

Approved March 15, 1989
Date

MINUTES OF THE SENATE COMMITTEE ON LABOR, INDUSTRY & SMALL BUSINESS

The meeting was called to order by Senator Alicia L. Salisbury at
Chairperson

1:35 ~~a.m.~~/p.m. on February 23, 1989 in room 527-S of the Capitol.

All members were present except:

Senator Paul Feleciano - Excused
Senator Dan Thiessen - Excused

Committee staff present:

Jerry Ann Donaldson, Kansas Legislative Research Department
Gordon Self, Revisor of Statutes Office
Mary Allen, Committee Secretary

Conferees appearing before the committee:

Terry Leatherman, Kansas Chamber of Commerce and Industry
Virgil Macaluso, Catalytic Industrial Groups
James Mattson, Express Scale Parts, Inc.
Fred D. Meek, Meek's Incorporated
Ted Vlamis, Pioneer Balloon Company
Don Munsell, Mid-America, Inc.
Larry Klenda, Klenda, Mitchell, Austerman and Zuercher
Derek Park, PMS Foods
Bill Graves, Secretary of State
Frank J. McBride, Kansas Grain and Feed Association
Steve Brookner, Dun & Bradstreet
Terry Harmon, Kansas State Historical Society

The meeting was called to order by the Chairman, Senator Alicia L. Salisbury.

Senate Bill 243 - An Act concerning corporations; relating to the confidentiality of certain information on the corporation's annual report.

Chairman Salisbury called the attention of the Committee to a letter from George Pearson of Koch Industries, Inc. (Attachment I) and to a letter from Professor Fran Jabara (Attachment II), both in support of SB 243.

Terry Leatherman, Executive Director of the Kansas Industrial Council of the Kansas Chamber of Commerce and Industry, spoke to the Committee in support of SB 243, a bill which would allow the financial balance sheets of corporate annual reports of privately-held corporations filed with the Secretary of State to be placed in a confidential file. He noted that corporations would meet several requirements in the proposed law to qualify for the confidential file. Three requirements would make corporations show a solid financial history. The fourth requirement would clarify that this provision applies only to privately-held corporations with thirty-five or fewer stockholders. He observed that in forty-seven of the fifty-five states in the United States, corporate financial information is kept confidential by state government, but because Kansas still has open access to the balance sheets of corporations, some Kansas corporations are placed at a competitive disadvantage. Mr. Leatherman stated that SB 243 will promote economic development in Kansas at no cost to the taxpayer. (See Attachment III for copy of his testimony.)

The next conferee was Virgil Macaluso, President of Catalytic Industrial Group in Independence. Mr. Macaluso urged the passage of SB 243 to help Kansas businesses stay competitive. (See Attachment IV for copy of his testimony.)

Also speaking in support of SB 243 was James Mattson, President of Express Scale Parts, Inc. of Shawnee. Mr. Mattson stated that with present law allowing easy access to corporate records, targets for lawsuits can be chosen far too easily. He told of a recent lawsuit filed against his company by a Kentucky corporation for loss of profits and he pointed out that the loss of profits coincidentally was the same amount as the net worth of Express Scale Parts, Inc. as provided on its tax returns. (See Attachment V for copy of his testimony.)

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON LABOR, INDUSTRY & SMALL BUSINESS,
room 527-S, Statehouse, at 1:35 ~~xxx~~ p.m. on February 23, 1989.

Fred Meek, Meek's Incorporated in Topeka, appeared in support of SB 243 and noted that current law could be a deterrent to a new firm setting up operations in Kansas. He observed that currently many small businesses in Kansas are struggling to survive and the law allowing confidential financial information to be easily available to competitors is detrimental to their continued successful operation. (See Attachment VI for copy of his testimony.)

The next conferee to speak in support of SB 243 was Ted Vlamis, President of Pioneer Balloon Compnay in Wichita. Mr. Vlamis said that he is disturbed that Kansas continues to have a "Peeping Tom" statute on the books allowing access by anyone to confidential financial information filed with the Secretary of State for Franchise Tax purposes. He observed that he has consulted with financial and legal experts on what recourse his company might have to protect a valuable corporate asset but was advised that under present law the only remedial action any corporation can take is to move its operations out of Kansas. He stated that his company competes with firms from other states and from around the world but every single one of them has access to his company's financial statements while he has access to none of theirs. (See Attachment VII for copy of his testimony.)

Don Munsell, Executive Vice-President of Mid-America, Inc. in Parsons, spoke in support of SB 243 as it would affect industrial recruitment. Mr. Munsell stated that the current Kansas policy of open access to financial statements needs revision. He said that SB 243 appears to be a reasonable approach to protecting the confidentiality of certain private financial statements. (See Attachment VIII for copy of his testimony.)

The next conferee was Larry Klenda, Attorney with Klenda, Mitchell, Austerman and Zuercher in Wichita. Mr. Klenda spoke in support of SB 243 and noted that Kansas' businesses need to protect themselves from foreign competition. He observed that legislation has been passed in nearly every state in the United States to protect in-state corporations by requiring confidentiality of annual statements filed with the Secretary of State. (See Attachment IX for copy of his testimony.)

Derek Park, President of PMS Foods in Hutchinson, addressed the Committee in support of SB 243. He observed that his company manufactures soy-protein products and competes with three major corporations in the United States. He stated that these other corporations have access to his company's financial information but he does not have access to theirs for they are not Kansas companies. He emphasized that this situation directly inhibits his company's ability to compete.

Members of the Committee were given copies of a letter in support of SB 243 from Jim Yonally, Kansas Director of the National Federation of Independent Business. (Attachment X)

Bill Graves, Secretary of State, appeared before the Committee in opposition to SB 243. Secretary Graves said that the state's long-standing policy of open records must remain intact. He noted that it has become clear through the years that the Legislature will not close public access to any information unless a clearly demonstrated harm exists that outweighs the right of public access. He stated that he is not convinced that such a harm exists in the case of a corporate balance sheet, as addressed in SB 243. If the Committee intends to act on the bill, he encouraged the adoption of the qualifying criteria which he assisted in developing. (See Attachment XI for copy of his testimony.)

