

COMMITTEE REPORT

SENATE

FURTHER:

4/1/86

Date _____

Mr. President

The Committee on FINANCE considered CSHB 126(JUD)

amending the Alaska Securities Act.

and (a majority of the committee) (the committee) reports it back with the following recommendations:

- do pass
- do pass with attached amendment(s)
- replace with/or adopt CS for _____
- new title
- same title and recommends _____
- and attached a "LETTER OF INTENT" NEW FISCAL NOTE
- reports it back without recommendation
- recommends referral to _____ Committee

MEMBERS SIGNING
DO PASS

MEMBERS HAVING
OTHER RECOMMENDATIONS

Chairman

Chairman recommendation

COMMITTEE REPORT

SENATE

FURTHER: FINANCE

4/29/85

Date 3/27/86

Mr. President

The Committee on JUDICIARY considered CSHB 126(Jud)

amending the Alaska Securities Act.

and (a majority of the committee) (the committee) reports it back with the following recommendations:

- do pass
- do pass with attached amendment(s)
- replace with/or adopt ^{SENATE} CS for CSHB 126 (JUDICIARY)
- new title
- same title and recommends _____
- and attached a "LETTER OF INTENT" NEW FISCAL NOTE
- reports it back without recommendation
- recommends referral to _____ Committee

MEMBERS SIGNING
DO PASS

[Signature]
[Signature]

MEMBERS HAVING
OTHER RECOMMENDATIONS

Vice Chairman [Signature]
Chairman [Signature] do pass
Chairman recommendation

COMMITTEE REPORT
SENATE

FURTHER:

JUDICIARY
FINANCE

4/18/85

Date

29 April '85

Mr. President

The Committee on Labor & Commerce considered CSHB 126(Jud)
amending the Alaska Securities Act.

and (a majority of the committee) (the committee) reports it back with
the following recommendations:

- do pass
- do pass with attached amendment(s)
- replace with/or adopt CS for _____
- new title
- same title and recommends _____
- and attached a "LETTER OF INTENT" NEW FISCAL NOTE
- reports it back without recommendation
- recommends referral to _____ Committee

MEMBERS SIGNING
DO PASS

MEMBERS HAVING
OTHER RECOMMENDATIONS

Bill Kay No Rec

Fred F. Zharoff
Chairman
Do Pass
Chairman recommendation

Offered: 4/1/86
Referred: Finance

Original sponsor: Rules/Governor

1 IN THE HOUSE BY THE JUDICIARY COMMITTEE

2 SENATE CS FOR CS FOR HOUSE BILL NO. 126 (Judiciary)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act amending the Alaska Securities Act."

7 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

8 * Section 1. AS 45.55.140(a)(5) is amended to read:

9 (5) a security [AN INVESTMENT CONTRACT] issued in connec-
10 tion with an employee's stock purchase, savings, pension, profit-
11 sharing, or similar employee's benefit plan [IF THE ADMINISTRATOR IS
12 NOTIFIED IN WRITING 30 DAYS BEFORE THE INCEPTION OF THE PLAN OR, WITH
13 RESPECT TO PLANS WHICH ARE IN EFFECT ON MAY 9, 1959, WITHIN 60 DAYS
14 THEREAFTER, OR WITHIN 30 DAYS BEFORE THEY ARE REOPENED IF THEY ARE
15 CLOSED ON MAY 9, 1959];

16 * Sec. 2. AS 45.55.260(c) is amended to read:

17 (c) For the purpose of this section, an offer to sell or to buy
18 is made in this state, whether or not either party is then present in
19 this state, when the offer

20 (1) originates from this state; [OR]

21 (2) is directed by the offeror to this state and received at
22 the place to which it is directed, or at a post office in this state
23 in the case of a mailed offer;

24 (3) is for an interest or participation in an oil, gas, or
25 mining right, title, or lease on land in the state, including sub-
26 merged land, regardless of where the offer is made;

27 (4) is for an interest or participation in payments out of
28 production under an oil, gas, or mining right, title or lease on land
29 in the state, including submerged land, regardless of where the offer
S

1 is made; or

2 (5) is for an interest or participation in real property
3 located in the state, or in a domestic corporation or a domestic
4 limited partnership; jurisdiction under this paragraph may be ex-
5 ercised only when the exercise is not inconsistent with the consti-
6 tution of this state or of the United States.

