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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) /SB 432+ 40-  
3 IN THE LEGISLATURE OF THE STATE OF ALASKA last. yr  
4 FOURTEENTH LEGISLATURE - FIRST 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 45.55.260(c) is amended to read:

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

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

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

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

19 (4) is for an interest or participation in payments out of  
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

23 (5) is for an interest or participation in real property  
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.

Chairman's Information:

1) CSHB 126(Jud): "An act amending the Alaska Securities Act"

a) Introduced: by Governor

b) Co-Sponsors:

2) INTENT: This bill is designed to expand the jurisdiction of the Division of Banking and Securities, DCED, to regulate transactions in securities which are not covered under the present Alaska Securities Act.

FISCAL NOTE: From House Finance; consolidates funding in DCED, with legal expenses to be RSA's to the Department of Law.

NOTE:

3) ADDITIONAL REFERRALS: Judiciary, and Finance

4) PUBLIC HEARINGS:

a) Sponsor:

b) Public witnesses:

5) BILL ACTION:

a) Hold in committee?

b) Assign to sub committee for further review?

c) Move from Committee?

d) close public hearings?

6) COMMITTEE ACTION:

a) amendments?

b) CS adoption?

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)

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

<b>CAPITAL</b>						
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<b>REVENUE</b>						
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FUNDING: (Thousands of Dollars)

GENERAL FUND		92.2	93.0	97.8	102.8	108.9
FEDERAL FUNDS						
OTHER						
<b>TOTAL</b>		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)

*See notes 12/1/84 F.Y.*

*C5 126-188-323*  
FISCAL NOTE ANALYSIS

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.

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.

<u>Out-of-state Travel</u>		
5 trips X \$800	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 \$80 X 40 days = \$19,200

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

Total \$39,200

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TOTAL COSTS \$47,200

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

1. POSITION TITLE BUSINESS REGISTRATION EXAMINER	STAFF MONTHS 12	ADDITION	RP NUMBER	PCH NUMBER
2. TYPE OF POSITION Fulltime	12			
3. CONTRIBUTION LEVEL				
4. TYPE OF EMPLOYMENT				
5. Salary	25.6			
6. Benefits	6.8			
7. Supplemental Benefits	1.0			
8. Fixed Benefits				
9. Total Personal Services	34.0			
10. Travel	2.0			
11. Contractual	3.0			
12. Commodities	1.0			
13. Equipment	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 BSA USE ONLY  
KEY NUMBER

JUSTIFICATION

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.

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.

Manage files and documents relative to registration, record funds. In-field registration inspection as required. Generally assist securities examiner as directed.

RANGE/STEP 12B	PRIORITY	DARG. UNIT GGU	LOCATION Juneau	PAGE/LINE ELECTION DISTRICT	COV. LEG.	APPROV.	DISAPV.
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AGENCY Commerce & Economic Development

PROGRAM Consumer Protection

BRU Banking, Securities & Corporations

COMPONENT Financial Institutions

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Revised Date \_\_\_\_\_

**FY 86**

**REQUEST FOR NEW POSITION**

1-116 (7/83)-11

STATE OF ALASKA 1985 LEGISLATIVE SESSION  
FISCAL NOTE

Revision Date: \_\_\_\_\_

**REQUEST**

Bill/Resolution No.: HB 126, 7.2  
 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
<b>OPERATING</b>						
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						
<b>TOTAL OPERATING</b>	<b>-0-</b>	<b>47.2</b>	<b>50.1</b>	<b>53.0</b>	<b>56.1</b>	<b>59.5</b>

<b>CAPITAL</b>						
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<b>REVENUE</b>						
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**FUNDING: (Thousands of Dollars)**

GENERAL FUND	-0-	47.2	50.1	53.0	56.1	59.5
FEDERAL FUNDS						
OTHER						
<b>TOTAL</b>						

**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 C. 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



Official Business

# Alaska State Legislature

Senate

Committee on Labor & Commerce

Pouch V  
State Capitol  
Juneau, Alaska 99811

CSHB 126(Jud)

This bill amends the state's existing securities laws to strengthen the state's law enforcement jurisdiction over "fraudulent" securities offerings made in other states.

Alaska's current law does not allow the state to require registration or to take enforcement action against sellers who set up offices outside of Alaska, but who market Alaskan leases as securities to non Alaskans.

This legislation will broaden the Alaska Securities Act to cover these business firms even if the "investment" sales are not made in Alaska or to Alaskan residents.

This bill 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).

# MEMORANDUM

# State of Alaska

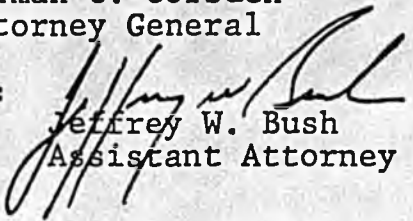
TO: Louann Cutler, Staff Assistant      DATE: April 2, 1985  
House Finance Committee

FILE NO:

TELEPHONE NO: 465-3600

FROM: Norman C. Gorsuch  
Attorney General

SUBJECT: CSHB 126 (Jud)  
Sectional analysis

By:   
Jeffrey W. Bush  
Assistant Attorney General

As requested, I have prepared a sectional analysis of CSHB 126 (Jud). This bill is designed to expand the jurisdiction of the Alaska Securities Act to enable the Administrator of Securities (Director, Division of Banking and Securities, Department of Commerce and Economic Development) to regulate certain transactions in securities which are not covered under the present Act.

1. Proposed AS 45.55.260(c)(3). This paragraph expands jurisdiction under the Securities Act to cover any transaction involving the sale of an interest in an oil, gas, or mining lease where the lease is on land located in Alaska, even if both parties to the transaction are outside of the state.

2. Proposed AS 45.55.260(c)(4). This paragraph, which also involves interests in oil, gas, or mining leases located on Alaska lands, extends jurisdiction under the act to transactions involving payments, such as royalties, from production under these leases, even if the parties to the transaction are outside of Alaska.

3. Proposed AS 45.55.260(c)(5). This paragraph, which was added by the Judiciary Committee, expands jurisdiction under the Act to include all transactions between nonresidents who sell security interests in real property located in Alaska, corporations incorporated in Alaska, or limited partnerships registered in Alaska. Recognizing that this paragraph would otherwise be subject to challenge as a violation of the Commerce Clause or the Due Process Clause of the United States Constitution, jurisdiction under this paragraph is expressly limited to those cases where its exercise is constitutionally acceptable.

You have also asked whether the amendment adopted by the Judiciary Committee will result in any change in the fiscal note submitted by the Department of Commerce and Economic Development. I have checked with the department, and they have

Sectional analysis

Louann Cutler, Staff Assistant  
House Finance Committee

April 2, 1985  
Page 2

informed me that the fiscal note originally submitted is still correct and should be considered in conjunction with CSHE 126 (Jud).

JWB/mf

BILL SHEFFIELD  
GOVERNOR



STATE OF ALASKA  
OFFICE OF THE GOVERNOR  
JUNEAU

HB 126

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.

