

SCOMM

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IT'S TIME TO TAKE STOCK IN ALASKA

ALASKA GENERAL STOCK OWNERSHIP CORPORATION



**Everything You Always
Wanted To Know
About AGSOC...***

***...But Were Afraid To Ask.**

1. Q. What is AGSOC?

A. AGSOC stands for "Alaska General Stock Ownership Corporation." It would be a private owning and operating enterprise in Alaska. Every resident of Alaska as of the date of incorporation would be given a share of stock in the AGSOC, and its profits would be distributed to them as dividends.

2. Q. Does AGSOC exist now?

A. No. It must be created through law by the State Legislature or by popular vote.

3. Q. Why should we create an AGSOC?

A. There are five main benefits:

A) AGSOC gives all Alaskans a second income. This second income derives from production and development in the state. So:

B) It helps promote economic activity in Alaska. And just as important:

C) It keeps the profits from that activity in Alaska, rather than enriching outside companies. Also:

D) It puts the profit directly into the hands of Alaskans, without passing it through the state government and its costly bureaucracy. And:

E) It can give a preference for local hire, despite recent court decisions, by establishing a corporation policy to hire shareholders first.

AGSOC gives Alaskans a real stake in the free enterprise system because it allows them to participate in that system, as owners of capital.

4. Q. How does AGSOC work?

A. There are six steps:

A) AGSOC is created by the State.

B) Each resident of the state on the date of incorporation gets one share in AGSOC. There is no cost to get the share.

C) AGSOC management looks for sound investments in Alaska.

D) Having decided on an investment, AGSOC borrows money and makes the investment.

E) AGSOC operates the enterprise it has invested in, and this produces earnings for the AGSOC.

F) The earnings are used to pay off the loan and to pay dividends to shareholders.

5. Q. What kinds of investment would AGSOC make?

A. AGSOC would probably look for large and relatively low-risk projects. One possibility would be to purchase a part ownership of the trans-Alaska pipeline, which would produce earnings immediately. Other energy or resource projects, communications, or similar large industries would be appropriate for AGSOC investment.

6. Q. How do we know this will work?

A. It has the same chance, or better, as any sizable corporation dealing in sound investments. In fact, it has an extra safety valve—since it will operate entirely with borrowed money, it will benefit from the judgment of the lenders as to the soundness of its investments.

7. Q. How much will shareholders get?

A. That depends on how much is invested and on the rate of return from each investment. As an example, AGSOC could purchase British Petroleum's share of TAPS. Last year, B.P.'s pre-tax profit from TAPS was \$127.2 million. Divided among 405,000 Alaskans, that would come to \$314 per person (\$1,256 per family of four). This is an indication of the kind of opportunities that are available, although it should not be taken as a precise indication of what an AGSOC share would earn. Generally, AGSOC would aim at a 20 percent annual return on investment, as other corporations do. The more AGSOC invested, assuming sound investment, the more each share would eventually earn.

8. Q. Isn't this something for nothing, like a government handout?

A. No, it isn't. What the AGSOC does is use a credit device, debt financing, to acquire capital tools to produce wealth. It's the capital tool itself that produces the wealth to pay for its cost. When that debt is satisfied or being satisfied the balance of the money, the profit, goes to the owner of the capital tool. This plan is to spread out the ownership of new productive wealth to more people, without taking one dime from the rich to give to the poor. The gift, and there is one, is from the genius of man in developing productive technology in our industrial society.

9. **Q.** If an investment turns sour, what liability do Alaskans have?
A. The individual shareholder has no liability. That's an important reason for forming any corporation.
10. **Q.** Why would anybody lend money to the AGSOC if the shareholders are not responsible for the debt?
A. Because the loan is made on the strength of the productive investments. This is not unlike the mortgage on a building. The loan is made on the value and productive capacity, rental income, of the building. Often they are 100% financed.
11. **Q.** Has anybody tried this before?
A. Not exactly. People have formed corporations before, of course. But this is a new idea for a state to form a private corporation on behalf of its citizens. It is made possible by a federal tax law written by Senator Mike Gravel and passed by Congress last year.
12. **Q.** Isn't this like socialism?
A. Not at all—in fact, just the opposite. AGSOC would be a private corporation owned by private individuals, like General Motors or U.S. Steel or any other large American corporation. Under Socialism, corporations like these are run by the government. Socialism is a concentration of power by the state. AGSOC would operate completely independently of the state, just like U.S. corporations that are involved in Alaska or the rest of the country today.
13. **Q.** But doesn't the state set up AGSOC?
A. Yes. But it's like the Alaska Native Regional Corporations. They were set up by the government. All of Alaska's natives were named by the government as shareholders. But then the corporations embarked on their own independent courses. They're not run by the government—they're private companies, a part of the normal free enterprise system. AGSOC would be the same: created by the State, but then cut loose to operate independently in the private market.
14. **Q.** But wouldn't there be a conflict of interests? The same people who would be voting in Alaska on state policy would be owners of the AGSOC?
A. Yes, there would be a conflict. It is a conflict which already exists between private enterprise and the State. And it already affects individual Alaskans like those who own Native Corporation stock, or those who own General Motors or Alaska Airlines stock or any other stock in corporations operating in Alaska who also vote on State policy. When all Alaskans see that they have a stake in the private market, through their ownership of AGSOC stock, they will probably consider much more thoughtfully the implications of state regulation and other state policies toward private business. So yes, this conflict will exist—just as it already exists. And that will be good, because it will give a stronger constituency to the needs of private enterprise, and it will make for better considered state policies.
15. **Q.** Since the AGSOC is statewide, won't a position on the board of directors be used as a stepping stone to higher political office?
A. No more so than other positions like the head of a statewide bank, an owner of hotels or the president of a statewide communications company. The test of those positions and that of being an AGSOC board member is success, competence and skill. There's nothing wrong with proving one's self in that manner. It's the best criteria for political and private leadership.

AGSOC: OPERATION AND SUPERVISION

16. **Q.** Would AGSOC get money from the state?
A. No. AGSOC would get a relatively small loan guarantee from the state for start-up costs, probably about \$5 million. But there would not be a transfer of money to AGSOC like there was under the Native Claims Settlement Act.
17. **Q.** Where does AGSOC get its money?
A. AGSOC would borrow money to make its investments in Alaskan enterprises. This would be done by

selling bonds, the same way other corporations do. The bonds would be purchased by traditional large lenders like banks and insurance companies.

18. Q. Why would they be willing to lend to AGSOC?

A. Mostly on the strength of the investment to be made. An investment in the Trans-Alaskan pipeline, for example, would be looked at as a secure investment. In the first years, state guarantees of AGSOC loans might be desirable. Eventually the overall financial strength of the AGSOC would also help secure its borrowing.

19. Q. Who would be running AGSOC?

A. It would be run by a regular management team: President, Vice-presidents in charge of various areas, investment specialists and so on. The management would be accountable to the Board of Directors, and the Directors would be accountable to the shareholders (Alaska residents).

20. Q. Who appoints the directors?

A. At first, the nine directors would be appointed by a board which was selected by the Governor, the President of the State Senate and the Speaker of the State House of Representatives. But this appointed Board of Directors would stand for election by the shareholders at AGSOC's first annual meeting. And all directors would subsequently be elected by shareholders. The directors' terms would be staggered so that three seats would be up for election each year. The important point is that the directors are elected by the shareholders. The directors can be challenged and removed from the board by vote of the shareholders. This is the same as other corporations.

21. Q. What's to keep the directors or the management from making a killing on the money they handle?

A. The same laws which protect shareholders in other corporations: securities laws as well as state and federal laws on fraud, embezzlement, mismanagement and so on. In addition, the AGSOC cannot have retained earnings to reinvest or manipulate. All the money that comes in must be paid out by serving debt and paying dividends to shareholders except a small percentage of up to 10% to be used for paying the cost of operating the corporation.

22. Q. Who monitors AGSOC?

A. Again like other corporations: the Securities and Exchange Commission, the IRS, the State's Department of Commerce and most important, the shareholders themselves. In addition, several committees of the Congress will have a special interest in AGSOC.

23. Q. Who decides what investments AGSOC will make?

A. The management, subject to the approval of the Board of Directors, and ultimately a majority of the shareholders.

24. Q. Who hires AGSOC's staff?

A. The Board of Directors would appoint the corporation's officers, the officers would be responsible for hiring the rest of the AGSOC staff.

25. Q. How big would AGSOC's staff be?

A. AGSOC's start-up staff is estimated at about 25, from officers to secretaries. The number of AGSOC employees eventually depends on AGSOC's investments.

26. Q. What would AGSOC's budget be?

A. The budget for running AGSOC during the start-up period, 18 months to two years, has been estimated very roughly at about \$5 million.