Offered: 3/20/85
Referred: Finance

Bannister

Original sponsor: Rules/Governor

1 IN THE HOUSE

BY THE JUDICIARY COMMITTEE

2 CS FOR HOUSE BILL NO. 126 (Judiciary)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

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20 production under an oil, gas, or mining right, title or lease on land
21 in the state, including submerged land, regardless of where the offer
22 is made; or

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24 located in the state, a domestic corporation, or a domestic limited
25 partnership; jurisdiction under this paragraph may be exercised only
26 when the exercise is not inconsistent with the constitution of this
27 state or of the United States.

28
29
COMMITTEE COPY

STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE

CE 49

CORRECTED

Revision Date: 4/4/85

REQUEST page 1 of 5
Bill/Resolution No.: CSHB 126 (Jud)
Title: An Act Amending the Alaska Securities Act
Sponsor: _____
Requestor: _____
Date of Request: _____

FISCAL DETAIL
Agency Affected: Commerce and Econ. Dev.
Program Category Affected: Consumer Protection
BRU, Program or Subprogram(s) Affected: Banking Securities and Corporations

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
OPERATING						
100 PERSONAL SERVICES		34.0	35.4	36.8	38.2	40.0
200 TRAVEL		10.0	11.7	12.4	13.1	14.1
300 CONTRACTUAL		42.2	44.8	47.4	50.2	53.4
400 SUPPLIES		1.0	1.1	1.2	1.3	1.4
500 EQUIPMENT		5.0				
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS						
800 MISCELLANEOUS						
TOTAL OPERATING		92.2	93.0	97.8	102.8	108.9

CAPITAL						
---------	--	--	--	--	--	--

REVENUE						
---------	--	--	--	--	--	--

FUNDING: (Thousands of Dollars)

GENERAL FUND		92.2	93.0	97.8	102.8	108.9
FEDERAL FUNDS						
OTHER						
TOTAL		92.2	93.0	97.8	102.8	108.9

POSITIONS:

FULL-TIME		1.0	1.0	1.0	1.0	1.0
PART-TIME						
TEMPORARY						

ANALYSIS: Attach a separate page if necessary

House Finance substitute fiscal note consolidates funding into Dept. of Commerce and Economic Development. Legal expenses will be RSA's to Dept. of Law as needed. Backup from Dept. of Law and Dept. of Commerce is attached.

Prepared By: *Al Adams* Phone: _____
Division: House Finance Date: 4/4/85
Approved by Commissioner: _____ Date: _____
Agency: _____

Distribution (by Agency preparing fiscal note):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

*Supersedes 12/1/84 F.Y.
7/1/84*

Commerce & Econ. Dev.

This bill, if enacted, will require that the Securities Section of the division undertake securities registration for the sale of oil and gas leases located in Alaska and will undoubtedly result in increased filings as well as substantial efforts in compliance and enforcement activities including hearings. A Business Registration Examiner position will be necessary to support these registrations. The current substantially increased workload has stretched the examining/enforcement staff to the limit. The additional clerical support will free up the professional staff time to cope with the expanded registration and enforcement duties imposed by the proposed legislation.

Travel of 3.0 will be required for investigation of wrongdoers in the field. Contractual funds of 3.0 is needed for hearing officer purposes in administrative proceedings. Additionally, a one time expense of 5.0 is included to cover costs of typewriter and computer terminal for the new position.

Amounts shown in FY '85 assume bill passage with an effective date that will permit one month personal services and purchase of equipment within this fiscal year. Form C5 reflects 5.0 in FY '86 for equipment assuming we do not have authority in FY '85.

HB 126 - Page 2 of 3

This bill amends the state's existing securities laws to strengthen the state's law enforcement jurisdiction over securities offerings made in other states, where the underlying "value" of the security is a (non-competitive) oil, gas, or mineral lease on Alaska land. Sales of speculative investments in such leases are already regulated "security" transactions, but Alaska's current law does not allow the state to require registration, or to take enforcement action against sellers who set up offices outside Alaska but who market Alaskan leases as securities, usually only to non-Alaskans.