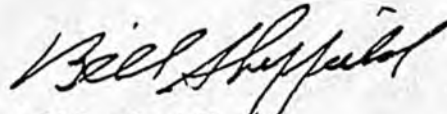
This bill would broaden the Alaska Securities Act to cover these business firms even if the "investment" sales are not made in our state or to Alaska residents. Essentially, the bill would do this by extending the jurisdiction of our state securities regulators and of our courts over these

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

(specializing) lawfirms out of Denver and Texas - but you probably couldn't afford even an hour's worth of their time! Also remember, there are NO state or federal laws that protect or help we little guys! The first point you'll have to prove is that the accounting they give you is probably more crooked than a witch's hairpin! And without some knowledge of how and where to prove that (even for a geologist with a foundation in mineral/security law) will have to spend thousands and probably come up with nothing! The only ones who will win will be the lawyers, and that will be through their terribly high hourly legal fees!

## Letter 3

### PHONE PEDLARS SELLING OIL FRAUDS THINK EVERYONE THEY CALL IS AN

A.. H...

Dear Sirs  
"Please find enclosed, an oil & gas leaseing slip off I received in the mail today. I have during the past several months received numerous telephone calls, from my neighbors of like for you agents. I always give them a bad time. The windup telling them off in terms which would be impenetrable. Then the lip. In one case I got a call back, the fellow representing himself as THE DISTRICT ATTORNEY!

So I started giving him a BAD TIME, but before I got around to neatly telling him off. He beat me to it by telling me. (QUOTE: "I knew you were a BIG A-- H-- BEFORE I CALLED YOU, BUT YOU ARE A BIGER A-- H-- THAN I THOUGHT YOU WERE"). THEN HE STARE UP THE PHONE! THE BEAT ME TO THE PUNCH, AND TOLD ME OFF. BUT I GOT A BIG LAUGH OUT OF IT ANYWAY."

Yours truly  
ANS: Dear subscriber - you learned a silly but happily good lesson from the "tele racketeer" who called you! You are too intelligent to be taken - the poor slob who called you is the "class rated" JACK-ASS! Your letter really "tells it like it is!" That psychopath showed you just how low such telemarketers (as they call themselves) can get to (the gutter!)

He proved exactly what Thyra Thompson, Secretary of State for Wyoming wrote in one of her excellent legal opinions (on the subject) in late 1983: He proved what the Denver Post described in a funny article in 1984 - giving the same descriptive (slang terms and names) such boiler room con-artist use to describe their potential VICTIMS! The low-life that call their sucker lists across the U.S. consider the public dribbling morons. They have less respect for ... public they call than killing a rat. When, in fact, the boiler room bosses (allegedly most of the time) are right out of the

arrested in Florida recently were described by "federal authorities"; "Underworld" characters. I recently read about a \$250,000 study and report commissioned by the Justice Department. And it clearly states that such "underworld" swindlers have gotten SO RICH (the Godfathers behind the scenes) that run all types of "SECURITY swindles" - are RICHER than the federal government and the state governments. And its now too expensive to fight these criminals!

We have found in recent years that when it comes down to the various federal agencies who do good to excellent investigations - then have to hand it all over to young, inexperienced federal attorneys (low in the pecking order) that all the "task force's investigations eventually go for nothing!" Now, you make up your own mind - come to your own conclusions WHY THAT IS A FACT! I know what I believe! And it goes right back to the statement made in the report - "the people who head such "franchised" security scams HAVE BIG MONEY!" And what is the old saying? -- Money Talks!

Its no wonder that the public is so gullible. For "ignorance is bliss!" Even with the swindlers, their ignorance is only exceeded by their stupidity, lead by arrogance and cunning!  
You got a good dose (happily so, from what you report), of just exactly what LOW esteem these salesmen think of the people they swindle! They are the lowest form of human - as you now know, they aren't fit to lick your boots! And they darned well know exactly what they are doing! The "room" bosses - their secret "godfathers" - and YES - including the salespeople (they also USE) are lower than grave-robbers and from what that early 1984 Airline Magazine reported, these salesmen even "stink like a major-league' locker room!" - Its reported (alleged) the real "Underworld" bosses (the king-pins at the top in the real high chain of command) have always been pushing prostitution, drugs, gambling, you name it ... -- And many a "low-level soldier" has been watched getting on and off planes to and from Las Vegas "every week-end." This was reported by a well-known (respected) investigative reporter from Phoenix several years ago! (And he recently came out with still another article about the same "mob figure!")

I'm glad that many readers are finding this all out on their own! YES! we've heard tapes of threatening (egotistical) salesmen's high-pressure calls. When a client tells them off! (Calling back and threatening potential victims - nothing new!) Your letter is one of many received (only more expressive and clear!) "They" are obviously using OLD sucker-lists - worked over and over again! As we stated in earlier issue, "The people being called are weary of such time consuming bunk." And some are "getting mad!"  
In a way you were lucky, Ito did you a big

forget! Such "Underworld" characters, as you now know, are low-life that can't wait a living in any other way (outside of "armed robbery" as one recent Classified ad so stated in late 1984 - seeking more salesmen)! At least you really got the last laugh and the biggest laugh! -- Such temper-tantrums are classic and reveal more than a psychiatric evaluation! He exposed himself completely, proving his mouth and mind are nothing more than a sewer! -- And that joker is trying to make his suckers believe he's an "investment advisor?!!" The FBI's warnings last summer, naming men's names, was most significant! It proves these people are capable of any kind of violence and are the worst of human types! Yet they love to portray themselves as such up-right citizens in their slick promotional brochures! And they guarantee everything! But then why should they care! So far such long past histories reveal a series of C&Ds, civil lawsuits, and often criminal histories - and they are still out there calling people using ever new names and shell corporations! And invariably "lawyers" names show up prominently in their expensive literature!

We have got too little state and federal law enforcement, along with 'know nothing' staff (about security fraud). Most are green-behind-the-ears (about how legitimate O&G deal work). They couldn't recognize O&G security frauds if they fell in them. All too many bureaucrats don't really care, as long as their paychecks arrive. The general public is damned! Victims must realize they are responsible for their own involvement in sending thousands to a fraudulent investment! There are laws on books to be enforced. Legislatures fund such state agencies. And even the Justice Dept. gives only 'lip service.' (such as last March when top of criminal division promised "grand jury indictments soon") [When D.C. official made TV-news of Postal Inspectors raids on "22 boiler rooms" nationwide!] It's past due for "buyer beware!" But I must say, not to get in trouble with ALL security agencies, that there are a few states (such as Alaska, Iowa, Texas, etc.), that have done good jobs of attempting to clean up and stop white-collar/career criminals. Texas is doing best job with court sentences o. as much as 25-years to such criminals.

Don't move without letting us know! - Include your old address (address sticker if possible).

