

HB

527



# LEGAL SERVICES

DIVISION OF LEGAL AND RESEARCH SERVICES  
LEGISLATIVE AFFAIRS AGENCY  
STATE OF ALASKA

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Mail Stop 3101


State Capitol  
Juneau, Alaska 99801-1182  
Deliveries to: 129 6th St., Rm. 329

## MEMORANDUM

March 30, 2004

**SUBJECT:** CSHB 527(STA) relating to the Alaska Securities Act  
(Work Order No. 23-LS1792\H)

**TO:** Representative Bruce Weyhrauch

**FROM:**  Theresa L. Bannister  
Legislative Counsel

This memo accompanies a draft of the committee substitute described above.

1. Civil penalty amounts. As we discussed, the increased civil penalty amounts raise an issue as to whether they are sizeable enough to be treated by the courts as criminal matters. A court will determine whether the amount demonstrates a social and ethical judgment by the community of criminality in this situation.<sup>1</sup> The court will give some deference to the legislative identification in the bill of the amount being a civil penalty. Whether the amount of the fine indicates criminality is a question of legislative intent.<sup>2</sup> The fact that a violation under this chapter can involve large amounts of money tends to support the characterization of this as a civil penalty. However, it is a very large amount and may not be appropriate for some situations.

2. Application of AS 45.55.980. It was not clear to me whether you wanted to actually change the current language of the section that deals with the state's jurisdiction. Therefore, the language that is added is designed to work with the current language of the section. If you had in mind changing the provisions in the section, the provisions of (a) - (f) would need to be repealed or modified.

3. Liquidated damages. The reference to liquidated damages has not been included because the doubling of the restitution amount would not be considered liquidated damages in this situation.

If I may be of further assistance, please advise.

TLB:med  
04-337.med

Enclosure

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<sup>1</sup> See Baker v. City of Fairbanks, 471 P.2d 386, 402 n.29 (Alaska 1970); Resek v. State, 706 P.2d 288, 291 (Alaska 1985); and Beran v. State, 705 P.2d 1280, 1284 n.4 (Alaska App. 1985).

<sup>2</sup> Resek v. State, 706 P.2d 288, 291 (Alaska 1985).

23-LS1792W  
Bannister  
3/30/04

**CS FOR HOUSE BILL NO. 527(STA)**  
**IN THE LEGISLATURE OF THE STATE OF ALASKA**  
**TWENTY-THIRD LEGISLATURE - SECOND SESSION**

**BY THE HOUSE STATE AFFAIRS COMMITTEE**

**Offered:**  
**Referred:**

**Sponsor(s): HOUSE STATE AFFAIRS COMMITTEE**

**A BILL**

**FOR AN ACT ENTITLED**

1 **"An Act relating to the Alaska Securities Act, including fees and other money received**  
2 **by the administrator of that Act, reports, proxies, consents, authorizations, proxy**  
3 **statements, and other materials, civil penalties, refunds of proceeds from violations,**  
4 **restitution, attorney fees and costs, state jurisdiction, and investment adviser**  
5 **representatives; amending Rules 54(d), 79, and 82, Alaska Rules of Civil Procedure; and**  
6 **providing for an effective date."**

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

8 **\* Section 1. AS 44.55.139 is amended to read:**

9 **Sec. 45.55.139. Reports of corporations.** A copy of all annual reports,  
10 proxies, consents or authorizations, proxy statements, and other materials relating to  
11 proxy solicitations distributed, published, or made available by any person to at least  
12 30 Alaska resident shareholders of a corporation that has [TOTAL ASSETS  
13 EXCEEDING \$1,000,000 AND] a class of equity security held of record by 250 [500]

1 or more persons and that [WHICH] is exempted from the registration requirements of  
2 AS 45.55.070 by AS 45.55.138, shall be filed with the administrator concurrently with  
3 its distribution to shareholders.

4 \* Sec. 2. AS 45.55 is amended by adding a new section to read:

5 **Sec. 45.55.908. Accounting and disposition of receipts.** (a) The  
6 commissioner of administration shall separately account for the fees and other money  
7 received by the administrator under this chapter and remitted to the commissioner of  
8 administration under AS 37.10.050.

9 (b) The legislature may make appropriations from this account to implement  
10 the activities of the administrator under this chapter, to maintain an aggressive  
11 program of investigation and prosecution of violations of this chapter, to perform all  
12 activities necessary to prevent harm to persons in the state from violations of this  
13 chapter, and to recover damages for the persons harmed by a violation of this chapter.

14 \* Sec. 3. AS 45.55.920(b) is amended to read:

15 (b) The administrator may issue an order against an applicant, registered  
16 person, or other person who knowingly or intentionally violates this chapter or a  
17 regulation or order of the administrator under this chapter, imposing a civil penalty of  
18 not more than \$100,000 [\$2,500] for a single violation, or not more than \$1,000,000  
19 [\$25,000] for multiple violations, in a single proceeding or a series of related  
20 proceedings.

21 \* Sec. 4. AS 45.55.920(c) is amended to read:

22 (c) For violations not covered by (b) of this section, the administrator may  
23 issue an order against an applicant, registered person, or other person who violates this  
24 chapter or a regulation or order of the administrator under this chapter, imposing a  
25 civil penalty of not more than \$100,000 [\$500] for a single violation, or not more than  
26 \$1,000,000 [\$5,000] for multiple violations, in a single proceeding or a series of  
27 related proceedings.

28 \* Sec. 5. AS 45.55.920(e) is amended to read:

29 (e) After an order issued by the administrator under (b) or (c) of this section  
30 becomes final and all rights of appeal are exhausted, the administrator may petition the  
31 superior court to enter a judgment against a person who is a respondent in the order for

1 the amount of the civil penalty levied or the amount of restitution ordered against  
2 the person and attorney fees and costs as allowed under (g) of this section. Subject  
3 to AS 44.62.570, the filing of the petition for a judgment does not reopen the final  
4 order to further substantive review unless the court orders otherwise. A judgment  
5 entered under this subsection may be executed on and levied under in the manner  
6 provided in AS 09.35.

7 \* Sec. 6. AS 45.55.920 is amended by adding new subsections to read:

8 (f) In an order under (b) or (c) of this section, if another person has been  
9 harmed as a result of the violation, the administrator shall also require the violator to  
10 refund to the administrator the proceeds received by the violator from the violation  
11 and to make restitution to all persons harmed as a result of the violation. The amount  
12 of the restitution paid to the harmed person must be two times the amount of loss  
13 caused to the person by the violator.

14 (g) If the administrator is the prevailing party in a court action brought by the  
15 administrator under this section, the court shall award to the administrator the actual  
16 reasonable attorney fees and actual reasonable costs incurred by the administrator in  
17 the action, including all expert witness fees.

18 \* Sec. 7. AS 45.55.980 is amended by adding a new subsection to read:

19 (j) When determining the jurisdiction of the state over persons and acts under  
20 this chapter, this section shall be interpreted to apply to persons and activities to the  
21 fullest extent allowed by the Constitution of the State of Alaska and the Constitution  
22 of the United States.

23 \* Sec. 8. AS 45.55.990(15) is amended to read:

24 (15) "investment adviser representative"

25 (A) means a natural person who

26 (i) makes a recommendation or otherwise renders  
27 advice regarding securities; manages accounts or portfolios of clients;  
28 determines which recommendation or advice regarding securities  
29 should be given; solicits, offers, or negotiates for the sale of or sells  
30 advisory services; or supervises employees who perform an activity  
31 described in this sub-subparagraph; and

1 (ii) is a supervised person of a state investment adviser  
2 that is registered or required to be registered under this chapter or is a  
3 supervised person of a federal covered adviser and has a place of  
4 business located in this state, if a substantial portion of the business of  
5 the supervised person is providing to clients who are natural persons  
6 the services described in (i) of this subparagraph [, OR WHO IS A  
7 SUPERVISED PERSON OF A FEDERAL COVERED ADVISER,  
8 HAS A PLACE OF BUSINESS LOCATED IN THIS STATE, AND  
9 HAS SIX OR MORE CLIENTS WHO ARE NATURAL PERSONS,  
10 IF A SUBSTANTIAL PORTION OF THE BUSINESS OF THE  
11 SUPERVISED PERSON IS PROVIDING TO CLIENTS WHO ARE  
12 NATURAL PERSONS THE SERVICES DESCRIBED IN (i) OF  
13 THIS SUBPARAGRAPH];

14 (B) means other persons who are not otherwise covered by this  
15 paragraph but who are designated by regulation or order of the administrator;

16 (C) except persons covered by (36)(A)(ii) of this section, does  
17 not include a person that would not be defined as an investment adviser  
18 representative under 17 C.F.R. 275.203A-3 adopted under 15 U.S.C. 80b-3a  
19 (Investment Advisers Act of 1940), as that regulation exists on or after  
20 October 1, 1999;

21 \* **Sec. 9.** The uncodified law of the State of Alaska is amended by adding a new section to  
22 read:

23 **INDIRECT COURT RULE CHANGES.** AS 45.55.920(g), added by sec. 6 of this  
24 Act, has the effect of changing

25 (1) Rule 82, Alaska Rules of Civil Procedure, by establishing different rules  
26 relating to the award of attorney fees in actions that are brought under AS 45.55;

27 (2) Rules 54(d) and 79, Alaska Rules of Civil Procedure, by establishing  
28 different rules relating to the award of costs in actions that are brought under AS 45.55.