These sales are often fraught with misrepresentations about the value of the Alaskan oil or gas lease, or the true cost of exploring and developing production on the lease land. Investors in other states pay up to \$1,000 an acre for state and federal lease lands available over-the-counter in Alaska for \$1.00 an acre, in hopes of striking it rich, in line with the promoters' glowing promises.

These sales, and the subsequent losses of \$6,000, \$10,000, even \$20,000 to each of thousands of out-of-state investors, are very damaging to Alaska's commercial and investment image. Moreover, the subdividing into smaller parcels of these 640 acre leases may well defeat the underlying purpose of the state and federal exploratory (non-competitive) leasing program.

Enactment of this bill will require the attorney general to provide additional legal support for research, advice and enforcement action in the courts, as requested by the Division of Banking and Securities. As most of the offending companies are located outside Alaska, lawsuits to obtain injunctions against them will require substantial out-of-state travel funds to take depositions and interview witnesses, as well as funds to conduct those depositions and interviews.

It is expected that, at a minimum, five trips outside Alaska will be necessary to enforce registration of sales Alaskan oil, gas, or mineral leases outside Alaska. It will also be necessary to hire court reporters in order to take depositions and to hire outside counsel to file actions in jurisdictions outside the state.

Out-of-state Travel

5 trips X \$800 air fare =	\$4,000
5 X 10 days X \$80 per day =	<u>\$4,000</u>
Total travel & per diem =	\$8,000

NB 126 #2 - page 373

Contractual

Court reporter services
6 hrs. X \$80 X 40 days = \$19,200

Outside counsel 4 occurrences
X \$5,000 = \$20,000

Total \$39,200

TOTAL COSTS \$47,200

Costs beyond FY 86 include a 6% annual inflation factor.

1.	POSITION TITLE BUSINESS REGISTRATION EXAMINER				RANGE/STEP 12B	BARG. UNIT GGU	PAGE/LINE	COV.	APPROV.	DISJMP.	
2.	TYPE OF POSITION Fulltime	STAFF MONTHS 12	RP NUMBER	PCN NUMBER	BRU PRIORITY	LOCATION Juneau	ELECTION DISTRICT	LEG.			
3.	CONTINUATION LEVEL				JUSTIFICATION						
4.	TYPE OF EXPENDITURE				<p>A new position will be required when the Alaska Securities Act is amended to protect the public against the shams in oil and gas land leases involving Alaska lands. The Securities Section will undertake the registration of these leases and will experience a substantial increase in the requirements for compliance, enforcement including hearings.</p> <p>The responsibility for this position will be to set up investigative files, maintain data entry, file investigative reports, coordinate material necessary for preparation of Cease and Desist Orders or possible court actions, screen initial registration documents, do follow-up for inquiry with other securities jurisdictions, BLM, DNR, as well as local State and federal law enforcement agencies.</p> <p>Manage files and documents relative to registration, record funds. In-field registration inspection as required. Generally assist securities examiner as directed.</p>						
5.	PERSONAL SERVICES		AMOUNT								
5.	Salary	25.6	3								
6.	Benefits	0.0									
7.	Supplemental Benefits	1.6									
8.	Fixed Benefits										
9.	TOTAL PERSONAL SERVICES	01	34.0								
10.	Travel	02	2.0								
11.	Contractual	03	3.0								
12.	Commodities	04	1.0								
13.	Equipment	05	5.0								
14.	Other										
15.	TOTAL COST		45.0								
16.	RECEIPT CODE	FUNDING SOURCE									
17.		Federal Receipts 1002									
18.		G.F. Match 1003									
19.		General Funds 1004									
20.		I-A Receipts 1005									
21.		Program Receipts 1028									
		Other									
FOR BSM USE ONLY											
KEY NUMBER _____											

REQUEST FOR
NEW POSITION

AGENCY Commerce & Economic Development
 PROGRAM Consumer Protection
 BRU Banking, Securities & Corporations
 COMPONENT Financial Institutions