Frank J. McBride, chairman of the legislative committee of the Kansas Grain and Feed Association and an executive officer of the Evans Grain Company in Salina, addressed the Committee in opposition to SB 243. Mr. McBride said that public records play an important part in conducting business in Kansas on a sound basis, and no attempt should be made to close that door for those who use this information in making crucial business decisions. He observed that a few years ago the Kansas Legislature was

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON LABOR, INDUSTRY & SMALL BUSINESS

room 527-S, Statehouse, at 1:35 ~~am~~/p.m. on February 23, 1989

concerned about grain elevator insolvencies and held hearings on various bills to address the concerns and their effect on the farmer/producer. He noted that one common conclusion from those hearings was that it is the producers' responsibility to know with whom they are dealing. He said that passage of SB 243 would take away one of the producers' remaining tools to make sound business decisions. Mr. McBride questioned the reliability of the 20% rule in SB 243 and observed that it is dangerous to assume that a corporation with a capital account equal to 20% of total assets is a sound credit risk and is therefore entitled to confidentiality of its balance sheet. (See Attachment XII for copy of his testimony.)

The next conferee was Steve Brookner, Zone Manager for Dun & Bradstreet in Overland Park. In speaking in opposition to SB 243, Mr. Brookner said that it is his personal belief and the position of his company that it is in the best interest of the State of Kansas that the annual reports required to be filed by corporations, including the statements of assets, liabilities and net worth, remain totally open to the public. He asked the Committee to oppose SB 243 for the following reasons:

SB 243 is not the first time this issue has come before the Kansas Legislature. There is significant evidence of support for current law among the Kansas business community. In a 1988 mail survey of over 700 Kansas businesses by Dun & Bradstreet, almost 93% of respondents favored current law.

SB 243 must be evaluated in the context of Kansas policy about open public records.

Current law promotes business and trade in Kansas and does not harm Kansas economic development.

Current law does not infringe upon personal privacy.

Current law does not require disclosure of information that would give a competitor an unfair advantage in the marketplace.

(See Attachment XIII for copy of his testimony.)

Terry Harmon, Assistant State Archivist for the Kansas State Historical Society, told the Committee that the Society neither supports nor opposes SB 243 but it suggests that a time limit be placed in the bill on the confidential status of the records if it is determined that it would be good public policy to restrict public access for a number of years. He noted that it has already been determined that the annual reports of corporations have substantial historical and research value. He recommended that SB 243 be amended to provide for a ten-year limit on the confidential status of financial data in corporation annual reports filed with the Secretary of State. (See Attachment XIV for copy of his testimony.)

The meeting was adjourned at 2:30 p.m. by Chairman Salisbury.

GUEST LIST

<u>NAME</u>	<u>REPRESENTING</u>
GH BRULKE	KCCI.
RUD GRANT	KCCI.
DEREK PARK	PMS FOODS, INC
Terry Harmon	Kansas State Historical Society
Steve Brooker	Dun & Bradstreet
Fred Meek	Meek's Inc.
Terry Leatherman	KCCI
MIKE BREWER	Dun & Bradstreet



GEORGE PEARSON
DIRECTOR OF PUBLIC AFFAIRS

February 22, 1989

Senate Labor Industry
& Small Business Committee

I had hoped that we would be able to have someone testify in favor of Senate Bill No. 243. A last minute conflict prevented us from doing so.

Upon request, we provide financial information for parties with whom we want to do business. The present law provides access to our financial information for parties with whom we compete.

Financial information on our tax returns can not be disclosed to competitors, but similar financial information on our annual report can be disclosed.

For this reason, we would like to see the passage of Senate Bill No. 243.

Sincerely,

A handwritten signature in blue ink that reads 'George Pearson'.

George Pearson
Director of Public Affairs

Senate Labor, Industry & Small Business
2-23-89

Attachment I

PROFESSOR F. D. JABARA

DISTINGUISHED PROFESSOR IN BUSINESS

February 22, 1989

Senate Labor, Industry, and Small
Business Committee
Kansas State Senate
Topeka, Kansas

I have spent many years working at Wichita State University encouraging the entrepreneurial spirit for Kansas. The effect of the "Peeping Tom" law as it now stands discourages the spirit of free enterprise in that it allows foreign competitors to view at any time financial information on Kansas Corporations. This can have devastating effects... particularly for those small corporations who have only a few shareholders and are working very hard to maintain their market share. "We can be seen, but we cannot see." This places us at a distinct disadvantage when trying to encourage the Kansas business spirit. In order to compete in the marketplace our Kansas laws must encourage fair trade. Please keep our entrepreneurial spirit alive by voting in favor of Senate Bill No. 243. Your support is appreciated.

With regards,

Fran

Fran Jabara

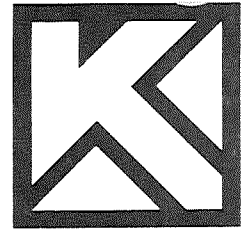
FJ eb

*Senate Labor, Industry & Small Business
2-23-89
Attachment II*

LEGISLATIVE TESTIMONY

Kansas Chamber of Commerce and Industry

500 First National Tower One Townsite Plaza Topeka, KS 66603-3460 (913) 357-6321



A consolidation of the
Kansas State Chamber
of Commerce,
Associated Industries
of Kansas,
Kansas Retail Council

SB 243

February 23, 1989

KANSAS CHAMBER OF COMMERCE AND INDUSTRY

Testimony Before the
Senate Committee on Labor, Industry and Small Business

by

Terry Leatherman
Executive Director
Kansas Industrial Council

Madam Chairperson and members of the Committee:

My name is Terry Leatherman. I am the Executive Director of the Kansas Industrial Council of the Kansas Chamber of Commerce and Industry. I wish to thank you for the opportunity to appear before you today in support of SB 243.

The Kansas Chamber of Commerce and Industry (KCCI) is a statewide organization dedicated to the promotion of economic growth and job creation within Kansas, and to the protection and support of the private competitive enterprise system.

KCCI is comprised of more than 3,000 businesses which includes 200 local and regional chambers of commerce and trade organizations which represent over 161,000 business men and women. The organization represents both large and small employers in Kansas, with 55% of KCCI's members having less than 25 employees, and 86% having less than 100 employees. KCCI receives no government funding.

The KCCI Board of Directors establishes policies through the work of hundreds of the organization's members who make up its various committees. These policies are the guiding principles of the organization and translate into views such as those expressed here.

