

Konrad Jackson

From: Slottee, Christopher J. <CSlottee@SCHWABE.com>
Sent: Monday, May 11, 2026 11:32 AM
To: Sen. Jesse Bjorkman
Cc: 'Mike Pawlowski'; Jerry Mackie
Subject: SCS CSHB 126(CRA)

Dear Chair Bjorkman:

On behalf of the Alaska Native Village Corporation Association, I am writing to respectfully oppose the amendment offered by Senator Dunbar (Amendment 34-LS0099\H.3) to SCS CSHB 126(CRA), which would repeal and reenact AS 45.55.139 to impose a new concurrent-filing obligation on Alaska Native Corporations (ANCs) subject to an annual gross revenue threshold of \$100,000,000 alongside the existing 500-shareholder threshold.

The core approach reflected in the original SCS CSHB 126(CRA, an Alaska Native Corporation that began with fewer than 500 original shareholders should not be subject to the public-filing requirements of AS 45.55.139 simply because its shareholder base grew organically through the inheritance and estate transmission mechanisms Congress built into the Alaska Native Claims Settlement Act (ANCSA), 43 U.S.C. §§ 1601 et seq., reflects a sound and principled legislative judgment. Organic shareholder growth of this kind is not a matter within the corporation's control, and subjecting a corporation to full public-disclosure obligations because of legally compelled shareholder proliferation is not a burden imposed on any other form of private Alaska corporation.

Under the Dunbar amendment as drafted, however, even an ANC that indisputably qualifies for the organic-growth exemption, one that started below 500 shareholders and grew beyond that threshold solely through inheritance, loses that exemption and becomes subject to full public filing under AS 45.55.139 if it also has annual gross revenue of \$100,000,000 or more. We respectfully submit that this revenue carve-back has no valid legal justification, is discriminatory on its face when measured against the treatment of all other Alaska private corporations, and should be removed from the amendment.

No Other Alaska Private Corporation Is Required to Publicly File Its Annual Report or Audited Financial Statements Based on Revenue

The revenue carve-back in the Dunbar amendment would require an ANC to publicly file its proxy statement, annual report, and audited financial statements with the Alaska Division of Banking and Securities (ADBS) based on a combination of organic shareholder growth and commercial revenue. That obligation has no equivalent anywhere in Alaska corporate, securities, or business law for any other form of privately held business entity. The Legislature should be aware of what the amendment actually asks of ANCs when measured against what it asks of everyone else:

- A privately held Alaska C corporation with \$500 million in annual revenue, thousands of employees, and hundreds of millions of dollars in state and federal contracts is not required to file its annual report, audited financial statements, or any proxy materials with the Alaska Division of Banking & Securities. Its financial disclosures are a matter exclusively between the corporation and its shareholders.
- A privately held Alaska limited liability company with \$1 billion in gross revenue faces no public disclosure obligation of any kind under Alaska securities law, regardless of the number of members, the size of its operations, or the nature of its business.
- A privately held Alaska limited partnership or S corporation with revenues exceeding \$100 million — or any amount — is subject to no mandatory public filing of financial statements with any Alaska agency under the securities laws.
- An ANC that organically grew its shareholder base from 490 to 510 shareholders over twenty years through inheritance, and that built a successful federal contracting operation generating \$100 million or more in annual revenue, would under this amendment be required to publicly file its complete audited financial statements, named executive compensation disclosures, and proxy materials, information that every other form of private Alaska business corporation of any revenue size is entitled to hold confidential.

This disparity is not a minor or technical inequity. It means that an ANC's non-Native competitor in the same federal contracting market, a privately held C corporation with comparable or greater revenue, faces no public disclosure obligation, while the ANC must publicly expose the financial details that inform its pricing, overhead structure, profit margins, and executive compensation to the exact same competitors. That competitive asymmetry is imposed not because the ANC made a choice to access public capital

markets, but because its Native shareholders passed their stock to their heirs — a consequence of ANCSA's own transfer restrictions that is entirely outside the corporation's control.

The Revenue Carve-Back Is Untethered from the Governance Interest That Justifies the Existing Disclosure Regime

The existing AS 45.55.139 disclosure framework rests on a coherent rationale: when an ANC's shareholder base reaches sufficient size, direct regulatory oversight of proxy solicitations and annual reporting protects shareholders from informational asymmetry between management and the ownership class. That rationale is grounded in the relationship between the corporation and its shareholders — not in the corporation's revenue. Revenue is simply irrelevant to whether shareholders need the protections that ADBS oversight provides.

An ANC with 510 shareholders and \$90 million in revenue has precisely the same shareholder governance dynamics — and precisely the same shareholder informational interests — as an ANC with 510 shareholders and \$110 million in revenue. The Dunbar amendment's revenue threshold draws a line between these two corporations that the underlying governance rationale cannot support. What changes at the \$100 million revenue mark is not the corporation's accountability to its shareholders; it is only the corporation's commercial success. Using commercial success as the trigger for a disclosure burden that no comparably successful non-ANC business must bear is neither equitable nor defensible as a matter of shareholder-protection policy.