HB 126, 7601
 Page 3 of 3
 Revised Date _____

FY 86

STATE OF ALASKA - 1985 LEGISLATIVE SESSION
FISCAL NOTE

page 1 of 3

Revision Date: _____

REQUEST

Bill/Resolution No.: HB 126, 702
 Title: "An Act amending the Alaska Securities Act."
 Sponsor: House Rules/by req. of Gov.
 Requestor: Governor's Office - OMB
 Date of Request: 12/11/84

FISCAL DETAIL

Agency Affected: Department of Law
 Program Category Affected: General Government
 BRU, Program or Subprogram(s) Affected: Legal Services Operations

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
OPERATING						
100 PERSONAL SERVICES						
200 TRAVEL		8.0	8.5	9.0	9.5	10.1
300 CONTRACTUAL		39.2	41.6	44.0	46.6	49.4
400 SUPPLIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS						
800 MISCELLANEOUS						
TOTAL OPERATING	-0-	47.2	50.1	53.0	56.1	59.5
CAPITAL						
REVENUE						

FUNDING: (Thousands of Dollars)

GENERAL FUND	-0-	47.2	50.1	53.0	56.1	59.5
FEDERAL FUNDS						
OTHER						
TOTAL						

POSITIONS:

FULL-TIME	-0-	-0-	-0-	-0-	-0-	-0-
PART-TIME						
TEMPORARY						

ANALYSIS: Attach a separate page if necessary

Not specified by sponsor.

Prepared By: Richard I. Pegues, Director Phone: 465-3672
 Division: Administration Division Date: 12/12/84
 Approved by Commissioner: Norman E. Gorsuch Date: 12/12/84
 Agency: Department of Law

Distribution (by Agency preparing fiscal note):
 Legislative Finance
 Legislative Sponsor
 Requestor
 Office of Management and Budget
 Impacted Agency(ies)

7/1/84
LAW

BILL SHEFFIELD
GOVERNOR



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

HB 126

ce

January 25, 1985

The Honorable Ben Grussendorf
Speaker of the House
Alaska State Legislature
Pouch V
Juneau, AK 99811

Dear Representative Grussendorf:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill that amends the Alaska Securities Act (AS 45.55) by extending its scope to include offers to buy or sell interests in oil, gas, or mining rights on land in the state, regardless of where the offer or sale occurs.

The bill was jointly prepared by the division of banking, securities and corporations of the Department of Commerce and Economic Development and the consumer protection section of the Department of Law in response to numerous complaints of fraudulent oil and gas lease schemes. These schemes typically involve solicitations by firms located outside Alaska who acquire an interest in oil or gas leases through bid offerings of the Department of Natural Resources or the federal Bureau of Land Management.

The lease tracts these firms acquire are often the least likely to contain valuable oil, gas, or mineral resources. However, these firms conduct massive high pressure telephone sales and media advertising aimed at would-be investors in the lower 48 states, promising them high returns if they "invest" in a portion of one of these Alaskan oil or gas leases. The offering firms often falsely represent that they have expertise in oil, gas or mineral exploration or development. What is especially offensive to our state is that these slick operators often use names such as "Alaska Oil and Gas Exploration" or "Alaska Petroleum Investments," and set up empty "shell" corporations with Alaska addresses.

This bill would broaden the Alaska Securities Act to cover these business firms even if the "investment" sales are not made in our state or to Alaska residents. Essentially, the bill would do this by extending the jurisdiction of our state securities regulators and of our courts over these

fraudulent schemes. The state would be able to take legal action against these out-of-state sellers of Alaska mineral rights. By amending the Securities Act, Alaska can require these firms to file securities registrations regarding their sales, and to give prospective purchasers truthful information about the likelihood of realizing a gain on such investments.

This legislation will not affect legitimate companies engaged in oil, gas, or mineral exploration or production, as they are already exempted from the Alaska Securities Act by AS 45.55.140(b)(17).

This bill should be supported by consumer groups as well as by the legitimate members of the oil and gas industry. Therefore, I urge your prompt action on this bill to prevent further damage to the commercial image, nationwide, of Alaska.

Sincerely,

A handwritten signature in cursive script, appearing to read "Bill Sheffield".

