term cleanup mechanisms.

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70. Uniform Trust Code

This act was passed in 2006 and became effective January 1, 2007. It is codified as Chapter 3B of Title 19 of the Code of Alabama.

The UTC is a default act. With only limited exceptions, a settlor may spell out in the trust's terms how the trust is to be administered and distributed. The exceptions include the requirements for creating a trust and the rights of certain classes of a beneficiary's creditors, such as a child support claimant, to reach the beneficiary's interest in payment of a claim.

But for those settlors who have failed to so provide, the UTC contained a comprehensive set of rules. The Code contains provisions on the creation of trusts, their day-to-day administration, and their modification and termination. Included

are such matters as the procedure for transferring administration to another state, the appointment, resignation, removal and compensation of a trustee, and the duties and management powers of a trustee.

The Alabama Uniform Trust Code is divided into twelve articles as follows:

Article 1 - General Provisions and Definitions does not address substantive topics, but deals with general provisions such as definitions.

Article 2 - Judicial Proceedings deals with jurisdiction over a trust in any state. It asserts the important rule that a trust is not supervised by a court unless there is a proceeding by an interested person that invokes the jurisdiction of the appropriate court. The place of administration of the trust is the place generally where the trust is created and court has jurisdiction over the trustee and beneficiaries of that trust.

Article 3 - Representation deals with the rather complex issues of who may represent whom in transactions or proceedings relating to a trust. In part, this article sets out a series of specialized agency rules, answering the question of who may be the agent of whom. Some of it is fundamental, such as the clear rule that the trustee represents the beneficiaries of a trust. Some of it is common sense, such as the rule that a guardian represents a ward or a conservator (if appointed) represents the estate of a ward. The most significant innovation is the provision for "virtual" representation. A minor, incapacitated person, unborn individual, or a person whose identity is not known may be represented by and legally bound "by another having a substantially identical interest with respect to the particular question or dispute" to the extent there is no conflict of interest in that representation.

Article 4 - Creation, Validity, Modification and Termination of a Trust has a self-evident set of rules. A trust is created when property is transferred to a trustee with the intent to create a trust relationship. There must be a definite or identifiable beneficiary unless the trust is a charitable trust, a trust for animals (specially provided for as a kind of honorary trust), or a trust for a

non-charitable purpose (also a kind of honorary trust). These kinds of honorary trusts, which have a limited life, legitimize honorary trusts that are not generally allowed under the common law. They are, therefore, an innovation in the Uniform Trust Code.

It is not necessary to have a trust instrument to create a trust. Oral trusts are allowed, but the standard of proof for an oral trust is the higher "clear and convincing evidence" standard. By not requiring a writing, the Uniform Trust Code avoids issues of electronic record and signature adequacy.

There are clear (default) rules that apply upon consent of the parties to the trust or that govern a court in modifying or terminating a trust. A court may apply the doctrine of cy pres to charitable trusts, when the charitable purpose is no longer attainable. A comparable larger charitable purpose may be selected.

Article 5 - Creditor's Claim, Spendthrift and Discretionary Trusts deals with creditor claims against the interests of a beneficiary or a settlor. A spendthrift provision in a trust restricts a beneficiary's creditor from attaching the beneficiary's interest in the trust until there is a distribution to the beneficiary. If there is no spendthrift provision, a creditor of a beneficiary may attach a distribution interest before it is distributed unless it is a discretionary trust, in which case attachment occurs when the discretion is exercised. A spendthrift provision is created simply by general reference to "spendthrift trust" in the trust instrument. A creditor may not compel a trustee to make a distribution to a beneficiary that is discretionary. A beneficiary who owes child support, spousal maintenance, or a creditor for services provided to protect the beneficiary's interest in the trust cannot rely on spendthrift provisions in a trust to avoid attachment of that interest. Creditors of the settlor of a revocable trust may attach the corpus of the trust, but only a settlor's distribution interest in an irrevocable trust.

Article 6 - Revocable Trusts expressly recognizes the most popular, modern trust form for estate planning. A revocable trust is one in which the settlor retains the power to control, amend, or revoke the trust. Property held in trust reverts back to the settlor if

it is revoked. The revocable trust today is used primarily as a will substitute to avoid probate. A trust is revocable unless a trust instrument expressly provides that it is irrevocable. While the settlor of a revocable trust yet lives and has capacity, the trustee owes its duties exclusively to the settlor. The settlor controls the rights of beneficiaries. If the settlor becomes incapacitated or dies, the beneficiaries control their rights under the trust and the duties of the trustee shift to the beneficiaries. The trust is no longer a revocable trust.

Article 7 - Office of Trustee deals with acceptance of the trust by the trustee, bond for the trustee, decision-making by co-trustees, and like matters. Perhaps the most important of the rules govern removal and compensation of the trustee. The settlor, a co-trustee, a beneficiary, or the court on its own initiative may request that a trustee be removed. The grounds are breach of trust, lack of cooperation among co-trustees substantially impairing the administration of the trust, defects of the trustee that require removal in the best interests of the beneficiaries, or substantial change of circumstances. The trustee may be removed upon the request of all qualified beneficiaries if removal is in the best interests of the beneficiaries, is not inconsistent with trust purposes, and a successor trustee is available. A trustee is entitled to reasonable compensation. A court may review and change a trustee's compensation.

Article 8 - Duties and Powers of the Trustee articulates the basic fiduciary obligations of a trustee, except for those articulated in the Uniform Prudent Investor Act. The basic duty is the duty of loyalty, which requires the trustee to manage the trust solely for the beneficiaries and to avoid conflicts of interest between trustee's interests and beneficiaries' interests. If a trustee provides services to an investment company or investment trust in which the trust invests money pursuant to the Uniform Prudent Investor Act, conflict of interest is not presumed.

Other fiduciary obligations include the duty of impartiality, the obligation of prudent administration, the obligation to incur only reasonable costs, and the obligation to apply the trustee's special skills when there is reliance on those skills when the trustee is named. A trustee may delegate certain duties and powers, but is

held to a prudent standard of appointment in so doing. An agent is held to the fiduciary standard of the trustee in accepting an appointment. Delegation has not generally been permitted under the common law, but is an important feature of the Uniform Prudent Investor Act. The Uniform Code provision is based on the one in the Uniform Prudent Investor Act. The delegation rules in both acts are an innovation in trust law.

A trustee generally has all the powers necessary to carry on the business of the trust. The Uniform Code contains an updated list of specific powers derived from the widely accepted Uniform Trustee's Powers Act.

Article 9 - Prudent Investor Rule. Alabama currently has a Prudent Investor Rule, enacted in 1989 and found in Ala. Code § 19-3-120.2. This was passed prior to the Uniform Rule now the law in thirty-eight states. This Article prescribes a series of duties relevant to the investment and management of trust property.

Article 10 - Liability of Trustees and Rights of Persons Dealing with the Trustee provides for remedies when there is breach of an obligation by the trustee, who and under what circumstances there is a right of action by anybody, and a trustee's immunity from personal liability when doing business with others on behalf of the trust. A breach of duty to a beneficiary invokes a court's equity powers to compel performance, suspend, or remove the trustee upon grounds noted earlier in this summary. Available damages restore a beneficiary's position as if breach had not occurred. The trustee's profit (if any) is also a measure of damage. A trust instrument may not waive or vary the obligation of good faith or exculpate the trustee for reckless indifference. An exculpatory term in a trust will not be enforced if the inclusion of the term abuses the settlor's confidential relationship with the trustee.

A trustee does not incur personal liability to third parties for contracts on behalf of the trust so long as the fiduciary status of the trustee is disclosed. A trustee is not liable for a tort action against the trust unless the trustee is personally at fault.

A third party dealing with a trust, also, is not liable for any breach of the trustee's obligations to the beneficiaries resulting from the transaction, unless the third party has knowledge of the actual breach by the trustee.

Article 11 - Miscellaneous Provisions include the provision as to how this act applies to existing relationships and the effective date.

Article 12 - Pre-existing Alabama Trust Statutes. This article merely continues existing statutes that have been moved into this Code for organization and easy use.

71. Uniform Residential Landlord/Tenant Act

This act was passed in 2006 and became effective January 1, 2007. It is codified as Chapter 9A of Title 35 of the Code of Alabama.

The following is an outline of the act:

Benefits for tenants include:

- (a) Warranty of habitability/applicability of building and housing codes (§ 35-9A-204);
- (b) Limits on security deposits and timelines for deposit return (§ 35-9A-201);
- (c) Repairs by landlords, 14 days after notice (§ 35-9A-401);
- (d) Tenant's recovery of actual and injunctive damages for landlord's breach (§ 35-9A-401);
- (e) Prohibition against landlord's retaliation (§ 35-9A-501);
- (f) Prohibition against exculpatory clauses (§ 35-9A-163);
- (g) Prohibition against intentionally including prohibited provisions in leases (§ 35-9A-164);

- (h) Provision of attorney fees for successful party (§ 35-9A-401);
- (i) Prohibition against changing material rules without tenants approval (§ 35-9A-302); and
- (j) Repeal of the Sanderson Act (§ 35-9-80 to 88).

Benefits for landlords include:

- (a) State law preempts local law on landlord tenant matters (§ 35-9A-121);
- (b) Tenant's obligation to pay rent before enforcing rights (§ 35-9A-164);
- (c) Right of landlord and tenant to enter into a separate agreement for tenant to assume some repair responsibilities (§ 35-9A-201 (c) & (d));
- (d) Landlord's right to recover actual damages and injunctive relief for tenant's breach of lease (§ 35-9A-301);
- (e) Security deposits forfeited by tenant if not claimed within 180 days (§ 35-9A-201(d));
- (f) Responsibility of tenant maintaining dwelling (§ 35-9A-301);
- (g) Landlord's right of entry to rental unit with advance notice, or in an emergency, without consent (§ 35-9A-303);
- (h) Landlord not responsible for tenants' property abandoned on premises (§ 35-9A-423);
- (i) Defines landlords liability for breach of lease (§ 35-9A-401(b));
- (j) Shortens eviction notice to 7 days for non-payment of rent (§ 35-9A-421);

(k) Court eviction action by landlord is 7 days (§ 35-9A-461);

(l) Shortens appeal time to 7 days (Section 2 amends § 6-6-350); and

(m) Provides attorney fees for landlord (§ 35-9A-426).

The act excludes:

- (a) public institutions,
- (b) lease sale contracts,
- (c) fraternities,
- (d) hotels,
- (e) condominiums, and
- (f) primarily agricultural rentals.

The Landlord Tenant Act was amended (Act 2009-633) in 2009 to make the following changes:

- (a) Clarified: Building codes by counties and municipalities must be the same for rental and owner occupied property.
- (b) New: A landlord may enter a unit to show the dwelling to prospective future tenants or buyers within 4 months of the end of the lease with the tenant present, provided the tenant has signed a separate agreement allowing entry.
- (c) Clarified: A landlord may schedule repairs or pest control of a unit during certain times, provided the tenant has at least 2 days notice separate from the lease.
- (d) Clarified: The filing of a post judgment motion suspends the time for the filing of an appeal.
- (e) Clarified: The right of a tenant to be restored to the premises after a successful appeal.
- (f) New: After an eviction judgment, when no post trial motion or appeal is made by the tenant, an execution on the eviction judgment for possession of the property may be served after 7 days from the judgment.

72. Election Code

This act was passed in April 2006 and was to become effective January 1, 2007. However, the Attorney General's Office did not submit the revision to the Justice Department for approval under the Voting Rights Act until July 13, 2007. The act was precleared by the Justice Department in October 2007. It is codified as Title 17 of the Code of Alabama.

This act reorganized Alabama's election laws and cleared up ambiguities that existed. The act does not make any substantive revisions *per se*.

The reorganization of the election code has the following chapters:

1. General Provisions
2. Help America Vote Act
3. Voter Registration
4. Voter Registration Lists
5. Fair Campaign Practices Act
6. Election Preparation
7. Electronic Voting Machines
8. Election Officers
9. Conduct and Management of Elections
10. Provisional Voting
11. Absentee Voting
12. Canvassing Returns
13. Primary Elections
14. General Elections
15. Special Elections
16. Post Election Procedures
17. Election Offenses

73. UCC Article 1 - General Provisions

This act was passed in 2004 and became effective January 1, 2005. It is codified as Sections 7-1-101 through 7-1-310 of the Code of Alabama.

Article 1 of the Uniform Commercial Code provides definitions and general provisions that, in the absence of conflicting provisions, apply as default rules covering transactions and matters otherwise covered under a different article of the UCC. Other parts of the UCC have been revised and amended to accommodate changing business practices and development in the law.

Revised Article 1 contains technical, non-substantive modifications, such as reordering and renumbering of sections and adding of gender-neutral terminology. In addition, several other changes reflect an effort to add greater clarity to the provisions of Article 1. Finally, developments in the law require that certain substantive changes in Article 1 be made as well.

Scope. The substantive rules of Article 1 apply only to transactions governed by other articles of the UCC. There is no impact outside the UCC.

Applicability of supplemental principles of law. Revised Section 1-103 clarifies the application of supplemental principles of law, with clearer distinctions about where the UCC is preemptive. This section reflects the interrelationship between the Code's purposes and policies and the extent to which other law is available to supplement the Code.

