

ALASKA STATE LEGISLATURE

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STATE AFFAIRS COMMITTEE

HB 527

THE ALASKA SECURITIES ACT

SPONSOR'S STATEMENT

In ascending order of importance, [this bill](#) would accomplish four things that the division of banking, securities, and corporations seeks to improve its operations. First, it streamlines a technical definition for investment adviser representative that at present is redundant and, therefore, difficult to comprehend. This is very much a technical amendment.

Second, the bill would give the securities administrator the authority to fine a person who violates the Securities Act up to \$100,000 for multiple, knowing or purposeful violations. At present the upward limit is \$25,000. The fine for a single instance of a knowing violation is left at its present minimum level of \$2,500. The bill would also raise the possible fines for inadvertent violations or violations that cannot be proven to be knowing, from a minimum \$500 for a single violation to \$25,000 for multiple instances of infringement.

The third element of the bill would give to the securities administrator the authority to order restitution to the victim of a violation of the Act. At present, any fines collected are simply placed in the general fund and the victim is left with nothing but the right to sue. There are, however, instances where suit is impracticable or burdensome for a victim. For example, if a senior citizen is bilked of \$10,000, the state can fine the perpetrator, of course, but the senior is left with no other course but to bring an action in court. If the perpetrator is from out of state, as many are, he is almost insulated from an effective legal remedy because interstate actions are very expensive and cumbersome, even for lawyers. With the authority contained in this bill and the present ability to reduce fines and awards to judgment and bring interstate actions, the senior could be reimbursed at least a portion of the losses sustained. It would seem terribly unfair to leave the victim uncompensated. Most states, as well as the newly minted Uniform Securities Act, adhere to the principle of reimbursement for victims of wrongdoing.

The fourth and most important provision of the bill would lower the jurisdictional limit of the division for oversight of ANCSA corporation proxy matters to those corporations with more than 250 shareholders. At present, those corporations with 500 or more shareholders and \$1,000,000 in assets must file with the division copies of annual reports, consents and authorizations, proxies, proxy statements, and other materials related to proxy solicitations that are published or made available to 30 or more

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Alaska resident shareholders. The asset limitation is not appropriate because virtually none of the corporations, from the smallest to the largest, book their assets at market value, especially their land holdings. Thus, a corporation could be wealthy in terms of land, yet only carry a much smaller asset balance on their books. This does exempt them from the current reporting requirements.

The limit on shareholders should be reduced, not to burden more corporations, but to enfranchise more Native shareholders in smaller corporations. Many times, the smaller village corporations are the ones that can be, at times, less sensitive to shareholder rights. With this simple reporting requirement imposed, it gives the division the ability to police such matters and educate where needed.

There is nothing in this legislative provision that adds any more burden on a corporation of any size save the requirement to make certain specific disclosures in their proxy statements and make the expenditure for postage to send their materials to the division. This is simply a matter of disclosing more fully to shareholders. The federal statute, ANCSA, already requires every Native corporation to submit its books to audit. This bill does not alter federal law, but adds a requirement of disclosure to shareholders. Title 10 of the Alaska Statutes imposes certain other conditions; not this bill. There is an existing requirement also, that a corporation publish a proxy statement as part of a proxy solicitation. The only requirement this bill would indirectly add by virtue of having a corporation submit to the division's regulations is that certain disclosures would become mandatory. This might add a page or two to the proxy statement, but is not burdensome.

This bill clearly contains beneficial provisions while protecting the investing public and letting shareholders in Native corporations have more information

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