Name \_\_\_\_\_  
Address \_\_\_\_\_  
City 12780 State \_\_\_\_\_ Zip \_\_\_\_\_  
Southwest Oil & Gas News  
P.O. Drawer 25817  
Albuquerque NM 87112

Stratford Company, Inc.  
11601 Biscayne Blvd.  
Miami, Florida 33181

TXA Investments, Inc.  
P.O. Box 4034  
28990 Pacific Coast Highway  
Malibu, California 90265

Trans Alaska Energy Corporation  
Miami Beach, Florida  
Van Nyes, California  
Chicago, Illinois

Trans-Alaska Investment, Inc.  
1001 Ives Dairy Road - 3204  
North Miami Beach, Florida 33179

Trans-Alaska Leasing Corporation  
(Company)  
5445 Balboa Boulevard, Suite 111  
Encino, California 91316

Trans-Alaska Oil Development

Trans World Resources Corporation  
Hollywood, Florida 33024

Tundra Oil, Inc.  
28990 Pacific Coast Hwy., Ste 214  
Malibu, California 90265

USA Resources, Ltd.  
1331 - 17th Street Suite 400  
P.O. Box 5200  
Denver, Colorado 80217

Trans-Petro  
Encino, CA.  
818/906-1445

Florida Cease and Desist 10/25/83; Michigan  
Cease and Desist 10/24/83. Same address as  
Eagle Oil & Gas Company.

Offers "Partnerships," Cliff Burglin,  
Fairbanks, Alaska, "Managing General  
Partner." Associated with Alaska Land  
Leasing, Inc. or Alaska Capitol  
Corporation? Montana Cease and Desist for  
Texas oil program, 3/20/84.

On 12/19/83, Mylo Tague, 1937 Denslow Drive,  
South Bend, Indiana advised that he had  
been solicited by this firm. David Swain  
was identified to Tague as chairman (see  
Federal Property Record Company, Inc. and  
Barrington Aims Whitney, Ltd., above). FTC  
TRO 3/84.

Inquiry 2/27/84 by Alabama Securities  
Division. Again 4/12/84.

Sale in 5/84 of Partnership interest in  
an Ohio well to a California resident along  
with a related 240 acre "Alaskan exploratory  
right." (Denali Block) Associated with  
International Western Oil, International  
Western Mud, International Western Drilling,  
International Western Resources Corporation,  
Trans-Petro, "Petro-Mark."

Associated with Federal Property Record,  
Inc. - Alabama inquiry 4/20/84.

Final order to deny or revoke exemptions  
and Cease and Desist issued by Michigan  
Corporation and Securities Bureau 2/27/84.

The State of Alaska is presently in  
litigation with this firm. (See Alaska  
Land Leasing above.)

Inquiry concerning this firm received  
1/31/84 from David Reintf, 1508 S. Merlon,  
Aberdeen, South Dakota 57401. Inquiry by  
Texas Securities Division, 3/6/84.  
Associated with Northwest Asset  
Corporations.

Apparently has mailing list of ALLI people  
from which solicitations are being made.

U.S. Oil and Gas Corporation

Florida corporation. Desist and Refrain Order issued by California Department of Real Estate 6/21/84.

United American Mineral Corporation

On 12/21/83, Norah Malkian, Commercial Leins Underwriter, Ultima Insurance Services, Inc., 3280 E. Foothill Blvd., Suite 440, Pasadena, California 91107, made an inquiry to Lawyers Title Insurance Agency, Inc., Anchorage, Alaska concerning United American Mineral Corporation. The description of its planned activity would indicate that it intended to sell secondary leases in federal oil and gas properties in Alaska. No further information is available.

United Arctic Oil, Inc.  
1100 Glendon Avenue, Suite 2101  
Los Angeles, California 90024

This firm has made solicitations in the State of Alaska. See Knight-Anderson Cease and Desist Order issued by the Iowa Superintendent of Securities 11/23/84.

United Petrosearch, Ltd.  
2979 N. Mayfair Road  
P.O. Box 25820  
Milwaukee, Wisconsin 53225  
414/453-3500

Sent mail solicitation to an Alaska state representative. Alaska Cease and Desist issued 4/3/84, finalized 5/7/84.

Westchase Petroleum Exploration, Inc.  
401 W. Texas Street  
Midland, Texas 79701

Order to Cease and Desist issued by the Alaska Division of Securities 12/15/83. Company was active in Wisconsin and Colorado.

YESCO

See the Denali Group.

Yare Energy Sciences Corporation  
3723 Birch Street, Suite 24  
Newport Beach, California 92660

See The Denali Group.

Worldwide Exploration, Inc.  
11050 Santa Monica Blvd.  
Santa Monica, CA. 90404

~~Inquiry by~~ Ak. Order 84-19. Involves Scott Chapin. Dee Delta Oil Co. and Chapin & Associates, Inc.

Wyoming Exploration, Inc.  
2922 Santa Monica Blvd.  
Santa Monica, CA. 90404  
James Francisco - President  
Jason W. Smith - Vice President

Inquiry by Idaho resident 2/19/85. Firm contacting earlier lease purchasers. ~~James Francisco~~

k

Bass Oil Co.  
2213 Van Owen Street  
Canoga Park, CA. 91307  
818/716-5211

~~Alfred~~ Green, Alfred  
Bass, Donald - ~~PRESIDENT~~  
Daehon, Adam  
Linder, Tricia-employee

3/85 gave St. of Ak. \$195,000 ch  
to maintain lease payments for 1.  
sold to ALLI investors. Payment  
stopped on check.

~~619/235-0383~~  
Bank DuPont  
23441 South Pointe Dr.  
Laguna Hills, CA.

Gardner, H.L.-Exec.V.P.  
Kirby, Jonathon-Salesman  
Michael, Robert C.-Geologist  
SINGECH RICHARD-ACCT. EXEC.  
DR. CHARLES-EXEC. VP.

Inquiry from Ca. 3/11/85. Offering  
for \$2,000 an undivided interest  
in 560 acre federal lease held by  
Bank DuPont using ~~XXXXXX~~ name  
IRA 1984 ~~XX~~ Partnership.

*ASTOC INC*  
*W/TH THE POWER OF RESEARCH*  
*ASSOCIATES, INC. - 1000 GARDEN*  
*BOULEVARD, SUITE 100, WEST*  
*BEVERLY HILLS, CALIF. 90210*

~~Micallie~~

Micallef Energy & Development  
Corporation

~~Two~~ Century Plaza

2049 Century Park East, Suite 110

Los Angeles, CA. 90067

213/556-3003

Micallef, Gregory E. - President

Skinner, Michael C. - Vice President

Vilardi, John

Dealing in Alaska federal oil  
gas leases.