Good Faith. Section 1-201 adopts the objective standard of "good faith" that applies in all of the recently revised UCC articles (except Revised Article 5).

Choice of Law. Default choice of law provisions have been revised and are now found in Section 1-301 to replace former Section 1-105.

With respect to all transactions, an agreement by the parties to use the law of any state (or country) is generally effective, regardless of whether the transaction bears a reasonable relation to that state.

In a consumer transaction, except in certain circumstances, a choice of law provision cannot deprive a consumer of legal protections where the consumer is located.

Also, revised Section 1-301 provides certain safeguards against abuse of choice of law provisions that did not appear in former Section 1-105. For example, an agreement to use the law of a particular state or country will be ineffective to the extent the application would violate fundamental public policy of the state or country that has jurisdiction to adjudicate a dispute arising from the transaction.

Course of Performance. Under revised Section 1-304, evidence of “course of performance” (a concept currently utilized only in Articles 2 and 2A of the UCC) may be used to interpret a contract along with a course of dealing and usage of trade.

Statute of Frauds. The statute of frauds requirement in former Section 1-201, which was aimed at transactions beyond the coverage of the UCC, has now been deleted.

74. UCC Article 7 - Documents of Title

This act was passed in 2004 and became effective on January 1, 2005. It is codified as Sections 7-7-101 through 704 of the Code of Alabama.

The purpose of this revision is to provide a framework for the further development of electronic documents of title and to update the article for modern times in light of state, federal, and international developments.

The concept of an electronic document of title allows for commercial practice to determine whether records issued by bailees are “in the regular course of business of financing” or “treated as adequately evidencing that the person in possession of control of the record is entitled to receive, control, hold, and dispose of a record and the goods the record covers.” Such records in electronic form are electronic documents of title and in tangible form are tangible documents of title.

Under this revision the control of an electronic document of title is the conceptual equivalent to possession endorsement of a tangible document of title. Also incorporated in the revision is the acknowledgment that parties may desire to substitute an electronic document of title for an already-issued paper document and vice versa. Section 7-104 sets forth the minimum requirements that need to be fulfilled in order to give effect to this substitute issued in the alternative medium.

If possible, the rules for electronic documents of title are the same or as similar as possible to the rules for tangible documents of title. Otherwise, if a rule is meant to be limited to one medium or the other it is clearly stated. Other changes that are made include changes to definition to correspond with the other revisions in the article. The act further clarifies the rule of when an indictment is nonnegotiable and when rules apply just to warehouse receipts of bills of lading. Other changes include conforming the language to the uses to modern shipping practices. Finally, conforming amendments to other articles of the UCC are included to accommodate the electronic documents of title revisions.

75. Alabama Uniform Interstate Enforcement of Domestic Violence Orders Act

This act was passed in 2003 and became effective January 1, 2004. It is codified as Chapter 5B of Title 30 of the Code of Alabama.

This act provided a uniform effective system for enforcement of domestic violence protection orders across state lines. To facilitate the interstate enforcement of civil and of qualified criminal domestic protection orders as stipulated in an important provision of the 1994 Federal Violence Against Women's Act, this full faith and credit provision directs states to honor "valid" protection orders issued by other jurisdictions and to treat those orders as if they were their own.

Although the Federal Violence Against Women's Act provided protection and was national in scope, it left several important questions unanswered and states to their own discretion

as to how to set up procedures to effectively implement the enforcement.

For example, the federal act does not answer the question of whether states are required to enforce provisions of foreign orders that would not be authorized by the law of the enforcing state. It is silent as to whether protected individuals seeking enforcement of an order must register or file the order with the enforcing state before the action can be taken on their behalf. It is also vague about whether custody and support orders are included.

In recent years some states have enacted their own enabling legislation but these statutes vary greatly, both in method and extent to which they will enforce foreign protection orders. This act had two purposes. It defined the meaning of full faith and credit in the context of the enforcement of domestic violence protection orders and it established uniform procedures for their effective interstate enforcement.

Under this act:

- (a) Courts must enforce the terms of protection orders of other states as if they were their own, unless the order expires, regardless of which state the victim has entered.
- (b) Enforcing states must enforce all of the terms of the order, even if the order provides relief that would be unavailable under the laws of the enforcement jurisdiction.
- (c) Terms of orders that concern custody and visitation matters are enforceable if issued for the purpose of protection. Terms that concern support are not.
- (d) Enforcement mechanisms must be applied to orders issued before the effective date of the act.

The act ensured that enforcement will require law enforcement officers in enforcing states to rely on probable cause judgments that a valid order has been violated. The law enforcement officers, as well as other government agencies, are encouraged to rely on individual judgments based on probable

cause by the acts inclusion of the broad immunity provision protecting agencies of the government acting in good faith.

76. Uniform Anatomical Gift Act

This act was passed in 2003 and became effective January 1, 2004. It is codified as Sections 22-19-51 through 59.7 of the Code of Alabama. It repealed Sections 22-19-41 through 47 of the Code of Alabama.

This act enlarged the list of individuals who may be consulted regarding the donation of organs. The act also specified the circumstances in which coroners, medical examiners, or other local public health officials may be permitted to remove a part of the body for the purpose of transplantation.

The act clarified the rights of the parties involved in the donation and clarified the authority of the individuals involved in the procedures for removing and transplanting a part.

This act also provided that if an organ donation authorization is attached or imprinted to a motor vehicle license, the revocation, suspension, expiration, or cancellation of that license does not invalidate the anatomical gift.

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77. Uniform Management of Institutional Funds Act

This act was passed in 2002 and became effective September 1, 2002. It is codified as Sections 16-16A-1 through 8 of the Code of Alabama.

In 1993 Alabama passed a modified version of the Uniform Institutional Funds Act and limited it to educational institutions. The Uniform Educational Institutional Funds Act is codified in Ala. Code §§16-61A-1 through 8.

The Uniform Management of Institutional Funds Act was passed by the Uniform Law Commissioners in 1972. It was subsequently approved by the American Bar Association and has

been adopted in some form in almost every state. The premise of the Uniform Act is the need for the governing boards of educational institutions as well as charitable, religious, or any other eleemosynary institutions to be able to make more effective use of endowments and other investment funds. To modify investment restrictions that no longer seem necessary, the act provided the following:

- (a) A standard of prudent use of appreciation in invested funds;
- (b) Specific investment authority;
- (c) Authority to delegate investment decisions;
- (d) A standard of business care and prudence to guide governing boards in exercise of their duties under the act; and
- (e) A method of releasing restrictions on use of funds or selection of investments by donor acquiescence or court action.

After reviewing the policy issue of limiting the current Alabama law to educational institutions, it was determined that charitable, religious, or other eleemosynary institutions in Alabama would benefit from having the opportunity to utilize the investment flexibility provided by the Uniform Act.

78. Interstate Compact for Adult Offender Supervision

This act was passed in 2002 and became effective in June 2002, once two-thirds of the states passed it. It is codified at §15-22-1.1 of the Code of Alabama.

The compact concerns the management, monitoring, and supervision of adult parolee and probationers in states other than where they were sentenced. The goal was to ensure that it remains an effective management tool for those adult parolees and probationers who travel to, or are supervised in, states other than where they were sentenced.

The current Interstate Compact has been in place for more than 60 years but has been found to no longer support an evolving criminal justice system. Concerns raised by both the public and corrections practitioners led the Council of State Governments

(CSG), in collaboration with the National Institute of Corrections, to revise the existing Interstate Compact.

Alabama became a signatory to the original Interstate Compact (1937) with the enactment of Ala. Code § 15-22-1 in 1939. This act repealed the original Interstate Compact, and established the Interstate Compact for Adult Offender Supervision on behalf of Alabama. The Compact will take effect once it has been enacted into law by 35 states. At the time of the passage of this act, 24 states had passed it. Once enacted, the signatory states will begin making administrative decisions, by-laws, and the rules that signatory states must follow. Within the first twelve months of the enactment, under Article VIII of the Compact, member states are required to make rules in ten specific areas. All member states have an equal vote, and while nonmember states may be present and heard, they may not vote.

79. Uniform Electronic Transactions Act

This act was passed in 2001 and became effective January 1, 2002. It is codified as Sections 8-1A-1 et seq. of the Code of Alabama.

The Electronic Signatures in Global and National Commerce Act or "E-SIGN" is a federal law that established for the first time base line rules to facilitate the nationwide use of electronic signatures, contracts, and records in commercial transactions. This act's focus was more on enabling electronic transactions and removed barriers to such transactions than on the technical requirements of electronic signatures. The "E-SIGN" functions to establish the legal equivalence of electronic records and signatures with paper writings and manually-signed signatures.

The federal law does provide states with limited authority to modify, limit, or supersede the E-Sign Act's basic provisions to comply with state law by the adoption of the Uniform Electronic Transactions Act. The following summary of UETA is adapted from the NCCUSL comments to the Uniform Act.

Although related to the Uniform Commercial Code, the rules of UETA are primarily for "electronic records and electronic

signatures relating to a transaction" that are not subject to any article of the Uniform Commercial Code, except for Articles 2 and 2A. A "transaction" is an action or set of actions occurring between two or more persons relating to the conduct of business, commercial, or governmental affairs.

UETA applies only to transactions in which each party has agreed by some means to conduct them electronically. Agreement is essential. Nobody is forced to conduct by electronic transactions. Parties to electronic transactions come under UETA, but they may also opt out. They may vary, waive, or disclaim most of the provisions of UETA by agreement, even if it is agreed that business will be transacted by electronic means. The rules in UETA are almost all default rules that apply only in the event the terms of an agreement do not govern.

UETA does not attempt to create a whole new system of legal rules for the electronic marketplace. The objective of UETA is to make sure that transactions in the electronic marketplace are as enforceable as transactions memorialized on paper and with manual signatures, but without changing any of the substantive rules of law that apply. This is a very limited objective—that an electronic record of a transaction is the equivalent of a paper record, and that an electronic signature will be given the same legal effect, whatever that might be, as a manual signature. The basic rules in UETA serve this single purpose.

The basic rules are in Section 7 of UETA. The most fundamental rule in Section 7 provides that a "record or signature may not be denied legal effect or enforceability solely because it is in electronic form." The second most fundamental rule is that "a contract may not be denied legal effect or enforceability solely because an electronic record was used in its formation." The third most fundamental rule states that any law that requires a writing will be satisfied by an electronic record. And the fourth basic rule provides that any signature requirement in the law will be met if there is an electronic signature.

Almost all of the other rules in UETA serve the fundamental principles set out in Section 7, and tend to answer basic legal questions about the use of electronic records and

signatures. Thus, Section 15 determines when information is legally sent or delivered in electronic form. It establishes when electronic delivery occurs—when an electronic record capable of retention by the recipient is legally sent and received. The traditional and statutory rules that govern mail delivery of the paper memorializing a transaction can't be applied to electronic transactions. However, UETA provides the appropriate rule.

Another rule that supports the general validity of electronic records and signatures in transactions is the rule on attribution in Section 9. Electronic transactions are mostly faceless transactions between strangers. UETA states that a signature is attributable to a person if it is an act of that person, and that act may be shown in any manner. If a security procedure is used, its efficacy in establishing the attribution may be shown. In the faceless environment of electronic transactions, the obvious difficulties of identification and attribution must be overcome. Section 9 gives guidance in that endeavor.

A digital signature is really a method of encryption that utilizes specific technology.

UETA may not, however, be characterized as a digital signature statute. It does facilitate the use of digital signatures and other security procedures in rules such as the one in Section 9 on attribution. Section 10 provides some rules on errors and changes in messages. It favors the party who conforms to the security procedure used in the specific transaction against the party who does not, in the event there is a dispute over the content of the message.

Nothing in UETA requires the use of a digital signature or any security procedure. It is technologically neutral. Persons can use the most up-to-date digital signature technology, or less sophisticated security procedures such as passwords or pin numbers. Whatever parties to transactions use for attribution or assuring message integrity may be offered in evidence if there is a dispute.

UETA is procedural, not substantive. It does not require anybody to use electronic transactions or to rely upon electronic

records and signatures. It does not prohibit paper records and manual signatures. Basic rules of law, like the general and statutory law of contracts, continue to apply as they have always applied.

There are three provisions in UETA that command special attention. First, UETA excludes transactions subject to the Uniform Commercial Code, except for those under Articles 2 and 2A, laws governing estates and trusts, and any other specific laws that a state wants to exempt from the rules applied in UETA. Some writing and signature requirements in state law do not impact the enforceability of transactions, and have objectives that should not be affected by adoption of a statute like UETA. The limitation of UETA to agreed electronic transactions will eliminate any conflict with other writing requirements for the most part.

Second, UETA provides for "transferable records" in Section 16. Notes under Article 3 and documents under Article 7 of the Uniform Commercial Code are "transferable records" when in electronic form. Notes and documents are negotiable instruments. The quality of negotiation relies upon the note or document as the single, unique item of the obligations and rights embodied in the note or document. Maintaining that quality as a unique item for electronic records is the subject of Section 16. A transferable record exists when there is a single authoritative copy of that record existing and unalterable in the "control" of a person. A person in "control" is a "holder" for the purposes of transferring or negotiating that record under the Uniform Commercial Code. Section 16 is essentially a supplement to the Uniform Commercial Code, until its relevant articles can be fully amended or revised to accommodate electronic instruments.