The revenue threshold also creates a structural perversity: the amendment penalizes ANCs for growing successful businesses. A corporation approaching the \$100 million revenue threshold has every rational incentive — under the amendment as written — to structure its operations, manage its revenue recognition, or arrange its affiliate relationships to remain below the disclosure trigger. That incentive is directly contrary to the Legislature's longstanding policy of encouraging ANC economic development for the benefit of Alaska Native shareholders and communities. A disclosure regime calibrated to revenue does not advance shareholder protection; it distorts business decisions in ways that ultimately harm the very Native shareholders the statute is designed to serve.

What the Public Disclosure Obligation Actually Requires Demonstrates Why the Revenue Carve-Back Is Disproportionate

It is important to be clear about what AS 45.55.139, as implemented through 3 AAC 08.305–.395, actually requires of a covered ANC, because the practical consequences of the revenue carve-back are severe. An ANC subject to the filing obligation must publicly disclose, in documents available to any member of the public:

- Named individual compensation — the total compensation of each of the five most highly compensated persons of the corporation and its subsidiaries, identified by name, including all deferred compensation, pension, and retirement plan contributions (3 AAC 08.345(b)(2));
- Full audited consolidated financial statements — including balance sheet, income statement, statement of cash flows, and all footnotes, prepared under GAAP with an independent auditor's report, covering all consolidated subsidiaries (3 AAC 08.365);
- Management's Discussion and Analysis — a narrative analysis of financial condition, results of operations by segment, liquidity, and capital resources that reveals the internal financial architecture of the business (3 AAC 08.365);
- Related-party transaction details — descriptions of all financial transactions exceeding \$20,000 involving directors, executive officers, their family members, or entities in which they hold interests (3 AAC 08.345(b)(3)); and
- A full description of the corporation's business operations and subsidiary structure — including the principal products, services, markets, and significant subsidiaries through which operations are conducted (3 AAC 08.365).

Every item on this list is information that a privately held Alaska C corporation with \$500 million in revenue is not required to disclose to anyone other than its own shareholders in a private communication. It is information that, if made public for an ANC operating in a competitive federal contracting market, enables competitors to extract pricing intelligence, recruit key personnel using compensation data, and assess financial vulnerabilities — all without any reciprocal disclosure obligation on those competitors' part. Imposing this burden on ANCs solely because their organic shareholder growth crossed 500 and their revenue crossed \$100 million, while imposing no comparable burden on any other Alaska private business, cannot be justified by reference to any legitimate state interest that has been articulated in connection with this legislation.

The Organic-Growth Exemption in the Base Bill Should Be Preserved Without the Revenue Carve-Back

We strongly support the organic-growth exemption as the Legislature's principal reform to AS 45.55.139. ANCs that were originally formed with fewer than 500 shareholders should not be brought within the ADBS public-filing regime solely because ANCSA's inheritance and estate mechanisms caused their shareholder base to grow beyond that threshold over time. That exemption is principled, administrable, and directly responsive to the governance concern at issue.

We ask only that the Legislature preserve that exemption without conditioning it on the corporation's revenue. An ANC that qualifies for the organic-growth exemption — because it began with fewer than 500 shareholders and grew beyond that threshold through inheritance rather than voluntary issuance — should retain that exemption regardless of the size of its business. To do otherwise is to take away with one hand what the Legislature is giving with the other: the organic-growth exemption is rendered meaningless for the

largest and most commercially successful ANC's, which are precisely the corporations most likely to have grown organically and most likely to suffer competitive harm from mandatory public disclosure.

If the Legislature wishes to impose additional governance accountability on the largest ANC's, we respectfully submit that the appropriate mechanism is not a mandatory public-filing requirement that has no parallel in Alaska law for any other private business entity. More targeted alternatives — such as enhanced private disclosure to shareholders, independent audit committee requirements, or confidential filings with ADBS subject to regulatory review but not public access — would serve the shareholder-protection interest without exposing ANC financial information to public scrutiny that no comparably situated non-ANC business is required to accept.

Conclusion

We support the organic-growth exemption at the heart of SCS CSHB 126(CRA) and the Dunbar amendment. We oppose only the revenue carve-back that strips that exemption from ANC's with \$100 million or more in annual gross revenue. That carve-back imposes a mandatory public-disclosure burden — covering audited financials, named executive compensation, and detailed business descriptions — that no other form of Alaska private business corporation is required to bear, at any revenue level, under any provision of Alaska law. It is discriminatory in effect, unconnected to any shareholder-protection rationale, and harmful to the competitive position of Alaska Native-owned businesses. We urge the Committee to remove the revenue carve-back and pass the organic-growth exemption in clean form.

While we understand and share the underlying concern about shareholder transparency in large ANC operations, we submit that this amendment, as written, fails to address the actual governance problem it purports to solve, imposes a revenue-based disclosure trigger that has no parallel for any other form of Alaska business corporation, and would produce arbitrary and inequitable results that penalize ANC's for commercial success without advancing any legitimate interest in shareholder protection.

Thank you

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