Bill Sheffield
Governor

COMMITTEE COPY

ALASKA STATE LEGISLATURE
 14th Legislature FIRST Session
 HOUSE BILL NO. 126
 By THE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

"An Act amending the Alaska Securities Act."

CSHB 126(Jud) BY JUDICIARY

Offered: 3/20/85
 Referred: Finance
 TITLE: Same

Ak. Securities Act/amend

Introduced in the House 1/25, 1985

HISTORY IN THE HOUSE	
19	85
Jan. 25	Read first time and referred to Committee on L&C, JUDICIARY, AND FINANCE
Feb 15	Reported back with recommendation that Labor & Commerce, 6 do pass to Judiciary
Mar 20	Judiciary - CS/Ord - 5 do pass to Finance
Apr 8	Finance - CS/Ord - 7 do pass to Rules
Apr 17	Read second time and CS/Ord adopted redv
Apr 17	On 2d for specific am am failed. odv
Apr 17	Read third time and returned to 2d for spam
Apr 17	PASS 2d Effective Date Yeas 36 Nays 0 Absent 1 Excused 3
	Reconsideration PASS Effective Date Yeas Nays Absent Excused
4 17	Reported correctly engrossed
4 17	Signed by Speaker
4 17	Sent to Senate
	<i>Genevieve P. ...</i> CHIEF CLERK OF THE HOUSE

HISTORY IN THE SENATE	
1985	
4 18	Read first time and referred to Committee on L&C, Jud, Fin
4 30	Reported back with L&C recommendation that 4 do pass, 1 no rec to Judiciary.
4 1	Jud. Replace 1/25, 4 do pass to Finance.
	Read second time and
	Read third time and
	PASS Effective Date Yeas Nays Absent Excused
	Reconsideration PASS Effective Date Yeas Nays Absent Excused
	Reported correctly engrossed
	Signed by President
	Returned to House
	SECRETARY OF THE SENATE

HISTORY IN THE HOUSE	
19	
	Received from Senate
	Concurred in Senate amendment thus adopting: VOTE
	Failed to concur in Senate amendment; asked Senate to recede VOTE
	Senate receded from amendment VOTE
	Senate failed to recede from amendment VOTE
	CC appointed by House
	CC appointed by Senate
	CC adopted by House VOTE
	CC adopted by Senate VOTE
	To enrolling Reported correctly enrolled Sent to Governor by Governor
	Filed with Lt. Governor
	Chapter No.

COMMITTEE COPY

Offered: 3/20/85
Referred: Finance

Original sponsor: Rules/Governor

1 IN THE HOUSE BY THE JUDICIARY COMMITTEE
2 CS FOR HOUSE BILL NO. 126 (Judiciary)
3 IN THE LEGISLATURE OF THE STATE OF ALASKA
4 FOURTEENTH LEGISLATURE - FIRST SESSION
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27 state or of the United States.

Offered: 4/1/86
Referred: Finance

Original sponsor: Rules/Governor

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A/B

STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE

CORRECTED

Revision Date: 4/4/85

REQUEST page 1 of 5
Bill/Resolution No.: CSHB 126 (Jud)
Title: An Act Amending the Alaska Securities Act
Sponsor: _____
Requestor: _____
Date of Request: _____

FISCAL DETAIL
Agency Affected: Commerce and Econ. Dev.
Program Category Affected: Consumer Protection
BRU, Program or Subprogram(s) Affected: Banking Securities and Corporations

EXPENDITURES/REVENUES: (Thousands of Dollars)

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CAPITAL						
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FULL-TIME		1.0	1.0	1.0	1.0	1.0
PART-TIME						
TEMPORARY						

ANALYSIS: Attach a separate page if necessary

House Finance substitute fiscal note consolidates funding into Dept. of Commerce and Economic Development. Legal expenses will be RSA's to Dept. of Law as needed. Backup from Dept. of Law and Dept. of Commerce is attached.

Prepared By: Al Adams
Division: House Finance

Phone: _____
Date: 4/4/85

Approved by Commissioner: _____
Agency: _____

Date: _____

Distribution (by Agency preparing fiscal note):

Legislative Finance
Legislative Sponsor
Requestor
Office of Management and Budget
Impacted Agency(ies)

*Sponsored 12/1/84 F.Y.
7/1/84*

Commerce & Econ. Dev.