Third, UETA clearly validates contracts formed by electronic agents. Electronic agents are computer programs that are implemented by their principals to do business in electronic form. They operate automatically, without immediate human supervision, though they are certainly not autonomous agents. They are a kind of tool that parties use to communicate. Section 14 provides that a person may form a contract by using an electronic agent. That means that the principal, the person or entity that

provides the program to do business, is bound by the contract that its agent makes.

When somebody buys something on the Internet, therefore, that person will be assured that the agreement is valid, even though the transaction is conducted automatically by a computer that solicits orders and payment information.

Sections 17, 18, & 19 of UETA, deal with electronic records that state governmental agencies create and retain.

80. Alabama Uniform Athlete Agents Act

This act was passed in 2001 and became effective October 1, 2001. It is codified as Sections 8-26A-1 through 31 of the Code of Alabama.

In 1987 the Alabama Legislature established the “Alabama Athlete Agents Regulatory Commission.” That law provided that no person could be an athletic agent in Alabama without first registering with the Commission. It was subsequently amended in 1994 to change the makeup of the Commission. The law was again amended in 1998 to add additional requirements in the approved form of contracts between the student athlete and the athlete agent and provide a criminal and civil penalty against the parties for failure to adhere to the law.

At the time of its passage over half of the states had enacted statutes regulating athlete agents. They vary in degree and do not contain registration reciprocity. An athlete agent intending to do business in each state was currently required to comply with 28 different sets of requirements for registration and regulation. This uniform act was drafted to protect the interest of student athletes and academic institutions by regulating the activities of athlete agents. This law provided the following:

- (a) Reciprocity of registration;
- (b) Denial, suspension, or revocation of registrations based upon similar actions in other states;

- (c) Regulation of the conduct of individuals who contact student athletes for the purpose of obtaining agency contracts;
- (d) Required notice to educational institutions when an agency contract is signed by a student athlete;
- (e) A civil penalty for an educational institution damaged by the conduct of an athlete agent or a student athlete; and
- (f) Civil and criminal penalties for violation of the act.

81. U. C. C. Article 9, Secured Transactions

This act was passed in 2001 and became effective January 1, 2002. It is codified as Sections 7-9A-101 et seq. of the Code of Alabama.

A major revision of Article 9 was drafted and approved by the American Law Institute and the National Conference of Commissioners on Uniform State Laws in 1999. It has been adopted in all 50 states and is now effective in each state.

The Uniform Commercial Code in Alabama was adopted in 1965 and was last revised in 1981. However, this revision is more wide-reaching than the earlier revision. Currently, financing statements are filed in either the probate office or in the Secretary of State's Office. Under this revision the place of filing follows the domicile of the debtor rather than the location of the security. Further, there will only be one central data base.

For natural persons living in Alabama the filing will still remain in Alabama. However, for foreign business entities located in Alabama and with property in Alabama, the filing will be in the state of organization.

This act permitted filing could either be paper documents or electronic records.

Article 9 is quite complex. The following summary of Article 9 is adopted from the NCCUSL comments and is not a treatise on Revised Article 9, but is a schematic summary of its relevant changes provided by the drafters.

(a) The Scope Issue. This revision expanded the "scope" of Article 9. What this means literally is that the kinds of property in which a security interest can be taken by a creditor under Article 9 increased over those available in Article 9 before revision. Also, certain kinds of transactions that did not come under Article 9 before now come under Article 9. These are some of the kinds of collateral that are included in Revised Article 9 that are not in the original Article 9: sales of payment intangibles and promissory notes; security interests created by governmental debtors; health insurance receivables; consignments; and commercial tort claims. Nonpossessory, statutory agricultural liens come under Article 9 for determination of perfection and priority, generally the same as security interests come under Article 9 for those purposes.

(b) Perfection. Filing a financing statement remains the dominant way to perfect a security interest in most kinds of property. It is clearer in Revised Article 9 that filing a financing statement will perfect a security interest, even if there is another method of perfection. "Control" is the method of perfection for letter of credit rights and deposit accounts, as well as for investment property. Control was available only to perfect security interests in investment property under old Article 9. A creditor has control when the debtor cannot transfer the property without the creditor's consent. Possession, as an alternative method to filing a financing statement to perfect a security interest, is the only method for perfecting a security interest in money that is not proceeds of sale from property subject to a security interest. Automatic perfection for a purchase money security interest is increased nationally from ten days in old Article 9 to Alabama's current twenty days in Revised Article 9. Attachment of a purchase money security interest is perfection, at least for the twenty-day period. Then another method of perfection is necessary to continue the perfected security interest. However, a purchase money security interest in consumer goods remains perfected automatically for the duration of the security interest.

(c) Choice of Law. In interstate secured transactions, it is necessary to determine which state's laws apply to perfection, the effect of perfection and the priority of security interests. It is particularly important to know where to file a financing statement. The Revised Article 9 makes two fundamental changes from old Article 9. In old Article 9, the basic rule chooses the law of the state in which the collateral is found as the law that governs perfection, effect of perfection, and a creditor's priority. In Revised Article 9, the new rule chooses the state that is the location of the debtor. Further, if the debtor is an entity created by registration in a state, the location of the debtor is the location in which the entity is created by registration. If an entity is a corporation, for example, the location of the debtor is the state in which the corporate charter is filed or registered. In old Article 9, the entity that is a debtor is located in the state in which it has its chief executive office. These changes in basic choice of law rules will change the place in which a financing statement is filed in a great many instances from the place it would have been filed under old Article 9.

(d) The Filing System. The filing system in the Revised Article 9 includes a full commitment to centralized filing—one place in every state in which financing statements are filed, and a filing system that changes filing from a system of filed documents to a system of electronic communications and records. Under Revised Article 9, the only local filing of financing statements occurs in the real estate records for fixtures. Fixtures are items of personal property that become physically part of the real estate and are treated as part of the real estate until severed from it. It is anticipated that electronic filing of financing statements will replace the filing of paper. Revised Article 9 definitions and provisions allow this transition from paper to electronic filing without further revision of the law. Revised Article 9 makes filing office operations more ministerial than old Article 9 did. The office that files financing statements has no responsibility for the accuracy of information on the statements and is fully absolved from any liability for the contents of any statements received and filed. Financing

statements may, therefore, be considerably simplified. There is no signature requirement, for example, for a financing statement.

- (e) Consumer Transactions. Revised Article 9 makes a clearer distinction between transactions in which the debtor is a consumer than prior Article 9 did. Enforcement of a security interest that is included in a consumer transaction is handled differently in certain respects in the Revised Article 9. Examples of consumer provisions are: a consumer cannot waive redemption rights in a financing agreement; a consumer buyer of goods who pre-pays in whole or in part, has an enforceable interest in the purchased goods and may obtain the goods as a remedy; a consumer is entitled to disclosure of the amount of any deficiency assessed against him or her, and the method for calculating the deficiency; and, a secured creditor may not accept collateral as partial satisfaction of a consumer obligation, so that choosing strict foreclosure as a remedy means that no deficiency may be assessed against the debtor. Although it governs more than consumer transactions, the good faith standard becomes the objective standard of commercial reasonableness in the Revised Article 9.
- (f) Default and Enforcement. Article 9 provisions on default and enforcement deal generally with the procedures for obtaining property in which a creditor has a security interest and selling it to satisfy the debt, when the debtor is in default. Normally, the creditor has the right to repossess the property. Revised Article 9 includes new rules dealing with "secondary" obligors (guarantors), new special rules for some of the new kinds of property subject to security interests, new rules for the interests of subordinate creditors with security interests in the same property, and new rules for aspects of enforcement when the debtor is a consumer debtor. These are some of the specific new rules: a secured party (creditor with security interest) is obliged to notify a secondary obligor when there is a default, and a secondary obligor generally cannot waive rights by becoming a secondary obligor; a secured party who repossesses goods

and sells them is subject to the usual warranties that are part of any sale; junior secured creditors (subsequent in priority) and lien holders who have filed financing statements must be notified when a secured party repossesses collateral; and, if a secured party sells collateral at a low price to an insider buyer, the price that the goods should have obtained in a commercially reasonable sale, rather than the actual price, is the price that will be used in calculating the deficiency.

82. Conversions and Mergers of Business Entities

This act was passed in 2000 and became effective October 1, 2000. It is codified as Sections 10-15-1 through 7 of the Code of Alabama.

Over the last several years the number of business entities available in Alabama and throughout the United States has greatly expanded and virtually all existing business entities have been revised.

This act provided a convenient and simple way for the different types of business entities for profit to convert or merge with each other.

Business entities allowed to merge under this act include the following:

- (a) Business Corporations;
- (b) Limited Liability Companies;
- (c) General Partnerships;
- (d) Limited Partnerships;
- (e) Limited Liability Partnerships;
- (f) Real Estate Investment Trusts; and
- (g) Professional Corporations.

These laws, having been created and revised at different times, may provide clear laws for mergers and conversions of entities of like kind but when entities of different kinds merge or convert the laws are often incomplete and conflicting.

This act is not exclusive. Business entities may be converted or merged in the manner provided in their own acts or under this act.

83. Uniform Principal and Income Act

This act was passed in 2000 and became effective January 1, 2001. It is codified as Sections 19-3A-101 et seq. of the Code of Alabama.

The basic premise of a “principal and income” act is how to determine the allocation of income and expenses of a trust between a life beneficiary and a beneficiary after death.

Property may be left in trust with the income paid during the life of one individual and the remainder payable to another. This act allowed the trustee, when directed by the donor, to pay the life beneficiary more or less than the income when it is fair and equitable to all beneficiaries.

There were two uniform principal and income acts prior to this Uniform Principal and Income Act. The first was the 1931 Uniform Principal and Income Act [UPAIA] and followed by the 1962 Revised Uniform Principal and Income Act. Alabama basically had the 1931 Uniform Principal and Income Act with some amendments and additions that have been made through the years. Alabama never adopted the 1962 Act. This revision allows Alabama Trustees and beneficiaries the same estate planning opportunity as that afforded in the other states.

This act continued the trend of giving fiduciaries more flexibility with broader powers and more discretion. As stated below, one of the major considerations in drafting this act was that financial instruments and investment opportunities have been developed over six decades that were not even conceptualized in 1931. A second major change has been that today fiduciaries, and particularly corporate fiduciaries, conduct multi-state operations as fiduciaries. Thirdly, much of the large holdings of property interests, particularly of timber and other natural resources, are held by property owners who operate interstate. Generally, with respect to real property, the law of the situs of the property

controls. Alabama's Supreme Court has stated, in *Englund v. First National Bank of Birmingham*, 381 So.2d 8 (Ala. 1980), that even though a testamentary trustee was granted very broad power to allocate trust receipts between principal and income, the trustee was not authorized to make allocations where proper allocation is not a matter of honest doubt. If a trustee is attempting to apply the principal and income acts of different states to different portions of the same trust, attempting to determine when "a proper allocation is not a matter of honest doubt" may put a trustee in some jeopardy. The latter two considerations make uniformity of legislation dealing with principal and income allocations among the various states important.

Revision was needed to support the now widespread use of the revocable living trust as a will substitute, to change the rules in those acts that experience has shown need to be changed, and to establish new rules to cover situations not provided for in the old acts, including rules that apply to financial instruments invented since 1931.

The other purpose was to provide a means for implementing the transition to an investment regime based on principles embodied in the Uniform Prudent Investor Act, especially the principle of investing for total return rather than a certain level of "income" as traditionally perceived in terms of interest, dividends, and rents.

84. Uniform Determination of Death Act

This act was passed in 2000 and became effective July 1, 2000. It is codified as Section 22-31-1 et seq. of the Code of Alabama.

This act provides a comprehensive basis for determining death in all situations. It is not radically different from prior Alabama law. This uniform law has been adopted in 43 states, including Georgia and Mississippi.

The interest in this statute arose from modern advances in life saving technology. A person may be artificially supported for respiration and circulation after all brain functions cease

irrevocably. The medical profession has also developed techniques for determining loss of brain functions while cardiovascular support is administered. At the same time, the common law definition of death cannot assure recognition of these techniques. The common law standard for determining death is a cessation of all vital functions traditionally demonstrated by an absence of spontaneous respiratory and cardiac functions. There is then, a potential disparity between current and accepted biomedical practice and the common law.

Part 1 codified the common law basis for determining death—total failure of the cardiac respiratory system. Part 2 extends a common law to include the new procedures for determination of death based upon irreversible loss of brain functions. The overwhelming majority of cases will continue to be determined according to Part 1. While artificial means of support preclude a determination under Part 1, the act recognizes that death can be determined by alternate procedures. Under Part 2 the entire brain must cease to function irreversibly. The “entire brain” includes the brain stem as well as the neocortex. The concept of “entire brain” distinguishes determination of death under this act and “neocortical death” or “persistent vegetative state”. These are not deemed a valid medical or legal basis for determining death.

This act also does not concern itself with living wills, death with dignity, euthanasia, rules on death certificates, maintaining life support beyond brain death in cases of pregnant women or organ donors, and protection of a dead body. These subjects are left to other law.

