

House Committee on Business and Consumer Affairs
Subcommittee No. 1
April 4, 1991 - Page

These minutes contain materials which paraphrase and/or summarize statements made during this session. Only text enclosed in quotation marks report a speaker's exact words. For complete contents of the proceedings, please refer to the tapes.

HOUSE COMMITTEE ON
BUSINESS AND CONSUMER AFFAIRS
SUBCOMMITTEE NO. 1

April 4, 1991
1:00 P.M.

Hearing Room F
Tapes 7 - 8

MEMBERS PRESENT: Rep. Jerry Barnes, Chair
Rep. Lisa Naito
Rep. John Schoon

MEMBER EXCUSED: Rep. Greg Walden

STAFF PRESENT: Terry Connolly, Committee Administrator
Annetta Mullins, Committee Assistant

MEASURES

CONSIDERED: HB 2342 PH & WS
HB 2208 PH & WS
HB 2041 PH & WS

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TAPE 7, SIDE A

006 CHAIR BARNES calls the meeting to order at 1:06 p.m. and opens the public hearing on HB 2041.

HB 2041 - AUTHORIZES STATE DEPARTMENT OF AGRICULTURE TO SPECIFY LOCATION OF SIGNS NEAR DISPENSING DEVICES OF GASOLINE BLENDED WITH ETHANOL, METHANOL OR CO-SOLVENT.

013 TERRY CONNOLLY, Administrator, reviews the Preliminary Staff Measure Summary (EXHIBIT A).

015 PHIL WARD, Assistant Director, Department of Agriculture: This is a housekeeping measure in an attempt by our agency to reconcile our statutes with current technology and practice. Existing law require that gasoline dispensing devices dispensing ethanol, methanol or co-solvent blends have signs

posted on both sides of the pump. That is not always appropriate given today's pumping situation when different items are dispensed from different sides of a fuel pump. We attempted sometime ago, by administrative rule, to implement this type of procedure. In the review of those rules by the legislative review committee we were instructed that this was an item that needed legislative approval.

030 REP. SCHOON: What is "co-solvent?"

034 MR. WARD: I will get a good explanation of "co-solvent."

038 CHAIR BARNES: How many stations in Oregon use this.

MR. WARD: There are very few at this time, maybe less than half a dozen. There were more during the mid 70's when we had a move toward alternative fuels. It could change given different constraints.

050 CHAIR BARNES closes the public hearing and opens the work session on HB 2041.

051 MOTION: REP. NAITO moves that HB 2041 be sent to the full committee with a DO PASS recommendation.

055 VOTE: In a roll call vote, REPS. NAITO, SCHOON and CHAIR BARNES VOTE AYE. REP. WALDEN is EXCUSED.

CHAIR BARNES declares the motion PASSED.

059 CHAIR BARNES opens the public hearing on HB 2342.

(Tape 7, Side A)

HB 2342 -DIRECTS DIRECTOR OF DEPARTMENT OF INSURANCE AND FINANCE TO ADOPT RULES ESTABLISHING PROCEDURE FOR LIMITED OFFERING SECURITIES REGISTRATION FOR CERTAIN SMALL OFFERINGS OF SECURITIES.

061 MR. CONNOLLY reviews the Preliminary Staff Measure Summary (EXHIBIT B).

The Legislative Fiscal Analysis is hereby made a part of these minutes (EXHIBIT C).

085 LAURIE SKILLMAN, Deputy Administrator of the Division of Finance and Corporate Securities, Department of Insurance and Finance, submits and reads a prepared statement in opposition to HB 2342 and proposing amendments (EXHIBIT D).

238 Issues discussed:

- >Responsibilities of issuer of securities.
- >Discussions with Department of Economic Development.
- >Reasons for introduction of HB 2342.

440 CHAIR BARNES: Would your preference be to not have a bill or to have one with the proposed amendments?

441 MS. SKILLMAN: I would prefer to not have a bill at all.

TAPE 8, SIDE A

Issues discussed:

>Number of registrations for limited offerings is about 180 a year, 360 per biennium.