27. Q. What controls do Alaskans have over AGSOC?

A. As shareholders, they control the corporation. They elect the Board of Directors, and they can remove a director by vote at any time. At annual meetings, shareholders can place issues and candidates on the corporation ballot. They can vote to dissolve the corporation. Individual shareholders can sue the directors on behalf of the corporation. A majority of the Board of Directors must always be Alaskans.

28. Q. What kind of reports will AGSOC make to the people?

A. An annual report will go to each shareholder, detailing the operations and financial situation of the AGSOC. Semi-annual or quarterly reports will also be issued.

29. Q. Will AGSOC financial records be available to the public?

A. Yes.

30. Q. What controls do the Governor and the legislature have over AGSOC?

A. The same control they have over all other corporations chartered in Alaska.

AGSOC STOCK OWNERSHIP

31. Q. Who is qualified to own AGSOC stock?

A. Only residents of Alaska.

32. Q. Who is going to be given shares of AGSOC stock?

A. All those who are residents of Alaska as of a date set by law—in the case of the initiative petition, all those who are residents on the day 60 days after passage of the proposition.

33. Q. What if an AGSOC shareholder moves out of Alaska?

A. He or she must sell the stock to the AGSOC. The price of the stock would be set according to the book value of the AGSOC, as determined by independent accountants for the first five years.

34. Q. What about people who move into the state (or who are born) after AGSOC is formed?

A. They can buy the stock, or it can be bought for them, as it becomes available from AGSOC—first come, first-served. The price, again, would be based on book value. After five years, a market would probably develop in Alaska for the stock and people would be free to sell or buy as long as they are Alaskans. To take care of new births and new residents, additional AGSOC's could be formed or with a change in federal law, different classes of stock could be issued for different time frames or different investment portfolios.

35. Q. What about share-holders who die?

A. They can will their AGSOC stock to a qualified Alaskan, or it will be purchased at book value by the corporation for the first five years. Later, it could be sold for fair market value by the shareholders' estate to any Alaskan.

36. Q. How many shares can one person own?

A. No more than ten.

37. Q. How often will dividends be paid?

A. At least yearly.

38. Q. Will dividends be taxed?

A. Yes, like any other personal income.

39. Q. Can an AGSOC shareholder sell his stock?

A. During the first five years, it can be sold only to the AGSOC itself, at book value. After five years, the stock can be sold to any Alaskan so long as he doesn't end up with more than ten shares.

40. Q. What about minors?

A. A parent cannot sell his child's stock. Only the child can sell his or her stock upon reaching majority assuming the first five years have elapsed. Until majority, the dividends are paid to the parents.

AGSOC HISTORY

41. Q. Where did the idea of AGSOC get started?

A. You could say it started with Adam Smith, since his name and his *Wealth of Nations*, published in 1776, is often associated with the beginnings of a theory of the modern free-enterprise system. More to the point, though, it grew out of the nation's recent success with ESOPs (Employee Stock Ownership Plans). And it was made possible in 1978 when Congress adopted an amendment to the tax code outlined by Senator Mike Gravel.

42. Q. What is ESOP?

A. ESOP is a tax-assisted means for employees to buy the company they work for. In the words of ESOP organizer Louis Kelso, it's a way to "make everyone a capitalist." If the employees of a company also own the company, they have a bigger stake in how well the company performs. They get the rewards (i.e., the profits) when the company performs well, and they have a real stake in the free enterprise system. Many companies in Alaska are ESOPs now, including Yukon Office Supply, the Fairbanks Daily News-Miner, Alaska Northwest Publishing and Alaska Bank of the North.

43. Q. How would AGSOC be like ESOPs?

A. First, AGSOC has the same purpose: to make more people the owners of capital. As shareholders of AGSOC, each Alaskan would be part owner of a capital instrument, a corporation, that produces a profit for its owners. The ownership of capital is what constitutes wealth, because capital is what produces an income. So the main purpose of AGSOC, like that of ESOPs, is to gradually spread America's wealth among all the people.

Second, AGSOC is given tax assistance, as ESOPs are, in order to help achieve that goal.

44. Q. What kind of tax assistance does AGSOC get?

A. It does not pay corporation tax. It can therefore use all its earnings to pay back its lenders and to pay dividends to its shareholders, without having to pay the government first. Other corporations usually face taxes of about 45 percent.

45. Q. Why should AGSOC get special tax treatment?

A. Because the goal of spreading capital ownership is worth it. AGSOC will operate even more than most corporations on borrowed funds. The exemption from corporate tax is what makes it possible for AGSOC to pay its lenders and pay dividends at the same time.

46. Q. Does the shareholder pay tax on his dividend income?

A. Yes, it would be part of his or her personal income and would be taxed the same as other personal income.

47. Q. Isn't wealth already pretty well spread among Americans?

A. No. The income we earn for our work is spread more equally, but wealth, which is ownership of capital, is not. About 5 percent of Americans own some 50 percent of the nation's wealth. In fact, only 1 percent own about 25 percent of the wealth. And that has been the case since the beginning of this century. Without a deliberate effort to spread new wealth more fairly, it will remain concentrated in this way.

48. Q. Is AGSOC taking money away from somebody to "spread capital ownership"?

A. No. AGSOC would be a new corporation. Its profits would represent newly-created wealth, just as any corporation creates wealth through its successful enterprises. It's this newly-created wealth that is being distributed more fairly among a larger number of people by means of AGSOC and other general stock ownership corporations.

49. Q. Is this the same as Governor Hammond's Alaska Inc.?

A. No. Under Alaska Inc., the state would be in charge. It would decide how to distribute the wealth that was produced from Alaska's resources. Some of this money would inevitably be "creamed off" to pay for a growing state bureaucracy. AGSOC, on the other hand, is separate from the state. All its profits would go directly to its Alaskan shareholders.

50. Q. I'm confused as to who owns this wealth of Alaska now.

A. The Alaska state government owns the oil, gas and minerals. They are leased to permit these exploitations. The state receives royalties and taxes. That is the wealth that Hammond's Alaska Inc. would distribute.

The taxes that exploit Alaska's resources like pipelines, refineries and communications systems, are generally owned by large outside companies. Gravel's AGSOC is a device to acquire ownership of some of those tools for Alaskans so that the profit from the productive capability of those tools will go to Alaskans. In other words, its getting hold of wealth we don't already have as opposed to passing out the wealth in the state treasury.

51. **Q.** If AGSOC is such a good idea, why aren't other states starting their own general stock ownership corporations?

A. Other states are looking into GSOPs, just as Alaska is. But Alaska has many unusual advantages: investment possibilities that appear well-suited to AGSOC, a small population, the experience of a somewhat similar enterprise in the regional Native corporations and the fact that an Alaskan Senator, Mike Gravel, thought up the whole idea.

52. **Q.** Does Senator Gravel stand to benefit financially if AGSOC passes?

A. He and his family stand to get one share each in AGSOC just like other Alaskans.

THE PETITION

53. **Q.** What does this petition do?

A. It requires the state to submit to the voters the question of whether AGSOC should be formed. The question would be put on the November, 1980, ballot. If AGSOC were created by the legislature next year, the question would not be put on the ballot.

54. **Q.** Why is the petition needed?

A. There's a limited time during which AGSOC can be formed, under the tax amendment passed by Congress last year. Alaska has until 1983. The state Legislature failed to pass AGSOC legislation during the 1979 session, although a bill was created. The petition ensures that Alaskans will have the opportunity to create AGSOC if they want to, even if the Legislature fails to create it or the Governor vetos it.

55. **Q.** If I sign the petition, do I have to vote for AGSOC?

A. No. Signing the petition only means you're in favor of giving Alaskans the opportunity to decide for themselves about AGSOC.

56. **Q.** Won't placing the issue on the ballot in 1980 discourage the legislature from action next session, passing the buck to the '80 elections?

A. No, the legislature is sensitive to the decreasing time available to create an AGSOC. The House committee chaired by Representative Miller has done excellent work on a bill which will surely be brought to the full legislature.

57. **Q.** Again, why do we need the petition?

A. As a safety net—just in case. Also it's an educational device to inform all Alaskans on the proposition. Your signature, though not a vote, does show interest in the undertaking and serves to encourage the legislature.

58. **Q.** Who supports the petition?