This act remains silent on acceptable diagnostic tests and medical procedures. It set the general legal standard for determining death but not the medical criteria for doing so. The medical profession remains free to formulate acceptable medical practice and to utilize new biomedical knowledge, diagnostic tests, and equipment.

Time of death is not specifically addressed. In those instances in which time of death affects legal rights, this act states the basis for determining death. Time of death is a fact to be determined with all others in each individual case and may be

resolved, when in doubt, upon expert testimony before the appropriate court.

85. Uniform Child Custody Jurisdiction and Enforcement Act

This act was passed in 1999 and became effective January 1, 2000. It is codified as Sections 30-3B-101 et seq. of the Code of Alabama.

The Legislature passed the Uniform Interstate Family Support Act (UIFSA) (§ 30-3A-101) that became effective in 1998 to clarify the law concerning child support when the parties live in different states. Complimenting that law is this act which is concerned with custody and visitation rights of parties who live in different states.

This act, the Uniform Child Custody Jurisdiction Enforcement Act (UCCJEA) was promulgated by the National Conference of Commissioners on Uniform Laws. It revised and updated the Uniform Child Custody Jurisdiction Act passed in 1980 (Alabama Code §§ 30-3-20 through 44). Although this act followed to a large extent the format of Alabama's current laws there were a number of improvements.

First, the act added remedial provisions to enforce interstate visitation determinations that were not previously covered under current law. Swift access to the court is now available in visitation and custody cases. This is particularly critical in the area of visitation because if visitation rights cannot be quickly enforced then often the time frame available for the visitation by the non-custodial parent will have passed.

Second, this act revised the law on child custody jurisdiction in light of the enactment of several federal laws as well as the myriad problems that have developed over the last thirty years with inconsistent case law determinations. The changes in the law as it relates to child custody were drafted to parallel those of the Parental Kidnaping Prevention Act (PKPA) located at 28 U.S.C. § 1738A. For example, the act will prioritize home state jurisdiction in a similar manner as the PKPA. Moreover, the new

act clarified the circumstances in which emergency jurisdiction applies, thus, clearing up the confusion that has developed as various courts have interpreted the current UCCJA language to provide a court with jurisdiction to modify another court's custody determination based solely upon emergency jurisdiction. Under this act, the language specified that emergency jurisdiction may be exercised only to protect the child on a temporary basis, not to provide jurisdiction to modify another court's determination.

The establishment under this act of continuing exclusive jurisdiction eliminated some of the confusion in state courts as to which state has continuing jurisdiction. One manner of clarifying this was to provide a clear basis to determine when a court has relinquished jurisdiction. Specifically, for the first time, this act enunciated a standard of continuing jurisdiction and clarified the law as it relates to modification jurisdiction.

A further clarification has been defining which custody proceedings are intended to be covered by this act. For example, this law specifically provided that adoption is not covered by this statute.

Finally, one of the major purposes of the revision to the UCCJA was to provide an effective enforcement mechanism for interstate visitation and custody cases. Article 3 of the act provided several remedies for the enforcement of custody and visitation provisions. For example, there is a procedure under this act for registering a custody determination in another state so that a party will know in advance whether that state will recognize that party's custody determination. Also, a number of remedies, such as habeas corpus, will be available to a parent to assist them if there is any problem with the enforcement of a custody or visitation order. The court is given greater flexibility in utilizing extraordinary remedies such as issuing a warrant for the physical possession of a child under certain circumstances.

1994-1998 Quadrennium

86. Divorce, Legal Separation Act

This act was passed in 1998 and became effective January 1, 1999. It is codified as Section 30-2-40 of the Code of Alabama. It repealed Sections 30-2-30 and 31.

This act was designed to allow couples who are facing marital discord to have a viable alternative to immediately obtaining a divorce. It has been drafted to provide flexibility so that it can be utilized by couples who hope for a brief period of legal separation while they attempt to reconcile or it can be used by couples who anticipate a long, perhaps even permanent separation but do not want to obtain a divorce for religious or other reasons.

Under Section (1)(a) the court shall enter a legal separation if requested by one or both of the parties provided that the jurisdictional requirements for a dissolution of a marriage have been met. In so doing, the court must comply with Rule 32 relating to the mandatory child support guidelines, if the couple has children.

Section (1)(b) reiterates that a decree of legal separation does not terminate the marital status of the parties. Section (1)(c) specified that the terms of a legal separation can be modified or dissolved only by written consent by both parties and ratification by the court or by court order upon proof of a material change of circumstances. Moreover, the existence of a legal separation does not bar a party from later instituting an action for dissolution of a marriage.

Section (1)(d) contemplated that the terms relating to alimony or a property settlement in the legal separation will not generally be incorporated into a final divorce decree absent agreement by the parties. This section recognized that in many instances the parties hope to reconcile and therefore have not attempted to equitably divide their property during what is hoped will be only a brief period of separation. However, this section provided the flexibility of allowing the couple to agree that if a reconciliation does not occur that the division of property and the alimony provision will be continued in a final decree.

Section (1)(e) provided that "the best interest of the child" standard shall apply if the parties to the legal separation later file for dissolution of their marriage.

Section (1)(f) provided that if both parties consent, property acquired by each party subsequent to the legal separation will be deemed the sole party of the person acquiring the property. Likewise, if both parties consent, each spouse may waive all rights of inheritance subsequent to the legal separation. This section has been included to provide flexibility to those parties who desire more economic certainty when a legal separation is anticipated to extend for a long period of time or when the parties prefer to have those matters settled by consent prior to the entry of the legal separation.

Section (1)(g) provided that the cost for legal separation is the same as if a dissolution of the marriage was requested.

Sections 30-2-30 and 31 relating to divorce from bed and board have been repealed.

87. Uniform Multiple Persons Accounts Act

This act was passed in 1997 and became effective March 1, 1997. It is codified as Sections 5-24-1 through 34 of the Code of Alabama.

This act addressed deposits in all types of financial organizations and corrects the problem of inconsistent treatment of joint accounts among different financial institutions in Alabama. It contained several sections which resolve ownership questions affecting parties and death beneficiaries of accounts. Separate sections are devoted to protecting financial institutions if they make payment in accordance with the account contract terms.

The act included sample statutory forms that provide clear and simple instructions to both financial institutions and depositors in setting up multi-person accounts. Many of the account agreements formerly used in Alabama did not allow the depositor to distinguish among the different functions of the multiple-person

account, with the result that the depositor's use of a joint account for one purpose may yield unwanted results after death.

88. Alabama Uniform Interstate Family Support Act

This act was passed in 1997 and became effective January 1, 1998. It is codified as Sections 30-3A-101 through 906 of the Code of Alabama.

The Federal Welfare Reform Acts required each state to pass the Uniform Interstate Family Support Act (UIFSA). UIFSA was initially passed in 1992 and was adopted by a majority of the jurisdictions in the United States. In 1996, the Commissioners adopted the 1996 draft that included amendments designed to improve the act as well as provide a smoother transition between those jurisdictions who had adopted UIFSA with those who had not. This act replaced Alabama's prior law (Ala. Code § 30-4-80 through 98).

One of the major drawbacks to the former interstate income withholding law in Alabama is that the orders, in general, were not affected by other support orders. This resulted in the potential of several states issuing conflicting support orders relating to the same parties and child. This led to confusion on the part of a payor as to which amount he or she should pay and sometimes resulted in arrearage if the payor paid the lesser of the amounts specified in the orders.

UIFSA established a priority scheme in which there will be a determination as to which jurisdiction may issue a child support order. Thus, even though there may be more than one state involved in enforcing a child support order at the same time, the order that is being enforced will be the same amount. This is accomplished through the process of having one state assume continuing exclusive jurisdiction, with modification of that order under very limited circumstances.

UIFSA also contained a one-state enforcement mechanism that allows for direct withholding. Therefore, an order can be sent directly to an employer in a second state without the necessity of "domesticating" the order. The act also provides immunity for an

employer who complies with income withholding order of another state in accordance with the provisions of the act.

UIFSA also substantially increased the methods in which courts and agencies may interact among each other concerning issues relating to child and spousal support. This allowed the state to take advantage of the new technology available to speed up the enforcement process.

Another component of UIFSA is a long-arm provision for asserting personal jurisdiction over a nonresident in an action to establish paternity or support. Also, a state that issues a support order and remains the residence of the obligor, obligee, or child has "continuing exclusive jurisdiction" unless the individual parties agree in writing for another state to exercise jurisdiction. Moreover, an ex parte temporary support order or a temporary support order pending a determination of a jurisdictional conflict does not affect the "continuing exclusive jurisdiction" of the issuing court.

It should be noted that UIFSA does not affect the calculation of an arrearage under an existing order. Under the Bradley amendments, 42 U.S.C § 666(a)(9), arrearages are judgments that are entitled to full faith and credit.

The act provided for uniformity in the procedure involved in the enforcement of spousal and child support orders from various states. The Department of Human Resources is designated as the support enforcement agency for the State of Alabama.

89. UCC Article 5 - Letters of Credit

This act was passed in the 1997 Regular Session and became effective January 1, 1998. It is codified as Sections 7-5-101 through 117 of the Code of Alabama.

The revision of this article was the first since the Uniform Commercial Code was passed in 1965.

A letter of credit is an instrument that participates in the payment system along with drafts, checks, electronic funds

transferring money. A typical example would involve an American company buying goods from a European manufacturer, the European manufacturer is willing to do business provided it has assurances of payment for the goods which are purchased. The American company then applies to its bank with which it has accounts and receives a letter of credit from the bank. The bank issues the document in actual letter form. The letter guarantees the manufacturer in Europe that the bank will pay money up to a certain amount upon receipt of an appropriate document, usually a draft, from the European manufacturer. The letter of credit may also contain other documentary conditions that the parties agree on. The letter of credit provides the guarantee of payment to the European supplier that at an appropriate time in the transaction the manufacturer is paid upon presentation of the draft to the bank. Then the bank debits the appropriate account of the American company to receive its money. The letter of credit business is a \$200 billion industry in the United States. Half of all exports outside the United States are financed by letters of credit.

This act conformed our law with international law and practice which facilitates international trade.

90. Limited Liability Company Act Amendments

This act passed in the First Special Session in 1997 and became effective January 1, 1998. It is codified in Chapter 5 of Title 10A of the Alabama Code.

Alabama adopted its Limited Liability Company law in 1993. When Alabama passed its law it was the fourteenth state to pass an LLC law. In the years since Alabama's enactment all other states have since passed LLC laws.

One of the major revisions in other states allowed for a one-person LLC organization, whereas Alabama formerly required two or more. There was also a need for a merger provision to enable other entities to be able to merge into LLCs. Filing provisions with the Secretary of State were modified to remove the filing of an annual report. Further there was a change in the buyout rule and additional fiduciary obligations to the members with each other.

91. Revised Limited Partnership Act, 1998

This act passed in the First Special Session in 1997 and became effective October 1, 1998. It was codified in Title 10 of the Alabama Code.

Alabama passed its prior limited partnership in 1983, however, it followed the 1976 Uniform Limited Partnership Act.

The revision of the Alabama Limited Partnership Act had two goals, one narrow and the other more broad. First, the act amended the "default" rules that apply, in the absence of a provision in the partnership agreement, to the withdrawal of a limited partner from the partnership. The second, broader goal was to bring the Alabama Act in line with the most current version of the Uniform Limited Partnership Act promulgated by the National Conference of Commissioners on Uniform State Laws by streamlining the information required to be set forth in the certificate of limited partnership and by clarifying the activities in which a limited partner may engage without loss of limited liability.

92. Transfer on Death of Securities Act

This act passed in 1997 and became effective August 1, 1997. It is codified as Article 6 of Chapter 6 of Title 8 of the Code of Alabama.

This act allowed for the transfer of stock upon the death of one of the parties without requiring the person's estate to be probated. Currently, Alabama has a statute which allows checking accounts in banks to be payable to a survivor upon the death of one of the parties. We also have a statute which allows "right of survivorship" for joint owners of real estate. This act is consistent with those laws by allowing joint tenancy for stock.

93. UCC Article 8 - "Investment Securities"

This act was passed in 1996 and became effective January 1, 1997. It is codified as Section 7-8-1 of the Code of Alabama.

In 1965 Alabama passed the Uniform Commercial Code. The Uniform Code was drafted by the Commissioners on Uniform State Laws and the American Law Institute. Article 8 had not been revised since that original legislation in 1965. Alabama law only recognized a stock purchase when a purchaser possessed a paper stock certificate. The revision of this act was technical in nature and protected stock holders by allowing transfer of stock to be done electronically with the issuer rather than being held by the brokers. This means stock transfers do not rely on paper certificates. Now stock purchases and transfers are effective by bookkeeping entries, rather than through the delivery of physical certificates. This uniform act was supported by all those in the securities industry and those dealing with securities.

94. Partnership Act

This act was passed in 1996 and became effective January 1, 1997. It is codified as Section 10-8A-101 of the Code of Alabama.