>No one is requesting the division to adopt ULOR.

>Registration fees are set in statute on a sliding fee scale depending on the amount of the securities offering.

062 NANCY BURKE, Chief of Registration and Licensing, Division of Finance and Corporate Securities: To register a securities offering in Oregon it costs \$1 per \$1,000 for the first \$100,000 worth of offering; 50 cents per \$1,000 for the next \$200,000; then a \$25 per \$100,000 worth of offering up to a maximum of a \$500 fee. The minimum fee is \$25.

071 REP. NAITO: Are you concerned that if you were required to adopt ULOR you would have difficulty in some of the other registration programs?

075 MS. SKILLMAN: Our fee structure in the statute covers our expenses. Our budget for 1991-93 is predicated on the current fees we collect. The \$15,000 these 40 applications would probably bring in could not cover the cost of administering this program. I am suggesting if ULOR is adopted, all other fees would have to be raised to fund this program.

093 REP. SCHOON: You indicate there is no need for this, but are you doing the 504 and 505 registration offerings now?

101 MS. BURKE: We are doing the 504 and 505 and 506 offerings. Currently those are similar to a Reg D offering on the federal level. We have about 360 of those a biennium. They can only be sold to a certain type of investor but are being used in Oregon quite well.

113 CHAIR BARNES: If we don't adopt ULOR, will it complicate things in the future with adjoining states?

15MS. SKILLMAN: The simple answer is no. One of the long range goals of ULOR is to iron out the bugs. The long range view of it is you could have a offering available in a region. The difficulty with that is that one must register in each state. The small corporate offering issuer is going to have to go through the same process in each state. Specific negotiations on what specific states are concerned about may vary. If this is not passed and six months from now the division gets a lot of calls and interests from parties asking that ULOR be adopted, we can do that. It is a matter of figuring out how to pay for it.

134 REP. SCHOON: There isn't anything to keep people who want to sell shares of stock in a small corporation from participating in this. Isn't this just for public offerings?

151 MS. SKILLMAN: ULOR can be sold to the general public. It does not have the sophisticated investor requirement on it. Our current 504 requires written disclosure to sophisticated investors. The 505 has a \$5 million, you cannot advertise and it is limited to 35 people; it is called a private offering. The 506 has the sophisticated limitation because there is no limitation on the dollar amount.

On a federal level the 504 does not require investor

qualifications; it can be sold to the general public. The federal government gave the states the authority for adopting state rules of registration for these kinds of offerings. On the state registration level there is a lot of review of the offering. Our state rules don't always square with the federal requirements. Our state requirements on what parallels 504 is found on page 7 (of my statement) which is a limitation of \$500,000, general solicitation or advertising is not permitted and sales can only be made to sophisticated investors. We chose to develop this rule for these small offerings because they are of such high risk.

259 CHAIR BARNES closes the public hearing and opens the work session on HB 2342.

264 REP. SCHOON: I don't think this bill is necessary. The need doesn't seem to be there and I base that on their not having a lot of inquiries. Also they can go up to \$1 million on a 504 and sell to a limited number of shareholders. I think we are adequately taking care of the low dollar amounts and I would agree that there probably is not a genuine need particularly in view of the cost of doing it.

REP. NAITO: I agree. They have the authority to do it anyway.

293 CHAIR BARNES: I concur with Rep. Schoon and Naito. We will not be reporting this bill back to full committee.

299 CHAIR BARNES closes the work session on HB 2342 and opens the public hearing on HB 2208.

(Tape 8, Side A)

HB 2208 - AUTHORIZES ESTABLISHMENT OF FEES FOR AMENDMENTS OF ARTICLES OF INCORPORATION

306 MR. CONNOLLY reviews the Preliminary Staff Measure Summary (EXHIBIT E).

319 CECIL MONROE, Administrator, Division of Finance and Corporate Securities, Department of Insurance and Finance, submits and reads a prepared statement in support of HB 2208 (EXHIBIT F).