A. Here are some legislators who have signed the petition, in the order they signed it: Jim Duncan (Juneau), Senator Bettye Fahrenkamp (Fairbanks), Senator Frank Ferguson (Kotzebue), Senator Mike Colletta (Anchorage), Senator Jalmar Kerttula (Palmer), Representative Oral Freeman (Ketchikan), Representative Al Osterback (Sand Point), Representative Dick Eliason (Sitka), Representative Leo P. Schaeffer (Kotzebue), Representative Vern Hurlbert (Sleetmute), Representative Terry Martin (Fairbanks), Representative Mike Beirne (Anchorage), Representative Joe McKinnon (Anchorage), Representative Sally Smith (Fairbanks), Senator Clem Tillion (Halibut Cove), Representative Pappy Moss (Delta Junction), Representative Fred Zharoff (Kodiak), Senator George Hohman (Bethel), Senator Bill Sumner (Anchorage), Representative Nels Anderson (Dillingham), Senator Terry Stimson (Anchorage), Representative Joyce Munson (Anchorage), Senator Pete Meland (Sitka).

Staley

EVERYTHING YOU ALWAYS WANTED TO KNOW
ABOUT AGSOC ...*

* ... BUT WERE AFRAID TO ASK.

AGSOC Q & A

WHAT IS AGSOC?

AGSOC STANDS FOR "ALASKA GENERAL STOCK OWNERSHIP CORPORATION."

IT WOULD BE A PRIVATE COMPANY OWNING AND OPERATING ENTERPRISES IN ALASKA. EVERY RESIDENT OF ALASKA AS OF THE DATE OF INCORPORATION WOULD BE GIVEN A SHARE OF STOCK IN THE AGSOC, AND ITS PROFITS WOULD BE DISTRIBUTED TO THEM AS DIVIDENDS.

DOES AGSOC EXIST NOW?

NO. IT MUST BE CREATED THROUGH LAW BY THE STATE LEGISLATURE OR BY POPULAR VOTE.

WHY SHOULD WE CREATE AN AGSOC?

THERE ARE FIVE MAIN BENEFITS:

- 1) AGSOC GIVES ALL ALASKANS A SECOND INCOME. THIS SECOND INCOME DERIVES FROM PRODUCTION AND DEVELOPMENT IN THE STATE. SO:
 - 2) IT HELPS PROMOTE ECONOMIC ACTIVITY IN ALASKA, AND JUST AS IMPORTANT:
 - 3) IT KEEPS THE PROFITS FROM THAT ACTIVITY IN ALASKA, RATHER THAN ENRICHING OUTSIDE COMPANIES. ALSO:
 - 4) IT PUTS THE PROFIT DIRECTLY INTO THE HANDS OF ALASKANS, WITHOUT PASSING IT THROUGH THE STATE GOVERNMENT AND ITS COSTLY BUREAUCRACY.
- AND:

5) IT CAN GIVE A PREFERENCE FOR LOCAL HIRE, DESPITE RECENT COURT DECISIONS, BY ESTABLISHING A CORPORATION POLICY TO HIRE SHARE-HOLDERS FIRST.

AGSOC GIVES ALASKANS A REAL STAKE IN THE FREE ENTERPRISE SYSTEM BECAUSE IT ALLOWS THEM TO PARTICIPATE IN THAT SYSTEM, AS OWNERS OF CAPITAL.

HOW DOES AGSOC WORK?

THERE ARE SIX STEPS:

- 1) AGSOC IS CREATED BY THE STATE.
- 2) EACH RESIDENT OF THE STATE ON THE DATE OF INCORPORATION GETS ONE SHARE IN AGSOC. THERE IS NO COST TO GET THE SHARE.
- 3) AGSOC MANAGEMENT LOOKS FOR SOUND INVESTMENTS IN ALASKA.
- 4) HAVING DECIDED ON AN INVESTMENT, AGSOC BORROWS MONEY AND MAKES THE INVESTMENT.
- 5) AGSOC OPERATES THE ENTERPRISE IT HAS INVESTED IN, AND THIS PRODUCES EARNINGS FOR THE AGSOC.
- 6) THE EARNINGS ARE USED TO PAY OFF THE LOAN AND TO PAY DIVIDENDS TO SHARE-HOLDERS.

WHAT KINDS OF INVESTMENTS WOULD AGSOC MAKE?

AGSOC WOULD PROBABLY LOOK FOR LARGE AND RELATIVELY LOW-RISK PROJECTS. ONE POSSIBILITY WOULD BE TO PURCHASE A PART OWNERSHIP OF THE TRANS-ALASKA PIPELINE, WHICH WOULD PRODUCE EARNINGS IMMEDIATELY. OTHER ENERGY OR RESOURCE PROJECTS, COMMUNICATIONS, OR SIMILAR LARGE INDUSTRIES WOULD BE APPROPRIATE FOR AGSOC INVESTMENT.

HOW DO WE KNOW THIS WILL WORK?

IT HAS THE SAME CHANCE, OR BETTER, AS ANY SIZABLE CORPORATION DEALING IN SOUND INVESTMENTS. IN FACT, IT HAS AN EXTRA SAFETY VALVE -- SINCE IT WILL OPERATE ENTIRELY WITH BORROWED MONEY, IT WILL BENEFIT FROM THE JUDGMENT OF THE LENDERS AS TO THE SOUNDNESS OF ITS INVESTMENTS.

HOW MUCH WILL SHARE-HOLDERS GET?

THAT DEPENDS ON HOW MUCH IS INVESTED AND ON THE RATE OF RETURN FROM EACH INVESTMENT. AS AN EXAMPLE, AGSOC COULD PURCHASE BRITISH PETROLEUM'S SHARE OF TAPS. LAST YEAR, BP'S PRE-TAX PROFIT FROM TAPS WAS \$127.2 MILLION. DIVIDED AMONG 405,000 ALASKANS, THAT WOULD COME TO \$314 PER PERSON (\$1,256 PER FAMILY OF FOUR). THIS IS AN INDICATION OF THE KIND OF OPPORTUNITIES THAT ARE AVAILABLE, ALTHOUGH IT SHOULD NOT BE TAKEN AS A PRECISE INDICATION OF WHAT AN AGSOC SHARE WOULD EARN. GENERALLY, AGSOC WOULD AIM AT A 20 PER CENT ANNUAL RETURN ON INVESTMENT, AS OTHER CORPORATIONS DO. THE MORE AGSOC INVESTED, ASSUMING SOUND INVESTMENT, THE MORE EACH SHARE WOULD EVENTUALLY EARN.

IF AN INVESTMENT TURNS SOUR, WHAT LIABILITY DO ALASKANS HAVE?

THE INDIVIDUAL SHARE-HOLDER HAS NO LIABILITY. THAT'S AN IMPORTANT REASON FOR FORMING ANY CORPORATION.

Q&A -- 4

HAS ANYBODY TRIED THIS BEFORE?

NOT EXACTLY. PEOPLE HAVE FORMED CORPORATIONS BEFORE, OF COURSE. BUT IT IS A NEW IDEA FOR A STATE TO FORM A ^{PRIVATE} CORPORATION ON BEHALF OF ITS CITIZENS. IT IS MADE POSSIBLE BY A FEDERAL TAX LAW WRITTEN BY SEN. MIKE GRAVEL AND PASSED BY CONGRESS LAST YEAR.

ISN'T THIS LIKE SOCIALISM?

NOT AT ALL -- IN FACT, JUST THE OPPOSITE. AGSOC WOULD BE A PRIVATE CORPORATION OWNED BY PRIVATE INDIVIDUALS, LIKE GENERAL MOTORS OR U.S. STEEL OR ANY OTHER LARGE AMERICAN CORPORATION. UNDER SOCIALISM, CORPORATIONS LIKE THESE ^{ARE} RUN BY THE GOVERNMENT. SOCIALISM IS A CONCENTRATION OF POWER BY THE STATE. AGSOC WOULD OPERATE COMPLETELY INDEPENDENTLY OF THE STATE, JUST LIKE THE ^{U.S.} CORPORATIONS THAT ARE INVOLVED IN ALASKA OR THE REST OF THE COUNTRY TODAY.

BUT DOESN'T THE STATE SET UP THE AGSOC?

YES. BUT IT'S LIKE THE ALASKA NATIVE REGIONAL CORPORATIONS. THEY WERE SET UP BY THE GOVERNMENT. ALL OF ALASKA'S NATIVES WERE NAMED ^{AS} SHAREHOLDERS ^(BY THE GOVERNMENT) BUT THEN THE CORPORATIONS EMBARKED ON THEIR OWN INDEPENDENT COURSES. THEY'RE NOT RUN BY THE GOVERNMENT -- THEY'RE PRIVATE COMPANIES, A PART OF THE NORMAL FREE ENTERPRISE SYSTEM.

AGSOC WOULD BE THE SAME: CREATED BY THE STATE, BUT THEN CUT LOOSE TO OPERATE INDEPENDENTLY IN THE PRIVATE MARKET.