29 \* **Sec. 10.** The uncodified law of the State of Alaska is amended by adding a new section to  
30 read:

31 **CONDITIONAL EFFECT.** AS 45.55.920(g), enacted by sec. 6 of this Act, takes

1 effect only if sec. 9 of this Act receives the two-thirds majority vote of each house required by  
2 art. IV, sec. 15, Constitution of the State of Alaska.

3 \* Sec. 11. This Act takes effect immediately under AS 01.10.070(c).

# ALASKA STATE LEGISLATURE

REPRESENTATIVE BRUCE WEYHRAUCH



ALASKA  
STATE CAPITOL  
JUNEAU, ALASKA  
99801-1182

(907) 465-3744  
FAX (907) 465-2273

STATE AFFAIRS COMMITTEE

HB 527

THE ALASKA SECURITIES ACT

## SPONSOR'S STATEMENT

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

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

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

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

~ More ~

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

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

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

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

Contact: Linda Sylvester  
Representative Bruce Weyhrauch  
465-4963

Released: March 1, 2004

# FISCAL NOTE

**STATE OF ALASKA**  
**2004 LEGISLATIVE SESSION**

Fiscal Note Number: \_\_\_\_\_  
 Bill Version: HB 527  
 ( ) Publish Date: \_\_\_\_\_

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: DCED  
 Title Alaska Securities Act RDU Banking, Securities & Corporations(115)  
 Component Banking, Securities & Corporations  
 Sponsor House State Affairs Component No. 1233  
 Requester House State Affairs

**Expenditures/Revenues (Thousands of Dollars)**

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

<b>CAPITAL EXPENDITURES</b>						
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<b>CHANGE IN REVENUES (1156)</b>	<b>79.0</b>	<b>79.0</b>	<b>79.0</b>	<b>79.0</b>	<b>79.0</b>	<b>79.0</b>
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**FUND SOURCE (Thousands of Dollars)**

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
1156 Receipt Supported Services						
<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY2004) cost: 0.0  
 Mark this box (X) if funding for this bill is included in the Governor's FY 2005 budget proposal:

**POSITIONS**

Full-time						
Part-time						
Temporary						

**ANALYSIS:** (Attach a separate page if necessary)

This legislation, among other things, increases the civil penalties for people who violate Alaska's Security Act. Penalties increase from \$2,500 for a single knowing violation to a maximum of \$100,000 for multiple knowing violations, and from \$500 to \$25,000 for unintentional violations. The department estimates an additional \$79.0 in revenues will be collected as a result of this increase. The estimate, which is subject to significant variability, is based on the weighted average of the amount of fines levied and collected over the past five years. Fines have ranged from a low \$15.7 to a high of \$683.5. Collection rates vary from a low of 0.5% to 85%. This legislation has no fiscal impact on the operations of the division.

Prepared by: Mark Davis, Director Phone (907) 465-5451  
 Division Banking, Securities & Corporations Date/Time 3/8/04 2:22 PM  
 Approved by: Edgar Blatchford, Commissioner Date 3/8/2004  
 Agency Department of Community & Economic Development

distribute to the Directors. They should go out in today's mailings. I will send out the article below as well.

**Nicole Hallingstad**  
**Corporate Secretary**  
**Sealaska Corporation**  
**One Sealaska Plaza, Suite 400**  
**Juneau, AK 99801-1276**  
**ph: (907) 586-9249**  
**fax: (907) 586-2304**  
**nicoie.hallingstad@sealaska.com**

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**From:** Irwin Vikki  
**Sent:** Friday, February 27, 2004 9:40 AM  
**To:** Chris McNeil; Harris Rick; Strafford Bill; Duke Patrick; Rinehart Richard; Dick Russell; Wolfe Ron; Antioquia Todd; Hallingstad Nicole; Hotch Janice; Frederiksen Derik; Oliver David; Davis Edward  
**Cc:** Irwin Vikki  
**Subject:** Native corporations pack major punch - ADN - Feb. 27, 2004

### **Native corporations pack major punch**

**SURVEY: Assets totaled \$2.7 billion in 2002 but many members still live in poverty.**

By PAULA DOBBYN, Anchorage Daily News (*Published: February 27, 2004*)

<http://www.adn.com/business/story/4788557p-4731430c.html>

As calls mount for increased scrutiny of Alaska Native corporations, a new survey of the congressionally created firms describes them as economic powerhouses that generate billions of dollars in revenue, dividends, scholarships and charitable contributions.

Report PDF — The survey of 13 regional corporations and 30 village corporations, formed under the 1971 Alaska Native Claims Settlement Act, was conducted by the Association of ANCSA Regional Corporation Presidents/CEOs. The report found that the sampled corporations had combined revenue of \$2.4 billion in 2002, with more than half of that coming from the operations of Arctic Slope Regional Corp. of Barrow and Anchorage-based Chugach Alaska Corp.

[Download report \(pdf\)](#)

The corporations taking part in the survey had assets of \$2.7 billion in 2002. They ran a combined Alaska payroll of \$408 million, employed 12,123 people statewide and handed out \$45.6 million in dividends to shareholders that year, according to the report. The regional corporations together reported \$124 million in profits.

"The corporations' importance and influence continue to grow at an exponential rate, giving them a powerful political voice in the state. At the same time, the corporations concern themselves with the social needs of Alaska Natives, as well as their economic well-being," the report said.

Despite the successes, the report mentions that Alaska Natives continue to rank as the ethnic group in Alaska with the lowest per capita income. Natives constitute the largest group of the overall Alaska population living in poverty.

"As we celebrate our successes, we can't forget that despair continues to nip at the heels of many of our family members," wrote Carl Marrs, president of the ANCSA association and chief executive of Anchorage-based Cook Inlet Region Inc., Alaska's most profitable Native corporation.

Many Alaska Natives rely heavily on their corporate dividends to get by, while others get nothing because their corporations don't make the popular payouts.

"Of the 43 corporations surveyed, 26 did not pay dividends in 2002," the report said.

The report's release coincides with recent calls for more accountability from Native corporations and, in some cases, for bigger dividends.

Shareholders of Arctic Slope in January petitioned their corporations to share more of the roughly \$1 billion in revenue it makes, in the form of fatter payouts. CJRI shareholders last summer forced the company to cut them checks of \$5,000 each for the typical shareholder with 100 shares. The \$31 million payout came on the heels of two large cash distributions CIRI made after it cashed out a wireless investment in 2000. Most CIRI shareholders got two checks totalling \$65,000.

As some shareholders press for cash, others want to wedge their way farther inside the tightly held and often secretive companies, and exert greater influence over financial decisions and have easier access to company books. Because Alaska Native corporation stock isn't traded publicly, the companies fall outside the scrutiny of the federal Securities and Exchange Commission. That makes them ripe for abuse and corruption, some shareholders say.

A move is about to get under way in Juneau to change that.

Rep. Bruce Weyhrauch, R-Juneau, said he plans to introduce a bill Monday that would shine a brighter spotlight on Native corporations. As it stands now, only corporations with 500 or more shareholders and \$1 million or more in assets are required to file their annual reports and proxy materials with state securities regulators. Weyhrauch's bill would eliminate the asset threshold and make any Native corporation with 250 shareholders or more file financial reports and proxy materials with the Division of Banking, Securities and Corporations. The goal is to make smaller companies accountable to their shareholders.

"It gives the public, through the state of Alaska, a greater ability to scrutinize these corporations," said Weyhrauch.

Vince Usera, senior securities examiner, said the change would affect 40 to 50 companies that don't have to report now. The reform is long overdue because too many Native corporations fall outside the scope of any regulation, he said.

"We've been complained to several times about smaller Native corporations that are run like a family business. And the family that has their hands on the wheel runs the entire deal. They don't conform to corporate governance rules. They don't publish anything. They don't have their books audited. They keep their books on the back of a napkin," Usera said.