STATE OF ALASKA

BILL SHEFFIELD, GOVERNOR

**DEPARTMENT OF COMMERCE &  
ECONOMIC DEVELOPMENT**

*DIVISION OF BANKING, SECURITIES & CORPORATIONS*

POUCH D  
JUNEAU, ALASKA 99811

*Banking & Securities (907) 465-25  
Corporations Section (907) 465-25*

ANCHORAGE

February 5, 1985

*Corporation Information (907) 563-21*

Honorable Mike Navarre, Chairman  
House Labor and Commerce Committee  
Pouch V  
Juneau, Alaska 99811

Attention Roger Poppi  
Administrative Assistant

Dear Representative Navarre:

Re: House Bill 126 - An Act Amending the  
Alaska Securities Act

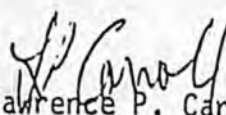
You have requested of this division whether or not the enclosed HB 126, amending the Alaska Securities Act, is in conflict with any federal law.

Last year when this particular legislation was drafted and compiled by the Department of Law, that same question was treated by the Attorney General. In seeking their counsel on this matter, we were advised that the proposed legislation does not conflict with the Interstate Commerce provisions of federal law, and, because this deals with an important state's rights interest, i.e., the lease held lands are located in Alaska, the State was well within its jurisdiction to require disclosure and registration on offerings concerning Alaska land. I believe the position of the Department of Law is unchanged with respect to this matter but suggest that, should confirmation of this position be desired, a request be made of the Department of Law, specifically either Mr. Jeffrey Bush, who represents the division on matters of this nature, or to the Attorney General, himself, who testified on this matter at last year's Senate and House hearings.

We see no apparent conflicts with federal law or, at least, none that are insurmountable and defer to the department of law with respect to any formalized opinions.

I remain at your disposal should you require any further information or assistance.

Yours very truly,

  
Lawrence P. Carroll  
Senior Securities Examiner

LPC/va11081c  
2/5/85A  
Enclosure

08-H14LH

Backup

# STATE OF ALASKA

BILL SHEFFIELD, GOVERNOR

## DEPARTMENT OF LAW

POUCH K - STATE CAPITOL  
JUNEAU, ALASKA 99811  
PHONE: 1907/465-3600

OFFICE OF THE ATTORNEY GENERAL

March 23, 1984

The Honorable Fritz Pettyjohn  
Alaska State Senate  
Pouch V  
Juneau, Alaska 99811

Re: SB 432, "an Act amending  
the Alaska Security's Act"

Dear Senator Pettyjohn:

At the Senate Labor and Commerce Committee hearing on February 15, 1984, you requested our opinion with respect to the effect on the jurisdictional scope of SB 432. This legislation would clarify the existing Alaska Security's Act to better reach fraudulent or high pressure out-of-state sales of oil and gas lease hold interests on state or federal lands in Alaska.

The Administration believes that Alaska is well served by having an ability to regulate sales of land or lease hold interests located in Alaska, even where the transactions take place outside the state between non-residents of the state. The state may protect the legitimate concerns of its citizens by exercising the right to sue according to the doctrine of parens patriae. This doctrine is recognized in Alaska. State v. First National Bank of Anchorage, 660 P.2d 406, 420-21 (Alaska 1982); Public Defender Agency v. Superior Court, 534 P.2d 947 (Alaska 1975).

Because we believe there is a substantial state interest in preventing fraudulent sales of oil and gas leases located within the state's border, we believe a constitutional challenge against Alaska's assertion of jurisdiction provided by the proposed legislation would fail. A claim that the jurisdiction afforded by the proposed legislation violates an out-of-state citizen's rights under the Due Process Clause, Full Faith and Credit Clause or Commerce clause of the U.S. Constitution would, in all likelihood, be dismissed. See generally, Aldens, Inc., v. Packel, 524 F.2d 38 (3rd Cir. 1975). The Aldens case is instructive because it involved a challenge to Pennsylvania's right to enforce state credit sales laws as applied to an

The Honorable Fritz Pettyjohn  
Senate Bill 432

March 23, 1984  
Page #2

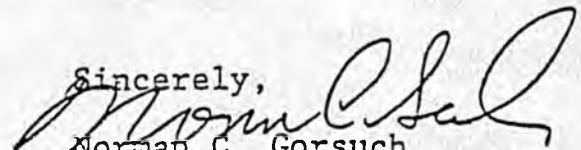
Illinois corporation operating a mail order business in all fifty states and where all orders were accepted in Chicago. In that case, the court performed a thorough and comprehensive analysis of a variety of constitutional issues and concluded that none of the constitutional provisions were violated by enforcement of Pennsylvania's laws.

The currently accepted approach to Due Process Clause limitation challenges is one of interest analysis where the court focuses on whether a state has sufficient interest "to justify any exercise of it's sovereignty in connection with the trans- action and dispute." Id. at 42-43, (citing McGee v. International Company, 355 U.S. 220 (1957)) emphasis in original. The court further noted in Alden that a relatively low threshold of state interest is needed to justify jurisdiction. Id. at 43.

In conclusion, because Alaska has a substantial interest in transactions involving land or interest of land within its borders, we believe a court would find that the exercise of jurisdiction through the proposed legislation does not interfere with an out-of-state defendant's due process or other constitutional rights.

Please feel free to call if we can be of additional assistance.

Sincerely,



Norman C. Gorsuch  
Attorney General

NCG:eer

cc: Senator Richard I. Elaison  
Chairman, Senate Labor and  
Commerce Committee

Senator Bob Mulcahy  
Vice-Chairman, Senate Labor  
and Commerce Committee

Senator Patrick Rodey  
Senate Labor and Commerce  
Committee

Senator John C. Sackett  
Senate Labor and Commerce  
Committee

FEDERAL TRADE COMMISSION  
WASHINGTON, D. C. 20580

BUREAU OF  
CONSUMER PROTECTION

March 14, 1984

The Honorable Richard I. Eliason  
Chairman  
Senate Labor and Commerce Committee  
State Capitol  
Pouch V  
Juneau, Alaska 99811

Dear Chairman Eliason:

The Federal Trade Commission's Bureaus of Competition, Consumer Protection, and Economics,<sup>1</sup> at the request of Governor Sheffield, submit comments on Senate Bill No. 432. We wish to thank you and Governor Sheffield for the opportunity to share our views on S. 432. We think that expanding the jurisdiction of the Alaska Securities Act of 1959 to cover all oil and gas leases to land located in Alaska would complement our efforts and those of other federal and state agencies to control what appear to be serious abuses in the rapidly growing, nation-wide marketing of Alaska oil and gas leases. The Commission staff favors passage of S. 432.

The Commission, in fulfilling its Congressionally-mandated mission to protect consumers from unfair and deceptive practices in the nation's commerce, has been investigating suspected fraud by sellers of oil and gas leases and related services. In the course of these investigation the Commission staff has identified from the public records of the federal Bureau of Land Management ("BLM") and the Alaska Department of Natural Resources a number of companies that have acquired oil and gas leases to millions of acres of land in Alaska. These companies acquired most of their leases for \$1 per acre under the BLM noncompetitive oil and gas leasing program.<sup>2</sup> Most of these acquisition have occurred in the Minchumina, Denali, and Tielke block areas of Alaska.<sup>3</sup>

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<sup>1</sup> This statement reflects the views of the Bureaus of Competition, Consumer Protection and Economics of the Federal Trade Commission, but does not necessarily reflect the views of the Commission or of any individual Commissioner. The Federal Trade Commission has voted, however, to authorize the Bureaus to submit these comments.