BUT WOULDN'T THERE BE A CONFLICT OF INTERESTS? THE SAME PEOPLE WHO WERE VOTING IN ALASKA ON STATE POLICY WOULD BE OWNERS OF THE AGSOC?

YES, THERE WOULD BE THIS CONFLICT. IT IS A CONFLICT WHICH ALREADY EXISTS BETWEEN PRIVATE ENTERPRISE AND THE STATE. AND IT ALREADY AFFECTS INDIVIDUAL ALASKANS -- LIKE THOSE WHO OWN NATIVE CORPORATION STOCK, OR THOSE WHO OWN GENERAL MOTORS OR ALASKA AIRLINES STOCK, OR ANY OTHER STOCK IN CORPORATIONS OPERATING IN ALASKA WHO ALSO VOTE ON STATE POLICY. WHEN ALL ALASKANS SEE THAT THEY HAVE A STAKE IN THE PRIVATE MARKET, THROUGH THEIR OWNERSHIP OF AGSOC STOCK, THEY WILL PROBABLY CONSIDER MUCH MORE THOUGHTFULLY THE IMPLICATIONS OF STATE REGULATION AND OTHER STATE POLICIES TOWARD PRIVATE BUSINESS.

SO, YES, THIS CONFLICT WILL EXIST -- JUST AS IT ALREADY EXISTS. AND THAT WILL BE GOOD, BECAUSE IT WILL GIVE A STRONGER CONSTITUENCY TO THE NEEDS OF PRIVATE ENTERPRISE, AND IT WILL MAKE FOR BETTER-CONSIDERED STATE POLICIES.

AGSOC: OPERATION AND SUPERVISION

WOULD AGSOC GET MONEY FROM THE STATE?

NO. AGSOC WOULD ~~RECEIVE~~ ^{GUARANTEE} GET A RELATIVELY SMALL LOAN FROM THE STATE FOR START-UP COSTS, PROBABLY ABOUT \$5 MILLION. BUT THERE WOULD NOT BE A TRANSFER OF MONEY TO AGSOC LIKE THERE WAS UNDER THE NATIVE CLAIMS SETTLEMENT ACT.

Q&A -- 6

WHERE DOES AGSOC GET ITS MONEY?

AGSOC WOULD BORROW MONEY TO MAKE ITS INVESTMENTS IN ALASKAN ENTERPRISES. THIS WOULD BE DONE BY SELLING BONDS, THE SAME WAY OTHER CORPORATIONS DO. THE BONDS WOULD BE PURCHASED MOSTLY BY TRADITIONAL LARGE LENDERS LIKE BANKS AND INSURANCE COMPANIES.

WHY WOULD THEY BE WILLING TO LEND TO AGSOC?

MOSTLY ON THE STRENGTH OF THE INVESTMENT TO BE MADE. AN INVESTMENT IN THE TRANS-ALASKA PIPELINE, FOR EXAMPLE, WOULD BE LOOKED AT AS A SECURE INVESTMENT. IN THE FIRST YEARS, STATE GUARANTEES OF AGSOC LOANS MIGHT BE DESIRABLE. EVENTUALLY THE OVERALL FINANCIAL STRENGTH OF THE AGSOC WOULD ALSO HELP SECURE ITS BORROWING.

WHO WOULD BE RUNNING AGSOC?

IT WOULD BE RUN BY A REGULAR MANAGEMENT TEAM: PRESIDENT, VICE-PRESIDENTS IN CHARGE OF VARIOUS AREAS, INVESTMENT SPECIALISTS AND SO ON. THE MANAGEMENT WOULD BE ACCOUNTABLE TO THE BOARD OF DIRECTORS, AND THE DIRECTORS WOULD BE ACCOUNTABLE TO THE SHAREHOLDERS (ALASKA RESIDENTS).

Q&A -- 7

WHO APPOINTS THE DIRECTORS?

AT FIRST, THE ^{NINE} DIRECTORS WOULD BE APPOINTED BY A BOARD WHICH WAS SELECTED BY THE GOVERNOR, THE PRESIDENT OF THE STATE SENATE AND THE SPEAKER OF THE STATE HOUSE OF REPRESENTATIVES. BUT THIS APPOINTED BOARD OF DIRECTORS WOULD STAND FOR ELECTION BY THE SHAREHOLDERS AGSOC'S AT A FIRST ANNUAL MEETING. AND ALL DIRECTORS WOULD SUBSEQUENTLY BE ELECTED BY SHAREHOLDERS. THE DIRECTORS' TERMS WOULD BE STAGGERED SO THAT THREE ^{SEATS} WOULD BE UP FOR ELECTION EACH YEAR.

THE IMPORTANT POINT IS THAT THE DIRECTORS ARE ELECTED BY THE SHAREHOLDERS. ~~THESE DIRECTORS WOULD BE ELECTED BY THE SHAREHOLDERS~~ THE DIRECTORS CAN BE CHALLENGED AND REMOVED FROM THE BOARD BY VOTE OF THE SHAREHOLDERS. THIS IS THE SAME AS OTHER CORPORATIONS.

WHAT'S TO KEEP THE DIRECTORS OR THE MANAGEMENT FROM MAKING A KILLING ON THE MONEY THEY HANDLE?

THE SAME LAWS WHICH PROTECT SHAREHOLDERS IN OTHER CORPORATIONS: SECURITIES LAWS AS WELL AS STATE AND FEDERAL LAWS ON FRAUD, EMBEZZLEMENT, MISMANAGEMENT AND SO ON.

WHO MONITORS AGSOC?

AGAIN LIKE OTHER CORPORATIONS: THE SECURITIES AND EXCHANGE COMMISSION, THE IRS, THE STATE'S DEPARTMENT OF COMMERCE AND MOST IMPORTANT, THE SHAREHOLDERS THEMSELVES. IN ADDITION, SEVERAL COMMITTEES OF THE CONGRESS WILL HAVE A SPECIAL INTEREST IN AGSOC.

WHO DECIDES WHAT INVESTMENTS AGSOC WILL MAKE?

THE MANAGEMENT, SUBJECT TO THE APPROVAL OF THE BOARD OF DIRECTORS.

WHO HIRES AGSOC'S STAFF?

THE BOARD OF DIRECTORS WOULD APPOINT THE CORPORATION'S OFFICERS. THE OFFICERS WOULD BE RESPONSIBLE FOR HIRING THE REST OF THE AGSOC STAFF.

HOW BIG WOULD AGSOC'S STAFF BE?

AGSOC'S START-UP STAFF IS ESTIMATED AT ABOUT 25, FROM OFFICERS TO SECRETARIES. THE NUMBER OF AGSOC EMPLOYEES EVENTUALLY DEPENDS ON AGSOC'S INVESTMENTS.

WHAT WOULD AGSOC'S BUDGET BE?

THE BUDGET FOR RUNNING AGSOC DURING THE START-UP PERIOD, 18 MONTHS TO TWO YEARS, HAS BEEN ESTIMATED VERY ROUGHLY AT ABOUT \$5 MILLION.

WHAT CONTROLS DO ALASKANS HAVE OVER AGSOC?

AS SHAREHOLDERS, THEY CONTROL THE CORPORATION. THEY ELECT THE BOARD OF DIRECTORS, AND THEY CAN REMOVE A DIRECTOR BY VOTE AT ANY TIME. AT ANNUAL MEETINGS, SHAREHOLDERS CAN PLACE ISSUES AND CANDIDATES ON THE CORPORATION BALLOT. THEY CAN VOTE TO DISSOLVE THE CORPORATION. INDIVIDUAL SHAREHOLDERS CAN SUE THE DIRECTORS ON BEHALF OF THE CORPORATION. A MAJORITY OF THE BOARD OF DIRECTORS MUST ALWAYS BE ALASKANS.

WHAT KIND OF REPORTS WILL AGSOC MAKE TO THE PEOPLE?

AN ANNUAL REPORT WILL GO TO EACH SHAREHOLDER, DETAILING THE OPERATIONS AND FINANCIAL SITUATION OF THE AGSOC. SEMI-ANNUAL OR QUARTERLY REPORTS WILL ALSO BE ISSUED.

WILL AGSOC FINANCIAL RECORDS BE AVAILABLE TO THE PUBLIC?

YES.

WHAT CONTROLS DO THE GOVERNOR AND THE LEGISLATURE HAVE OVER AGSOC?

THEY WILL MONITOR IT, AS THEY DO OTHER CORPORATIONS. AND THEY CAN DISSOLVE IT.

AGSOC STOCK OWNERSHIP

WHO IS QUALIFIED TO OWN AGSOC STOCK?

ONLY RESIDENTS OF ALASKA.

WHO IS GOING TO BE GIVEN SHARES OF AGSOC STOCK?