Usera said it's often impossible to get answers out of Native corporations that currently don't have to send any information to his office.

Recently he tried to help a shareholder of Tetlin Native Corp. who said she had not received dividends from the company for more than a decade. Usera wrote a letter on behalf of the shareholder and addressed it to the person he had listed as Tetlin's chief executive.

He later discovered that the man had been dead for several years.

Daily News reporter Paula Dobbryn can be reached at [pdobbryn@adn.com](mailto:pdobbryn@adn.com) or 257-4317.

A COPY of "Native Corporations: 2003 Annual Economic Impact Report" can be viewed as a link to the story at

[www.adn.com](http://www.adn.com)

**Vikki Lord Irwin**  
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## **Cully Corporation**

P.O. Box 59089

Point Lay, Alaska 99759

### **PROXY STATEMENT FOR ANNUAL SHAREHOLDERS MEETING**

**Dr. Albert Conference Hall, Ilisagvik College, Barrow, Alaska,**

**1:00 P.M., Saturday, April 26, 2003**

**The Date of the this Proxy is March 15, 2003**

This statement is furnished in order to explain and to provide further information about the enclosed proxy, which has been sent to you by the board of directors of Cully Corporation (Cully). The proxy form will allow your shares to be voted even though you are not present at the meeting. You should read these instructions and the proxy form carefully before signing. This proxy statement and the accompanying proxy are being mailed to the shareholders on or about March 15, 2003.

#### **Solicitation of Proxies**

The Board of Directors of Cully solicits the enclosed proxy for use at the Annual Meeting of Shareholders to be held at the Dr. Albert Conference Hall, Ilisagvik College, Barrow, Alaska on Saturday, April 26, 2003. Registration begins at 1:00 P.M.

#### **Annual Meeting Expenses**

Cully is paying for the cost of this solicitation for proxies, including the cost of preparing, printing, and mailing the notice of the meeting and proxy material. The cost of any supplemental mailings will also be paid by Cully. Solicitations will be made by mail, except that Directors, Officers, or regular employees of Cully may make solicitations of proxies by telephone and in person. In addition, radio, television, and newspaper advertisements may be used to assist in the solicitation of proxies, if deemed necessary in order to obtain a quorum. In order to obtain a quorum of proxies, Cully will pay for the inspector of election, parliamentarian, election tabulation, salaries and wages of regular employees, telephone, and advertisement expenses. These costs are normal expenses of conducting an annual meeting. No other expenses in connection with this proxy solicitation are anticipated.

#### **Proxy Holder**

Unless you indicate otherwise in the blank provided, the proxy form appoints the current board of directors as the proxy holder. The Directors are: Alma M. Upicksoun, Martha Tukrook, Joseph Upicksoun, Lily Anniskett, and Walter Toorak, Sr., Ardys Akers and Genevieve Tukrook. If you give your proxy to the board of directors, they will be responsible for seeing that your shares are voted in accordance with the proxy you have given to them.

### **Rescission of Proxy**

Any proxy received by a Shareholder can be rescinded by attending and voting in person at the Annual Meeting by written rescission received at the annual meeting, or by filing a proxy bearing a later execution date if received before 5:00 p.m. on April 25, 2003.

### **Financial Statements**

The Board of Directors received a clean opinion from the accounting firm of Newhouse & Vogler regarding an audit of the financial statements for the year ended December 31, 2002.

### **Filing of Proxies**

All proxies, Revocation of Proxies, and Powers of Substitution (Hereinafter, "Proxy" or "Proxies") shall be filed with the secretary of the Corporation. A proxy is not valid and may not be voted at the shareholders meeting unless the executed proxy has been filed with the secretary of the corporation no later than 5:00 p.m. April 25, 2003.

In order to make your proxy valid, please date and sign it exactly the way your name appears on the stock records. A person's mark shall constitute a valid signature if it is witnessed by two (2) persons, eighteen (18) years of age or older. All proxies received in writing, which shows intent to empower or revoke a proxy, shall be valid.

All challenges to proxies, ballots, or the conduct of the election or vote shall be made to the Inspector of Election, who shall decide such challenges in accordance with the Articles of Incorporation, By-laws of the corporation, rules of election, and applicable principles of corporate law.

### **Voting of Shares**

The corporation has one class of stock outstanding, designated as Class "A" Settlement Stock. The holders of these classes of stock whose name appear of record on the books of the corporation at the close of business on March 15, 2003 are entitled to vote at the meeting.

Each share of stock entitles the holder to one (1) vote, provided the shareholder is an Alaskan Native as defined by the Alaska Native Claims Settlement Act (ANCSA), as amended. As of March 15, 2003, there were 8,900 shares of Class "A" common stock outstanding. Of those outstanding shares 8,900 are entitled to vote.

### **Voting of Shares Held Under Custodianship**

Alaska law requires that stocks in a corporation organized pursuant to ANCSA to which a minor is entitled must be issued by the corporation to a custodian who will hold the stock for the minor until the shareholder reaches the age of eighteen (18) years. If you are a custodian holding shares for a minor, it is important that you sign and return the enclosed proxy for each minor shareholder for whom you are acting as custodian.

### Action to be Taken Under Proxy

After you have executed and returned the enclosed proxy, you may still revoke it (take it back) at any time before the persons to whom you have given your proxy vote your stock. This may be done by notifying the Secretary of the Corporation in writing on or before 5:00 p. m., April 25, 2003, or by registering and attending the meeting in person. Unless you take back the proxy, the persons to whom you have given it will vote the shares as you have directed on the proxy. Unless you direct otherwise, such persons will vote your shares as follows:

- a) For the election of two (2) directors, and
- b) In their discretion the transaction of such other business as may properly come before the annual meeting or any adjournment thereof.

The By-laws of the corporation provide that the business and property of the corporation shall be managed and controlled by the Board of Directors, consisting of seven (7) members. All directors are required to be shareholders of the corporation and eighteen (18) years of age or over. The Directors shall hold office until his or her term has expired and until his or her successor is elected.

The By-laws provide for the classification of directors into three (3) classes. Listed below are the nominees for the election of the Board of Directors to serve for a three (3) year term. Unless you otherwise instruct the persons holding your proxy, such persons will vote the proxies received by them in their own discretion, but reserve the right to cumulate the votes and distribute them among the nominees in their discretion. (Also refer to the heading in the Proxy Statement "Cumulative Voting of Directors"). If a nominee for some reason does not continue to be available to serve if elected to office.

**Lily Anniskett and Charlie Soosuk Attungowruk for seat 1**

**Walter Toorak, Sr. and Thomas S. Nukapigak for seat 2**

**Here are the Statement of Qualifications for the 2003 Election Candidates**

Lily Anniskett  
Point Lay, Alaska, Age 53

Cully Board member from April 1997 to present, with fifty-six percent (56%) meeting attendance in 2002. Presently working as acting President for Cully Corporation. Previously employed as EPA Administrator and Inupiat Bilingual Educator. Current representative of Inupiat Community of the Arctic Slope (ICAS). Former Point Lay IRA Mayor & Vice Mayor, member of NSB Health Board and ASRC Board member.

Walter T. Toorak Sr.,  
Anchorage, Alaska, Age 55

Cully Board member from 1973 to present with one hundred percent (100%) meeting attendance in 2002. ASRC Board member 1977-80 and 1991-93. Employed by Cully from 5/98 to 9/99. Employed by ASRC Information Technology 1995-1997. Member Native Village Council of Point Lay from 1990 to 1993.

Thomas S. Nukapigak,  
Pt. Lay, Alaska, Age 39

Employed by ICAS EPA. Current member of NSB Assembly and Pt. Lay Volunteer Search & Rescue. Former presidents of Pt. Lay Native Village IRA Council 2001-2002 and Pt. Lay Search & Rescue.

Charlie Soosuk Atungowruk,  
Fairbanks, Alaska, Age 65

Retired laborer. No prior experience on boards, councils, or other organizations.

#### **Continuing Directors Until 2004**

Alma M. Upicksoun, Esq.  
Anchorage, Alaska, Age 46

Cully Board member from 1998 to present with eighty-nine percent (89%) meeting attendance in 2002. Current Arctic Slope Regional Corporation Vice-President. Of General Counsel 2000 to current ASRC House Counsel from 1994 to 1999 Liaison Officer with NSB from 1990 to 1993. Visiting Professor of Political Science & Alaska Native Studies University of Alaska-Fairbanks from 1988 to 1989. Member of Alaska Bar Association.

Genevieve Tukrook  
Anchorage, Alaska, Age 57

Cully Board member Secretary/Treasurer from 1999-2001. Appointed in March, 2003 to complete seat 6 term. Employed as ASRC's Anchorage office receptionist since 1998. Formerly employed by US Federal Government from 1980-1998.

