

STATE OF ALASKA  
DEPARTMENT OF COMMERCE, COMMUNITY, AND ECONOMIC DEVELOPMENT  
DIVISION OF BANKING AND SECURITIES  
P.O. BOX 110807  
JUNEAU, ALASKA 99811-0807

<u>In the Matter of:</u> The 13th Regional Corporation Respondent	) ) )	ALASKA ORDER #06-09- S
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**CONSENT AGREEMENT WITH THE 13TH REGIONAL CORPORATION**

**I. FACTUAL ALLEGATIONS**

1. The Division of Banking and Securities (the division), is responsible for administering the Alaska Securities Act (the Act) at AS 45.55 and regulations adopted under the Act at 3 AAC 08. . .

2. The 13th Regional Corporation (13th Region), of 1156 Industry Drive, Seattle, WA 98188, is an Alaska Native corporation organized under the Alaska Native Claims Settlement Act (ANCSA). It is subject to the requirements of AS 45.55.139 and pertinent regulations due to its having more than 500 shareholders and assets exceeding \$1,000,000.

3. The 13th Region scheduled its 2005 annual meeting for August 27, 2005 and solicited proxies in connection with it. The proxy solicitation materials distributed to shareholders and the division included a Notice of Annual Meeting & Proxy Statement booklet as well as Audited Financial Statements for the year ending December 31, 2004 .

4. The division initially received a complaint dated August 10, 2005 from a shareholder alleging the 13th Region violated the Alaska Securities Act and regulations by making materially false or misleading statements in its proxy solicitation materials.

Additional complaints and correspondence from that same shareholder were dated August 16, 2005, August 30, 2005, October 20, 2005, October 23, 2005 and October 25, 2005.

1 The division asked for responses and clarification from the 13th Region and received letters  
2 dated September 19, 2005, October 10, 2005 and December 3, 2005.

3 5. The division considered 17 complaints. Two of them, as described in the following  
4 two paragraphs, are the subject of this settlement agreement.

5 6. The shareholder complaint stated that Liz Ross' compensation as the acting CEO  
6 was not disclosed and was not included in a total of compensation paid to "all officers and  
7 directors as a group". The 13th Region responded that her compensation was included in  
8 the financial statements but it had inadvertently omitted to disclose her compensation in  
9 their 2005 proxy statement.

10 7. The shareholder complaint also stated that the 13th Region failed to make  
11 sufficient disclosure about a settlement made to a former CEO. The 13th Region stated  
12 that it did not include the settlement amount in the Director Compensation portion of the  
13 2005 proxy statement as neither the payment nor the settlement agreement was made in  
14 2004.

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16 **II. FINDINGS**

17 8. A solicitation of proxies for an annual meeting must be free of materially false and  
18 misleading statements (AS 45.55.160.) 3 AAC 08.315 provides that a misrepresentation  
19 includes "...a statement that, at the time and under the circumstances in which it is made  
20 (1) is false or misleading with respect to a material fact; (2) omits a material fact necessary  
21 in order to make a statement made in the solicitation not false or misleading..." and that "A  
22 misrepresentation is material if there is substantial likelihood that a reasonable shareholder  
23 would consider it important in deciding how to vote."

24 9. 3 AAC 08.345(b)(2)(B) states that the corporation provides a written proxy  
25 statement which includes "all current remuneration distributed or accrued and (a statement)

1 of all future remuneration contributed during the corporation's last fiscal year on behalf  
2 of..." all officers and directors as a group; stating the number of persons in the group  
3 without naming them; ..."

4 10. The 13th Region's 2005 proxy statement section labeled "Director Compensation"  
5 provides information on board member compensation, sale of the UPS store, and the five  
6 most highly compensated officers and directors. However, it omitted to state the total  
7 remuneration to all officers and directors and omitted to state the total number in that  
8 group. The division finds the 13th Region violated 3 AAC 08.345(b)(2)(8) by failing to  
9 provide this information.

10 11. 3 AAC 08.345(b)(2)(A), requires the 13th Region to disclose in its annual proxy  
11 statement "...all current remuneration distributed or accrued and (a statement) of all future  
12 remuneration contributed during the corporation's last fiscal year on behalf of each of the  
13 five most highly compensated directors or officers for his services in all capacities to the  
14 corporation and its subsidiaries, naming each such person;..." Former CEO Krajewski was  
15 included in the corporation's proxy statement as one of its five most highly compensated  
16 personnel. A financial settlement to Mr. Krajewski was accrued in the 2004 financial  
17 statements and reported to shareholders. The above regulation would also require that this  
18 compensation be disclosed in the 2005 proxy statement along with the rest of Mr.  
19 Krajewski's compensation. This settlement amount was not included in the 2005 proxy  
20 statement as part of his distributed or accrued compensation. Therefore, the division finds  
21 the 13th Region violated 3 AAC 08.345(b)(2)(A) by failing to disclose this information.

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1 **III. CONSENT AGREEMENT**

2 The 13th Region neither admits nor denies the allegations and asserted violation  
3 set forth herein and enters into this agreement for the purposes of settlement and in the  
4 interest of the conservation of resources and economy.

5 13. The 13th Region agrees to contribute the sum of \$200 towards the division's  
6 expenses of investigation.

7 14. The respondent agrees to cease and desist from the acts cited above and from any  
8 further acts that would violate the Alaska Securities Act, including, but not limited to, acts or  
9 practices cited in paragraph 8 through 11 of this consent agreement.

10 15. The 13th Region agrees to the Consent Agreement voluntarily for the purposes  
11 recited in the agreement and specifically waives any right to a hearing.

12 16. The 13th Region and the division agree that this Consent Agreement shall remain  
13 in full force and effect and binding until it is amended or vacated by further order of the  
14 Administrator or the mutual agreement of the parties.

15 17. This order is being executed in two original documents.

16  
17 June 27, 2006  
18 Date

/s/ Mark R. Davis  
Mark R. Davis, Administrator  
Division of Banking and Securities

20 /s/ Peter J. Egan  
21 Name Peter J. Egan  
Title: Board Chair  
The 13th Region Regional Corporation

22  
23 Contact Person:  
24 Eileen Buchanan  
Securities Examiner  
25 907-465-5452

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