Although the revised Uniform Partnership Act retains the basic historical character of a partnership, there have been some changes to adapt to modern business practices. Under the UPA, the partnership formed is an entity and not an aggregate of individuals. The UPA does not require filing a certificate to form a partnership, preserving availability of the partnership form of organization to both large and small entities. It does however, permit the filing of a statement of partnership authority which may be used to limit the capacity of a partner to act as an agent of the partnership and to limit a partner's capacity to transfer property on behalf of the partnership. Such statement is voluntary. No partnership need file such a statement nor is the existence of the partnership dependent upon the filing of the statement. However, the statement if filed, has an impact upon a third party dealing with the partnership. Nonetheless, a limitation upon a partner's authority does not affect any third party who does not know about the statement, except as to real estate transactions. If there has been some limitation as to real estate transactions that are filed in the records office, then a third party dealing with that partner is held to know of that limitation.

95. Limited Liability Partnership Act

This act was passed in 1996 and became effective January 1, 1997. It is codified as Sections 10-8A-101 et seq. of the Code of Alabama. The Partnership Act of 1997 included a new chapter on Limited Liability Partnership.

The act contained articles on: Nature of the Partnership; Relations of Partners to Persons Dealing with Partnership; Relations of Partners to Each Other and the Partnership; Transfers and Creditors of Partner; Partners' Disassociation; Partner's Dissolution When Business Not Wound Up; Winding Up a Business; and Conversions.

96. UCC Article 6, Bulk Transfers - Repealed

This act was passed in 1996 and became effective January 1, 1997. It repealed Article 6 of Title 7 of the Code of Alabama.

Alabama passed all the Uniform Commercial Code in 1965 including Article 6 "Bulk Transfers". The national drafters of the UCC, realizing that it was too inconclusive and covered more transactions than were really necessary, attempted to revise this article beginning in 1987. After several years of study, a 1989 revision was completed. However, in 1991 the Commission on Uniform State Laws withdrew their support from Article 6 and recommended that the article be repealed.

The parties are protected under the Alabama Fraudulent Transfers Act that was passed by the Legislature in 1989. It has been the general consensus nationally that the Fraudulent Transfer Act, which has been enacted in 33 states makes the "Bulk Transfers" no longer necessary.

97. Joint Custody of Children

This act was passed in 1996 and became effective January 1, 1997. It is codified as Sections 30-3-150 et seq. of the Code of Alabama.

This act provided statutory clarification concerning joint and sole custody of children including enumerating factors for the court to consider as well as dealing with the accessibility of records by both parents. It espoused the policy of encouraging minor children to have frequent and continuing contact with both parents provided that such contact is in the best interest of the children. The act specified that joint custody does not necessarily require equal physical custody. Section 30-3-151 of the act provided definitions for joint legal and physical custody and sole legal and physical custody.

Under Section 30-3-152 the court may award any form of custody that has been determined to be in the best interest of the child. It delineated the factors that the court will consider in determining whether joint custody is in the best interest of the child. Section 30-3-152(c) established a presumption that joint custody will be in the best interest of the child if both parents request joint custody. If the court fails to grant joint custody when requested by both parents, the court must make a specific finding of fact as to why joint custody was not granted.

The parents are required to submit a plan for the court to review concerning specific matters relating to the care and custody of the child if joint custody is to be implemented by the court. In the event that the parties are unable to reach such an agreement then the court will establish a plan.

Unless otherwise prohibited by court order or statute all the records and information pertaining to the child shall be equally available to both parents in all types of custody arrangements. Rule 32 relating to child support guidelines will be followed by the court. The awarding of joint custody does not preclude the court from later finding that one parent has committed a violation of the UCCJA or the Interference of Custody Act as provided in Section 13A-6-45.

This act does not constitute grounds for modification of an existing order of child custody.

98. UCC Article 3, Negotiable Instruments

This act was passed in 1995 and became effective January 1, 1996. It is codified as Article 3 of Title 7 of the Code of Alabama.

Prior Articles 3 and 4 were written for a paper-based system. Therefore, they did not adequately address the issues of responsibility and liability as they relate to modern technologies now employed and the check collection procedures required by the current volume of checks.

Revised Article 3 modernized, reorganized and clarified the prior law. The changes to Article 4 are more modest. Article 4 was amended as necessary to conform to changes in Article 3, to modernize it for automated check processing and transaction, and, as feasible, to accommodate the impact of federal Regulation CC. Provisions in Article 4 that are heavily impacted by Regulation CC were largely left alone and retained for non-preempted provisions and for items other than checks. Many of the Official Comments to revised Article 4 direct the reader to those provisions in Regulation CC that impact on Article 4.

Revised Article 3 clarified the types of contracts within Article 3, thus promoting certainty of legal rules and reduced litigation costs and risks. For example, variable rate instruments were included under revised Article 3 (§§ 3-104(a), 3-112), as were traveler's checks (§ 3-104(I)).

Revised Article 3 made clear that a financial institution taking checks for processing or payment by automated means need not manually handle the instrument if such processing is consistent with the institution's procedures and the procedures do not vary unreasonably from those of other banks (§§ 3-103(a)(7), 4-104(c)). These provisions were designed to accommodate and facilitate efficiency, lower costs, and recognize the reality of existing check collection practices mandated by the Expedited Funds Availability Act and Regulation CC.

The definition of bank was expanded for the purposes of Articles 3 and 4 to include savings and loans and credit unions so

that their checks were directly governed by the Uniform Commercial Code (§§ 3-103(c), 4-105(1)).

Except as against a holder in due course, § 3-402 allowed a representative to show that the parties did not intend individual liability when the representative signed without adequate indication and representation. The revision allowed full protection to the agent who signs a corporate check, even though the signature does not show representative status. Section 3-402(a) specified that the law of agency will govern whether the person represented will be bound by the signature of the representative.

Revised § 3-404, as in present law, placed the risk of indorsements by imposters, and those generated by dishonest employees drawing instruments for drawers, on drawers, but does not require that the indorsement be in strict conformity with the payee's name to get the benefit (§ 3-404(c)).

Revised § 3-405 expanded the *per se* negligence rule in present § 3-405 to the case of an indorsement forged by a payee's employee, and in that case and that of the faithless employee who supplies a name to a drawer and then forges the indorsement of the payee, does not require strict conformity to the name to place loss on the drawer or employer. However, any negligence of the bank will be taken into account and a comparative negligence standard is adopted instead of the present absolute rule (§§ 3-404(d), 3-405(b)).

Prior § 3-406 was revised so that negligence of the financial institution does not prevent it from asserting the preclusion, and comparative negligence is also the rule (§ 3-406(b)).

Actions for conversion of instruments are governed by general conversion law (§ 3-420(a)). A payee who never received the check cannot sue a depositary bank for dealing with a check with a forged indorsement (§ 3-420(a)(ii)). What a joint payee can recover was clarified in missing indorsement cases (§ 3-420(b)). A depositary bank is made liable in conversion for acting inconsistently with the owner's rights when an indorsement is

unauthorized and the revision blocks suit by the drawer for conversion (§§ 3-420(a)).

99. UCC Article 4, Bank Deposits & Collections

This act was passed in 1995 and became effective January 1, 1996. It is codified as Article 4 of Title 7 of the Code of Alabama.

The American Law Institute and the National Conference of Commissioners on Uniform State Laws revised Articles 3 and 4 in conjunction with Article 4A, regarding fund transfers. The efforts to revise these articles were undertaken for the purpose of revising the laws to accommodate the modern technologies and practices involved in the banking area.

An important goal of the 1990 revision of Article 4 was to promote the efficiency of the check collection process by making the provisions for Article 4 more compatible with the needs of an automated system and, thus, increasing the speed and lowering the cost of check collections for those who write and receive checks. An additional goal of the revision was to remove any statutory barriers in the Article to the ultimate adoptions of programs allowing the presentment of checks to payor banks by electronic transmission. Thus, resulting in a great savings in time and the expense of transporting the huge volumes of checks from the depository to pay our banks.

Article 4 defined the rights between parties with respect to bank deposits and collections. It is not a regulatory statute and, thus, does not regulate the terms of the bank-customer agreement, nor does it prescribe what constraints different jurisdictions may wish to impose on that relationship in the area of consumer protections.

The revision created a legal framework which accommodated automation and truncation for the benefit of all bank customers. Any potential consumer problems which might arise from these changes were left with enacting jurisdictions to address through individual legislation.

Also addressed in this article were specifically overlapping problems and conflicts that might arise between Article 4 and Article 9.

100. Unincorporated Nonprofit Association Act

This act was passed in 1995 and became effective January 1, 1996. It is codified at Sections 10-3B-1 et seq. of the Code of Alabama.

This act reformed the common law concerning unincorporated, nonprofit associations in three basic areas—authority to acquire, hold, and transfer property, especially real property; authority to sue and be sued as an entity; and contract and tort liability of officers and members of the association. It also provides a default provision for the governance of such associations. It is based generally on the 1992 Uniform Unincorporated Nonprofit Association Act adopted by the Commission on Uniform State Law, and referred to hereafter as the "Uniform Act." The commentary was taken primarily from the Uniform Act with changes and additions to reflect Alabama law.

This law dealt with a limited number of the major issues relating to unincorporated, nonprofit associations in an integrated and consistent manner. Statutes dealing with particular types of unincorporated associations, including those in Title 10, Chapter 4 of the Alabama Code, and those dealing with agricultural cooperatives in Title 2, Chapter 10 of the Alabama Code are not affected by the act.

Similarly, passage of this law nevertheless, left other matters relating to unincorporated, nonprofit associations to the state's common law or to statutes on the subject, where they exist. Alabama has statutes at Title 10, Chapter 4 dealing with special kinds of associations, such as churches, mutual benefit societies, fraternal orders, and cooperatives. Statutes such as Ala. Code § 6-3-4, dealing with venue for actions against an unincorporated organization or association, remain applicable.

This act applied to all unincorporated, nonprofit associations. Nonprofit organizations are often classified as public

benefit, mutual benefit, or religious. For purposes of this act, it is unnecessary to treat differently these three categories of unincorporated, nonprofit associations. Unlike some state laws, it is not confined to the nonprofit organizations recognized as nonprofit under Section 501(c)(3), (4), and (6) of the Internal Revenue Code. There is no principled basis for excluding any nonprofit association. Therefore, this law covered unincorporated philanthropic, educational, scientific, and literary clubs, unions, trade associations, political organizations, cooperatives, churches, hospitals, condominium associations, neighborhood associations, and all other unincorporated, nonprofit associations. Their members may be individuals, corporations, other legal entities, or a mix.

This law was designed to cover all of these associations to the extent possible. To the extent that Title 10, Chapter 4 of the Code of Alabama and other Code provisions deal with special types of nonprofit associations, this act supplemented existing legislation.

The basic approach of the act was that an unincorporated, nonprofit association is a legal entity for the purposes that the act addresses. It did not make these associations legal entities for all purposes. It is left to the courts of Alabama to determine whether to use this law by analogy to conclude that an association is a legal entity for some other purpose.

It should be noted, too, that many of the provisions were intended to be supplemented by existing provisions of Alabama law. For example, § 10-3B-6, which provides for the recording of a statement of association authority, does not provide details concerning the filing process. It leaves to state law the details as whether the filing officer returns a copy marked "filed" and stamps the hour and date thereof and the amount of the filing fee.

It should be emphasized also that this act was needed for informal nonprofit organizations that do not have legal advice and so may not consider whether to incorporate.

101. Divorce, Retirement Benefits

This act passed in 1995 and became effective January 1, 1996. It amended Section 30-2-51 of the Code of Alabama.

Formally, the retirement benefits were excluded from consideration by the court when property was divided upon divorce. In a case decided in 1993, the courts began to divide retirement benefits upon divorce. This act amends the code section to provide statutorily for the trial court to have discretion to include the present value of future or current vested retirement benefits in making a property settlement upon divorce. However, certain conditions must be met.

Subsection (b) delineates that three conditions must be met in order for the judge to have the authority to divide the retirement benefit. First, the parties must have been married for a period of ten years during which the retirement was accumulated. The ten year requirement was selected because it is the same time requirement used for a spouse to draw social security benefits based on a former spouse's work record. Second, the court may not include the value of any retirement benefits that were acquired prior to the marriage including any interest or appreciation from those benefits that were acquired prior to marriage. Finally, the total amount of the retirement benefits that are paid to the non-covered spouse may not exceed 50% of the retirement benefits.

Under subsection (c) if the court determines that the covered spouse's benefits should be distributed to a non-covered spouse those benefits are not payable to the non-covered spouse until the covered spouse begins to receive his or her retirement benefits or reaches the age of sixty-five years old unless both parties agree to a lump sum settlement that is payable in one or more installments.

102. Divorce Cooling-Off Period

This act was passed in the 1996 Special Session and became effective January 1, 1997.

This act was designed to mandate a "Cooling Off Period", thereby, enabling couples to have an opportunity to contemplate the ramifications of their actions prior to obtaining a divorce. Under prior Alabama law, there was no waiting period for couples to obtain a divorce. A couple, both of whom resided in Alabama, formally could have been granted a divorce on the same day on which the petition was filed.

This act changed the law so that the court could not issue a final decree until at least thirty days elapsed from the date of the filing of the summons and the complaint in a divorce action.

Subsection (b) of Section 1 authorized the court during the waiting period to enter such temporary orders as are necessary concerning custody or support prior to the expiration of the waiting period.

103. Rules of Evidence

These Rules were adopted by the Alabama Supreme Court and became effective January 1, 1996.