Martha Tukrook  
Point Lay, Alaska, Age 43

Cully Board member from April 1998 to present, Secretary /Treasurer from 2001 to present, with one hundred percent (100%) meeting attendance in 2002. NSB Apprenticeship Committee Member, 2000 to present. Pt. Lay Constructors Committee Member 1999 to present. Employed by Cully Corporation as Project Manager from January 2001 to present. Point Lay Mother's Club, Kali School Advisory Council. Past employee of NSB Mayor's Office from 12/96 to 1998.

#### **Continuing Directors Until 2005**

Ardys Akers  
Anchorage, Alaska, Age 53

Cully Board member from April 2002 to present, with one hundred percent (100%) meeting attendance in 2002. Employed since 1998 as Budget Analyst for the Federal government. Formerly employed by University of Alaska, Fairbanks.

Joseph A. Upicksoun  
Barrow, Alaska, Age 71

Cully Board member from 1971 to present, with one hundred percent (100%) meeting attendance in 2002. Previous employee of the NSB Housing Department. Past employee of Cully from 6/98 to 3/99. ASRC Board member 1971-1994.

### Compensation of Directors and Officers

The following table sets forth the total money paid to current officers or directors of the corporation for the fiscal year ending December 31, 2002 and for the and aggregate direct remuneration for all directors and officers as a group:

Name & Capacity	Total Remuneration	Pension Plan
Alma M. Upicksoun, Chair Person	\$ 0	-0-
Martha Norton-Awalin, President	\$53,848	-0-
Lily Anniskett, Vice President	\$ 1,750	-0-
Martha O. Tukrook Sec./Treas.	\$38,488	-0-
Ardys Akers, Director	\$ 700	-0-
Joseph Upicksoun, Director	\$ 2,150	-0-
Walter T. Toorak, Sr., Director	\$ 1,875	-0-
Genevieve Tukrook, Director	\$ 300	-0-
<b>Total Compensation</b>	<b>\$99,111</b>	

The Cully Board of Directors currently had no standing committees during the fiscal year ending December 31, 2002. The Cully Corporation Board of Directors has met nine (9) times within the past fiscal year.

### Cumulative Voting for Directors

In voting your shares for the election of directors, you may cumulate your votes as set forth by the Alaska Status [AS 10.06.420(d)] as follows:

“(d) Unless the articles of incorporation provide otherwise, at an election for directors each shareholder entitled to vote at the election may vote, in person or by proxy, the number of shares owned by the shareholder for as many persons as there are directors to be elected and for whose election the shareholder has a right to vote, or to cumulate votes by giving one candidate votes equal to the number of directors multiplied by the number of shares of the shareholder, or by distributing votes on the same principle among any number of candidates. The rights created by this subsection may not be limited by amendments to the articles when the votes cast against the amendment would be sufficient to elect one director if voted cumulatively at an election of the entire board. If you are entitled to vote one hundred (100) shares of stock, the manner in which these shares may be voted for the election of directors is illustrated as follows:

Number of shares	100
Directors to be elected	x2
 Total Numbers of votes	 200
(Multiply number of shares by 2)	

**Other Matters**

The corporation and its management know of no other matters other than those mentioned in the Proxy Statement to be brought before the meeting. However, if other matters do properly come before the meeting, it is the intention of the proxy holders to vote proxies in accordance with their best judgment, unless the proxy contains specific instructions otherwise.

March 15, 2003

BY ORDER OF THE BOARD OF DIRECTORS

A handwritten signature in cursive script, appearing to read "Martha O. Tukrook", written over a horizontal line.

Martha O. Tukrook  
Corporate Secretary/Treasurer

**Cully Corporation**  
**Proxy for Annual Meeting of Shareholders**  
**To Be Held on April 26, 2003**

The undersigned is entitled to vote at the meeting of the Cully Corporation shareholders to be held at the Dr. Albert Conference Hall, Ilisagvik College, Barrow, Alaska on Saturday, April 26, 2003 at 1:00 P.M.

1.) **Election of Directors:** There are two (2) directors to be elected at this annual meeting. You may cast all of your votes for one (1) person or you may divide your votes among all or any number of nominees. You have the total number of votes, as indicated on this proxy.

<b>Position</b>	<b>Name</b>	<b>Number of Votes</b>
Seat #1	Lily K. Anniskett	_____
Seat #1	Charlie Soosuk Attungowruk	_____
Seat #2	Walter Toorak, Sr.	_____
Seat #2	Thomas S. Nukapigak	_____

2.) I do not wish to vote my shares for any of the persons above and authority to vote my shares for any nominee is withheld.

WITHHELD (    )

This proxy will be voted as directed. If no direction is indicated, it will be voted as described in the proxy statement of March 15, 2003, and in the Board's discretion in the transaction of such other business as may properly come before the annual meeting or any adjournment of it.

\_\_\_\_\_  
Signature of Shareholder/Custodian

\_\_\_\_\_  
Date



# Cully Corporation

RECEIVED

MAR 21 2003

DEPARTMENT OF COMMUNITY  
AND ECONOMIC DEVELOPMENT  
SECURITIES SECTION

## NOTICE OF ANNUAL MEETING

P.O. Box 59089  
Point Lay, AK 99759  
Phone: (907) 833-2705  
Fax: (907) 833-2715

3820 Lake Otis Pkwy., # 106  
Anchorage, AK 99508  
Phone: (907) 569-2705  
Fax: (907) 569-2715

To the shareholders of Cully Corporation

NOTICE IS HEREBY GIVEN that the annual meeting of shareholders of Cully Corporation will be held at the Dr. Albert Conference Hall, Ilisagvik College in Barrow, Alaska, on Saturday, April 26, 2003 at 1:00 p.m. for the following purposes:

1. To elect Board of Directors as outlined in the accompanying Proxy Statement.
2. To transact such other business as may properly come before the meeting or any adjournment thereof.

Only shareholders of record at the close of business on March 15, 2003 are entitled to vote at the meeting. Shareholders are invited to vote at the meeting in person. If you will not be able to attend the meeting in person, you are requested to fill in, sign, and date the enclosed proxy and return it promptly in the envelope provided.

All proxies must be filed with the Corporate Secretary of the Corporation on or before 5:00 p.m. on April 25, 2002 in order to be voted at the meeting.

Pt. Lay, Alaska

March 15, 2003

By Order of the Board of Directors.

Martha Tukrook,  
Corporate Secretary

**CULLY CORPORATION AND SUBSIDIARY**

Consolidated Financial Statements  
and Supplemental Information

Years Ended December 31, 2002 and 2001



**NEWHOUSE & VOGLER**  
*Certified Public Accountants*

CULLY CORPORATION AND SUBSIDIARY

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**NEWHOUSE & VOGLER**  
*Certified Public Accountants*

237 E. Fireweed Lane, Suite 200  
Anchorage, Alaska 99503  
(907) 258-7555  
(907) 258-7582 Fax

Independent Auditor's Report

Board of Directors and Shareholders  
Cully Corporation and Subsidiary  
Point Lay, Alaska

Ladies and Gentlemen:

We have audited the accompanying consolidated balance sheets of Cully Corporation and subsidiary as of December 31, 2002 and 2001, and the related consolidated statements of loss, stockholders' equity, cash flows, and comprehensive (loss) earnings for the years then ended. These consolidated financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

Except as noted in the following paragraph, we conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 5, the Corporation has not maintained accurate records of its land and buildings and related depreciation, and accordingly, no amounts have been recorded in the financial statements as required by generally accepted accounting principles.

In our opinion, except for the omission of fixed assets and provision for depreciation results in an incomplete presentation as explained in the preceding paragraph, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Cully Corporation and subsidiary as of December 31, 2002 and 2001, and the results of their operations and cash flows for the years then ended in conformity with generally accepted accounting principles accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The additional information is presented for the purpose of additional analysis and is not a required part of the consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and, in our opinion, is fairly presented in all material respects in relation to the consolidated financial statements taken as a whole.