<sup>2</sup> 43 C.F.R. § 3110 et seq.

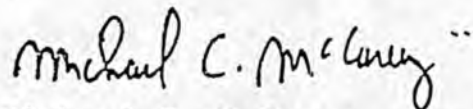
<sup>3</sup> Public Land Orders Nos. 6098, 46 Fed. Reg. 61472 (December 17, 1981), and 6329, 47 Fed. Reg. 39495 (September 8, 1982).

for lands located in Alaska. This revision would empower the Alaska Division of Securities to require these companies to register their leases as securities and to provide prospective purchasers with meaningful disclosures of the speculative nature of these investments.

Senate Bill No. 432 should not materially hinder the development of Alaska's resources. The Alaska Securities Act already includes an exemption for sales of leases to bona fide oil and gas exploration companies. Thus, the expansion of the securities law's jurisdiction should not materially change the effect of the statute on those firms actually exploring and developing Alaska's resources.

The Commission staff strongly supports passage of S. 432. With the new authority granted by this bill, state officials could effectively join the Commission and other federal law enforcement agencies in our efforts to protect consumers and to stop the possible misuse of Alaska's name and its resources.

Very truly yours,



Michael C. McCarey  
Associate Director

RECEIVED  
JAN 31 A 11:28

3123 B. Broadmoor Vly. Rd.  
Colorado Springs, CO 80906  
January 23, 1985

Subject: Alaska Land Leasing Inc.  
(A California-based Alaska Corporation)

To: Alaska Banking, Securities and Corporation Division  
of Commerce and Economics.  
Pouch D  
Juneau, Alaska 99811

In June 1983 I purchased a 160 acre BLM Oil Lease, serial # AA048253 through the Alaska Land Leasing Inc., a State of Alaska Corporation with offices in and around Las Angeles, California. legally described as the SE $\frac{1}{4}$  Section 27, Twp.32 N, Rng.10E in the Seward Meridian. The ALLI principals in this transaction were:

Frank Smith, Sales Representative ALLI  
Terry J. Risenhoover, Chairman of the Board ALLI  
Vic Gainer, Executive Vice-President ALLI  
David Castle, Documents Control Manager ALLI  
Marjorie Diehl Foote, Tundra Oil, INC

Shortly thereafter, I became concerned when there were NEWS releases about Fraud in the Oil Leasing Industry and I wrote to the Better Business Bureau, Los Angeles Counties, 639 South New Hampshire Ave, L.A., CA 90005; I received a "form letter" which indicated no fraudulent Business dealing being conducted by ALLI.

In December 1983 I purchased a one-thirtyfifth (1/35) interest in the Prudhoe Uplands 34-231 Associates, a subsidiary of Alaska Land Leasing Inc. The principals in the Prudhoe Uplands Associates were:

Frank Smith, Sales Representative ALLI  
Terry J. Risenhoover, Chairman of the Board ALLI  
Vic Gainer, President, ALLI  
Ms. Marlana Huter, ALLI ("one of the General Partners P.U. 34-231)  
David Castle  
Marjorie D. Foote

I received a letter, dated May 14, 1984 from Terry Risenhoover, ALLI informing me of a reorganization with a change in address and new telephone numbers (see attached copy). On May 15, 1984 I received a telephone call from a Richard Brown, Master Securities Management, saying that he was taking over my account. When he was unable to answer my questions I ask him to have Vic Gainer call me. Finally, on June 20, 1984 I received a call from Vic Gainer who promised to send me a list of the shareholders in the Prudhoe Uplands 34-231 Associates. To date I have not received that list nor have I been successful in my attempts to contact anyone associated with ALLI.

I understand that the State of Alaska has filed a civil suit in the Superior Court, against both Alaska Land Leasing Inc and Tundra Oil, Inc. I would appreciate any information you may be able to give me including addresses and telephone numbers of the corporation(s) and the remaining principals in the organizations.

Thanking you in advance, I am

Sincerely Yours,

  
Julian R. Thornton, Jr.

# Alaska Land Leasing Inc.

~~Sixth Floor P.O. Box 401326~~

~~Los Angeles, CA 90049~~

~~(213) 826-2123~~

May 14, 1984

Dear Alaskan Lease Holder:

After many months of serious consideration, we at Alaska Land Leasing Inc. have decided to cease all retail marketing.

We are continuing to function as a wholesaler of large blocks of oil and gas leases for publicly registered offerings.

As a result of this decision we have found it necessary to close both our Brentwood and Thousand Oaks, California offices.

We have opened a new service office at:

Alaska Land Leasing Inc.  
5655 Lindero Canyon Road  
Suite #408  
Westlake Village, CA 91362

This office will be staffed by Mr. Vic Gainer and myself. Either one of us may be reached by calling:

(818) 889-9061

We have hired Masters Management Company, an affiliate of Masters Securities, to complete all lease processing and to handle all inquiries regarding your leases.

Masters Management Company has hired a few former Alaska Land Leasing Inc. administrative staff members to provide you with the best possible service.

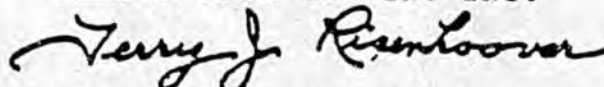
If you have any questions regarding your lease, please call either David Castle or Marjorie Foote at:

(818) 991-5805

Thank you for your consideration. I remain . . .

Cordially yours,

ALASKA LAND LEASING INC.



Terry J. Risenhoover,  
Chairman



investment contract. — Sufficient evidence was presented to support a jury finding that vending machine sales program was an investment contract where the company, through advertisements, verbal representations to potential investors, and various investment documents prepared and signed by defendant acting as a corporate officer and by the sales agent, sold a package of contractual benefits which included, in addition to vending machines themselves,

the precise experience, expertise and resources necessary to assure profits from the machines. *Wheeler v. State*, Ct. App. Op. No. 227 (File No. 5428), 659 P.2d 1241 (1983).

Territorial distributorships must be registered. — Territorial distributorships constitute an investment contract and are securities subject to registration. *American Gold & Diamond Corp. v. Kirkpatrick*, Sup. Ct. Op. No. 2799 (File No. 7608), P.2d (1984).

Sec. 45.55.140. Exemptions.

*Sec 45.55.140  
(b)(1)  
→*

NOTES TO DECISIONS

Quoted in *Greater Area, Inc. v. Bookman*, Sup. Ct. Op. No. 2589 (File No. 5557), 657 P.2d 828 (1982).