ALL THOSE WHO ARE RESIDENTS OF ALASKA AS OF A DATE SET BY LAW -- IN THE CASE OF THE INITIATIVE PETITION, ALL THOSE WHO ARE RESIDENTS ON THE DAY 60 DAYS AFTER PASSAGE OF THE PROPOSITION.

Q&A -- 10

WHAT IF AN AGSOC SHARE-HOLDER MOVES OUT OF ALASKA?

HE OR SHE MUST SELL THE STOCK TO THE AGSOC. THE PRICE OF THE STOCK WOULD BE SET ACCORDING TO THE BOOK VALUE OF THE AGSOC, AS DETERMINED BY TWO INDEPENDENT ACCOUNTANTS.

WHAT ABOUT PEOPLE WHO MOVE INTO THE STATE, (OR WHO ARE BORN) AFTER AGSOC IS FORMED?

(OR IT CAN BE BOUGHT FOR THEM)
THEY CAN BUY THE STOCK AS IT BECOMES AVAILABLE FROM AGSOC -- FIRST-COME, FIRST-SERVED. THE PRICE, AGAIN, WOULD BE BASED ON BOOK VALUE.

WHAT ABOUT SHARE-HOLDERS WHO DIE?

THEY CAN WILL THEIR AGSOC STOCK TO A QUALIFIED ALASKAN, OR IT WILL BE PURCHASED AT BOOK VALUE BY THE CORPORATION.

HOW MANY SHARES CAN ONE PERSON OWN?

NO MORE THAN TEN.

HOW OFTEN WILL DIVIDENDS BE PAID?

AT LEAST YEARLY.

For Jim

Q&A -- 11

WILL DIVIDENDS BE TAXED?

YES, LIKE ANY OTHER PERSONAL INCOME.

CAN AN AGSOC SHARE-HOLDER SELL HIS STOCK?

DURING THE FIRST FIVE YEARS, IT CAN BE SOLD ONLY TO THE AGSOC ITSELF, AT BOOK VALUE. AFTER FIVE YEARS, A MORE OPEN MARKET IN AGSOC STOCK COULD BE DEVELOPED.

AGSOC HISTORY

WHERE DID THE IDEA OF AGSOC GET STARTED?

YOU COULD SAY IT STARTED WITH ADAM SMITH, SINCE HIS NAME AND HIS WEALTH OF NATIONS, PUBLISHED IN 1776, IS OFTEN ASSOCIATED WITH THE BEGINNINGS OF A THEORY OF THE MODERN FREE-ENTERPRISE SYSTEM. MORE TO THE POINT, THOUGH, IT GREW OUT OF THE NATION'S RECENT SUCCESS WITH ESOPs (EMPLOYEE STOCK OWNERSHIP PLANS). AND IT WAS MADE POSSIBLE IN 1978 WHEN CONGRESS ADOPTED AN AMENDMENT TO THE TAX CODE OUTLINED BY SEN. MIKE GRAVEL.

WHAT IS ESOP?

ESOP IS A TAX-ASSISTED MEANS FOR EMPLOYEES TO BUY THE COMPANY THEY WORK FOR. IN THE WORDS OF ESOP ORIGINATOR LOUIS KELSO, IT'S

A WAY TO "MAKE EVERYONE A CAPITALIST." IF THE EMPLOYEES OF A COMPANY ALSO OWN THE COMPANY, THEY HAVE A BIGGER STAKE IN HOW WELL THE COMPANY PERFORMS. THEY GET THE REWARDS (IE, THE PROFITS) WHEN THE COMPANY PERFORMS WELL, AND THEY HAVE A REAL STAKE IN THE FREE ENTERPRISE SYSTEM. MANY COMPANIES IN ALASKA ARE ESOPs NOW, INCLUDING YUKON OFFICE SUPPLY, THE FAIRBANKS DAILY NEWS-MINER, ALASKA NORTHWEST PUBLISHING AND ALASKA BANK OF THE NORTH.

HOW WOULD AGSOC BE LIKE ESOPs?

FIRST, AGSOC HAS THE SAME PURPOSE: TO MAKE MORE PEOPLE THE OWNERS OF CAPITAL. AS SHARE-HOLDERS OF AGSOC, EACH ALASKAN WOULD BE PART OWNER OF A CAPITAL INSTRUMENT, A CORPORATION, THAT PRODUCES A PROFIT FOR ITS OWNERS. THE OWNERSHIP OF CAPITAL IS WHAT CONSTITUTES WEALTH, BECAUSE CAPITAL IS WHAT PRODUCES AN INCOME. SO THE MAIN PURPOSE OF AGSOC, LIKE THAT OF ESOPs, IS TO GRADUALLY SPREAD AMERICA'S WEALTH AMONG ALL THE PEOPLE.

SECOND, AGSOC IS GIVEN TAX ASSISTANCE, AS ESOPs ARE, IN ORDER TO HELP ACHIEVE THAT GOAL.

WHAT KIND OF TAX ASSISTANCE DOES AGSOC GET?

IT DOES NOT PAY CORPORATION TAX. IT CAN THEREFORE USE ALL ITS EARNINGS TO PAY BACK ITS LENDERS AND TO PAY DIVIDENDS TO ITS SHARE-HOLDERS WITHOUT HAVING TO PAY THE GOVERNMENT FIRST. OTHER CORPORATIONS USUALLY FACE TAXES OF ABOUT 45 PER CENT.

WHY SHOULD AGSOC GET SPECIAL TAX TREATMENT?

BECAUSE THE GOAL OF SPREADING CAPITAL OWNERSHIP IS WORTH IT. AGSOC WILL OPERATE EVEN MORE THAN MOST CORPORATIONS ON BORROWED FUNDS. THE EXEMPTION FROM CORPORATE TAX IS WHAT MAKES IT POSSIBLE FOR AGSOC TO PAY ITS LENDERS AND PAY DIVIDENDS AT THE SAME TIME.

DOES THE SHARE-HOLDER PAY TAX ON HIS DIVIDEND INCOME?

YES, IT WOULD BE PART OF HIS OR HER PERSONAL INCOME AND WOULD BE TAXED THE SAME AS OTHER PERSONAL INCOME.

ISN'T WEALTH ALREADY PRETTY WELL SPREAD AMONG AMERICANS?

NO. THE INCOME WE EARN FOR OUR WORK IS SPREAD MORE EQUALLY, BUT WEALTH, WHICH IS OWNERSHIP OF CAPITAL, ABOUT 5 PER CENT OF AMERICANS OWN SOME 50 PER CENT OF THE NATION'S WEALTH. IN FACT, ^{ONLY} 1 PER CENT OWN ABOUT 25 PER CENT OF THE WEALTH. AND THAT HAS BEEN THE CASE SINCE THE BEGINNING OF THIS CENTURY. WITHOUT A DELIBERATE EFFORT TO SPREAD WEALTH MORE FAIRLY, IT WILL REMAIN CONCENTRATED IN THIS WAY.

IS AGSOC TAKING MONEY AWAY FROM SOMEBODY TO "SPREAD CAPITAL OWNERSHIP?"

NO. AGSOC WOULD BE A NEW CORPORATION. ITS PROFITS WOULD REPRESENT NEWLY-CREATED WEALTH, JUST AS ANY CORPORATION CREATES WEALTH THROUGH ITS SUCCESSFUL ENTERPRISES. IT'S THIS NEWLY-CREATED WEALTH

THAT IS BEING DISTRIBUTED MORE FAIRLY AMONG A LARGER NUMBER OF PEOPLE BY MEANS OF AGSOC AND OTHER GENERAL STOCK OWNERSHIP CORPORATIONS.

IS THIS THE SAME AS ALASKA INC.?

NO. UNDER ALASKA INC., THE STATE WOULD BE IN CHARGE. IT WOULD DECIDE HOW TO DISTRIBUTE THE WEALTH THAT WAS PRODUCED FROM ALASKA'S RESOURCES. SOME OF THIS MONEY WOULD INEVITABLY BE "CREAMED OFF" TO PAY FOR A GROWING STATE BUREAUCRACY. AGSOC, ON THE OTHER HAND, IS SEPARATE FROM THE STATE. ALL ITS PROFITS WOULD GO DIRECTLY TO ITS ALASKAN SHARE-HOLDERS.

IF AGSOC IS SUCH A GOOD IDEA, WHY AREN'T OTHER STATES STARTING THEIR OWN GENERAL STOCK OWNERSHIP CORPORATIONS?