*Newhouse & Vogler*  
February 7, 2003

**CULLY CORPORATION AND SUBSIDIARY**

*Consolidated Balance Sheets*

*December 31, 2002 and 2001*

	<u>2002</u>	<u>2001</u>
<b>Assets</b>		
<b>Current assets:</b>		
Cash	\$ 411,301	653,047
Investments	<u>454,558</u>	<u>570,382</u>
	865,859	1,223,429
<b>Receivables:</b>		
Accounts receivable	980,791	161,753
Accounts receivable from SKW Eskimos	297,377	436,344
Income tax refund receivable	86,381	-
Contracts receivable	<u>-</u>	<u>104,444</u>
<i>Total receivables</i>	1,364,549	702,541
Other current assets	<u>124,213</u>	<u>73,435</u>
<i>Total current assets</i>	<u>2,354,621</u>	<u>1,999,405</u>
Building, furniture, and equipment, at cost	86,665	77,610
Less accumulated depreciation	<u>(23,895)</u>	<u>(10,062)</u>
<i>Net building, furniture, and equipment</i>	<u>62,770</u>	<u>67,548</u>
	 <u>\$ 2,417,391</u>	 <u>2,066,953</u>
<b>Liabilities and Stockholders' Equity</b>		
<b>Current liabilities:</b>		
Accounts payable and accrued expenses	\$ 201,265	160,380
Billings in excess of cost and estimated earnings on uncompleted contracts	562,048	101,412
Note payable	<u>169,447</u>	<u>182,965</u>
<i>Total current liabilities</i>	<u>932,760</u>	<u>444,757</u>
Minority interest	<u>252,871</u>	<u>214,937</u>
<b>Stockholders' equity:</b>		
Common stock, no par value; 12,000 shares authorized, none issued or outstanding	-	-
Contributed capital - Alaska Native Fund	536,558	536,558
Retained earnings	701,780	859,329
Unrealized (loss) earnings on securities available for sale	<u>(6,578)</u>	<u>11,372</u>
<i>Total stockholders' equity</i>	<u>1,231,760</u>	<u>1,407,259</u>
	 <u>\$ 2,417,391</u>	 <u>2,066,953</u>

See accompanying notes to the consolidated financial statements.

**CULLY CORPORATION AND SUBSIDIARY**

*Consolidated Statements of Loss*

*Years Ended December 31, 2002 and 2001*

	2002	2001
Revenues:		
Contract revenues	\$ 3,788,011	1,926,664
Fuel revenue	160,885	55,954
Rental Income	64,429	19,920
Interest income	9,529	24,480
7(i) income	8,843	5,799
Dividend income	5,679	180,189
Miscellaneous income	1,619	1,678
Loss on sale of securities	(90,709)	(132,701)
<i>Total revenues</i>	<u>3,948,286</u>	<u>2,081,983</u>
Costs and expenses:		
Construction costs	3,321,753	1,249,619
Payroll and payroll taxes	260,461	138,318
Professional services	185,975	63,455
Fuel	44,406	56,844
Administrative travel	34,053	23,153
Rent	21,236	21,028
Utilities	19,853	20,074
Travel and Board expenses	14,805	22,026
Depreciation	13,834	4,591
Office supplies and expenses	12,825	11,096
Investment fees	12,577	14,151
Annual meeting expenses	12,401	9,518
Miscellaneous expenses	11,324	10,741
Small tools	9,887	6,679
Equipment repair and maintenance	9,265	-
Insurance	7,419	1,401
Postage	2,967	-
Advertising	1,048	-
Land issues	-	65,452
Penalties	-	6,701
<i>Total costs and expenses</i>	<u>3,996,089</u>	<u>1,724,847</u>
<i>(Loss) earnings before minority interest</i>	(47,803)	357,136
Minority interest	<u>141,699</u>	<u>265,835</u>
<i>Net (loss) earnings before income taxes</i>	(189,502)	91,301
Income tax recovery (expense)	<u>31,953</u>	<u>(92,753)</u>
Net loss	<u>\$ (157,549)</u>	<u>(1,452)</u>

See accompanying notes to the consolidated financial statements.

**CULLY CORPORATION AND SUBSIDIARY**

*Consolidated Statements of Stockholders' Equity*

*December 31, 2002 and 2001*

	<u>Common Stock</u>	<u>Contributed Capital</u>	<u>Retained Earnings</u>	<u>Accumulated Comprehensive (Loss) Gain</u>	<u>Total Stockholders' Equity</u>
Balance at December 31, 2000	\$ -	536,558	860,781	(33,665)	1,363,674
Net loss	-	-	(1,452)	-	(1,452)
Unrealized gain on securities available for sale	-	-	-	45,037	45,037
Balance at December 31, 2001	-	536,558	859,329	11,372	1,407,259
Net loss	-	-	(157,549)	-	(157,549)
Unrealized (loss) gain on securities available for sale	-	-	-	(17,950)	(17,950)
Balance at December 31, 2002	\$ -	536,558	701,780	(6,578)	1,231,760

See accompanying notes to the consolidated financial statements.

**CULLY CORPORATION AND SUBSIDIARY**

*Consolidated Statements of Cash Flows*

*Years Ended December 31, 2002 and 2001*

	<u>2002</u>	<u>2001</u>
Cash flows from operating activities:		
Net loss	\$ (157,549)	(1,452)
Adjustments to reconcile net loss to net cash flows from operating activities:		
Depreciation	13,835	4,591
Minority interest	141,699	265,835
Loss on securities	90,709	132,701
(Increase) decrease in assets:		
Accounts receivable	(819,038)	362,210
Accounts receivable from SKW Eskimos	138,967	683,623
Contracts receivable	18,063	(80,109)
Other current assets	(50,778)	(17,939)
Cost and estimated earnings on uncompleted contracts in excess of billings	-	15,921
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	40,883	58,218
Billings in excess of cost on uncompleted contracts	460,636	(675,586)
<i>Net cash (used) provided by operating activities</i>	<u>(122,573)</u>	<u>748,013</u>
Cash flows from investing activities:		
Purchase of equipment	(9,055)	(48,134)
Purchase of securities	(495,966)	(457,220)
Proceeds from the sale of securities	503,131	491,955
<i>Net cash used by investing activities</i>	<u>(1,890)</u>	<u>(13,399)</u>
Cash flows from financing activities:		
Dividends paid to partners	(103,765)	(480,391)
Payments on note payable	(13,518)	(13,757)
<i>Net cash used by financing activities</i>	<u>(117,283)</u>	<u>(494,148)</u>
<i>Net (decrease) increase in cash</i>	<u>(241,746)</u>	<u>240,466</u>
Cash at beginning of year	<u>653,047</u>	<u>412,581</u>
Cash at end of year	<u>\$ 411,301</u>	<u>653,047</u>
Supplemental disclosure of cash flow information - Cash paid for income taxes	<u>\$ 9,446</u>	<u>139,989</u>

See accompanying notes to the consolidated financial statements.

**CULLY CORPORATION AND SUBSIDIARY**

*Consolidated Statements of  
Comprehensive (Loss) Earnings*

*Years Ended December 31, 2002 and 2001*

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	<u>2002</u>	<u>2001</u>
Net loss	\$ (157,549)	(1,452)
Other comprehensive (loss) gain, net of tax - Unrealized holding (loss) gain arising during period	<u>(6,578)</u>	<u>11,372</u>
<b>Comprehensive (loss) gain</b>	<b><u>\$ (164,127)</u></b>	<b><u>9,920</u></b>

See accompanying notes to the consolidated financial statements.

## CULLY CORPORATION AND SUBSIDIARY

### *Notes to Consolidated Financial Statements*

*December 31, 2002*

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#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### **Principal Business Activities**

Cully Corporation and its subsidiaries are engaged in the business of construction contracting, land sales, and fuel sales in the Village of Point Lay, Alaska. Substantially all the Corporation's net income arises from construction contracting activities.

##### **Principles of Consolidation**

The consolidated financial statements include accounts of Cully Corporation and its subsidiaries, Beluga Construction, LLC, and Point Lay Constructors. Cully Corporation is a village corporation within the Arctic Slope region, organized pursuant to the Alaska Native Claims Settlement Act (the Act). The Corporation owns 100 percent of Beluga Construction, LLC, and 51 percent interest in Point Lay Constructors. Beluga Construction, LLC, is a certified participant in the Small Business Administrations' 8(A) and DBE Programs. Point Lay Constructors is a joint venture with SKW Eskimos, Inc. All material intercompany profits, transactions, and balances have been eliminated.

##### **Capitalization**

Stockholders' equity includes receipts from the U.S. Government and the State of Alaska under provisions of the Act. For operational purposes, the Corporation has utilized a roll comprised of 91 Alaskan Natives eligible to receive stock certificates as certified by the Secretary of the Interior.

One hundred shares of common stock are to be issued to each qualified stockholder upon completion of stockholder enrollment pursuant to the Act.

Pursuant to the Act, until December 18, 1991, stock could not be sold, pledged, assigned, or otherwise alienated except in certain circumstances by court decree or death. Stock dividends or other distributions are similarly restricted. The stock carries voting rights only if the holder is an eligible Native.