Issues discussed:

>Agreement by credit unions to provisions of the bill.

>Division does not have very much of a problem with the filing of quarterly and annual call reports. There is difficulty in getting timely filings of reports of supervisory committees, etc.

>Division should be able to cover the costs and if the dollar amount was a little more significant, it would maybe force the institutions to do better planning.

>Uncapped statutory fee authority. Division will provide amount of fee desired.

TAPE 7, SIDE B

018 STEVEN PATRICK RODEMAN, Staff Attorney, Oregon Credit Union League, submits a prepared statement and proposed amendments (EXHIBIT G). He summarizes the statement and explains the proposed amendments.

Issues discussed:

>Public need.
>Ability to establish a credit union based on a geographic area and approval of membership.
>Whether requirements for credit unions are the same as for banks in establishing new branches.
>Exemptions from being subject to attachment or garnishment.

369 MR. RODEMAN: LEGISLATIVE INTENT: THERE IS NO INTENT TO ATTACH DEFERRED COMPENSATION OR OTHERWISE EXEMPT FUNDS. IRA FUNDS ARE EXEMPT FROM ATTACHMENT.

Issues discussed:
>Status and determination of inactive accounts.
>Required procedures for closing out inactive accounts.

TAPE 8, SIDE B

Discussion on inactive accounts continue.

PHILLIP SANCHER, President, Federal Metals Credit Union, Albany: About five percent of the accounts that go inactive in the four year wait period before they are turned over to the state are reclaimed by the member. We have had about 200 accounts go inactive; we have turned over one account to the state that was over \$150.

058 CHAIR BARNES: I think we should clean it up because there is too much subjectivity in it. I think we should say what is the period of time that an account is determined to be inactive, then you start the search.

060 MR. RODEMAN: I have been handed OAR 441-710-130 which lays out, by rule of the director, how to administer the dormant account program.

080 REP. SCHOON: I think the time period ought to be looked at. It makes me wonder about the \$150 rule because if an individual had a substantial account and later came back to get it, the credit union would not have to pay them interest even though they used the money for the period.

111 MR. RODEMAN continues reviewing their proposed amendments beginning at Section 15.

139 FRANK BRAWNER, Oregon Bankers Association: I would like to speak to the dormant account or abandoned property provisions. It is my recommendation that any mention in the Credit Union Act of abandoned property be removed. I have always believed they were subject to the same rules and regulations of any other depository. Those provisions spell out what you can and cannot do in an attempt to locate people and there is very clear direction on what you can charge on the dormant account.

We have talked about the fact that credit unions serve the general public. If you are serving a county-wide membership, I submit, you are serving the public. Public's convenience and advantage is a good rule. We heard a couple of days ago that branch applications for a credit union and branch applications for a bank were the same. Let's keep them the same. We would object to Item 2 and 5 in the amendments and would like the opportunity to review the balance of the amendments and respond later.

185 CHAIR BARNES: We will allow Mr. Brawner and the committee an opportunity to review the amendments and reschedule the bill.

241 CHAIR BARNES: When the committee holds the next public hearing, would you be able to speak to the proposed amendments on public interest versus members' convenience and the dormant accounts.

250 MR. MONROE: I will be happy to do that.

253 CHAIR BARNES closes the public hearing on HB 2208 and declares the meeting adjourned at 2:50 p.m.

Respectfully submitted, Reviewed by,

Annetta MullinsTerry Connolly
AssistantAdministrator

EXHIBIT SUMMARY

A -HB 2041, Preliminary Staff Measure Summary, staff
B -HB 2342, Preliminary Staff Measure Summary, staff
C - HB 2342, Legislative Fiscal Analysis, staff
D -HB 2342, prepared statement, Laurie Skillman
E -HB 2208, Preliminary Staff Measure Summary, staff
F -HB 2208, prepared statement, Cecil Monroe
G -HB 2208, prepared statement and proposed amendments, Steve Rodeman