*Senate Labn, Industry & Small Business
2-23-89
Attachment III*

Corporations in Kansas are as different as night and day. Some are Fortune 500 corporations, many more are small businesses competing for their share in a highly competitive marketplace. However, when it comes to disclosure of financial 'balance sheets' in corporate annual reports filed with the Secretary of State, Kansas does not recognize the difference in the businesses that operate in our state.

In nearly every state in the country, 47 of 50 to be exact, corporate financial information is kept confidential by state government. Because Kansas clings to this open door policy, some Kansas corporations are placed at a competitive disadvantage.

Publicly-held corporations in Kansas are not the ones concerned about open access to their balance sheet. Those companies will supply that information, and often more, to anyone. Public corporations across the country play by the same rules by providing this information.

The scenario is much different for some privately-held corporations. The nature of being a private corporation means they may not supply financial information, upon request, like a publicly-held corporation. That means the cards are currently stacked against privately-held corporations in Kansas. Their competition can analyze financial 'balance sheets' in Topeka. If Kansas companies ask for balance sheets in Jefferson City, Missouri or Lincoln, Nebraska or 45 other state capitols, their request is denied.

In the past, opposition to the creation of a confidential file for the 'balance sheet' in annual reports has largely come from credit rating companies. They have argued that this file is their only source for corporate financial information. If that is the case, the question does need to be asked. How do these credit rating companies do their work in the 47 states where balance sheet information is not available? It is also important to note that SB 243 does recognize their concern by demanding corporations meet several requirements to qualify for the confidential file. The first three of these four requirements will make corporations show a solid financial history, or they will remain open for public inspection. The fourth requirement makes the distinction addressed earlier in my remarks. Private corporations, with 35 or fewer stockholders and a strong

financial past can receive confidential file status. Public corporations, with more than 35 stockholders will remain in open files.

It is natural for talk of creating a confidential file for financial records to cause someone to think that big business is trying to hide needed information from the public. In reality, it is a proposal to allow our privately-held corporations to compete with out-of-state businesses in a cut-throat marketplace.

In the final analysis, SB 243 is an economic development decision. There are companies who have wavered in their decision to locate their business in Kansas because of our open door disclosure policy. There are other companies who took jobs out of Kansas to another state because of it. SB 243 will promote economic development in Kansas, at no cost to the taxpayer. I urge you to support SB 243 and would be glad to answer any questions.



Subsidiaries:
Bruest Sales, Inc.
Catalytic Industrial Systems, Inc.
C H C Incorporated

TESTIMONY
of
VIRGIL MACALUSO

Before the Senate Labor, Industry & Small Business Committee
IN FAVOR OF SB No. 243

2-23-89

My name is Virgil Macaluso. I am President of Catalytic Industrial Group, Independence, Kansas. As a small manufacturer in a narrow market, I am vulnerable to my competition. There are two other companies that manufacture the same products I do. They are both located outside Kansas. Although I believe I am the largest manufacturer, I can't get sensitive financial information from them, yet they can come to Topeka and receive a complete financial picture of my company.

Nearly all states protect this information, since the need for filing it is principally to pay the Franchise tax. Those in favor of the present statute will tell you that corporations are trying to hide something. Quite the contrary, we are trying to protect ourselves in an increasingly competitive market. Any company, foreign or domestic, can come to Topeka and get this information. As if we didn't have enough trouble competing in the marketplace now the State is aiding the Japanese, Koreans and anyone else.

Dun & Bradstreet is the major beneficiary of this information, they in turn sell it as credit reports. I used to provide my financial data to D & B. They constantly published it incorrectly. They now get it from the State and its accuracy has not improved. The best source of credit information is a customers bank. Anytime I sell a new customer or when I buy from a new vendor, a bank reference is required. The need to rely on financial information filed annually with the State simply doesn't make sense. I want the most current financial picture of a prospective customer and his banker is the best source.

Lets not make it more difficult for Kansas businesses to compete in the marketplace of the 1990s. I urge you to pass SB 243 and help Kansas businesses stay competitive.

*Senate Labor, Industry & Small
Business*
2-23-89
Attachment IV



Express Scale Parts, inc.

20663 W. 68TH STREET • SHAWNEE, KANSAS 66218 • (913) 441-4787

My name is James Mattson, and I am President of Express Scale Parts, Inc. We are a small manufacturing company located in Shawnee, Kansas with approximately 20 employees. Our business is manufacturing bagging scales. These are devices used for weighing out products such as dog food, cat food, kitty litter, fertilizers, grains and seeds.

We were recently sued by a corporation in Kentucky for loss of profits due to the scale not performing as the customer had expected. The loss of profits coincidentally was the same amount as the net worth of Express Scale Parts, Inc. as stated on our last statement provided on our tax returns. In our deposition before the trial, the plaintiff listed Dun and Bradstreet as a previous employer. His attorney was well aware of our net worth.

Times are changing. We are unable to afford product liability insurance. In 1984 our costs on product liability insurance were \$3,500 per year. In 1985 our cost escalated to an excess of \$50,000 without any claims. We are now without product liability as we have been since 1985.

Lawsuits are becoming more commonplace today than ever before. We are constantly working with our attorney on our terms and conditions of sale, however, this is not going to stop the possibility of future lawsuits. With such easy access to corporate records, lawyers can choose their targets far too easily.

Kansas, by making public this confidential information on its corporations, puts them at an unfair disadvantage in regard to corporations of other states who do not report this information. Who would you rather sue, a corporation that you are sure is worth X number of dollars, or a corporation whose net worth you are totally unsure of?

I want to thank all of you for the time allotted me to make my views on this important matter known to you.

*Senate Committee on Labor, Industry &
Small Business*
2-23-89

Attachment II



MEEK'S INCORPORATED CONTRACT DIVISION
4026 HUNTOON • TOPEKA, KANSAS 66604 • 913-272-4750

February 22, 1989

Senator Alicia Salisbury, Chairperson,
Senate Labor, Industry and Small Business Committee,
State Capitol Building, Rm 143-N
Topeka, Kansas.

Dear Senator Salisbury:

In reference to Senate Bill 243, I feel the importance of
of this bill, especially to small privately-held corporations,
is apparent and I would appreciate your support on this bill.

Currently, many small businesses in Kansas are struggling
to survive and the law allowing confidential financial informa-
tion to be easily available to competitors is detrimental to
their continued successful operation. This is especially true
when an analysis of a local firm's balance sheet could be a sig-
nificant factor in a competitive situation with an out of state
firm.