The Alabama Supreme Court requested the Alabama Law Institute to undertake a study of revising the Rules of Evidence. The committee began its study on September 9, 1988 and met approximately every six to eight weeks for four and a half years. The Alabama Rules of Evidence were presented to the Supreme Court who held several hearings on the rules. The rules were presented to the State Bar for study and comment before adoption.

The Federal Rules of Evidence were used as the model. A consensus developed that the federal rules would be adopted unless there were good reasons to deviate from them. Accordingly, some of these rules differ significantly from the corresponding federal rule. The differences usually resulted in either modifying the federal rule or replacing it altogether with the preexisting Alabama common law principle. However, it was agreed to model the work on privileges after a combination of the Uniform Rules of Evidence and the preexisting Alabama privilege statutes since the original proposed federal rules on privileges had been rejected.

In most instances, these rules continue the historic Alabama law of evidence either identically or with slight modification or expansion. Some rules, however, do abrogate preexisting Alabama law. Where change occurs it generally is to implement the overall policy of promoting greater admissibility. These rules mark a shift from a system of exclusion to one of admissibility.

1990-1994 Quadrennium

104. Rules of Civil Procedure

The Alabama Supreme Court adopted amended rule changes which became effective October 1, 1995.

The Alabama Rules of Civil Procedure were 20 years old on July 3, 1993. The Federal Rules of Civil Procedure have undergone significant changes since the Alabama Rules were patterned after them in a project that ran from 1971 to 1973. The Institute requested funds from the State Bar's IOLTA to conduct this review. Funds were made available and Attorney Champ Lyons of Mobile compared the current Federal Rules with Alabama's Civil Rules. A number of changes were recommended and presented to the Civil Rules Committee and later to the Supreme Court.

105. Revised Business Corporations

This act was passed in 1994 and became effective January 1, 1995. It is codified at Sections 10-2B-1.01 et seq. of the Code of Alabama.

This act was based on the 1984 Revised Model Business Corporation Act but included changes recommended by the ABA Committee since 1984.

This act continued the filing system under the former Alabama act in which the principal filing office for corporate documents is the office of the probate judge of the county in which the initial registered office of the corporation is located. This differs from the ABA version of the Revised Model Business

Corporation Act, under which the secretary of state's office is the principal filing office. Section 1.25 is the provision of the act that details in which office various documents are to be filed. The requirements for the articles of incorporation were somewhat streamlined, but, unlike the ABA version of the Revised Act, continued to require that a corporate purpose be stated and that the initial directors be designated. Section 2.02. One change from the old Alabama act is to permit the initial bylaws to be adopted by the directors. Section 2.06(a).

The "deceptively similar" test for the availability of a corporate name is continued. Section 4.01.

The concept of treasury shares is continued because of the restrictions on issuance of shares in the Alabama Constitution since the Alabama Supreme Court has held that a corporation's sale of treasury shares is not an "issuance" subject to the Constitutional restrictions. *Brumfield v. Horn*, 547 So. 2d 415 (Ala. 1989).

This act resolved three important issues as to shareholder meetings not addressed in the prior act.

While the prior act recognized that a shareholder can expressly waive notice of a shareholder's meeting, Alabama Code § 10-2A-49 did not address the question of whether a shareholder's attendance at the meeting constituted a waiver. Section 7.05(b) of this act provided that unless a shareholder makes an appropriate objection, his attendance at the meeting waives objection to lack of notice. This parallels the rule as to directors under former law. Alabama Code § 10-2A-65.

A second issue left unresolved under prior law was whether a shareholder could withdraw from a meeting and thereby "break the quorum." The commentary to Alabama Code, Section 10-2A-52 of the prior act noted that the prior act was silent on that question. The new law gave a shareholder the power to break a quorum by withdrawal.

A third issue unresolved under the prior act was whether a shareholder voting agreement is specifically enforceable. Section 7.31(a) declared that it was.

106. Limited Liability Companies

This act was passed in 1993 and became effective October 1, 1993. It is codified as Sections 10-12-1 et seq. of the Code of Alabama.

A limited liability company is a hybrid version of a corporation and a partnership. It offers its equity investors protection from personal liability while being classified as a partnership for federal income tax purposes. Thus, it can avoid federal corporate-level tax and pass through profits and losses to its members.

The Wyoming statute was used initially as the model, in part perhaps because it had already received a favorable Revenue Ruling by the IRS. In its ruling the IRS decided that the limited liability company lacked the two corporate characteristics of free transferability of interest and continuity of life, while having the two corporate characteristics of limited liability and centralization of management. Thereby achieving tax classification as a partnership. Alabama initially followed many of the concepts of the Wyoming statute, the final draft, however, added some additional provisions from the ABA Model Act and Uniform Commissioners on State Laws' initial draft.

107. Criminal Pattern Jury Instructions, 1979, 1989, 1993

After the enactment of the Criminal Code in 1977 and at the request of the Administrative Office of Courts, the Institute and several judges developed the Criminal Jury Charges.

In 1979 the Criminal Pattern Jury Instructions were completed under the chairmanship of Circuit Judge Joseph Colquitt. The Criminal Pattern Jury Charge Committee drafted jury charges to accompany the implementation of the new Criminal Code. The committee began working July 1977 and completed comprehensive drafts of charges in four major felonies: homicide, theft, burglary, and robbery. Prior to the effective date of the Criminal Code, the committee drafted the balance of the charges. The committee drafts included general instructions as well as

lesser included charges. The draft was submitted to the Alabama Supreme Court and is in use today.

At the request of the Administrative Office of Courts, the Institute and several judges revised the Alabama Criminal Pattern Jury Instructions in 1989. The original work was completed in 1979 and had not been updated. There had been a substantial amount of change in criminal law, both legislative and case law since that time. The 1989 revision reflected those changes. It was also reorganized to more closely parallel the Criminal Code.

The 1993 revision added jury charges to include a number of lesser included offenses that were not covered under the 1989 edition. Additionally, capital jury charges were added. Judge Joe Colquitt also led the drafting of this edition.

108. Probate Procedure Act

This act was passed in 1993 and became effective January 1, 1994. However, estates filed prior to January 1, 1994 continue under the old law unless they elect to come under the new law. It is codified as Section 43-2-830 et seq. of the Code of Alabama.

Upon death, real property passes to the devisees or the heirs and personal property passes to the personal representatives for distribution to the devisees or heirs.

All of the decedent's property is subject to homestead allowance, exempt property, family allowance, rights of creditors, elective share of the surviving spouse, and administration. § 43-2-830.

Although the duties and powers of a personal representative commences upon appointment, the powers relate back with regard to acts which are beneficial to the estate performed by the personal representative prior to the appointment. Even prior to the appointment, the personal representative may carry out the written instructions of the decedent relating to the decedent's body, funeral, and burial arrangements. § 43-2-821.

The personal representative is a fiduciary who must follow the prudent person standard and if named as the personal representative because of special skills, is under a duty to use those skills. § 43-2-833.

Unless the will provides otherwise, the personal representative will usually have to file an inventory within two months. The inventory shall be sent by the personal representative to any interested person who requests it. § 43-2-835.

The personal representative shall make a supplement to the initial inventory if additional property is located or to change erroneous market values or descriptions. § 43-2-836.

Except as provided by will, the personal representative shall take possession or control of the decedent's property, except that any real property or tangible personal property may be left with or surrendered to the person presumptively entitled to it until the personal representative needs it for purposes of administration. A personal representative's written request for delivery is conclusive evidence of its necessity for administration.

The personal representative may pay taxes and expenses necessary to manage, protect and preserve the property. § 43-2-837.

Section 43-2-843 of the Code of Alabama parallels the conservatorship law in that it enumerates actions that the personal representative may take without prior court approval unless the will or court specifically otherwise restricts the action.

Section 43-2-844 of the Code of Alabama parallels the conservatorship laws in that it enumerates actions that may only be taken with prior court approval unless the will expressly authorizes such action.

A personal representative is entitled to reasonable compensation. Factors to consider as guides in determining the reasonableness of the fee are established. Subsection (b) provides that the personal representative may under certain circumstances

renounce the provisions in a will related to compensation and receive reasonable compensation. § 43-2-848.

The personal representative is entitled to receive necessary expenses and disbursements including reasonable attorney's fees for defending or prosecuting an action. § 43-2-849.

After notice to all interested parties, the court may review the reasonableness of the compensation paid out of the estate and order a refund for any excessive compensation. § 43-2-850.

Unless waived in the will, the personal representative must execute a bond or give collateral generally equal to the amount under the personal representative's control less the value of property under § 43-2-843 that can only be sold or conveyed with court authority. Also, the court may waive the bond with the consent of all interested parties.

Even though the bond is waived in a will, it may nevertheless be required by the court under limited circumstances such as the likelihood of waste occurring otherwise. § 43-2-851.

The terms and requirements of the bond, such as the joint and several liability of the personal representative and sureties are established in § 43-2-852 of the Code of Alabama.

109. Administrative Procedure Amendments

The amendments to the Administrative Procedure Act were passed in 1993 and became effective July 1, 1993. They are codified in Chapter 22 of Title 41 of the Code of Alabama.

After working under the Administrative Procedure Act for approximately ten years, the committee reconvened to determine if there were any problems that needed to be addressed. Various agencies and interested parties submitted their suggestions for revisions to the committee. After several meetings the committee submitted a bill to accommodate most of those suggestions.

The following sections were amended as follows:

§ 41-22-5 The amendment to this section clarified that an agency rule may set the comment period on a rule to be between 35 to 90 days. If the agency takes action, it must then be filed with the Legislative Reference Service within 90 days after the end of the comment period. Once filed with Legislative Reference Service, the Legislative Review Committee has 35 more days to act. This gives the Legislative Review Committee additional time to meet and review agencies' rules.

§ 41-22-6 The amendment to this section clarified that completion of notice of the agencies action is the end of the notice period and not the beginning. Any rule not filed with Legislative Reference Service is invalid.

The amendment clarified that a rule is effective 35 days after filing with Legislative Reference Service unless:

- (a) a later date is required by statute or rule;
- (b) an earlier date is required by statute;
- (c) it is an emergency rule; or
- (d) the committee disapproves it.

§ 41-22-12 In contested cases, the act provided for subpoenas, discovery and protective orders in accordance with the rules of civil procedure. This can only be enforced by a court. This section does not apply to the Ethics Commission.

§ 41-22-20 The amendments to this section:

- (a) Clarified that judicial review may be either under this act or as otherwise provided by agency law;
- (b) Clarified that the time of appeal after rehearing begins running when notice of service is received;

- (c) Clarified that all parties to the agency proceeding will be made parties in an appeal proceeding; and
- (d) Clarified that an agency action may be reversed or modified if the petitioners rights are prejudice by any one or more of the seven enumerated reasons.

§ 41-22-22 The amendment clarified that a quorum for the Administrative Review Committee to be the same as for the Legislative Council. (At the time of this revision there were 22 members of the Legislative Council, but quorum for the Council is set by statute to be nine).

110. UCC Article 2A - Leases

This act was passed in 1992 and became effective on January 1, 1993. It is codified as Article 2A of Title 7 of the Code of Alabama.

A lease is a contract, subject to contract law construction and enforcement principles. In Alabama, leases have been construed and enforced in a manner generally consistent with contract principles. There has, however, been a dearth of case law applying contract law to leases. Therefore, parties have been left with little guidance in formulating the contours of their lease transactions. While general contract principles developed in other contexts are certainly competent to address and resolve a broad array of leasing issues, it is less clear that the general contract law is the best source of guidance for determining controversies involving considerations fundamental to the commercial law.

The drafting committee of the Uniform Act then identified and resolved several issues critical to codification:

Scope: The scope of the Article was limited to leases (Section 2A-102). There was no need to include leases intended as security, i.e., security interests disguised as leases, as they are adequately treated in Article 9. Further, even if leases intended as security were included, the need to preserve the distinction would

remain, as policy suggests treatment significantly different from that accorded leases.

Definition of Lease. Lease was defined to exclude leases intended as security (Section 2A-103(1)(j)). Given the litigation to date a revised definition of security interest was suggested for inclusion in the act. (Section 1-201(37)). This revision sharpens the distinction between leases and security interests disguised as leases.

Filing. The lessor was not required to file a financing statement against the lessee or take any other action to protect the lessor's interest in the goods Section 2A-301). The refined definition of security interest will more clearly signal the need to file to potential lessors of goods. Those lessors who are concerned will file a protective financing statement (Section 9-408).

Warranties. All of the express and implied warranties of the Article on Sales (Article 2) were included (Sections 2A-210 through 2A-216), revised to reflect differences in lease transactions. The lease of goods is sufficiently similar to the sale of goods to justify this decision. Further, many courts have reached the same decision.

Certificate of Title Laws. Many leasing transactions involve goods subject to certificate of title statutes. To avoid conflict with those statutes, this Article is subject to them. (Section 2A-104(1)(a)).

Consumer Leases. Many leasing transactions involve parties subject to consumer protection statutes or decisions. To avoid conflict with those laws this Article is subject to them to the extent provided in Section 2A-104(1)(c) and (2). Further, certain consumer protections have been incorporated in the Article.