OTHER STATES ARE LOOKING INTO GSOPs, JUST AS ALASKA IS. BUT ALASKA HAS MANY UNUSUAL ADVANTAGES: INVESTMENT POSSIBILITIES THAT APPEAR WELL-SUITED TO AGSOC, A SMALL POPULATION, AND THE EXPERIENCE OF A SOMEWHAT SIMILAR ENTERPRISE IN THE REGIONAL NATIVE CORPORATIONS.

DOES SENATOR GRAVEL STAND TO BENEFIT FINANCIALLY IF AGSOC PASSES?

HE AND HIS FAMILY STAND TO GET ONE SHARE EACH IN AGSOC JUST LIKE OTHER ALASKANS.

THE PETITION

WHAT DOES THIS PETITION DO?

IT REQUIRES THE STATE TO SUBMIT TO THE VOTERS THE QUESTION OF WHETHER AGSOC SHOULD BE FORMED. THE QUESTION WOULD BE PUT ON THE NOVEMBER, 1980, BALLOT. IF AGSOC WERE CREATED BY THE LEGISLATURE NEXT YEAR, THE QUESTION WOULD NOT BE PUT ON THE BALLOT.

WHY IS THE PETITION NEEDED?

THERE'S A LIMITED TIME DURING WHICH AGSOC CAN BE FORMED, UNDER THE TAX AMENDMENT PASSED BY CONGRESS LAST YEAR. ALASKA HAS UNTIL 1983. THE STATE LEGISLATURE FAILED TO PASS AGSOC LEGISLATION DURING THE 1979 SESSION, ALTHOUGH A BILL WAS COMPLETED. THE PETITION ENSURES THAT ALASKANS WILL HAVE THE OPPORTUNITY TO CREATE AGSOC IF THEY WANT TO, EVEN IF THE LEGISLATURE FAILS TO CREATE IT.

IF I SIGN THE PETITION, DO I HAVE TO VOTE FOR AGSOC?

NO. SIGNING THE PETITION ONLY MEANS YOU'RE IN FAVOR OF GIVING ALASKANS THE OPPORTUNITY TO DECIDE FOR THEMSELVES ABOUT AGSOC.

WHO SUPPORTS THE PETITION?

HERE ARE SOME LEGISLATORS WHO HAVE SIGNED THE PETITION, IN THE ORDER THEY SIGNED IT:

REP. JIM DUNCAN (JUNEAU), SEN. BETTYE FAHRENKAMP (FAIRBANKS), SEN. FRANK FERGUSON (KOTZEBUE), SEN. MIKE COLLETTA (ANCHORAGE), SEN. JALMAR KERTTULA (PALMER), REP. ORAL FREEMAN (KETCHIKAN), REP. AL OSTERBACK (SAN POINT), REP. DICK ELIASON (SITKA), REP. LEO P. SCHAEFFER (KOTZEBUE), REP. VERN HURLBERT (SLEETMUTE), REP. TERRY MARTIN (FAIRBANKS), REP. MIKE BEIRNE (ANCHORAGE), REP. JOE MCKINNON (ANCHORAGE), REP. SALLY SMITH (FAIRBANKS), SEN. CLEM TILLION (HALIBUT COVE), REP. PAPPY MOSS (DELTA JUNCTION), REP. FRED ZHAROFF (KODIAK), SEN. GEORGE HOHMAN (BETHEL), SEN. BILL SUMNER (ANCHORAGE), REP. NELS ANDERSON (DILLINGHAM), SEN. TERRY STIMSON (ANCHORAGE), REP. JOYCE MUNSON (ANCHORAGE), SEN. PETE MELAND (SITKA).

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2,000 Hotel (Agst)

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3,600. per person

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Anch Times '79
April 21,

Gravel To Work For Plan

Anch Times April 21, '79
Times Juneau Bureau

JUNEAU — Sen. Mike Gravel has postponed activity in Washington to work in Juneau for legislative passage of his Alaska General Stock Ownership Plan.

The senator testified here today on his plan and said he will stay through most of next week.

The plan would create a private corporation with all Alaskans as stockholders, to invest in development projects in the state.

The corporation would be required to give at least 90 percent of its earnings in dividends to its stockholders.

Until Gravel decided to stay in Juneau next week, the plan had been considered dead for this session by many legislative leaders.

But the senator said Friday he met with Senate President Clem Tillion and Juneau Rep. Mike Miller, sponsor of the bill in the House, and now believes he can secure passage of the measure.

Tillion said Friday the plan could pass the Senate if it makes it through

the House. But he said he would not hold up the session for it.

"I think we can get it through," Gravel said. Referring to almost weekly hearings the House State Affairs Committee has had on the matter, he added, "They've done good work. Essentially all the objections have been responded to."

The state's junior U.S. senator got an amendment to the Internal Revenue Service code in Congress last year which allows such a corporation to be created. It has a five-year time period for a plan in Alaska to take effect.

"We've spent hundreds of thousands of dollars in government money on this proposal, and it's just too important to let it go by," Gravel said.

The senator was hospitalized part of the day Thursday in Fairbanks for a pressure bubble in his inner ear. He has continued his full Alaska itinerary under medication for the infection.

EMPIRE WED. Oct. 10, '79

AGSOC Campaign Enlists Rita Gravel

By LAURA ZAHN
Empire Staff Reporter

Rita Gravel, wife of U.S. Senator Mike Gravel, was in Juneau for a few hours Tuesday before continuing her 10-city tour to drum up support for the Alaska General Stock Ownership Corp. (AGSOC), which her husband originated.

Gravel wants to get the proposition to form AGSOC as an initiative on the ballot in November 1980, she said. She stopped in Juneau Tuesday to eat lunch with senior citizens and answer questions on the idea before heading to Wrangell and Petersburg.

A visit earlier this week to Haines and Skagway brought in about 245 signatures on petitions and resulted in finding several sponsors to lead initiative petition drives in those towns, she said.

"We went door-to-door in Skagway and Haines and those people were real receptive," she said. She and Diane Boyer, a Skagway resident and friend of Gravel who is helping with the drive, said probably 80 percent of the people they contacted had heard of the program, and the other 20 percent were receptive to listening to them talk about it.

Gravel denies that the petition drive for AGSOC, a private corporation with Alaska residents as shareholders, was launched as a campaign booster for her husband's 1980 Senate bid. The senator pushed the idea a year ago, she said, when his seat was secure.

"I wouldn't be involved if I didn't believe in this. I think it's about time that Alaskans got a piece of the rock," she said.

The AGSOC is still pending in the Legislature. The House State Affairs Committee recently had hearings on the proposal in the Interior.

Boyer added that this issue might not make a difference in Gravel's bid for reelection.

"I might not vote for him, but I'd sure vote for AGSOC," she said.

One senior citizen agreed that it's time for Alaskans to invest in Alaska, saying foreign corporations are buying up land and businesses, such as canneries.

"Where on earth are we going to be when they get their hooks in here?" she asked Gravel.

AGSOC, Gravel said, will allow Alaskans to invest in projects such as bottomfishing or petroleum pipelines. Each registered voter would get one free share of stock on Jan. 1, 1981, and the corporation would be formed by an initial loan from the state of about \$5 million.

After the AGSOC began investing in projects and making a return, paid off, residents would receive dividends. The board of directors, with the exception of the first board, would be elected by the shareholders.

Under federal law the corporation's profits would be tax free, provided 90 percent are returned to shareholders. They then would



Photo by Mark Kelley

Rita Gravel: Backs Stock Corporation

have to pay taxes on the profits.

The idea of a publicly run corporation "is no more Socialist than General Motors," Boyer said. It would be run just as a private corporation, she said.

Such a project is not impossible, Gravel said.

In Alaska, "the 405,000 (persons) is a manageable number—and this is a great place to try it," Gravel said.

Gravel will visit Hoonah, Angoon, Kake, Sitka and Ketchikan later this month. A meeting is planned Oct. 24 in Juneau for petition drive sponsors, she said.

Friday, March 30, 1979

State Warns Of AGSOC Power, Political Impact

By ROXINNE ERVASTI
Associated Press Writer

A proposed Alaska General Stock Ownership Corporation could ultimately become a fourth and highly powerful branch of government, according to an assistant state attorney general.

Because virtually every resident would be a shareholder, the corporation would have formidable political clout over the Legislature and governor — who are answerable to registered voters, he adds.

Those are comments in assistant attorney general Joe Donahue's review of bills pending in the House and Senate to set up an AGSOC, which would be the first of its kind if adopted.

The analysis was requested by the governor's office.

Donahue said that under current law, the AGSOC would be subject to state oil and gas taxes if it invested in petroleum-related projects. He said that could lead to a powerful lobby force by the citizen-shareholders to repeal many taxes and other restrictions against the industry, while speeding up "exploitation" of Alaska's resources.