It is also felt that current law could be a deterrent to a
new firm considering setting up operations in our State.

Sincerely,

MEEK,S, INC.

Fred D. Meek, CHB.

*Senate Labor, Industry & Small
Business*
2-23-89



PIONEER Balloon Company

Subject: Testimony before the Senate Labor, Industry and Small
Business Committee
In Favor of Senate Bill No. 243
The "Peeping Tom" Controversy

Thank you for the opportunity to address our concerns directly with you.

My name is Ted A. Vlamis, and I am President of Pioneer Balloon Company, headquartered in Wichita, Kansas. Our company employs about 200 people in the State of Kansas and over 1000 totally in the U.S. and Canada.

For many years I have been disturbed that Kansas continues to have a "Peeping Tom" statute on the books allowing access by anyone to confidential financial information filed with the Secretary of State for Franchise Tax purposes. I have consulted with financial and legal experts in the past on what recourse my company might have to protect a very valuable corporate asset, and I am advised that under the present law the only remedial action any corporation can take is to move its operations out of Kansas, hardly a satisfactory alternative.

We have chosen to remain a private corporation for our own good reasons. If we wish to take our company public, then we certainly would agree that our financials should be publicly examined, both through annual reports and 10k filings. Since this is not our desire, we find it morally offensive and competitively damaging to expose our inner financial secrets to prurient interests.

We borrow a great deal of money from our banks and do business with many suppliers, large and small. We run our business in a first class, above board manner with yearly audited financials by one of the Big 8 accounting firms. We are very proud of our credit worthiness, and for those who need detailed financial information, we are happy to supply it. We are fortunate to live in a country where we feel free to supply to our State and Federal Governments in confidence all the information necessary to support our taxable position, and we pay taxes gladly. These are the only groups who have a "right" to know about our financial position -- not D & B, not the newspapers, not my neighbor, and certainly not my competitors. If it were otherwise, then all of us should publish our earnings and income tax filings publicly.

I strongly believe in, and am a supporter of, the Kansas entrepreneurial spirit. Our company proudly competes with firms from other states and from around the world. Why should every single one of them have access to our inner sanctum of financial information, and we are allowed none? This is not fair and equal competition -- only one sided working to our detriment.

*Senate Labor, Industry & Small
Business*

2-23-89

Attachment VII

Executive Offices: Continental American Center
555 North Woodlawn Avenue • Wichita, Kansas 67208
EasyLink Telex: 62823015 PIONEER WIC UD
(316) 685-2266 FAX: (316) 685-2409

 CONTINENTAL AMERICAN CORPORATION

Page 2

All of the competitors in my industry are privately held. We are in major litigation presently with two of them over infringement of a patent in which we are the exclusive licensee. I resent the fact that they have complete access to our financial position for strategic planning while we must make decisions totally in the dark. Likewise, other competitors can judge the effectiveness of our marketing and positioning efforts by tracking our financial performance, and we are left with the "best guess" option.

I have yet to hear one single logical and rational explanation for the law as it exists today. If you are sincerely dedicated to the growth and well being of the Kansas economic climate, then you must support Senate Bill No. 243. Please don't come down on the side of Peeping Toms. Stop Tom Peeping now!!

Thank you very much for your interest and consideration. I would be happy to address any questions you would like to ask.



Ted A. Vlamis
President



**MID-AMERICA
INCORPORATED**

President
Walter H. Wulf, Jr.
President-Elect
David Wheeler
Chairman
Jack A. Templin

Executive Vice-President
Don Munsell

Vice-Presidents
Steve Begshaw
James S. (Tex) Crutcher
Mike Harris
Wesley Houser
Roger Leeseberg
Ted Lucas
Lyle Springer
Dale Wells
G. E. Worley

Secretary-Treasurer
Richard K. Hay

Trustees
Lewis Bambick
James Banwart
Troy Borum
Bruce Buchanan
Al Burgert
Randy Burleson
Max Cain
Phyllis Cambers
Jerry Carson
Marvin Cinotto
David Conine
Harold Culver
Richard Graue
Dan Huntsinger
John Jemison
Dan Kinney
Ken Kneebone
Bill Lanham
John Masterson
David Mullies
Tom Murrill
Sam Oakleaf
Mike Rogers
Marvin Silliman
H. Ed Smith
Dick Stevens
Tom Studebaker
Victor Sullivan
Chuck Sweeton
Bill Thompson
John Updegraff
Wendell Wilkinson

Senator Alicia L. Salisbury, Chairperson
Senate Labor, Industry and Small Business Committee

Subject: Senate Bill 243

POSITION STATEMENT

BACKGROUND:

Mid-America, Inc., founded in 1957, is a 12-county industrial development corporation headquartered in Parsons, serving east central and southeast Kansas. Over these years, our non-profit corporation has actively conducted regional industrial recruitment efforts with a full line of professional site location services. In addition, Mid-America, Inc. since 1982, has served as the region's SBA designated Certified Development Company (CDC) in providing business clients financial structuring, loan packaging, and other business development services from our office at Pittsburg State University. In fact, in the last two years our financial staff has successfully packaged over 60 projects representing capital investment exceeding \$15,000,000 affecting over 1400 jobs.

COMMENTARY

Industrial site analyses by prospective companies cover a broad range of comparative locational and economic factors. Recognizing this highly competitive environment, the Kansas Legislature has responded in recent years with specific legislation to upgrade the state's position in several key areas. However, the fact remains, there continues much to be done to continue the process of significantly improving public policy for economic development purposes.

POSITION SB 243

One such issue is the central focus of Senate Bill 243. Many of our industrial prospects are privately-held corporations. Management of these corporations are especially

*Senate Labor, Industry & Small Business
(over)
2-23-89
Attachment VIII*

sensitive about public disclosure of certain financial statements. Obviously, we could deliberate at length about the legal and philosophical implications of the current open access policy. However, it is clear in today's recruitment environment, this policy needs revision. On behalf of Mid-America, Inc.'s officers and trustees, please accept our support for passage of SB 243, which appears a reasonable approach to protecting the confidentiality of certain private financial statements.