Finance Leases. Certain leasing transactions substitute the supplier of the goods for the lessor as the party responsible to the lessee with respect to warranties and the like. The definition of finance lease (Section 2A-103(1)(g)) was developed to describe these transactions. Various sections of the Article implement the substitution of the supplier for the lessor, including Sections 2A-

209 and 2A-407. No attempt was made to fashion a special rule where the finance lessor is an affiliate of the supplier of goods; this is to be developed by the courts, case by case.

Sale and Leaseback. Sale and leaseback transactions are becoming increasingly common. A number of state statutes treat transactions where possession is retained by the seller as fraudulent *per se* or *prima facie* fraudulent. That position is not in accord with modern practice and thus is changed by the Article "if the buyer bought for value and in good faith" (Section 2A-308(3)).

Remedies. The Article has not only provided for lessor's remedies upon default by the lessee (Sections 2A-523 through 2A-531), but also for lessee's remedies upon default by the lessor (Sections 2A-508 through 2A-522). This is a significant departure from Article 9, which provides remedies only for the secured party upon default by the debtor. This difference is compelled by the bilateral nature of the obligations between the parties to a lease.

Damages. Many leasing transactions are predicated on the parties' ability to stipulate an appropriate measure of damages in the event of default. The rule with respect to sales of goods (Section 2-718) is not sufficiently flexible to accommodate this practice. Consistent with the common law emphasis upon freedom to contract, the Article has created a revised rule that allows greater flexibility with respect to leases of goods (Section 2A-504(1)).

Though the Alabama act may occasionally differ in its formulation, the act is generally consistent with the approach of the Uniform Act with regard to the critical issues.

111. Family Law/Children's Code, 1993

The committee met for two years on a variety of topics relating to children and family law. They completed drafts of five family law bills:

- (a) Legal separation;
- (b) Cooling-off period;
- (c) Joint custody;
- (d) Retirement; and

(e) Putative father's registry.

The committee also considered the Uniform Interstate Family Support Act.

112. UCC Article 4A - Funds Transfers

This act was passed in 1992 and became effective January 1, 1993. It is codified as Article 4A of Title 7 of the Code of Alabama.

Article 4A of the UCC was developed to fill a void in the law relating to a type of payment made through the banking system called a "funds transfer." Generally a "funds transfer" is a large, rapid money transfer between commercial entities." For example, the average transfer involves \$5,000,000. Consumer transactions, such as credit cards, debit cards, automated teller machine transfers, and checks are governed by the Electronic Funds Transfer Act and not by this Article.

Although there is no comprehensive law governing commercial "funds transfers," Regulation J (federal law) covers the interbank part of any commercial "funds transfer" by the Federal Reserve network. Article 4A and Regulation J are compatible, embodying the same concepts. Thus, even though a majority of the "funds transfers" occurring in Alabama are covered under Regulation J, many transactions occur with no comprehensive rules and no readily ascertainable established law governing those transactions. Hence, the need for a comprehensive set of rules to govern these transactions.

Article 4A was designed to establish rules covering the rights and obligations connected with "funds transfers." The article balances the interest of banks, commercial users of this payment method, and the public concerning such problems as: unauthorized payment orders; improper execution of payment orders; fraud; and insolvency of participating banks. The article specified who takes the risk of loss, who will be liable, and what damages may be assessed.

Uniformity with Regulation J and with the majority of states who have enacted 4A is important to maintain a speedy and inexpensive system to transfer funds as Alabama expands into other national and international markets. A lack of uniformity could result in an inexperienced business person or entity inadvertently incurring excessive liability.

1986-1990 Quadrennium

113. Condominium Act

This act was passed in 1990 and became effective January 1, 1991. It is codified at Section 35-8A-101, et seq. of the Code of Alabama.

This act updated a 1973 statute by clarifying numerous technical matters relative to realty recordation, legal descriptions, insurance, termination, apartment conversions, and escrow of deposits, among others. It is a balanced re-adjustment of the authority of the developer, the condominium association and the condominium unit owners.

The following is a summary of the major changes:

- (a) Developer. The developer ("declarant" in the act) was given certain "development" rights which provide greater flexibility in development, especially in the "staged" development of low-rise condominiums. It also protected the developer from some types of interference by the association during the construction and marketing phases.
- (b) Association. The act regulated the transfer of control over the association from the developer to the public unit buyers. Associations are required to be incorporated. The act strengthened the authority of the associations regarding the enforcement of fines and assessments owed by unit owners, which can be foreclosed in the manner of a mortgage and giving such obligations a limited protection from being cut off by a foreclosure of a first mortgage on the unit.

(c) Unit Buyers. The initial public unit buyers are protected by requiring the developer to disclose matters which might affect the success of the development and the buyer's obligations. The developer must deliver to the initial buyers an offering statement containing the condominium documentation, current rules, covenants, and financial information. There is a seven-day "cooling-off" period after the delivery of the statement before a contract of purchase is enforceable. A penalty is provided for a conveyance without a delivery of the offering statement. Subsequent buyers are also protected by requiring, if a later buyer requests, a disclosure of some of the same material by the seller and the association.

Buyers are protected by permitting the association to cancel unfavorable long-term management contracts and recreation leases imposed by the developer on the association while the developer controls it. Unit buyers are protected from each other by requiring the condominium declaration to state limitations on use, occupancy, sales, and leasing. The declaration also sets voting limitations on amendments to the declaration.

114. Adoption Code

This act was passed in 1990 and became effective January 1, 1991. It is codified as Section 26-10A-1 of the Code of Alabama.

The act is based on the ABA Model Adoption Code and expanded and strengthened the current law in Alabama related to adoption. There are several significant improvements in the law. The first was to increase the criminal sanctions against individuals who attempt to profit from buying and selling children.

The second improvement was to expand the consent or relinquishment for adoption provisions. It is felt that the current statutes do not fulfill constitutional requirements and consequently may result in potential problems with children who are adopted without proper parental consent or relinquishment.

Third, confidentiality has been modified to increase the amount of non-identifying information available to the adult adoptee while safeguarding the identity of the natural parents who do not wish to be identified.

The final significant change was to clarify the inheritance laws concerning adopted children.

This act repealed the current statutes relating to adoption of children and repealed the provisions allowing for adult adoptions for inheritance purposes.

115. Alabama Securities Act

This act was passed in 1990 and became effective January 1, 1991. It is codified as Section 8-6-1 of the Code of Alabama.

The most significant substantive changes are as follows:

- (a) Transactional exemption from registration. This law, at Alabama Code § 8-6-11(a)(9), substituted the "purchaser" concept for the revised "offeree" concept in determining the availability of a statutory exemption from registration for offerings of securities to a limited number of investors. Under the prior law, an offer of securities made to more than ten persons, regardless of how many of these actually purchase the securities, would render the exemption unavailable. Under the act, an offer can be extended to more than ten persons and is exempt from registration as long as there were no more than ten purchasers of the securities.
- (b) Marketplace exemption from registration. This provision, at Alabama Code § 8-6-10(7), extended the previous exemption of exchange-listed securities to all securities, whether exchange-listed or traded in the over-the-counter market, which are designated as "national market system" securities and meet existing listing criteria of the New York Stock Exchange, the American Stock Exchange or NASDAQ/NMS markets.

- (c) Regulation of investment advisers. This provided regulatory protection to investors who deal with investment advisers. Similar regulation has been enacted by approximately 40 other states to combat frauds estimated to be annually in excess of \$500,000,000. It prohibited a number of fraudulent and abusive practices and requires registration similar to that already required of broker/dealers in this state.
- (d) Registration by notification. This expanded the availability of registration by notification, the simplest method of registration under the statute. It is available to all exchange-listed and over-the-counter securities which are designated as "national market system" securities, in addition to the seasoned issuers for whom the procedure was previously available.
- (e) Registration by qualification. This eliminated several requirements which practitioners have viewed as unnecessary impediments to the procedure for full registration. The revisions include the elimination of the bond requirement for issuers and the requirement that any applicant for registration be a dealer.

The foregoing represents only some of the more significant substantive revisions. In addition, the notice and hearing provisions of the statute were amended to conform with the Alabama Administrative Procedures Act.

116. Rules of Criminal Procedure

The Alabama Supreme Court approved the Alabama Rules of Criminal Procedure as a rule of court effective January 1, 1991.

These rules were a culmination of work that began in January 1975. A draft was presented to the Court in June 1977. The Court circulated a copy of the Proposed Rules to each member of the Alabama Bar in August 1977.

The Court reviewed the Rules, made some changes and returned them to the Committee for additional study. The

Committee re-presented the Rules to the Court in January 1983. In June 1989, the Court approved the Rules and published them in the November 30, 1989, West Southern Reporter advance sheets.

This comprehensive Code of Criminal Rules brought together for the first time the rules for the orderly disposition of criminal cases in the District and Circuit courts in Alabama.

The 36 rules included arrests, preliminary hearings, release, speedy trials, mental competency, juries, trials, verdicts, sentencing, probation, and appeals. These rules also provided 110 exemplary forms.

117. Alabama Fraudulent Transfers Act

This act was passed in 1989 and became effective January 1, 1990. It is codified as Sections 8-9A-1 through 12 of the Code of Alabama.

The act followed the 1985 version of the Uniform Fraudulent Transfers Act adopted by 20 states. It made Alabama compatible with the Bankruptcy Code.

This act defined "actual" fraud, generally the same as the prior Alabama law, by requiring actual intent to defraud. However, it also identifies a list of factors the court may consider in determining intent. The act further addressed "constructive" fraud, which must include inadequate consideration and enumerates factors for consideration.

118. Memorandum of Leases Act

This act was passed in 1989 and became effective January 1, 1990. It amended Section 35-4-6 of the Code of Alabama.

This act allows a memorandum of a lease to be recorded as an alternative to the lease itself. A lease must be recorded within one year after execution for it to be enforceable beyond twenty years. The memorandum must state:

- a. the names of parties,

- b. the term of lease,
- c. any options,
- d. a legal description, and
- e. any other provisions.

119. Federal Lien Registration Act

This act was passed in 1989 and became effective January 1, 1990. It is codified at Section 35-11-42 of the Code of Alabama.

The act follows the Uniform Federal Lien Registration Act drafted by the Commissioners on Uniform State Laws.

Enactment was needed because Section 6323 of the IRS Code (PL. 89-719, Federal Tax Lien Act of 1966) requires the state to designate an office for filing federal liens. In the absence of a statute, filing is with the clerk of the U.S. District Court. Under this law, filing is basically as follows:

- (a) real property - local probate office
- (b) personal property:
 - (1) corporation or partnership - secretary of state
 - (2) trust - secretary of state
 - (3) decedent's estate - probate office
 - (4) all other cases - probate office

Fees are the same as Uniform Commercial Code filings.

120. Notice for Statute of Nonclaims Act

In 1989 the Legislature amended Sections 43-2-60 and 61 of the Code of Alabama in response to changes in the law. They became effective May 16, 1989. In *Greyhound Financial Corp. v. Lochwood Investors* (9/21/88) the federal courts declared Alabama's Statute of Nonclaims unconstitutional. This was based on the United States Supreme Court case of *Tulsa Professional Services v. Pope*, 485 U.S. 478, 108 S. Ct. 1340, 99 L.Ed.2d 565 (1988).

This act cures the constitutional problems raised in the cases by requiring notice to be mailed to all known creditors as well as published in the paper.

121. Redemption of Real Estate Act

This act was passed in 1988 and became effective January 1, 1989 and is codified as Sections 6-5-247 through 257 of the Code of Alabama.

The act repealed §§ 6-5-230 through 246 and clarified the law of redemption of real property by codifying case law as well as revising the statutory law.

Specifically the act clarified who is entitled to redeem and their priorities. It also delineated what are allowable charges that may be added to the foreclosure sale price. The act retained the one year redemption period.

122. Power of Sale Contained in Mortgages

This act was passed in 1988 and became effective January 1, 1989. It is codified as Sections 35-10-11 through 16 of the Code of Alabama.

This law effected only those mortgages that were executed after December 31, 1988. The primary change from prior law is that it required one to foreclose through the court on mortgages that are silent as to how a foreclosure is to be conducted. The purpose of this change was to avoid any possible constitutional challenge because of "state action."

123. Trade Names

With passage of the Alabama Trademark Act in 1987, Alabama for the first time had a statutory system for the registration of trademarks and service marks. Ownership of such marks is established by common law through use. With registration, trademarks and service marks owners could put others on notice of their ownership claims. However, there has been no statutory scheme for registration of trade (business) names,

ownership of which also is established by common law through use. Many practitioners go to great efforts to cast such names as service marks in order to obtain registration. Some even treat corporate name reservation as if it were a trade name registration system, apparently unaware that such reservation neither creates ownership rights nor serves as constructive notice of ownership claims.

This act found in Ala. Code § 8-12-20 et seq. did not create an entire new registration scheme. Rather, it revised the classifications of the present trademark scheme to coincide with the federal and international registration classifications and added trade names. Under both Alabama and federal law, trademarks and service marks are registrable. Such marks, however, must be the names of products or services. Names under which persons or companies are known and do business previously were not registrable. This act, effective January 1, 1989, provided effective means for a business to put others on notice of its claims to its business name.

124. Uniform Guardianship and Protective Proceedings Act

This act was passed in 1987 and became effective January 1, 1988. It is codified as Sections 26-2A-1 et seq. of the Code of Alabama.