"A successful AGSOC, representing as it would the residents of the state of Alaska, would in essence become a fourth branch of government," he said. "... It would quickly become susceptible to the pressures of any cohesive organized group of residents within the state, such as large labor unions, Native corporations, etc.

"That is, any private organization containing a large number of resident votes could well form a block in the nature of a voters' trust, which could be used to gain control, or at least to form an influential minority on the board of directors," he said.

Because all residents, not just voters, would be AGSOC shareholders, Donahue said "the chairman

of the board could conceivably end up representing a larger number of Alaskan residents than the governor of the state."

The House State Affairs Committee has held a series of hearings on the proposal in recent weeks, and similar concerns to those raised by Donahue were expressed by "expert" witnesses.

Under the AGSOC proposal, the state would loan several million dollars in "start-up" money for the initial nine-member board, appointed by the governor, to set up management and investigate possible investments.

Later, the state could be asked to guarantee its credit so AGSOC could borrow money from usual private lending sources to invest in large capital projects. One proposal has been buying out British Petroleum's share of the transAlaska pipeline.

Donahue said that because the federal requirement that the AGSOC return 90 percent of its earnings to shareholders, the corporation would not accumulate capital for further investments. In other words, if the AGSOC wanted to invest in more than one project and did not have the collateral to borrow, it might be forced to ask the state for additional loan guarantees.

He also said the AGSOC could push the traditional private corporations out of certain areas of the state's economy and that the citizen-owned corporation could end up having a monopoly in some cases.

Although Donahue raised questions about the structure of the board and methods of operating the private corporation, his primary concern was the possible political power the AGSOC would have.

"No matter who the AGSOC is ultimately designed, it would be foolhardy to believe that this entity would not quickly become highly politicized and ultimately, if it is successful, become an extremely powerful force in the state," he said.

March 30, 1979

Stock Ownership Plan Could Be 'Political'

JUNEAU (AP) — A proposed Alaska General Stock Ownership Corporation could ultimately become a fourth and highly powerful branch of government, according to an assistant state attorney general.

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the governor of the state."

The House State Affairs Committee has held a series of hearings on the proposal in recent weeks, and similar concerns to those raised by Donahue were expressed by other witnesses.

Under the AGSOC proposal, the state would loan several million dollars in start-up money for the initial nine-member board, appointed by the governor, to set up management and investigate possible investments.

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Proposed citizen corporation could become powerful branch of Alaskan state government

Ketchikan Daily News March 30, '79

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April 27, 79
**SOUTHEAST
ALASKA EMPIRE**

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AGSOC

The House State Affairs Committee has done the state a service by taking a good, hard look at the proposal to set up an Alaska General Stock Ownership Corp. (AGSOC).

While some backers of the proposal say the slowness of the committee's review may threaten the corporation's viability as the five-year implementation "window" passes, the committee has stuck to its hard-nosed review.

The slow-going is only natural, taking into account the fact that this legislation is breaking trail that has never been explored on such a large scale before. In fact, the proposal, which would give each Alaskan a share of a huge corporation, is so revolutionary that an entire chapter of state corporate law must be written.

Among the next steps the committee takes should be a series of public hearings on the plan.

So far, the committee has heard from numerous experts in the field of stock ownership corporations, corporate law and finance. What needs to be considered at some point is the reaction the people of Alaska have to a proposal so drastic.

Perhaps Alaskans don't want to get state funds tied up in a corporation. If not, then perhaps the AGSOC play should be turned away. On the other hand, Alaskans may be enthusiastically in favor of such a program. If that's the case then the state ought to go full-speed-ahead with it.

At this point, though, it is unclear just how Alaskans are reacting to the plan.

If it takes a little extra time to get the AGSOC set up and running, so be it. But the most important thing for legislators to consider is that it be done right and with the support of the people.



*Paid for by the
AGSOC Educational Committee
P.O. Box 3160
Anchorage, Alaska 99510
Bob Dempsey, Treasurer*

001701

TOO GOOD TRUE?

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What controls do Alaskans have over AGSOC?

As shareholders, they control the corporation. They elect the Board of Directors, and they can remove a director by vote at any time. At annual meetings, shareholders can place issues and candidates on the corporation ballot. They can vote to dissolve the corporation. Individual shareholders can sue the directors on behalf of the corporation. A majority of the Board of Directors must always be Alaskans. AGSOC would be the most democratic corporation in America. It could set the pat-

tern for other corporate structures in the future.

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Would AGSOC get money from the state?

No, except for a start-up loan guarantee. AGSOC would be treated as any other corporation.

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Will AGSOC records be open for inspection?

Yes.

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How much money will shareholders get in dividends?

That depends on how much is invested and on the rate of return from each investment. As an example, AGSOC could purchase British Petroleum's share of the Trans-Alaskan Pipeline. Last year, BP's pretaxed profit from TAPS was \$127.2 million. Divided among 405,000 Alaskans, that would come to \$314 per person (\$1,256 per family of four). This is an indication of the kind of opportunities that are available, although it should not be taken as a precise indication of what an

AGSOC share would earn. Generally, AGSOC would aim at a 20 percent annual return on investment as other corporations do. The more AGSOC invested, assuming sound investment, the more each share would eventually earn.

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Who supports the petition?

Here are some legislators who have signed the petition, in the order they signed it: Representative Jim Duncan (Juneau), Senator Bettye Fahrenkamp (Fairbanks), Senator Frank Ferguson (Kotzebue), Senator Mike Colletta (Anchorage), Senator Jalmar Kerttula (Palmer), Representative Oral Freeman (Ketchikan), Representative Al Osterback (Sand Point), Representative Dick Eliason (Sitka), Representative Leo P. Schaeffer (Kotzebue), Representative Vern Hurlbert (Sleetmute), Representative Terry Martin (Anchorage), Representative Mike Beirne (Anchorage), Representative Joe McKinnon (Anchorage), Representative Sally Smith (Fairbanks), Senator Clem Tillion (Halibut Cove), Representative Pappy Moss (Delta Junction), Representative Fred Zharoff (Kodiak), Senator George Hohman (Bethel), Senator Bill Sumner (Anchorage), Representative Nels Anderson (Dillingham), Senator Terry Stimson (Anchorage), Representative Joyce Munson (Anchorage), Senator Pete Meland (Sitka).



IS AGSOC TO BE



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How do we know AGSOC can work?

AGSOC has the same chance of success as any other private corporation — and probably better. That's because AGSOC would make only the most secure kinds of investments. And it would have the advantage of being double-checked by the lenders who want to be sure of investment security before loaning their money for AGSOC investments.

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Has anybody tried this before?

No. It was not possible until 1978 when Alaska Senator Mike Gravel authored the tax amendment for General Stock Ownership Corporations.

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Isn't this a kind of socialism?

Absolutely not. Under socialism, political and economic power are both centralized in the state. AGSOC would be a private corporation, and its relationship to the state would be the same as other corporations. By contrast, some other proposals would use the state to distribute Alaska's natural resource wealth. But AGSOC would make investments

like any other private corporation and distribute profits from those investments directly to shareholders.

**Q
A**

By giving out shares of AGSOC stock, aren't people getting something for nothing? Isn't this a "give-away?"

Yes — and No. To get your share of AGSOC stock, you don't have to do anything except be an Alaskan. And when AGSOC makes a profit, you get your share of it without having to work for it. So in a way, you get something for nothing. But on the other hand, it's not a "give-away." When corporations make good investments, they create new wealth, and that new wealth takes the form of profits. Those profits legitimately belong to the owners of the corporation. So if Alaskans have the foresight to join together and create a corporation that can generate new wealth, then they're entitled to the new wealth which their corporation produces.

**Q
A**

Why is an initiative petition needed for AGSOC?

The State Legislature failed to act in 1979 to create AGSOC. They can still act during the 1980 session, but if they don't, the initiative petition guarantees that the citizens of Alaska could vote to create AGSOC in the 1980 election.

**Q
A**

Who decides AGSOC's investments?

The AGSOC management, subject to the Board of Directors and the shareholders.

**Q
A**

How often would dividends be paid?

At least yearly.



DC WORKS



AGSOC would use the borrowed money to make sound, productive investments in Alaska. Investments in energy projects, agriculture, fishing, communications, transportation, tourism, timber — all would be possible, but investment security would be a prime goal.



AGSOC investments would earn money, and those earnings would be used to pay back lenders according to a predetermined schedule. The AGSOC would be exempted from paying corporate income tax on its earnings.



AGSOC earnings beyond the amount needed to pay back lenders are profit. This profit would be divided among the Alaska stock owners on a per-share basis and paid out to each stock-holder by dividend check.

By law, the AGSOC would have to pay out virtually all its profits (90 per cent minimum) to its stockholders instead of retaining earnings.