Don Munsell
Executive Vice President

Testimony by: Larry Klenda
Klenda, Mitchell, Austerman & Zuercher
1800 Epic Center
301 North Main St.
Wichita, Kansas 67202-4800
316-267-0331

I work very closely with many Kansas businessmen and for many years have seen the effects of public disclosure. The basic reason for providing the financial information in the Kansas Annual Report in the first place is to allow corporations to pay the franchise tax to the state, not for allowing out-of-state competitors or other third parties to receive this sensitive information and sell it to our competitors. The legislators of nearly every state in the United States, have already passed legislation to protect in-state corporations by requiring confidentiality of annual statements filed with the Secretary of State. We don't wish to hide anything and feely give financial information to those entities that we do business with who need this information. We merely wish to protect ourselves from foreign competition. We feel that Senate Bill No. 243 is a fair compromise and serves the interests of all interested parties. We appreciate all the efforts of our legislators and urge you to vote in support of Senate Bill No. 243.

Larry Klenda

Senate Labor, Industry & Small Business
2-23-89

Attachment IX

NFIB Kansas

National Federation of
Independent Business

Testimony - Senate Committee on Labor, Industry and Small Business
February 23, 1989

Madam Chairman and members of the committee, my name is Jim Yonally, Kansas Director of the National Federation of Independent Business. I am pleased to appear today in support of Senate Bill 243, on behalf of the more than 8,000 small and independent businesses who are members of our organization.

Each year we submit a ballot to our members seeking their opinions of matters before the legislature. On a recent ballot, we asked our members, "Should that portion of the corporate annual report containing the statement of assets, liabilities, and net worth of the corporation be protected from public disclosure?". Of those members responding, 73% said "yes", with another 6% being undecided. We believe that these records should be treated no differently than income tax records, which are available to government agencies on a "need to know" basis. In fact, the amount of corporate franchise tax owed is based on the net worth of the corporation, thus it is a tax document.

We have heard, in the past, that if these records are closed, Kansas businesses will not be able to get needed financial information about other corporations who might be potential customers. That, quite simply, is hogwash. Kansas is one of only two states which make corporate balance sheets a matter of public record. If the claim made by opponents of this legislation were correct, then we wouldn't be able to get information on businesses located in the other 48 states.

We believe that the bill before you, SB 243, is very restrictive, but perhaps it strikes a fair balance between what we believe is an inherent right to privacy for Kansas corporations, and the need for information that is necessary for proper business decisions. The limitation on "35 or fewer shareholders" will not impact most small businesses in Kansas. If a corporation's records are closed, the person investigating will know, at least, that the company has net worth of equal to 20%, or more, of its assets, and that they have not been in bankruptcy. We believe this is more than sufficient to protect the public interest.

We sincerely request your favorable consideration of SB 243. Thank you for this opportunity to express the thoughts of Kansas small business.

State Office
10039 Mastin Dr.
Shawnee Mission, KS 66212
(913) 888-2235



The Guardian of
Small Business

*Senate Labor, Industry &
Small Business
2-23-89*

Attachment B

Bill Graves
Secretary of State



2nd Floor, State Capitol
Topeka, KS 66612-1594
(913) 296-2236

STATE OF KANSAS
COMMITTEE ON LABOR, INDUSTRY
AND SMALL BUSINESS
SENATE BILL 243

Testimony of
SECRETARY OF STATE BILL GRAVES

Every year during my nine years in the secretary of state's office the issue of closing corporate records has been raised. It has been debated in both the Senate and House and considered by at least three different committees.

The failure of this issue to advance during those nine years sends a strong message about this state's commitment to disclosure and openness in government. It is a commitment that my office shares.

It has become clear through the years that the legislature will not close public access to any information unless a clearly demonstrated harm exists that outweighs the right of public access.

In the case of a corporate balance sheet, I am not convinced that such a harm exists.

This state decided many years ago that in exchange for the limited liability that corporate status provides its stockholders there were several things a corporation must do. One of those requirements was to file a balance sheet that would become public record.

I am convinced that the proponents of this bill have been, and will continue to be, people who do not

*Senate Labor, Industry & Small
2-23-89 Kiser
Attachment XI 11-1*

like disclosure. The issue of corporate harm is like a straw man. It has very little substance.

I am pleased, for the first time, to see an attempt at compromise. I believe that this bill is more acceptable than any previous bill. I say this because it does not attempt to close all corporate records.

But I must oppose any bill that would attempt to close even some corporate records.

Also, in considering the testimony you have heard, please remember that there are 66,000 active corporations in Kansas, many of whom appreciate and benefit from the availability of this information.

The state's long-standing policy of open records must remain intact. In lieu of more convincing evidence of corporate harm, I believe that if we err, we should err on the side of openness. I believe that the benefit to the public should prevail over the mere perception of harm.

TESTIMONY OF
FRANK J. MCBRIDE
BEFORE THE SENATE LABOR, INDUSTRY AND SMALL BUSINESS COMMITTEE
ALICIA SALISBURY, CHAIRPERSON
REGARDING SB 243
FEBRUARY 23, 1989

Madam Chairman and members of the Committee, thank you for allowing me to present testimony here today. I am Frank J. McBride, chairman of the legislative committee of the Kansas Grain and Feed Association (KGFA). I have also been a member of the board of directors and am a past president of that association which represents approximately 1,100 grain and feed dealers throughout the state. I have been engaged in the grain business for 40 years, the past 35 as an executive officer of Evans Grain Company, Salina, Kansas.

I am speaking today in opposition to SB 243 as a representative of both the KGFA and Evans Grain Company.

Public records play an important part in conducting business in Kansas on a sound basis, and we should not attempt to close that door for those who use this information in making crucial business decisions.

Just a few years ago the Kansas legislature was concerned about grain elevator insolvencies and how they were affecting the farmer/producer. I attended a number of hearings on various bills introduced to address those concerns, and throughout there seemed to be one common conclusion that outweighed the potential solutions of all of the various bills being considered. That conclusion was that it is the producers' responsibility to know who they are dealing with. Yet we are here today considering a bill that in some instance would take away one of the producers' remaining tools to make sound business decisions.

You have probably heard statements to the effect that open records primarily benefits those firms selling credit information such as Dun and Bradstreet. To help clarify this issue, I checked with the Secretary of State's office to determine who requests copies of annual reports. Their best estimate is as follows:

Dun & Bradstreet	45%	9,900 reports
Businesses	25%	5,500 reports
Attorneys	25%	5,500 reports
Others	5%	1,100 reports
TOTAL	100%	22,000 reports

While Dun & Bradstreet appears to be the largest single user, we cannot overlook the fact that 55% or over 12,000 reports were issued for the benefit of other interested parties.