The act was based, to a large extent, on Parts 1, 2, 3, and 4 of Article V of the Uniform Probate Code. AUGPPA covers guardianships for minors, guardianships for reasons other than minority, and protective proceedings seeking court-appointed conservators or other protective orders for the estate concerns of minors, adult incompetents, absentees, and others. The act has several features which represent significant improvements over prior Alabama law.

First, this act distinguished between "guardians" of the person and "conservators" of the estates of wards. Prior to this act, Alabama used one term, "guardian," to characterize the duties and responsibilities of both of these offices. The single-term designation is ambiguous and not only confusing to persons dealing with the "guardian," but it also is confusing to the fiduciary

acting in that capacity. Use of the two designations, even though one person may be acting in both capacities, provides a much needed clarification.

Second, this act gave definition to the procedures for appointing guardians and conservators and to their respective powers and duties that had been lacking in Alabama. While Alabama has had guardianships for many years and, therefore, it cannot be said that procedures for appointing guardians were nonexistent, the procedures needed refinement and definition to make them clearer. More clearly stated procedures made these procedures more consistent throughout the state. A severe gap in Alabama law existed with respect to the powers and duties of guardians. This act made an enormous contribution with respect to the powers and duties of guardians and conservators.

Third, prior to this act for most of Alabama's history, guardians could be appointed only for minors and "incompetents." Even though there might be agreement that an individual needed help in their business or personal affairs, there was and is a stigma that accompanies having that individual judicially declared an "incompetent." This act used the term, "incapacitated," and greatly expands the various grounds for appointment of a guardian or conservator based on the definition of "incapacity." While Alabama has adopted this broader concept in some instances (e.g., with regard to "curators" and in the Adult Protective Services Act), this act consolidated the concept in one comprehensive act and gives more definition to the concept.

125. Deed in Lieu of Foreclosure

This act was passed in 1987 and became effective August 12, 1987. It is codified as Section 35-10-50 of the Code of Alabama.

Over the years numerous instruments often styled "Deed In Lieu of Foreclosure" have been recorded in Alabama. Usually these documents are conveyances from a mortgagor to a mortgagee of the equity of redemption. The practice has caused a great deal of confusion among real estate people, lawyers, title examiners, and the general population. It has been said that these conveyances

are foreclosure deeds, from which the statutory right of redemption emerges and that they preclude other lien holders from redeeming the property to protect their interests.

There is little doubt that these conveyances are not foreclosure deeds and they do not give rise to the statutory right of redemption. In addition, such deeds do not adversely affect the rights of persons who are not parties to the instrument.

This statute explained and rationalized the subsequent release of a mortgagor's equity of redemption to the mortgagee. The statute clearly described the law which exists, to the effect that deeds from mortgagors to mortgagees affect only the rights and obligations of the parties to the deed. Because the instrument is a private transaction between the mortgagor and the mortgagee there is no foreclosure of the security interest and no statutory right of redemption arises. The rights of other lien holders, judgment creditors, or other interests are not affected.

126. Trade Secrets Acts

This act was passed in 1987 and became effective August 12, 1987. It is codified as Sections 8-27-1 et seq. of the Code of Alabama.

Trade secret law, unlike patent or copyright law, does not create a property interest in intellectual property, rather it controls the means by which certain knowledge may be acquired. For trade secret protection to exist, there must first be a trade secret. For a trade secret to exist, there must first be a secret. That is, a device or process must not be generally known. Such a device or process must be used in one's trade or business on a continuing basis. Additionally, the device or process, while it need not give one an advantage over his competitors, must give one the opportunity to gain an advantage over his competitors.

The secrecy element in addition to requiring that the device or process not be generally known also requires that reasonable steps be taken to prevent others from acquiring the information as stated above. Trade secret protection does not protect the device or process itself. Rather, it protects the possessor of the trade secret

from the use of improper means in acquiring the trade secret. This usually means protection against the acquisition of a trade secret by means of breach of a confidence.

The proper means of discovering another trade secret are independent development, reverse engineering, and purchase from the owner of the trade secret or from a third person without notice that the third person has improperly obtained the trade secret. In the case of a trade secret obtained from a third person without notice, one is not liable for obtaining the trade secret if he either paid value for the secret or changed his position in such a way that subject him to liability would be inequitable.

The duration of a trade secret is as long as and only as long as the device or process remains secret. It follows from this that damages or injunctive relief are measured by the expected life of the trade secret absent its improper acquisition.

This act defined a trade secret as follows: "The whole or any part of any scientific or technical information, design, process, procedure, formula, or improvement that has value and that the owner has taken measures to prevent from becoming available to persons other than those selected by the owner to have access for limited purposes."

1982-1986 Quadrennium

127. Alabama Uniform Transfers to Minors

This act was passed in 1986 and became effective October 1, 1986. It is codified as Sections 35-5A-1 through 24 of the Code of Alabama.

The Uniform Transfers to Minors Act (UTMA) expanded the scope of the Uniform Gifts to Minors Act (UGMA). The UGMA provided for gifts of money, securities, and insurance policy proceeds to minor donees under the protection of a custodian. The UGMA was revised in 1966, but Alabama enacted the earlier version in 1957 and amended it to permit transfers by will and insurance policy proceeds. The primary advantages of

this custodial mechanism, as compared with trusts, conservatorships, and the like, are its economy and informality. The proposed UTMA expanded the UGMA's custodial mechanism to permit the transfer of personal and real property.

128. Uniform Enforcement of Foreign Judgments Act

This act was passed in 1986 and became effective October 2, 1986. It is codified as Sections 6-9-230 through 238 of the Code of Alabama.

The purpose of the Alabama Uniform Enforcement of Foreign Judgments Act was to simplify the method of giving recognition and effect to the judgments of other states in the courts of Alabama by means of legislation, already adopted in a majority of states, designed to provide for a simple filing procedure.

In 1948, the National Conference of Commissioners on Uniform State Laws and the American Bar Association approved the original Uniform Enforcement of Foreign Judgments Act. This act was a distinct advance over the usual method. It provided a summary judgment procedure for actions on foreign judgments. Even this advance, however, fell far short of the method provided by Congress in 1948 for the inter-district enforcement of the judgments of the Federal District Courts (28 U.S.C. § 1963). Further, widespread adoption by the states of some form of the Federal Rules of Civil Procedure which include regular summary judgment practice made special summary judgment acts superfluous.

This 1964 revision of the Uniform Enforcement of Foreign Judgments Act adopted the practice which, in substance, is used in Federal courts. It provided the enacting state with a speedy and economical method of doing that which it is required to do by the Constitution of the United States. It also relieved creditors and debtors of the additional cost and harassment of further litigation which would otherwise be incident to the enforcement of the foreign judgment. This act offered the states a chance to achieve uniformity in a field where uniformity is highly desirable.

129. Eminent Domain Code

This act was passed in 1985 and became effective January 1, 1986. It is codified as Sections 18-1A-1 et seq. of the Code of Alabama.

The constitutional promise contained in the Fifth Amendment to the Federal Constitution and Sections 23 and 235 of the Alabama Constitution that "private property shall not be taken for public use without just compensation" has been judicially held to require that the owner be put in as good a position pecuniarily as he would have occupied if his property had not been taken. The committee of the Alabama Law Institute, charged with the responsibility of preparing a Code on Eminent Domain, was primarily concerned with the method and procedure to insure the fair fulfillment of this constitutional commitment and due process.

Prior studies and suggested revisions of eminent domain statutes had not been enacted for various reasons, perhaps because sufficient consideration was not given to the multiple interests involved and affected. The committee, through many conferences and extended debates, sought to inject and resolve all interests. The Uniform Eminent Domain Code, approved by the National Conference of Commissioners on Uniform State Laws, prior revisions suggested in Alabama, including those of an earlier Code Committee of the Alabama Bar, and recommendations from attorneys, judges, appraisers, and property owners have been incorporated into the Code as recommended by the Committee.

130. Nonprofit Corporation Act

This act was passed in 1984 and became effective January 1, 1985. It is codified as Sections 10-3A-1 et seq. of the Code of Alabama.

The Alabama Nonprofit Corporation Act of 1955, former Alabama Code Section 10-3-1 et seq., hereinafter referred to as the "Alabama Act," was adopted in large part from the 1952 Model Nonprofit Corporation Act. This new act was based on the 1964 Model Nonprofit Corporation Act drafted by the Committee on Corporate Laws of the Section of Corporation, Banking, and

Business Law of the American Bar Association. It reflects a policy of parallelism in that it follows as closely as permitted by the difference in subject matter of the corresponding provisions of the Alabama Business Corporation Act codified at Section 10-2B-1 et seq. of the Alabama Code. Provisions in regard to stock are omitted and certain variations of practice are permitted for nonprofit corporations that are not customary or appropriate for business organizations. But otherwise, this act deliberately and closely parallels the provisions of the Alabama Business Corporation Act. It follows that decisions under the Alabama Business Corporation Act, or commentaries on it, which greatly outnumber those in regard to nonprofit corporations, should become increasingly helpful in the interpretation and application of this act.

131. Revised Limited Partnership Act

This act was passed in 1983 and became effective on January 1, 1984. It is codified as Sections 10-9A-1 et seq. of the Code of Alabama.

This act was based on the Revised Uniform Limited Partnership Act. The prior Alabama law was incomplete in that it did not fully delineate the liabilities of limited partners or provide safe harbor provisions for them. This act clarified the filing procedures for both foreign and domestic limited partners.

132. Professional Corporation Act

This act was passed in 1983 and became effective on January 1, 1984. It is codified as Sections 10-4-380 et seq. of the Code of Alabama.

This area of the law was formerly governed by two separate acts, the Professional Association Act of 1961 and the Professional Corporation Act of 1971. The new act brought these laws into conformity with the Alabama Business Corporation Act while combining them into one statute.

1978-1982 Quadrennium

133. Probate Code

This act was passed in 1982 and became effective January 1, 1983. It is codified as Sections 43-8-1 et seq. of the Code of Alabama.

This revision is basically Articles I and II of the Uniform Probate Code which deal with "definitions" and "intestate succession and wills".

134. Administrative Procedure Act

This act was passed in 1981 and became effective October 1, 1982. It is codified as Sections 41-22-1 et seq. of the Code of Alabama.

This law established three basic provisions:

- (a) a procedure for rule-making and publishing;
- (b) a procedure for handling contested cases; and
- (c) legislative review of agency rules.

135. Article 9, UCC, 1982 - Secured Transactions

This act was passed in 1981 and became effective February 1, 1982. It is codified as Article 9 of Title 7 of the Code of Alabama.

This revision simplified the process of filing financial statements. It also clarifies the law governing priority of conflicts between competing claimants to collateral, and generally updates Article 9 of the Uniform Commercial Code that was enacted in 1966.

136. Business Corporation Act

The act was passed in 1980 and became effective January 1, 1981. It is codified as Sections 10-2A-1 et seq. of the Code of Alabama.

This revision allowed for both one-person corporations and close corporations, while also updating Alabama's 1958 corporation law.

137. Banking Code

The Banking Code was revised in 1979 to update Alabama banking laws that had not been revised since 1915. Ala. Code § 5-1A-1 et seq.

138. Rules of the Road Act

The Rules of the Road were revised in 1980 to update Alabama's driving laws that were passed in 1926. The revision followed recommendations made in the Uniform Vehicle Code and is found at Ala. Code § 32-5A-1 et seq.

139. Criminal Code Form Indictments

With the implementation of the new Criminal Code, existing indictment forms became obsolete. The Institute drafted new indictment forms for use under the Criminal Code. The committee was comprised of judges and district attorneys who drafted the indictments, not only for offenses under the new Criminal Code, but for a number of offenses that remain unchanged. Previously, Alabama did not have a complete set of form indictments. These form indictments are distributed by The Administrative Office of Courts and Office of Prosecution Services.

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140. Criminal Code

The Criminal Code was passed in 1978 and became effective January 1, 1980. It is codified as Title 13A of the Code of Alabama.

It was the first major revision of Alabama's Criminal Code in the history of the state. The Criminal Code is in accord with those in other states that are similar to the Model Penal Code drafted by the American Law Institute. The Criminal Code is now codified in Title 13A of the Code of Alabama.

141. Warrant and Indictment Manual, 1979, Revised 1988, Revised 1998

In 1979 the Alabama Law Institute in conjunction with the Office of Prosecution Services and The Administrative Office of Courts developed the Indictment and Warrant Manual. It was revised in 1988 and again in 1998. The first two editions contained forms of offenses entitled 13A, "The Criminal Code." The third edition reprints those existing warrants and indictments for offenses entitled 13A and offers warrants and indictments for offenses, not covered in the previous edition.

In Volume I are the Criminal Code offenses. In Volume II are the other offenses in the Code of Alabama that are not found in the Criminal Code. Mr. Thomas Smith, former Tuscaloosa District Attorney, was the editor of the third edition. Mr. Bryan Morgan, Executive Director of the Office of Prosecution Services, coordinated the drafting revisions of the second edition. Mr. Lewey Stephens, a former District Attorney, was the chairman of the first edition and was aided by Mr. John Bell, Assistant District Attorney, Montgomery, and Mr. Tom Sorrell, District Attorney, Dothan.