In February 1988, legislation commonly referred to as the "1991 Amendments" was enacted into law. Major provisions of this legislation relating to stock issued under the Act include the following:

- An automatic extension of stock restrictions referred to above. Only through stockholder approval can these restrictions be removed.
- Corporation shareholders may vote to: a) include in the settlement and as stockholders Alaskan Natives born after December 18, 1971, b) provide for specific benefits to stockholders over the age of 65, and c) add as stockholders Alaskan Natives who missed the original enrollment.
- Corporate stockholders may decide whether to provide for dissenters' rights in certain circumstances.

## CULLY CORPORATION AND SUBSIDIARY

### *Notes to Consolidated Financial Statements, continued*

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#### **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

##### **Natural Resources**

Under Sections 12(a) and 12(b) of the Act, the Corporation will receive entitlement to the surface estate of real property totaling 90,009 acres. The Corporation has received interim conveyance to 74,791.22 acres of surface estate land under Section 12(a) of the Act.

Land and surface rights conveyed under the Act have not been recorded at the date of conveyance unless the value is determined by independent appraisals or by other means subject to verification.

##### **Estimates**

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make certain estimates and assumptions that directly affect results of reported assets, liabilities, revenue, and expenses. Actual results may differ from these estimates.

##### **Cash and Equivalents**

For purposes of the statements of cash flows, the Corporation considers cash in the bank and any securities with an original maturity of three months or less to be cash equivalents.

##### **Investments at Fair Value**

The Corporation has adopted Statement of Financial Accounting Standards No. 115, *Accounting for Certain Investments in Debt and Equity Securities* (SFAS 115). In accordance with this statement, securities are classified as held to maturity, available for sale, or trading. The Corporation has classified all its marketable securities as available for sale.

Unrealized holding gains and losses for available-for-sale securities are excluded from earnings and reported, net of any income tax effect, as a separate component of stockholders' equity. Realized gains and losses are reported in earnings based on the average-cost method of securities sold.

##### **Method of Accounting for Long-term Construction Contracts**

The Corporation is engaged in various types of construction under long-term construction contracts. The accompanying consolidated financial statements have been prepared using the percentage-of-completion method of accounting and, therefore, take into account the cost, estimated earnings, and revenue to date on contracts not yet completed.

The amount of revenue recognized at the statement date is the portion of the total contract price that the cost expended to date bears to the anticipated final total cost, based on current estimates of the cost to complete.

Contract changes subject to negotiation (claims) are recorded where recovery is probable. The amounts, when recorded, do not include profit and do not exceed the probable recovery amount.

Contract costs include all direct labor and benefits, materials unique to or installed in the project, subcontract cost, and allocated indirect construction costs.

## CULLY CORPORATION AND SUBSIDIARY

*Notes to Consolidated Financial Statements, continued*

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### **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

#### **Method of Accounting for Long-term Construction Contracts, continued**

As long-term contracts extend over one or more years, revisions in estimates of costs and earnings during the course of the work are reflected in the accounting period in which the facts which require the revision become known.

At the time a loss on a contract becomes known, the entire amount of the estimated ultimate loss is recognized in the financial statements.

#### **Long-lived Assets**

Long-lived assets to be held and used are reviewed for impairment whenever events or changes in circumstances indicate that the related carrying amount may not be recoverable. When required, impairment losses on assets to be held and used are recognized based on the excess of the asset's carrying amount over the fair value of the asset, and long-lived assets to be disposed of are reported at the lower of carrying amount or fair value less cost to sell.

#### **Operating Cycle**

Assets and liabilities related to long-term contracts are included in current assets and current liabilities in the accompanying consolidated balance sheet, as they will be liquidated in the normal course of contract completion, although this may require more than one year.

#### **Income Taxes**

Deferred income taxes have been provided under the liability method. Deferred tax assets and liabilities are determined based upon the difference between the financial statement and tax basis of assets and liabilities as measured by the enacted tax rates which will be in effect when these differences are expected to reverse.

### **NOTE 2 - DEPOSITS WITH FINANCIAL INSTITUTIONS**

At December 31, 2002, the Corporation had cash deposits with a book value of \$360,189 and a bank balance of \$371,355, of which \$231,236 was not insured by Federal Depository Insurance. At December 31, 2001, the Corporation had cash deposits with a book value of \$603,047 and a bank balance of \$627,734 of which \$406,991 was not insured by Federal Depository Insurance.

**CULLY CORPORATION AND SUBSIDIARY**

*Notes to Consolidated Financial Statements, continued*

**NOTE 3 - INVESTMENTS AT FAIR VALUE**

The Corporation's investments are accounted for as "available for sale." Investment in marketable securities at December 31, 2002, was as follows:

	<u>Cost</u>	<u>Unrealized Gain (Loss)</u>	<u>Fair Value</u>
Merrill Lynch dividend fund	\$ 202,393	(11,514)	190,879
Merrill Lynch growth fund	<u>258,743</u>	<u>4,936</u>	<u>263,679</u>
	<u>\$ 461,136</u>	<u>(6,578)</u>	<u>454,558</u>

There was \$90,709 in realized losses on the sale of investments during 2002.

Investment in marketable securities at December 31, 2001, was as follows:

Merrill Lynch dividend fund	\$ 208,893	5,825	214,718
Merrill Lynch growth fund	<u>350,117</u>	<u>5,547</u>	<u>355,664</u>
	<u>\$ 559,010</u>	<u>11,372</u>	<u>570,382</u>

There was \$132,554 in realized losses on the sale of investments during 2001.

**NOTE 4 - COSTS AND ESTIMATED EARNINGS ON CONTRACTS IN PROGRESS**

	<u>2002</u>	<u>2001</u>
Costs incurred on uncompleted contracts	\$ 2,469,069	23,429,091
Estimated earnings	<u>435,398</u>	<u>3,854,155</u>
	2,904,467	27,283,246
Billings to date	<u>3,373,175</u>	<u>27,381,958</u>
<b>Contract revenue adjustment</b>	<u>\$ (468,708)</u>	<u>(98,712)</u>

This contract adjustment is included in the accompanying balance sheet under the following captions:

Billings in excess of costs and estimated earnings on uncompleted contracts	<u>\$ 562,048</u>	<u>101,412</u>
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## CULLY CORPORATION AND SUBSIDIARY

Notes to Consolidated Financial Statements, continued

### NOTE 5 - LAND, BUILDINGS, AND PROPERTY TAXES

The Corporation currently owes approximately \$83,442 in property taxes to North Slope Borough (NSB). The taxes pertain to properties and improvements for Point Lay Store, teacher housing, fuel tank farm, a five-plex property, and other land and buildings in Point Lay, Alaska. None of this land and improvements has been recorded on the books of the Corporation, as there is some question of its ownership and value. NSB is currently updating its tax assessment system and will evaluate ownership and related property taxes for these properties. The Corporation expects to have the issue resolved before the end of calendar year 2003.

### NOTE 6 - RELATED PARTY TRANSACTIONS

SKW Eskimos, Inc., the other partner in Point Lay Constructors, owes the Joint Venture \$297,377. This balance represents the operating cash balance held by SKW Eskimos as the managing partner of the Joint Venture.

### NOTE 7 - INCOME TAXES

The Corporation had an income tax recovery of \$(31,953) for the year ended December 31, 2002. Income tax expense for the year ended December 31, 2001, was \$92,753. Actual tax (recovery) expense differs from "expected" tax (recovery) expense (computed by applying U.S. federal corporation income tax rates to earnings before taxes) as follows:

Components of current-year income tax (recovery) expense follow:

	<u>2002</u>	<u>2001</u>
Computed "expected" tax (recovery) expense	\$ (67,642)	31,042
Penalties	-	2,278
Capital losses in excess of gains	30,842	45,118
Depreciation	1,039	(8,346)
Federal benefit of State taxes	(5,940)	10,176
Other	9,446	-
Under-accrual of prior-year liability	-	19,698
Surtax exemption	<u>302</u>	<u>(7,213)</u>
	<u>\$ (31,953)</u>	<u>92,753</u>

### NOTE 8 - MAJOR CUSTOMERS

Of total consolidated revenues, \$3,788,011, or 96 percent, is from construction contracts being performed in and around Point Lay, Alaska, for NSB.

## CULLY CORPORATION AND SUBSIDIARY

*Notes to Consolidated Financial Statements, continued*

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### **NOTE 9 - COMMITMENTS AND CONTINGENCIES**

In previous years, Bureau of Indian Affairs (BIA) and NSB built houses on Cully property. Ownership of the structures rests with shareholders of Cully Corporation. Ownership of the land that the structures were built on rests with Cully Corporation. At the time the BIA and NSB homes were built, several deeds were processed, but due to loss of records and relocations of the village site, most homes do not have deeds to the property. The first deed to a Cully shareholder was processed in 2002 for a nominal fee of \$1,000.