Sec. 45.55.200. Orders and injunctions. (a) Whenever it appears to the administrator that a person has engaged or is about to engage in an act or practice in violation of any provision of this chapter or rule or order under this chapter, the administrator may

(1) in the public interest or for the protection of investors, issue an order (A) directing the person to cease and desist from continuing the act or practice, (B) directing the person, for a period not to exceed three years, to file the annual reports, proxies, consents or authorizations, proxy statements, or other materials relating to proxy solicitations required under AS 45.55.139 with the administrator for examination and review 10 working days before a distribution to shareholders, and (C) voiding any proxies obtained by a person required to file under AS 45.55.139, including their future exercise or actions resulting from their past exercise, if the proxies were solicited by means of an untrue or misleading statement prohibited under AS 45.55.160; or

(2) bring an action in the superior court to enjoin the acts or practices and to enforce compliance with this chapter or rule or order under this chapter, and upon a proper showing, the appropriate remedy shall be granted and a receiver or conservator may be appointed for the defendant or the defendant's assets; the court may not require the administrator to post a bond.

(b) Before issuing an order under (a)(1) of this section the administrator shall give reasonable notice of and an opportunity for a hearing. However, the administrator may issue a temporary order pending the hearing which order shall remain in effect until 10 days after the hearing is held and which shall become final if the person to whom notice is addressed does not request a hearing within 15 days after the receipt of notice. (§ 308 ch 198 SLA 1959; am § 1 ch 126 SLA 1968; am § 1 ch 65 SLA 1981; am § 107 ch 16 SLA 1982)

Alaska law pursuant to the federal Act. To 10.05 or 10.20, this Act prevails with the extent of an inconsistency between a regard to a corporation organized under provision of this Act and a provision of AS Alaska law pursuant to the federal Act."

**Sec. 45.55.139. Reports of corporations.** A copy of all annual reports, proxies, consents or authorizations, proxy statements and other materials relating to proxy solicitations distributed, published or made available by any person to at least 30 Alaska resident shareholders of a corporation which has total assets exceeding \$1,000,000 and a class of equity security held of record by 500 or more persons and which is exempted from the registration requirements of AS 45.55.070 by AS 45.55.138, shall be filed with the administrator concurrently with its distribution to shareholders. (§ 1 ch 58 SLA 1977)

For case construing common law solicitations, see *Brown v. Ward*, Sup. Ct. prohibition of materially false and Op. No. 1825 (File No. 3579), 593 P.2d 247 misleading statements in proxy (1979).

**Sec. 45.55.140. Exemptions.** (a) The following securities are exempted from AS 45.55.070:

(1) a security, including a revenue obligation, issued or guaranteed by the United States, a state, a political subdivision of a state, or an agency or corporate or other instrumentality of one or more of the foregoing; or a certificate of deposit for any of the foregoing;

(2) a security issued or guaranteed by Canada, a Canadian province, a political subdivision of a Canadian province, an agency or corporate or other instrumentality of one or more of the foregoing, or a foreign government with which the United States currently maintains diplomatic relations, if the security is recognized as a valid obligation by the issuer or guarantor;

(3) a security issued by and representing an interest in or a debt of, or guaranteed by, a bank organized under the laws of the United States, or a bank, savings institution, savings and loan association, building and loan association, or trust company organized and supervised under the laws of a state or of the United States;

(4) a commercial paper which arises out of a current transaction or the proceeds of which have been or are to be used for current transactions, and which evidences an obligation to pay cash within nine months of the date of issuance, exclusive of days of grace, or any renewal of the paper which is likewise limited, or a guarantee of the paper or of the renewal, if the commercial paper is of the type eligible for discount by a federal reserve bank;

(5) an investment contract issued in connection with an employee's stock purchase, savings, pension, profit-sharing, or similar benefit plan if the administrator is notified in writing 30 days before the inception of the plan or, with respect to plans which are in effect on May 9, 1959, within 60 days thereafter, or within 30 days before they are reopened if they are closed on May 9, 1959;

(6) a security issued by and representing an interest in or a debt of, or guaranteed by, a federal savings and loan association, or a building and loan or similar association organized under the laws of a state and authorized to do business in this state;

(7) a security issued by and representing an interest in or a debt of, or guaranteed by, an insurance company organized under the laws of a state and authorized to do business in this state; but this exemption does not apply to an annuity contract, investment contract, or similar security under which the promised payments are not fixed in dollars but are substantially dependent upon the investment results of a segregated fund or account invested in securities; except that policies or annuity contracts of insurance companies admitted to do business in the state are not subject to this chapter;

(8) a security issued or guaranteed by a federal credit union or any credit union, industrial loan association, or similar association organized and supervised under the laws of this state;

(9) a security issued or guaranteed by a railroad, other common carrier, public utility, or holding company which is

(A) subject to the jurisdiction of the Interstate Commerce Commission;

(B) a registered holding company under the Public Utility Holding Company Act of 1935 or a subsidiary of the company within the meaning of that Act;

(C) regulated in respect of its rates and charges by a governmental authority of the United States or a state; or

(D) regulated in respect of the issuance or guarantee of the security by a governmental authority of the United States, a state, Canada, or a Canadian province;

(10) a security listed or approved for listing upon notice of issuance on the New York Stock Exchange, the American Stock Exchange, the Midwest Stock Exchange, or the Pacific Coast Stock Exchange, or any other security of the same issuer which is of senior or substantially equal rank; a security called for by subscription rights or warrants so listed or approved; or a warrant or right to purchase or subscribe to any of the foregoing;

(11) a security issued by a person organized and operated not for private profit but exclusively for religious, educational, benevolent, charitable, fraternal, social, athletic, or reformatory purposes, or as a chamber of commerce or trade or professional association.

(b) The following transactions are exempted from AS 45.55.070:

(1) a transaction between the issuer or other person on whose behalf the offering is made and an underwriter, or among underwriters;

(2) a transaction in a bond or other evidence of indebtedness secured by a real or chattel mortgage or deed of trust, or by an agreement for the sale of real estate or chattels, if the entire mortgage, deed of trust, or agreement, together with all the bonds or other evidence of indebtedness, secured thereby, is offered and sold as a unit;

(3) a transaction by an executor, administrator, sheriff, marshal, receiver, trustee in bankruptcy, guardian, or conservator;

(4) an offer or sale to a bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional buyer, or to a broker-dealer, whether the purchaser is acting for itself or in some fiduciary capacity;

(5) sales by an issuer

(A) to no more than 10 persons in this state other than those designated in (4) of this subsection during a period of 12 consecutive months whether or not the seller or any of the buyers is then present in this state, if

(i) no commission or other remuneration is paid or given directly or indirectly for soliciting a prospective buyer in this state;

(ii) the total dollar amount invested during a period of 12 consecutive months does not exceed \$100,000;

(iii) a legend is placed on the certificate or other document evidencing ownership of the security, stating that the security is not registered under this chapter and cannot be resold without registration under this chapter or exemption from it;

(iv) offers are made without public solicitation or advertisement; and

(v) the issuer files with the administrator a notice specifying the issuer, the security to be sold and the terms of the offer at least two days before any sales are made;

(B) to no more than 25 persons in this state other than those designated in (4) of this subsection during a period of 12 consecutive months whether or not the seller or any of the buyers is then present in this state, if

(i) the sales are made solely in this state;