For your further information, our company obtained 87 reports in 1986; 117 in 1987 and 123 in 1988. For those who now use the information that is available, this bill would frustrate their efforts to obtain financial information and would possibly force

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them to use a financial information service firm at a much greater cost or it could result in their doing nothing in determining the financial stability of those they deal with, either of which would be a step backward.

There appears to be much criticism of the present system because it allegedly puts Kansas corporations at a competitive disadvantage to those in other states. Evans Grain Company or its principals own a number of individual corporations on which annual reports are filed with the Secretary of State. We have no objection to this information being made public, nor do we feel that by doing so puts the corporations at a competitive disadvantage. For the committee's information, I have copied the balance sheet portion of four of those corporations, each of which would qualify for confidentiality under SB 243. We believe that it is the farmer/producer's right to have access to this information and it should not be withheld from them. As for disclosing trade secrets or other competitive information, I would point out that no reference is made to grain volume or margin, storage income, freight or labor costs, items that are of a highly competitive nature.

I would further question the reliability of the 20% rule in SB 243. I believe it is dangerous to assume that a corporation with a capital account equal to 20% of total assets is a sound credit risk and is therefore entitled to confidentiality of its balance sheet. In theory a corporation balance sheet could look like this:

XYZ CORP.

Current Assets	\$ 100,000	Current Liabilities	\$ 800,000
Fixed Assets	<u>900,000</u>	Net Worth	<u>200,000</u>
Total Assets	\$1,000,000	Total Liabilities	\$1,000,000

Here one could have a corporation with a negative working capital of \$700,000 yet it would qualify for confidentiality.

In conclusion, I would ask that the present system be maintained and that you vote against SB 243.

I will be glad to respond to any questions you may have. Thank you.

3. Complete the following BALANCE SHEET for the corporation as of the end of the tax year which ended July 31, 1980
(Month, Day and Year)

ASSETS			LIABILITIES AND SHAREHOLDERS' EQUITY		
	AMOUNT	TOTAL		AMOUNT	TOTAL
a. Cash		56,164	o. Accounts payable	19,145	
b. Trade notes and accounts receivable	49,203		p. Mortgages, notes, bonds payable		
• Less allowance for bad debts	2,469	46,734	in less than 1 year	55,000	
c. Inventories		468,248	q. Other current liabilities	702,186	
d. Government obligations			r. Loans from shareholders		
• U.S. and instrumentalities			s. Mortgages, notes, bonds payable		
• State, subdivisions thereof, etc.			in 1 year or more	445,000	
e. Other current assets		251,436	t. Other liabilities		
Loans to shareholders			u. Total liabilities		1,221,331
Mortgage and real estate loans			v. Capital stock:		
Other investments			• Preferred stock		
Buildings and other fixed depreciable assets	1,956,584		• Common stock	84,000	
• Less accumulated depreciation	1,324,335	632,249	w. Paid-in or capital surplus	29,489	
Depletable assets			x. Retained earnings—appropriated		
• Less accumulated depreciation			y. Retained earnings income fund—unappropriated	217,199	
Land (net of any amortization)		15,496	z. Less cost of treasury stock	()	
Intangible assets (amortization only)	15,134		aa. Net worth (total shareholders' equity)		330,688
• Less accumulated amortization	8,213	6,921	bb. TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		1,552,019
Other assets		74,771			
TOTAL ASSETS		1,552,019			

(NOTE: Lines n. and bb. must be identical.)

Complete the following BALANCE SHEET for the corporation as of the end of the tax year which ended _____
(Month, Day and Year)

ASSETS			LIABILITIES AND SHAREHOLDERS' EQUITY		
	AMOUNT	TOTAL		AMOUNT	TOTAL
Cash		39,355	o. Accounts payable	30,150	
Trade notes and accounts receivable	175,929		p. Mortgages, notes, bonds payable		
• Less allowance for bad debts	2,173	173,756	in less than 1 year		
Inventories		1,985,111	q. Other current liabilities	2,754,635	
Government obligations			r. Loans from shareholders		
• U.S. and instrumentalities			s. Mortgages, notes, bonds payable		
• State, subdivisions thereof, etc.			in 1 year or more		
e. Other current assets		1,198,666	t. Other liabilities	198,253	
Loans to shareholders			u. Total liabilities		2,983,038
Mortgage and real estate loans			v. Capital stock:		
Other investments			• Preferred stock		
Buildings and other fixed depreciable assets	4,333,403		• Common stock	25,000	
• Less accumulated depreciation	2,407,568	1,925,835	w. Paid-in or capital surplus	1,200,409	
Depletable assets			x. Retained earnings—appropriated		
• Less accumulated depreciation			y. Retained earnings income fund—unappropriated	1,254,231	
Land (net of any amortization)		115,385	z. Less cost of treasury stock	()	
Intangible assets (amortization only)			aa. Net worth (total shareholders' equity)		2,479,640
• Less accumulated amortization			bb. TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		5,462,678
Other assets		26,570			
TOTAL ASSETS		5,462,678			

(NOTE: Lines n. and bb. must be identical.)

ASSETS

LIABILITIES AND SHAREHOLDERS' EQUITY

(Do not write in shaded areas)

	AMOUNT	TOTAL		AMOUNT	TOTAL
Cash		35,089	p. Accounts payable	24,838	
Trade notes and accounts receivable	31,164		q. Mortgages, notes, bonds payable in less than 1 year	357,581	
• Less allowance for bad debts		31,164	r. Other current liabilities	181,760	
Inventories		211,466	s. Loans from shareholders		
Government obligations:			t. Mortgages, notes, bonds payable in 1 year or more	101,000	
• U.S. and instrumentalities			u. Other liabilities		
• State, subdivisions thereof, etc.			v. Total liabilities		665,179
Other current assets		349,803	w. Capital stock:		
Loans to shareholders			• Preferred stock		
Mortgage and real estate loans			• Common stock	29,000	
Other investments			x. Paid-in or capital surplus	4,970	
Buildings and other fixed depreciable assets	2,471,887		y. Retained earnings—appropriated		
• Less accumulated depreciation	1,589,663	882,224	z. Retained earnings—unappropriated	1,260,731	
Depletable assets			aa. Less cost of treasury stock	()	
• Less accumulated depreciation			bb. Net worth (TOTAL SHAREHOLDERS' EQUITY)		1,294,701
Land (net of any amortization)		41,217	cc. TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY (must equal o.)		1,959,880
Intangible assets (amortization only)	3559				
• Less accumulated amortization	1237	2322			
Other assets		406,595			
TOTAL ASSETS (must equal cc.)		1,959,880			