In order to deed this property to homeowners and prevent unequal distribution of property to individual shareholders, the Corporation expects to make a similar distribution of assets available to the remaining shareholders of Cully Corporation.

**SUPPLEMENTAL INFORMATION**

**CULLY CORPORATION AND SUBSIDIARY**

*Combining Balance Sheet*

December 31, 2002

	<u>Cully</u>	<u>Beluga Construction</u>	<u>Point Lay Constructors</u>	<u>Eliminations</u>	<u>Consolidated</u>
<b>Assets</b>					
<b>Current assets:</b>					
Cash	\$ 360,223	51,078	-	-	411,301
Investments	<u>454,558</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>454,558</u>
	<u>814,781</u>	<u>51,078</u>	<u>-</u>	<u>-</u>	<u>865,859</u>
<b>Receivables:</b>					
Accounts receivable	186,111	16,369	778,311	-	980,791
Accounts receivable from SKW Eskimos	-	-	297,377	-	297,377
Income tax refund receivable	<u>86,381</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>86,381</u>
<i>Total receivables</i>	<u>272,492</u>	<u>16,369</u>	<u>1,075,688</u>	<u>-</u>	<u>1,364,549</u>
Other current assets	<u>123,513</u>	<u>700</u>	<u>-</u>	<u>-</u>	<u>124,213</u>
<i>Total current assets</i>	<u>1,210,786</u>	<u>68,147</u>	<u>1,075,688</u>	<u>-</u>	<u>2,354,621</u>
Building, furniture and equipment, at cost	86,665	-	-	-	86,665
Less accumulated depreciation	<u>(23,895)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(23,895)</u>
<i>Net building, furniture, and equipment</i>	<u>62,770</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>62,770</u>
Due from/to subsidiary	37,143	(37,143)	-	-	-
Note receivable	200,000	-	-	(200,000)	-
Investment in Point Lay Constructors	260,769	-	-	(260,769)	-
Investment in Beluga Construction Company	<u>50,000</u>	<u>-</u>	<u>-</u>	<u>(50,000)</u>	<u>-</u>
	<u>\$ 1,821,468</u>	<u>31,004</u>	<u>1,075,688</u>	<u>(510,769)</u>	<u>2,417,391</u>
<b>Liabilities and Stockholders' Equity</b>					
<b>Current liabilities:</b>					
Accounts payable and accrued expenses	\$ 181,297	19,968	-	-	201,265
Billings in excess of cost and estimated earnings on uncompleted contracts	-	-	562,048	-	562,048
Note payable	<u>169,447</u>	<u>200,000</u>	<u>-</u>	<u>(200,000)</u>	<u>169,447</u>
<i>Total current liabilities</i>	<u>350,744</u>	<u>219,968</u>	<u>562,048</u>	<u>(200,000)</u>	<u>932,760</u>
Minority interest	<u>-</u>	<u>-</u>	<u>-</u>	<u>252,871</u>	<u>252,871</u>
<b>Stockholders' equity:</b>					
Common stock, no par value; 12,000 shares authorized, none issued or outstanding	-	-	-	-	-
Contributed capital	536,558	50,000	-	(50,000)	536,558
Retained earnings (loss)	940,744	(238,964)	513,640	(513,640)	701,780
Unrealized holding (losses) earnings	<u>(6,578)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(6,578)</u>
<i>Total stockholders' equity</i>	<u>1,470,724</u>	<u>(188,964)</u>	<u>513,640</u>	<u>(563,640)</u>	<u>1,231,760</u>
	<u>\$ 1,821,468</u>	<u>31,004</u>	<u>1,075,688</u>	<u>(510,769)</u>	<u>2,417,391</u>

See accompanying accountant's report.

**CULLY CORPORATION AND SUBSIDIARY**

*Combining Statement of Earnings (Loss)*

*Year Ended December 31, 2002*

	<u>Cully</u>	<u>Beluga Construction</u>	<u>Point Lay Constructors</u>	<u>Eliminations</u>	<u>Consolidated</u>
<b>Revenues:</b>					
Contract revenues	\$ 447,599	285,820	3,054,592	-	3,788,011
Fuel revenue	160,885	-	-	-	160,885
Income from equity in Point Lay Constructors	147,482	-	-	(147,482)	-
Rental income	64,429	-	-	-	64,429
Interest income	23,513	-	-	(13,984)	9,529
7(l) income	8,843	-	-	-	8,843
Dividend income	5,679	-	-	-	5,679
Miscellaneous income	1,030	589	-	-	1,619
Loss on sale of securities	(90,709)	-	-	-	(90,709)
<i>Total revenues</i>	<u>768,751</u>	<u>286,409</u>	<u>3,054,592</u>	<u>(161,466)</u>	<u>3,948,286</u>
<b>Costs and expenses:</b>					
Construction costs	329,804	226,538	2,765,411	-	3,321,753
Payroll and payroll taxes	128,720	131,741	-	-	260,461
Professional services	96,322	89,653	-	-	185,975
Fuel	44,406	-	-	-	44,406
Administrative travel	18,344	15,709	-	-	34,053
Rent	8,211	13,025	-	-	21,236
Utilities	19,853	-	-	-	19,853
Travel and Board expenses	14,805	-	-	-	14,805
Depreciation	13,834	-	-	-	13,834
Office supplies and expenses	5,779	7,046	-	-	12,825
Investment fees	12,577	-	-	-	12,577
Annual meeting expenses	12,401	-	-	-	12,401
Miscellaneous expenses	5,928	5,396	-	-	11,324
Small tools	-	9,887	-	-	9,887
Equipment repair and maintenance	4,314	4,951	-	-	9,265
Insurance	3,991	3,428	-	-	7,419
Postage	-	2,967	-	-	2,967
Advertising	-	1,048	-	-	1,048
Interest expense	-	13,984	-	(13,984)	-
<i>Total costs and expenses</i>	<u>719,289</u>	<u>525,373</u>	<u>2,765,411</u>	<u>(13,984)</u>	<u>3,996,089</u>
<i>(Loss) earnings before minority interest</i>	49,462	(238,964)	289,181	(147,482)	(47,803)
Minority interest	-	-	-	141,699	141,699
<i>Net (loss) earnings before income taxes</i>	49,462	(238,964)	289,181	(289,181)	(189,502)
Income tax recovery	31,953	-	-	-	31,953
<i>Net (loss) earnings</i>	<u>81,415</u>	<u>(238,964)</u>	<u>289,181</u>	<u>(289,181)</u>	<u>(157,549)</u>
Retained earnings, January 1, 2001	859,329	-	436,224	(436,224)	859,329
Distributions	-	-	(211,765)	211,765	-
<b>Retained earnings (loss), December 31, 2002</b>	<u>\$ 940,744</u>	<u>(238,964)</u>	<u>513,640</u>	<u>(513,640)</u>	<u>701,780</u>

See accompanying accountant's report.

**CULLY CORPORATION AND SUBSIDIARY**

*Consolidated Statement of Cash Flows*

Year Ended December 31, 2002

	Cully	Beluga Construction	Point Lay Constructors	Eliminations	Consolidated
<b>Cash flows from operating activities:</b>					
Net (loss) earnings	\$ 81,415	(238,964)	289,181	(289,181)	(157,549)
Adjustments to reconcile net (loss) earnings to net cash flows from operating activities:					
Depreciation	13,834	-	-	-	13,834
Minority interest	-	-	-	141,699	141,699
Income (loss) from equity in Point Lay Constructors	(147,482)	-	-	147,482	-
Loss on sale of securities	90,709	-	-	-	90,709
(Increase) decrease in assets:					
Accounts receivable	(125,650)	(16,369)	(677,019)	-	(819,038)
Accounts receivable from SKW Eskimos	-	-	138,967	-	138,967
Contracts receivable	18,063	-	-	-	18,063
Other current assets	(50,078)	(700)	-	-	(50,778)
Increase in liabilities:					
Accounts payable and accrued expenses	20,916	19,968	-	-	40,884
Billings in excess of cost on uncompleted contracts	-	-	460,636	-	460,636
<b>Net cash (used) provided by operating activities</b>	<u>(98,273)</u>	<u>(236,065)</u>	<u>211,765</u>	<u>-</u>	<u>(122,573)</u>
<b>Cash flows from investing activities:</b>					
Purchase of equipment	(9,055)	-	-	-	(9,055)
Purchase of investments	(495,966)	-	-	-	(495,966)
Proceeds from the sale of investments	503,131	-	-	-	503,131
Contribution from (to) partner	(237,143)	237,143	-	-	-
Distributions from partner	108,000	-	-	(108,000)	-
<b>Net cash (used) provided by investing activities</b>	<u>(131,033)</u>	<u>237,143</u>	<u>-</u>	<u>(108,000)</u>	<u>(1,890)</u>
<b>Cash flows from financing activities:</b>					
Dividends paid to partners	-	-	(211,765)	108,000	(103,765)
Payments on note payable	(13,518)	-	-	-	(13,518)
<b>Net cash (used) provided by financing activities</b>	<u>(13,518)</u>	<u>-</u>	<u>(211,765)</u>	<u>108,000</u>	<u>(117,283)</u>
<b>Net (decrease) increase in cash</b>	<u>(242,824)</u>	<u>1,078</u>	<u>-</u>	<u>-</u>	<u>(241,746)</u>
Cash at beginning of year	<u>603,047</u>	<u>50,000</u>	<u>-</u>	<u>-</u>	<u>653,047</u>
Cash at end of year	<u>\$ 360,223</u>	<u>51,078</u>	<u>-</u>	<u>-</u>	<u>411,301</u>
<b>Supplemental disclosure of cash flow information - Cash paid for income taxes</b>					
	<u>\$ 9,446</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,446</u>

See accompanying accountant's report.