(ii) before any sale, each prospective buyer is furnished access to the information that would be provided to a prospective buyer in a registration under AS 45.55.100 (which information shall be furnished to the administrator upon his request);

(iii) the total dollar amount invested during a period of 12 consecutive months does not exceed \$500,000;

(iv) commissions or other remuneration meet the requirements of this chapter and are made only to persons registered under AS 45.55.040;

(v) a legend is placed on the certificate or other document evidencing ownership of the security, stating that the security is not registered under this chapter and cannot be resold without registration under this chapter or exemption from it;

(vi) the issuer obtains a signed agreement from the buyer acknowledging that he is buying for investment purposes and that the securities will not be resold without registration under this chapter;

(vii) offers are made without public solicitation or advertisement; and

(viii) the issuer files with the administrator a notice specifying the issuer, the security to be sold, and the terms of the offer at least two days before any sales are made;

(6) an offer or sale of a preorganization certificate or subscription if

(A) no commission or other remuneration is paid or given directly or indirectly for soliciting a prospective subscriber,

(B) the number of subscribers does not exceed 10, and

(C) no payment is made by any subscriber;

(7) a transaction under an offer to existing security holders of the issuer, including persons who at the time of the transaction are holders of convertible securities, nontransferable warrants, or transferable warrants exercisable within not more than 90 days of their issuance, if

(A) no commission or other remuneration, other than a standby commission, is paid or given directly or indirectly for soliciting a security holder in this state, or

(B) the issuer first files a notice specifying the terms of the offer and the administrator does not by order disallow the exemption within the next five full business days;

(8) an offer (but not a sale) of a security for which registration statements have been filed under both this chapter and the Securities Act of 1933 if no stop order or refusal order is in effect and no public proceeding or examination looking toward an order is pending under either Act;

(9) an isolated nonissuer transaction, whether effected through a broker-dealer or not;

(10) a nonissuer distribution of an outstanding security if

(A) a recognized securities manual contains the names of the issuer's officers and directors, a balance sheet of the issuer as of a date within 18 months, and a profit and loss statement for either the fiscal year preceding that date or the most recent year of operations, or

(B) the security has a fixed maturity or a fixed interest or dividend provision and there has been no default during the current fiscal year or within the three preceding fiscal years, or during the existence of the issuer and any predecessors if less than three years, in the payment of principal, interest, or dividends on the security;

(11) a nonissuer transaction effected by or through a registered broker-dealer under an unsolicited order or offer to buy; however, the administrator may by rule require that the customer acknowledge upon a specified form that the sale was unsolicited, and that a signed copy of each form be preserved by the broker-dealer for a specified period;

(12) a transaction executed by a bona fide pledgee without any purpose of evading this chapter;

(13) a transaction incident to a right of conversion or a statutory or judicially approved reclassification, recapitalization, reorganization, quasi-reorganization, stock split, reverse stock split, merger, consolidation or sale of assets, if

(A) no commission or other remuneration, other than a standby commission is paid or given directly or indirectly for soliciting a security holder in this state; and

(B) the issuer files a notice in the form specified by the administrator not less than 30 days before making the offer;

(14) a stock dividend, whether the corporation distributing the dividend is the issuer of the stock or not, if nothing of value is given by stockholders for the dividend other than the surrender of a right to a cash or property dividend when each stockholder may elect to take the dividend in cash or property or in stock;

(15) an act incident to a class vote by stockholders, under the certificate of incorporation or the applicable corporation statute, on a merger, consolidation, reclassification of securities or sale of securities of another corporation;

(16) the offer or sale by a registered broker-dealer, acting either as principal or agent, of securities previously sold and distributed to the public if

(A) the securities are sold at prices reasonably related to the current market price at the time of sale, and, if broker-dealer is acting as agent, the commission collected by the broker-dealer on account of the sale is not in excess of usual and customary commissions collected with respect to securities and transactions having comparable characteristics;

(B) the securities do not constitute the whole or a part of an unsold allotment to or subscription or participation by the broker-dealer as an underwriter of the securities or as a participant in the distribution of the securities by the issuer, by an underwriter or by a person or group of persons in substantial control of the issuer or of the outstanding securities of the class being distributed; and

(C) the securities have been lawfully sold and distributed in this state under this chapter;

(17) offers or sales of certificates of interest or participation in oil, gas, or mining rights, titles or leases, or in payments out of production under such rights, titles or leases, if the purchasers

(A) are or have been during the preceding two years engaged primarily in the business of exploring for, mining, producing, or refining oil, gas, or minerals; or

(B) have been found by the administrator upon written application to be substantially engaged in the business of exploring for, mining, producing, or refining oil, gas, or minerals so as not to require the protection provided by AS 45.55.070.

(c) In any proceeding under this chapter, the burden of proving an exemption or an exception from a definition is upon the person claiming it.

(d) The administrator may by order deny or revoke an exemption specified in (a)(5), (7) or (11) of this section or in (b) of this section with respect to a specific security or transaction. The order may not be entered without appropriate prior notice to all interested parties, opportunity for hearing, and written findings of fact and conclusions of law, except that the administrator may by order summarily deny or revoke any of the specified exemptions pending final determination of a proceeding under this subsection. Upon the entry of a summary order, the administrator shall promptly notify all interested parties that it has been entered and of the reasons for it and that within 15 days of the receipt of a written request the matter will be set down for hearing. If no hearing is requested and none is ordered by the administrator, the order remains in effect until it is modified or vacated by the administrator. If a hearing is requested or ordered, the administrator, after notice of and opportunity for hearing to all interested persons, may modify or vacate the order or extend it until final determination.

(e) No order under (d) of this section may operate retroactively. No person may be considered to have violated AS 45.55.070 or 45.55.150 by reason of an offer or sale effected after the entry of an order under this subsection if he sustains the burden of proof that he did not know, and in the exercise of reasonable care could not have known of the order.

(f) The administrator shall by regulation prescribe a schedule of fees for examination or investigation of claimed exemption. (§ 302 ch 198 SLA 1959; am §§ 3 — 11 ch 105 SLA 1961; am § 1 ch 8 SLA 1966; am § 1 ch 25 SLA 1968; am §§ 11 — 13 ch 86 SLA 1972; am § 15 ch 218 SLA 1976; am §§ 1 — 3 ch 132 SLA 1977; am § 1 ch 56 SLA 1978; am § 50 ch 94 SLA 1980)

**Effect of amendments.** — The 1976 amendment inserted "not" preceding "by order disallow" in paragraph (7)(B) of subsection (b).

The 1977 amendment rewrote paragraph (5) of subsection (b), substituted "under this chapter" for "or any other state of the United States under this or any act regulating the sale of the securities" in paragraph (16)(C) of subsection (b), and substituted "(a)(5), (7) or (11)" for "(a)(5) or (7)" in the first sentence of subsection (d).

The 1978 amendment added paragraph (17) of subsection (b).

The 1980 amendment, in subparagraph

(b)(5)(B)(viii), substituted "sold" for "offered" near the middle of the subparagraph, and substituted "any sales are" for "the offer is" near the end of the subparagraph.