ASSETS

LIABILITIES AND SHAREHOLDERS' EQUITY

(Do not write in shaded areas)

	AMOUNT	TOTAL		AMOUNT	TOTAL
Cash		30,112	p. Accounts payable	160,055	
Trade notes and accounts receivable	138,345		q. Mortgages, notes, bonds payable in less than 1 year	130,481	
• Less allowance for bad debts	2,003	136,342	r. Other current liabilities	1,983,510	
Inventories		1,224,155	s. Loans from shareholders		
Government obligations:			t. Mortgages, notes, bonds payable in 1 year or more	264,746	
• U.S. and instrumentalities			u. Other liabilities	50,625	
• State, subdivisions thereof, etc.			v. Total liabilities		2,589,417
Other current assets		650,220	w. Capital stock:		
Loans to shareholders			• Preferred stock		
Mortgage and real estate loans		100,000	• Common stock	30,000	
Other investments		1,000	x. Paid-in or capital surplus		
Buildings and other fixed depreciable assets	4,489,665		y. Retained earnings—appropriated		
• Less accumulated depreciation	2,961,225	1,528,440	z. Retained earnings—unappropriated	1,085,472	
Depletable assets			aa. Less cost of treasury stock	()	
• Less accumulated depreciation		-	bb. Net worth (TOTAL SHAREHOLDERS' EQUITY)		1,115,472
Land (net of any amortization)		25,485	cc. TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY (must equal o.)		3,704,889
Intangible assets (amortization only)	36,709				
• Less accumulated amortization	27,574	9,135			
Other assets		-			
TOTAL ASSETS (must equal cc.)		3,704,889			

State the value of agricultural and nonagricultural assets that are owned and controlled by the corporation, both within and without Kansas, and where they are

TESTIMONY ON SENATE BILL NO. 243

Before the
Committee on Labor, Industry, and Small Business
of the
Kansas State Senate
Senator Alicia Salisbury, Chairperson
(February 23, 1989)

My name is Steve Brookner. I am Zone Manager for the Dun & Bradstreet office in Overland Park, Kansas, which serves the metropolitan Kansas City area. I am a resident of Olathe, Kansas. I am here today to testify in opposition to Senate Bill No. 243.

With me is Mr. Delaine Donohue, Senior Vice President, Dun & Bradstreet Information Resources, who is an expert on our systems and procedures nationwide and who is available to answer any questions from members or staff of the Senate Committee on Labor, Industry, and Small Business.

Dun & Bradstreet Credit Services and Dun & Bradstreet Information Resources operate two facilities in Kansas. Our Wichita office was established in 1886. Our Overland Park office was originally established in 1872 in Kansas City, Missouri. In 1985, we moved to Overland Park. In addition, three other operating units of The Dun & Bradstreet Corporation have offices in Overland Park, Shawnee Mission, and Wichita.

I appreciate the opportunity granted me by the Committee to testify in opposition to Senate Bill No. 243. I hope my testimony will assist the Committee in carrying out its duties.

It is my personal belief and the position of my company that it is in the best interest of the State of Kansas that the annual reports required to be filed by corporations, including the statements of assets, liabilities and net worth, remain totally open to the public.

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For many decades, all corporations doing business in Kansas--whether incorporated in Kansas or in other states--have been required by statute to file annual reports with the Secretary of State. One element of this annual report is a balance sheet--the statement of the corporation's assets, liabilities, and net worth. It has been the long-standing policy of the State of Kansas that these annual reports are public records, and as such, are open to the public. This historic policy was reinforced by the Open Records Act of 1984. Senate Bill 243 would, in our opinion, be a step backward. For the following reasons, we respectfully ask you to support current law and oppose Senate Bill No. 243.

First some background. Senate Bill No. 243 is not the first time that this issue has come before the Kansas Legislature.

In 1985, the House Committee on the Judiciary rejected House Bill No. 2261 in favor of current law. In 1987, the House Committee on Economic Development declined to act on House Bill No. 2389, a bill that would have created a broad exceptions process to current law.

There is significant evidence of support for current law among the Kansas business community. A legislative survey of the members of the Kansas Grain and Feed Dealers Association summarized in Newsletter #5, March 9, 1987, reported that of the respondents "an overwhelming majority (70%) oppose" proposed legislation to close the balance sheet portion of corporate annual records. A 1988 mail survey of over 700 Kansas businesses by Dun & Bradstreet resulted in responses from about one-third of those surveyed - an excellent response rate for mail surveys. Almost 93% of respondents favored current law. Yesterday, my office telephoned nine customers to get a quick reaction for today's hearing. All nine opposed legislation closing these records and gave me permission to put them on record in opposition to the bill. In past legislative hearings on this issue, several Kansas companies and associations have expressed support for current law.

Second, Senate Bill No. 243 must be evaluated in the context of Kansas policy about open public records. The Kansas Legislature has adopted a strong policy in favor of open public records. This is most clearly expressed in the Kansas Open Records Act, but also finds expression in other statutes including the one at issue today requiring the filing of corporate annual reports and the public's access to them.

The current law is a public disclosure statute. Public disclosure is clearly favored by Kansas policy. Thus, the burden falls heavily on the proponents of Senate Bill No. 243, who would close-off to public access certain records, to show a compelling public policy justification for such non-disclosure. Mere speculation or perception is not enough. As Secretary of State Bill Graves said in 1987 on this issue (quoted in "Open Meetings a first step", by John Marshall, Editor, Harris News Service, March 14, 1987).

In lieu of more convincing evidence of corporate harm, I believe that if we err, we should err on the side of openness.

I believe that any possible benefit to the consumer, however remote, should prevail over the mere perception of harm to corporations.

This presumption is in favor of open records.

Proponents of non-disclosure carry a heavy burden of proof that can only be met by substantial and overwhelming evidence.

Third, current law promotes business and trade in Kansas. It does not harm Kansas economic development. It enables vendors, lessors, banks, investors, insurers, developers, and others seeking to do business in Kansas to obtain information that enables them to make more informed business decisions. This decreases the risk element, lowers the cost, or speeds decision-making in a variety of commercial transactions --- especially among entities without close, personal experience and knowledge of one another.