C5
FISCAL NOTE ANALYSIS

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These sales are often fraught with misrepresentations about the value of the Alaskan oil or gas lease, or the true cost of exploring and developing production on the lease land. Investors in other states pay up to \$1,000 an acre for state and federal lease lands available over-the-counter in Alaska for \$1.00 an acre, in hopes of striking it rich, in line with the promoters' glowing promises.

These sales, and the subsequent losses of \$6,000, \$10,000, even \$20,000 to each of thousands of out-of-state investors, are very damaging to Alaska's commercial and investment image. Moreover, the subdividing into smaller parcels of these 640 acre leases may well defeat the underlying purpose of the state and federal exploratory (non-competitive) leasing program.

Enactment of this bill will require the attorney general to provide additional legal support for research, advice and enforcement action in the courts, as requested by the Division of Banking and Securities. As most of the offending companies are located outside Alaska, lawsuits to obtain injunctions against them will require substantial out-of-state travel funds to take depositions and interview witnesses, as well as funds to conduct those depositions and interviews.

It is expected that, at a minimum, five trips outside Alaska will be necessary to enforce registration of sales Alaskan oil, gas, or mineral leases outside Alaska. It will also be necessary to hire court reporters in order to take depositions and to hire outside counsel to file actions in jurisdictions outside the state.

Out-of-state Travel

5 trips X \$800 air fare =	\$4,000
5 X 10 days X \$80 per day =	<u>\$4,000</u>
Total travel & per diem =	\$8,000

Contractual

Court reporter services
6 hrs. X 300 X 40 days = \$19,200

Outside counsel 4 occurrences
X \$5,000 = \$20,000

Total \$39,200

TOTAL COSTS \$47,200

Costs beyond FY 86 include a 6% annual inflation factor.

1.	POSITION TITLE BUSINESS REGISTRATION EXAMINER			RANGE/STEP 12B	DARG. UNIT GGU	PAGE/LINE	COV.	APPROV.	DISAP.	
2.	TYPE OF POSITION Fulltime	STAFF MONTHS 12	RP NUMBER	PCH NUMBER	BRU PRIORITY	LOCATION Juneau	ELECTION DISTRICT	LEG.		
3.	CONTINUATION LEVEL			ADDITION	JUSTIFICATION					
4.	TYPE OF EXPENDITURE			AIRGRI	<p>A new position will be required when the Alaska Securities Act is amended to protect the public against the shams in oil and gas land leases involving Alaska lands. The Securities Section will undertake the registration of these leases and will experience a substantial increase in the requirements for compliance, enforcement including hearings.</p> <p>The responsibility for this position will be to set up investigative files, maintain data entry, file investigative reports, coordinate material necessary for preparation of Cease and Desist Orders or possible court actions, screen initial registration documents, do follow-up for inquiry with other securities jurisdictions, BLM, DNR, as well as local State and federal law enforcement agencies.</p> <p>Manage files and documents relative to registration, record funds. In-field registration inspection as required. Generally assist securities examiner as directed.</p>					
5.	PERSONAL SERVICES		1	2						3
5.	Salary	25.6								
6.	Benefits	6.8								
7.	Supplemental Benefits	1.6								
8.	Fixed Benefits									
9.	TOTAL PERSONAL SERVICES	01		34.0						
10.	Travel	02		2.0						
11.	Contractual	03		3.0						
12.	Commodities	04		1.0						
13.	Equipment	05		5.0						
14.	Other									
15.	TOTAL COST			45.0						
16.	RECEIPT CODE	FUNDING SOURCE								
17.		Federal Receipts 1002								
18.		C.F. Match 1003								
19.		General Funds 1004								
20.		I-A Receipts 1005								
21.		Program Receipts 1028								
21.		Other								
FOR BSM USE ONLY										
KEY NUMBER										

**REQUEST FOR
NEW POSITION**

AGENCY Commerce & Economic Development
 PROGRAM Consumer Protection
 BRU Banking, Securities & Corporations
 COMPONENT Financial Institutions

HB 726, 201
 Page 5 of 5
 Revised Date _____

FY 86



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

January 25, 1985

The Honorable Ben Grussendorf
Speaker of the House
Alaska State Legislature
Pouch V
Juneau, AK 99811

Dear Representative Grussendorf:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill that amends the Alaska Securities Act (AS 45.55) by extending its scope to include offers to buy or sell interests in oil, gas, or mining rights on land in the state, regardless of where the offer or sale occurs.