**Legislative history reports.** — For report on ch. 8, SLA 1966, see House Journal (1966), p. 169. For report on ch. 132, SLA 1977 (SB 48), see 1977 Senate Journal, p. 190.

**ALR references.**—What securities are exempt from registration under § 402(a) of the Uniform Securities Act, 84 ALR3d 575.

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TRADE AND COMMERCE

§ 45.55.260

uniformity in the form and content of registration statements, applications, and reports wherever practicable.

(c) All financial statements shall be prepared in accordance with generally accepted accounting practices. The administrator may by rule or order prescribe (1) the form and content of financial statements required under this chapter, (2) the circumstances under which consolidated financial statements shall be filed, and (3) whether any required financial statements shall be certified by independent or certified public accountants.

(d) No provision of this chapter imposing liability applies to an act done or omitted in good faith in conformity with a rule, form, or order of the administrator, notwithstanding that the rule, form, or order may be later amended or rescinded or be determined by judicial or other authority to be invalid.

(e) Every hearing in an administrative proceeding shall be public unless the administrator in his discretion grants a request joined in by all the respondents that the hearing be conducted privately. (§ 312 ch 198 SLA 1959)

**Sec. 45.55.250. Administrative files and opinions.** (a) A document is filed when it is received by the administrator.

(b) The administrator shall keep a register of all applications for registration and registration statements which are or have ever been effective under this chapter and all denial, suspension, or revocation orders which have been entered under this chapter. The register shall be open for public inspection.

(c) The information contained in or filed with a registration statement, application, or report may be made available to the public under the rules which the administrator prescribes.

(d) Upon request and at the reasonable charges which he prescribes, the administrator shall furnish to any person photostatic or other copies (certified under his seal of office if requested) of any entry in the register or any document which is a matter of public record. In a proceeding or prosecution under this chapter, a copy so certified is prima facie evidence of the contents of the entry or document certified.

(e) The administrator in his discretion may honor requests from interested persons for interpretative opinions. (§ 313 ch 198 SLA 1959; am §§ 16, 17 ch 105 SLA 1961)

**Sec. 45.55.260. Scope of the chapter and service of process.** (a) AS 45.55.010, 45.55.030(a), 45.55.070, 45.55.170, and 45.55.220 apply to persons who sell or offer to sell when (1) an offer to sell is made in this state, or (2) an offer to buy is made and accepted in this state.

(b) AS 45.55.010, 45.55.030(a), and 45.55.170 apply to persons who buy or offer to buy when (1) an offer to buy is made in this state, or (2) an offer to sell is made and accepted in this state.

(c) For the purpose of this section, an offer to sell or to buy is made in this state, whether or not either party is then present in this state, when the offer (1) originates from this state or (2) is directed by the offeror to this state and received at the place to which it is directed, or at a post office in this state in the case of a mailed offer.

(d) For the purpose of this section, an offer to buy or to sell is accepted in this state when acceptance is communicated to the offeror in this state and has not previously been communicated to the offeror, orally or in writing, outside this state. Acceptance is communicated to the offeror in this state, whether or not either party is then present in this state, when the offeree directs it to the offeror in this state reasonably believing the offeror to be in this state and it is received at the place to which it is directed, or at a post office in this state in the case of a mailed acceptance.

(e) An offer to sell or to buy is not made in this state when (1) the publisher circulates or there is circulated on his behalf in this state a bona fide newspaper or other publication of general, regular, and paid circulation which is not published in this state, or which is published in this state but has had more than two-thirds of its circulation outside this state during the past 12 months, or (2) a radio or television program originating outside this state is received in this state.

(f) AS 45.55.020, 45.55.030(c), and 45.55.170, so far as investment advisers are concerned, apply when any act instrumental in effecting prohibited conduct is done in this state, whether or not either party is then present in this state.

(g) Every applicant for registration under this chapter and every issuer which proposes to offer a security in this state through a person acting on an agency basis in the common-law sense shall file with the administrator, in the form which he prescribes by rule, an irrevocable consent appointing the administrator or his successor in office to be his attorney to receive service of lawful process in a civil suit, action, or proceeding against him or his successor executor or administrator which arises under this chapter or a rule or order under this chapter after the consent has been filed, with the same force and validity as if served personally on the person filing the consent. A person who files the consent in connection with a previous registration need not file another. Service may be made by leaving a copy of the process in the office of the administrator, but it is not effective unless (1) the plaintiff, who may be the administrator in a suit, action, or proceeding instituted by him, immediately sends notice of the service and a copy of the process by registered mail to the defendant or respondent at his last address on file with the administrator, and (2) the plaintiff's affidavit of mailing is filed in the case on or before the return day of the process, if any, or within the further time which the court allows.

(h) When a person, including a nonresident of this state, engages in conduct prohibited or made actionable by this chapter or a rule or order

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under this chapter, and he has not filed a consent to service of process under (g) of this section and personal jurisdiction over him cannot otherwise be obtained in this state, that conduct is considered equivalent to his appointment of the administrator or his successor in office to be his attorney to receive service of process in a civil suit, action, or proceeding against him or his successor executor or administrator which grows out of that conduct and which is brought under this chapter or a rule or order under this chapter, with the same force and validity as if served on him personally. Service may be made by leaving a copy of the process in the office of the administrator, but service is not effective unless (1) the plaintiff, who may be the administrator in a suit, action, or proceeding instituted by him, forthwith sends notice of the service and a copy of the process by registered mail to the defendant or respondent at his last known address or takes other steps which are reasonably calculated to give actual notice, and (2) the plaintiff's affidavit of compliance with this subsection is filed in the case on or before the return day of the process, if any, or within such further time as the court allows.

(i) When process is served under this section, the court, or the administrator in a proceeding before him, shall order the continuance which is necessary to afford the defendant or respondent reasonable opportunity to defend. (§ 314 ch 198 SLA 1959; am § 18 ch 105 SLA 1961)

**Sec. 45.55.270. Short title.** This chapter may be cited as the Alaska Securities Act of 1959. (§ 315 ch 198 SLA 1959)

## Chapter 57. Takeover Bid Disclosure Act.

Section	Section
10. Provisions of takeover bids	70. Criminal penalties
20. Disclosure	80. Civil liabilities
30. Recommendations to accept or reject	90. Consent to service of process
40. Deceptive practices	100. Regulations
50. Investigations and subpoenas	110. Definitions
60. Injunctions	120. Short title

**Sec. 45.57.010. Provisions of takeover bids.** The following provisions apply to every takeover bid:

(1) The period of time within which securities may be tendered by an offeree under a takeover bid shall not be less than 21 days nor more than 35 days from the date copies of the takeover bid are first published or sent or given to offerees.

(2) Securities deposited under a takeover bid may be withdrawn by an offeree or his attorney-in-fact by demand in writing on the offeror or the depository at any time within 21 days from the date copies of the takeover bid are first published or sent or given to offerees.