On a day to day basis, there are countless business transactions conducted. The availability of basic financial information promotes and speeds credit, marketing, purchasing, and many other related business decisions. No prudent businessman would be willing to ship goods, furnish services or extend credit without reasonable assurance of payment.

For instance, in our business, we know that many companies will ship merchandise on credit to companies having a Dun & Bradstreet capital and credit rating without conducting a further credit check. In the absence of a rating, such companies would usually call the credit applicant and require a financial statement, a bank reference and trade references. Even if these were supplied by the applicant, this would tend to delay the shipment of merchandise. Were the requested information declined, the extension of credit might not be forthcoming. We require financial statements for evaluation to assign capital and credit ratings. Kansas and the other states which require the filing of financial statements are among those with the very highest percentage of rated businesses.

Moreover, when we write or revise a report on a business, we send a copy of the report to that business. We receive very few complaints regarding the inclusion of financial statements from public records in our reports. We particularly note in our reports when public information from the public records of the State of Kansas is included. We believe this is an indication Kansas businesses realize the value to them of this law.

Businesses outside the State of Kansas also indicate to us that this information on Kansas businesses enables them to better serve customers in Kansas in a variety of ways.

Finally, there is no evidence in the extensive and thorough Kansas economic development study by Professor Anthony Redwood that this law is in any way a hinderance to Kansas economic development.

Fourth, the current law does not infringe upon personal privacy. Corporations are artificial persons and are creatures of state law. They enjoy limited liability--that is, as a general rule, a corporation's owners are not personally liable for the debts and losses of their corporation. The current Kansas law requiring limited public financial disclosure by corporations enables people to evaluate the financial soundness of those corporations with which they wish to do business. This is good public policy.

Fifth, the current law does not require disclosure of information that would give a competitor an unfair advantage in the marketplace. Most authorities would agree that a corporation's balance sheets, viewed individually or over time, would not by themselves provide critical operating data or disclose business or trade secrets that would give an unfair edge to a competitor.

At a 1985 House Judiciary Committee hearing on a bill (House Bill No. 2261) to close these records, the Secretary of State's office brought in a financial consultant who used an overhead projector to demonstrate graphically how the balance sheet in the corporate annual statement cannot be used for unfair competitive reasons. Professor Anthony Redwood wrote in response to a question from Representative Elizabeth Baker in 1988 that "he could find no direct evidence to support the argument that a corporation's balance sheets viewed individually or over time disclose critical operating information that gives an unfair advantage to a competitor." He added: "Again, let me emphasize that there is no substantive evidence that the information that is on file with the Secretary of State is detailed enough to let this happen."

The Kansas statutory requirement for limited financial disclosure strikes an appropriate balance between protection of the public and the legitimate business confidentiality of the corporation, as well as provides basic information that lubricates the engine of commerce.

In conclusion, we believe no compelling reasons have been given for allowing certain corporations to opt out of this current public disclosure statute as proposed by Senate Bill No. 243. The proposed criteria do not seem to further any compelling public need nor bear any relationship to the public policy purposes that underlie this long-standing public disclosure statute.

The proposed "net worth equal to 20% of assets" test bears no relationship to the evaluation of credit risks.

The proposed criteria will always seem arbitrary and discriminatory, especially to those corporations that fall just outside the safe harbor provided by the criteria.

The proposed mechanism would add unnecessary complexity and record-keeping burdens for the Secretary of State for no compelling public purpose. Moreover, it might create difficulties for the State of Kansas if the Secretary of State's office, in exercising its discretion under the statute, placed in a confidential file the balance sheet portion of the annual report of a company that later created problems for a person who otherwise might have benefited from the information available under current law. Conversely, there might also be difficulties if the Secretary's office declined to exercise its discretion to place such information in a confidential file.

The proposed bill would create inevitable pressures for administrative or statutory expansion of the exceptions process. It would also create a precedent for exceptions procedures for other Kansas public disclosure statutes. All this would be contrary to the strong Kansas policy favoring open records.

In summary, a public disclosure statute about corporate annual reports should apply generally to all who fall within its reach. There should be a strong presumption against exceptions. In the present case, there are no compelling public policy reasons to give "grease to a few squeaky wheels."

For these reasons, we respectfully request that you retain current law, support the Kansas policy of open records, and reject Senate Bill No. 243. Thank You.

COMMENTS CONCERNING SENATE BILL NO. 243

Presented to the Senate Committee on Labor, Industry and Small Business
by Terry Harmon, Assistant State Archivist
Kansas State Historical Society
Department of Archives

February 23, 1989

I appreciate very much this opportunity to appear before the committee as a representative of the Kansas State Historical Society's Department of Archives.

As custodian of the official state archives, the State Historical Society has responsibilities for identifying, acquiring, and preserving state and local government records with permanent value, and also for making information in such records accessible to the public. We therefore are quite interested in any legislative proposal, such as S.B. 243, which would restrict access by researchers to information in records which someday will be transferred to the archives. It has been determined that the annual reports of corporations have substantial historical and research value, and we already have received a large quantity of them from the Office of the Secretary of State.

Restricting public access to portions of the data in corporation annual reports would not prevent future transfers of such records to the state archives. We have in our custody many types of confidential records, and in accordance with K.S.A. 45-407, the archives staff continues to limit disclosure to the same degree as would the agencies which transferred the records to us.

Our general position as archivists is that we should cooperate in protecting the privacy rights of individuals and corporations, but that the need for confidentiality usually diminishes greatly after a number of years have passed. It should be possible for the legislature to grant access by researchers in the distant future to most types of confidential records without fear of damaging the individuals or corporations involved.

If the primary purpose of this bill is to prevent competitors of a corporation from obtaining useful financial data, we believe that a ten-year limit on restricted public access to the records would be adequate. If the committee concludes that ten years would not be long enough, consideration might be given to other time periods. Although it seems far longer than necessary in this instance, seventy years is the maximum time period for which state and local government agencies are authorized by K.S.A. 45-221(f) to exempt numerous types of records from the disclosure requirements of the Open Records Act.

Two cherished principles clash when disclosure of information in government records is restricted: the right of privacy and the public's right to obtain valuable historical information. We hope the committee will agree that it would be a reasonable compromise to amend S.B. 243 in order to place a time limit of ten years on the confidential status of financial data in corporation annual reports filed with the Secretary of State.

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