When AGSOC's debt is paid off, the entire return from an investment would go to share-holders as dividends.

HOW AGSOC



AGSOC would be chartered by the state legislature. The governor, the president of the Senate and the speaker of the House would appoint three AGSOC incorporators.

The incorporators would name the board of directors, the directors would appoint the management, and management would hire the necessary staff.

The entire board of directors would stand for election by the share-holders at the first annual meeting. Then half the board would be up for re-election every year.



Every Alaska resident as of a date set by the legislature — man, woman and child — would receive one share of AGSOC stock. There would be no charge.

During the first five years, the stock could not be sold unless the owner left Alaska to live elsewhere. In that case, the owner would have to sell his or her share back to the AGSOC itself (at box value).

These shares would then be available for sale (at book value) to new residents, including those born after AGSOC was formed.

After five years, AGSOC shares could be traded, but still only Alaska residents could own AGSOC stock. Each resident would be limited to owning ten shares.



Once AGSOC was formed, it would operate independently of the state.

AGSOC would borrow money from banks, insurance companies and other large institutional investors. These lenders would loan their money on the strength of investments proposed by AGSOC and eventually on the financial strength of AGSOC itself.

If any AGSOC investment should fail, the lenders would **not** be able to recover any money from the share-holders. They could **only** look to the AGSOC itself for AGSOC debts.



"AGSOC WOULD GIVE YOU A SECOND INCOME"

Anyone who's born wealthy finds out early what a dividend is, because he probably starts getting dividend checks while he's still a baby.

Obviously he's not working for that money. He gets it because he's already an owner of capital.

And of course he didn't pay for his stock. It was given to him — literally for nothing.

A dividend is your share of the profits when you own stock in a company.

You don't have to be a big owner in the company to get a dividend. Even if you own only one share of stock, that's a part ownership. And you're entitled to one share's worth of the company's profit.

You don't need to work to earn a dividend. You just have to own the stock. That's because as an owner, the company is working for you.

So you can make one income from your job. And you can have a second income from your stock.

When you own stock in a company, and the company pays some of its profit to you, that makes you a capitalist. Maybe not a big capital-

ist, but still a capitalist.

That's because your stock represents *capital*. Capital is a productive investment, and the kind of investment that makes money.

Anyone can be a capitalist if he can afford to buy stock. But of course, not everyone can afford to buy stock.

The idea behind AGSOC is to make every Alaskan a "capitalist."

Every Alaska resident — man, woman and child — would get a share of stock in AGSOC *without charge*.

At first, that stock would have no value.

But AGSOC would borrow money — much more than any of us could borrow alone — and make safe, large-scale productive investments.

These investments would make enough to pay back our lenders . . . and to return a profit to us as well.

In that way, over time, each of us could look forward to a second income — a dividend income — from our AGSOC stock.

"AGSOC WOULD PUT PROFITS DIRECTLY INTO YOUR POCKET"

AGSOC would make investments in Alaska. That would help stabilize our economy.

AGSOC would distribute its

profits to Alaska residents only, because only Alaska residents could own AGSOC stock. Too often in the past, profits have been made in Alaska only to wind up in Seattle or San Francisco or New York.

Just as important, AGSOC would be strictly private enterprise, not a state corporation.

The state would charter AGSOC and help identify all Alaska residents so that each would get a share of AGSOC stock.

But once AGSOC was launched, it would be on its own.

It would have one main purpose: to make a profit for its owners.

And its profits wouldn't go to bureaucrats to be recycled to the people. They'd go straight to Alaskans, the owners of AGSOC stock.

"AGSOC COULD GIVE PREFERENCE FOR LOCAL HIRE"

The courts have ruled that the state cannot require corporations to hire Alaskans before out-of-staters for Alaska projects.

But AGSOC could easily make it a corporation policy to hire its own share-holders first.

And since the share-holders are all Alaska residents, local hire preference would be the rule for AGSOC despite the courts' recent decisions.



Chances are you've never had the opportunity to help start a large corporation — to get in on the ground floor as the corporation begins to invest and make a profit.

If you were one of the 6 per cent of Americans who own 72 per cent of America's stock, maybe you'd get offers like this all the time.

But chances are you don't.

The Alaska General Stock Ownership Corporation (AGSOC) would be a private corporation owned by all Alaskans.

Every Alaska resident as of the time AGSOC is formed would get a share of AGSOC stock.

You don't need to be rich. The shares would be distributed without charge.

You just need to be an Alaskan.

AGSOC is not a get-rich-quick scheme. It's an opportunity to use the private corporate structure for the benefit of all Alaskans.

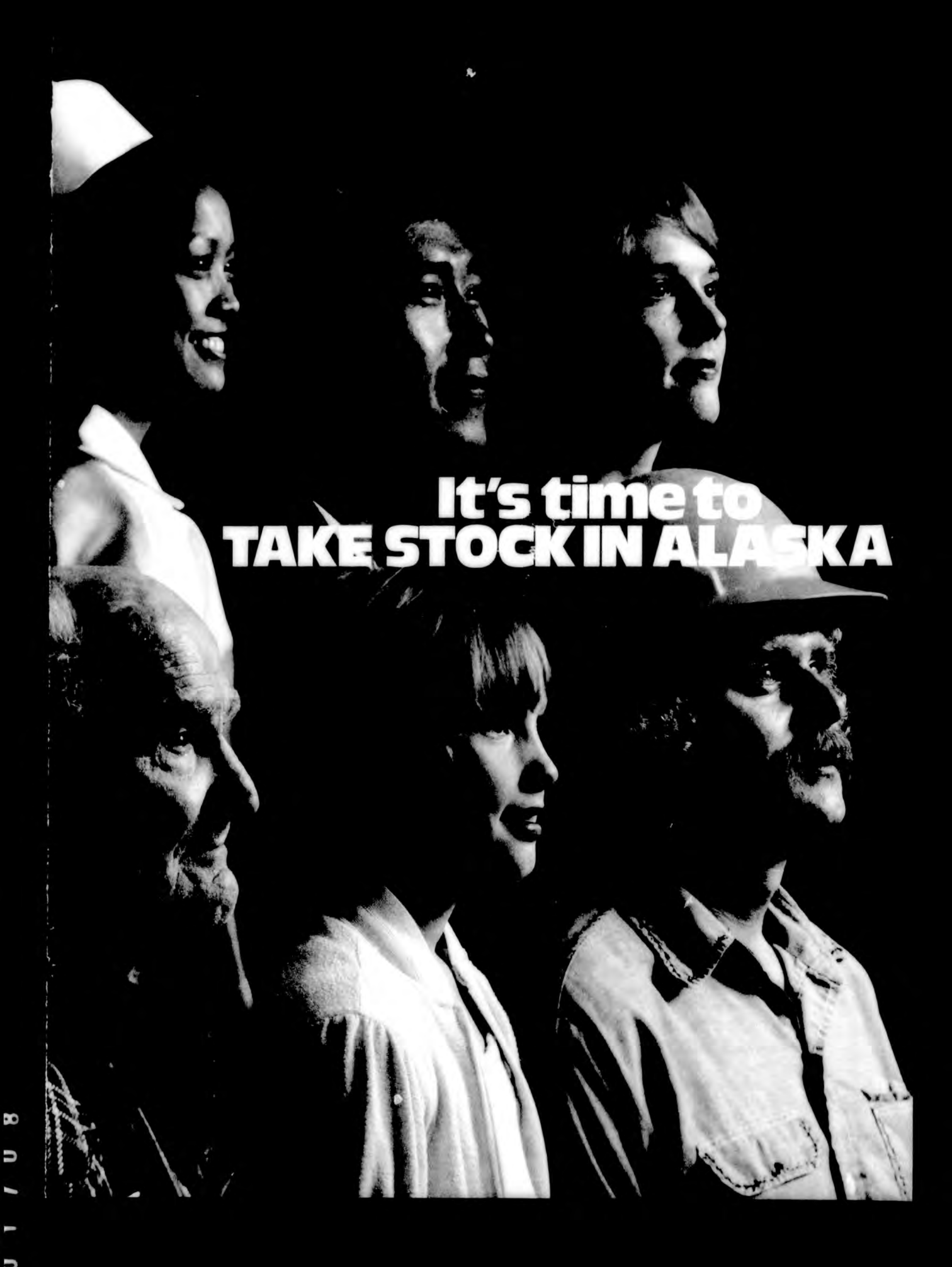
It's a way to give everyone a stake in the free enterprise system.

This booklet explains AGSOC . . . how it would work and what it would mean to you.

ALASKA GENERAL STOCK OWNERSHIP CORPORATION

AGSOC





**It's time to
TAKE STOCK IN ALASKA**