**BERKSHIRE HATHAWAY INC.**

1440 KIEWIT PLAZA  
OMAHA, NEBRASKA 68131  
TELEPHONE (402) 340-1400  
FAX (402) 340-0476

WARREN E. BUFFETT, CHAIRMAN

March 30, 2004

Via Fax – Dictated but not read

Representative Bruce B. Weyhrauch  
Chairman, House State Affairs Committee  
Alaska State Legislature  
Alaska State Capitol  
Juneau, AK 99801-1182

Dear Chairman Weyhrauch:

I appreciate the invitation to testify before your committee, and I admire your commitment to writing statutes that keep alive entrepreneurial spirit while punishing those who abuse the system. However, I just have to decline to testify. I get asked to do so by a variety of State and Congressional Committees. If I appear before one, it becomes very hard to say no to dozens of others in various states in which Berkshire does business or with the Federal Government where we have extensive interaction.

In general, I can say I believe in quite stiff penalties against individuals – rather than corporations – when wrongdoing is found. It's individual people who commit wrongful acts and they should pay rather than the shareholders who are bystanders. It's easier, of course, to get a big corporation to pay a stiff fine, but real deterrence occurs when the company's officers pay out of their own pockets.

Sincerely,

*Warren E. Buffett/db*

Warren E. Buffett

WEB/db

# ALASKA STATE LEGISLATURE

Representative Bruce Weyhrauch

HOUSE DISTRICT 4

March 30, 2004

Via fax (402) 346-0476

ALASKA  
STATE CAPITOL  
JUNEAU, ALASKA  
99801-1182

(907) 465-3744  
FAX (907) 465-2273



Mr. Warren E. Buffett, Chairman  
Berkshire Hathaway  
1440 Kiewit Plaza  
Omaha, Nebraska 68131

Dear Mr. Buffett:

The Alaska Legislature is presently revising portions of our statutory scheme that govern the scrutiny that the State's Securities Division has over corporations. Among the amendments that the House State Affairs Committee is considering is increasing the penalties that can be assessed against corporations found guilty of wrongdoings, and to allow the State's Securities Division to recover its full cost of investigation.

We must insure, as a matter of state policy, that laws we enact do not thwart the need for an environment for the capitalist system to flourish. As a resource-based state with a wide array of rich natural resources, we want to maintain a business climate that invites private investment. However, we should also have a State government that can penalize corporations that profit at the expense of the public, and that pay appropriate fines when those corporations act wrongfully.

We invite you to briefly testify before our committee on Berkshire Hathaway's experiences in balancing its need to profit, in harmony with its Corporate Governance's Code of Business Conduct and Ethics, against the states' scheme of investigations and penalties to punish harmful conduct by corporations their officers and agents. What works and what does not?

We appreciate that your time is limited, but our request is for 15 minutes of your time. I deeply appreciate your consideration of this request. Please call to discuss this anytime. Our session is limited, so we would like this testimony to occur before next Wednesday if possible. Since we are three hours behind you, we could accommodate you during your lunch time if that would work.

Sincerely,

A handwritten signature in cursive script that reads "Bruce B. Weyhrauch".

Bruce B. Weyhrauch  
Chairman, House State Affairs Committee

# ALASKA STATE LEGISLATURE

REPRESENTATIVE BRUCE WEYHRAUCH



ALASKA  
STATE CAPITOL  
JUNEAU, ALASKA  
99801-1182

(907) 465-3744  
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## STATE AFFAIRS COMMITTEE

HB 527

### THE ALASKA SECURITIES ACT

#### SPONSOR'S STATEMENT

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

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

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

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

~ More ~

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

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

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

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

Contact: Linda Sylvester  
Representative Bruce Weyhrauch  
465-4963

Released: March 1, 2004

# FISCAL NOTE

**STATE OF ALASKA**  
**2004 LEGISLATIVE SESSION**

Fiscal Note Number: \_\_\_\_\_  
 Bill Version: HB 527  
 () Publish Date: \_\_\_\_\_

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: DCED  
 Title Alaska Securities Act RDU Banking, Securities & Corporations(115)  
 Component Banking, Securities & Corporations  
 Sponsor House State Affairs Component No. 1233  
 Requester House State Affairs

**Expenditures/Revenues (Thousands of Dollars)**

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

<b>CAPITAL EXPENDITURES</b>						
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<b>CHANGE IN REVENUES (1156)</b>	<b>79.0</b>	<b>79.0</b>	<b>79.0</b>	<b>79.0</b>	<b>79.0</b>	<b>79.0</b>
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**FUND SOURCE (Thousands of Dollars)**

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
1156 Receipt Supported Services						
<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY2004) cost: 0.0  
 Mark this box (X) if funding for this bill is included in the Governor's FY 2005 budget proposal:

**POSITIONS**

Full-time						
Part-time						
Temporary						

**ANALYSIS:** (Attach a separate page if necessary)

This legislation, among other things, increases the civil penalties for people who violate Alaska's Security Act. Penalties increase from \$2,500 for a single knowing violation to a maximum of \$100,000 for multiple knowing violations, and from \$500 to \$25,000 for unintentional violations. The department estimates an additional \$79.0 in revenues will be collected as a result of this increase. The estimate, which is subject to significant variability, is based on the weighted average of the amount of fines levied and collected over the past five years. Fines have ranged from a low \$15.7 to a high of \$683.5. Collection rates vary from a low of 0.5% to 85%. This legislation has no fiscal impact on the operations of the division.

Prepared by: Mark Davis, Director Phone (907) 465-5451  
 Division Banking, Securities & Corporations Date/Time 3/8/04 2:22 PM  
 Approved by: Edgar Blatchford, Commissioner Date 3/8/2004  
 Agency Department of Community & Economic Development

# ALASKA STATE LEGISLATURE

REPRESENTATIVE BRUCE WEYHRAUCH



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

~ More ~

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Contact: Linda Sylvester  
Representative Bruce Weyhrauch  
465-4963

Released: March 1, 2004

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**2004 LEGISLATIVE SESSION**

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 Sponsor House State Affairs  
 Requester House State Affairs Component No. 1233

**Expenditures/Revenues** (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
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Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

<b>CAPITAL EXPENDITURES</b>						
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<b>CHANGE IN REVENUES (1156)</b>	<b>79.0</b>	<b>79.0</b>	<b>79.0</b>	<b>79.0</b>	<b>79.0</b>	<b>79.0</b>
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**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
1156 Receipt Supported Services						
<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY2004) cost: 0.0  
 Mark this box (X) if funding for this bill is included in the Governor's FY 2005 budget proposal:

**POSITIONS**

Full-time						
Part-time						
Temporary						

**ANALYSIS:** (Attach a separate page if necessary)

This legislation, among other things, increases the civil penalties for people who violate Alaska's Security Act. Penalties increase from \$2,500 for a single knowing violation to a maximum of \$100,000 for multiple knowing violations, and from \$500 to \$25,000 for unintentional violations. The department estimates an additional \$79.0 in revenues will be collected as a result of this increase. The estimate, which is subject to significant variability, is based on the weighted average of the amount of fines levied and collected over the past five years. Fines have ranged from a low \$15.7 to a high of \$683.5. Collection rates vary from a low of 0.5% to 85%. This legislation has no fiscal impact on the operations of the division.

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 Division Banking, Securities & Corporations Date/Time 3/8/04 2:22 PM  
 Approved by: Edgar Blatchford, Commissioner Date 3/8/2004  
 Agency Department of Community & Economic Development