

**QUESTIONS AND ANSWERS RELATING TO THE PROPOSED REGULATION CHANGES TO PROXY
SOLICITATIONS FOR CERTAIN ANCSA CORPORATIONS**

The following questions were received during the public comment process for regulation changes proposed on October 15, 2015 relating to proxy solicitations for certain ANCSA corporations that are required to file with the Department of Commerce, Community, and Economic Development. Answers to relevant questions received at least 10 days prior to the November 24, 2015 deadline for public comment are listed below.

Questions and answers updated as of December 1, 2015:

- 1. What is the rationale to an additional seven tiered graduated fee scale based on total assets? (I am assuming that larger ANCs, based on total assets, do not necessarily produce any greater workload for the Division than do the smaller ANCs with fewer assets and if that is the case why isn't a single additional flat fee being proposed? Furthermore, "assets" may remain static indefinitely so if there is a sliding scale then why isn't it based on annual revenue instead of assets which may be producing zero revenue on an annual basis? Clearly, assets may speak to total net worth but not necessarily to annual profitability as the attachment you provided illustrates.)**
 - A. The proposed regulation tiered fees were patterned from the Bank Assessment regulation (3 AAC 01.110) and is proposed to be based on the assets of the ANC as reported to the shareholders through annual audited financial statements. It is important that ANCSA regulations are consistent with other regulations implemented by the Division of Banking and Securities. The workload may arise from different ANCs each year and may cross over years. As such, the workload will likely level out among the ANCSA corporations. Some issues arise that affect the ANC program, but not necessarily any particular ANC, or perhaps it may affect all ANCs. As an example, the division provided extensive ANC information related to a Government Accountability Office inquiry several years ago.

- 2. Why doesn't the Division incentivize electronic filing by passing on the associated expense in the form of a fee for those ANCs that choose to file in hard copy?**
 - A. There are a number of ANCs that because of economic conditions or location do not have the resources to file electronically.

- 3. Why doesn't the Division charge a fee to people who request copies of ANC associated filings? Presumably the people requesting them are primarily shareholders of the ANCs they request filings for and those shareholders could just as easily request and obtain that information from their corporation since their corporations are required to provide them those filings.**
 - A. The division is the public record depository and the records, including the annual reports and all proxy solicitation filings, are available without charge to any person who walks into our office.

Many persons who want to review the records are not in Anchorage. Fees would penalize those who have the least opportunity to view the records.

4. **When the Division is tasked with investigating complaints by shareholders of alleged regulatory violations why doesn't the division pass on the associated expense, or a flat fee, to the ANC when those complaints are found to have merit?**
 - A. Currently, the division does not have the authority to assess investigation or examination fees to ANCs. On occasion, the division has negotiated investigation fees in settling an ANC matter on a consent basis.

Questions and answers updated as of October 30, 2015:

5. **What is the rationale behind the proposed regulation changes adding subsection 3 AAC 08.920(c), which creates new fees for certain ANCSA corporations?**
 - A. On October 15, 2015, the division proposed regulation changes governing proxy solicitations relating to certain ANCSA corporations required to file with the division under AS 45.55.139. The proposed regulation changes include adding subsection 3 AAC 08.920(c), establishing an annual \$250 filing fee plus an additional graduated fee for each corporation required to file with the division. Based on the most recent public filings from September 21, 2015, 12 Regional Corporations and 32 Village Corporations file with the division. A list is attached showing which corporations file, as well as their total asset size.

To date, the division has not assessed fees on corporations to carry out the ANCSA program pursuant to the requirements of AS 45.55.139 and 3 AAC 08.305 - 3 AAC 08.365. Oversight of ANCSA proxy solicitations was assigned to the division in 1977 and most of the regulations were originally promulgated in 1981. While no fees have historically been assessed, a significant amount of division examiner, investigative and administrative staff and resources are dedicated to administering this program each year. In an average fiscal year, the division receives between 150 to 200 inquiries by telephone or email regarding ANCSA. In FY15, the division received 22 formal requests for investigation (complaints) regarding ANCSA corporations or shareholders alleging violations of the regulations administered by the division and each required immediate and significant attention by division staff.

In addition to responding to inquiries and investigating complaints, the division is tasked with collecting the required filings by the corporations and shareholders and making them available to the public. In FY15, the division received 352 individual filings from corporations and shareholders. While the division encourages electronic filing, most corporations do not file electronically. Due to the high volume of public records requests (79 in FY15 alone), the division found it more expedient to fulfill these requests if documents are scanned upon receipt. Scanning takes a significant amount of staff time (but less than making repeated hard

copies), especially of the corporate filings which typically consist of magazine-style glossy booklets of 50 pages or greater, requiring that each page be scanned manually. The division also physically maintains the filings in its Anchorage office, allowing the public to come and make copies or print electronic documents free of charge. In FY15, the division had 95 walk-in inquirers who made over 15,000 copies.

The costs to the division are substantial. The fees set out in 3 AAC 08.920(c) are proposed to help cover these costs, which are now being entirely subsidized by fees paid by other licensees overseen by the division, as the division does not receive any general funds. The proposed annual \$250 flat fee is based on the annual fee that is assessed on each main office of an investment adviser and broker-dealer firm registered in Alaska. The proposed additional graduated fee schedule is based on a corporation's total assets and has a seven tier fee structure, providing relatively low fees for corporations with fewer assets.

ANCSA Corporations' Total Assets

Based on the most recent public filings
through 09/21/2015

Corporation	Total Assets
Regional Corporations	
ASRC	1.8 billion
CIRI	907 million
NANA	1.071 billion
Chugach	368 million
Doyon	620 million
AHTNA	53 million
Sealaska	361 million
Koniag	156 million
Aleut	189 million
Bristol Bay	629 million
Calista	340 million
Bering Straits	165 million
Village Corporations	
Olgoonik	86.7 million
Goldbelt	103 million
UIC	193 million
Kake	2.3 million
Kenai Natives	3.8 million
Choggiung	14 million
Afognak	310 million
Bethel	59 million
Deloycheet	2 million
Eyak	24 million
Gana-Yoo	15 million
Haida	5 million + 10 million shareholder trust = 15 million
Huna Totem	44 million
KIC	20 million
Klawok	6 million + 13 million shareholder trust = 19 million

Village Corporations (cont)	
Kootznowoo	10.4 million
K'oyits'ots'ina	34 million
Kuskokwim	41 million
Natives of Kodiak	20 million + 14 million permanent fund trust = 34 million
Paug-Vik	11 million
Qanirtuuq	8.8 million
Sea Lion	91 million
Shaan-Seet	3.4 million
Shee Atika	21 million
Sitnasuak	96 million
Tanadgusix	124 million
Tikigaq	20 million
Togiak	5 million
Togotthele	7 million
Tyonek	71 million
Unalakleet	9 million
Alaska Penninsula	4 million