The bill was jointly prepared by the division of banking, securities and corporations of the Department of Commerce and Economic Development and the consumer protection section of the Department of Law in response to numerous complaints of fraudulent oil and gas lease schemes. These schemes typically involve solicitations by firms located outside Alaska who acquire an interest in oil or gas leases through bid offerings of the Department of Natural Resources or the federal Bureau of Land Management.

The lease tracts these firms acquire are often the least likely to contain valuable oil, gas, or mineral resources. However, these firms conduct massive high pressure telephone sales and media advertising aimed at would-be investors in the lower 48 states, promising them high returns if they "invest" in a portion of one of these Alaskan oil or gas leases. The offering firms often falsely represent that they have expertise in oil, gas or mineral exploration or development. What is especially offensive to our state is that these slick operators often use names such as "Alaska Oil and Gas Exploration" or "Alaska Petroleum Investments," and set up empty "shell" corporations with Alaska addresses.

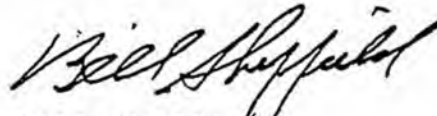
This bill would broaden the Alaska Securities Act to cover these business firms even if the "investment" sales are not made in our state or to Alaska residents. Essentially, the bill would do this by extending the jurisdiction of our state securities regulators and of our courts over these

fraudulent schemes. The state would be able to take legal action against these out-of-state sellers of Alaska mineral rights. By amending the Securities Act, Alaska can require these firms to file securities registrations regarding their sales, and to give prospective purchasers truthful information about the likelihood of realizing a gain on such investments.

This legislation will not affect legitimate companies engaged in oil, gas, or mineral exploration or production, as they are already exempted from the Alaska Securities Act by AS 45.55.140(b)(17).

This bill should be supported by consumer groups as well as by the legitimate members of the oil and gas industry. Therefore, I urge your prompt action on this bill to prevent further damage to the commercial image, nationwide, of Alaska.

Sincerely,

A handwritten signature in cursive script, appearing to read "Bill Sheffield".

Bill Sheffield
Governor

STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: _____

REQUEST

Bill/Resolution No.: HR 126, 702
Title: "An Act amending the Alaska Securities Act."
Sponsor: House Rules/by req. of Gov.
Requestor: Governor's Office - OMB
Date of Request: 12/11/84

FISCAL DETAIL

Agency Affected: Department of Law
Program Category Affected: General Government
BRU, Program or Subprogram(s) Affected: Legal Services Operations

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
OPERATING						
100 PERSONAL SERVICES						
200 TRAVEL		8.0	8.5	9.0	9.5	10.1
300 CONTRACTUAL		39.2	41.6	44.0	46.6	49.4
400 SUPPLIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS						
800 MISCELLANEOUS						
TOTAL OPERATING	-0-	47.2	50.1	53.0	56.1	59.5

CAPITAL						
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REVENUE						
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FUNDING: (Thousands of Dollars)

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
GENERAL FUND	-0-	47.2	50.1	53.0	56.1	59.5
FEDERAL FUNDS						
OTHER						
TOTAL						

POSITIONS:

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
FULL-TIME	-0-	-0-	-0-	-0-	-0-	-0-
PART-TIME						
TEMPORARY						

ANALYSIS: Attach a separate page if necessary

Not specified by sponsor.

Prepared By: Richard I. Pegues, Director Phone: 465-3672
 Division: Administration Division Date: 12/12/84
 Approved by Commissioner: Norman C. Gorsuch Date: 12/12/84
 Agency: Department of Law

Distribution (by Agency preparing fiscal note):
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7/1/84
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