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# SENATE CONCURRENT RESOLUTION

REQUESTING THE ATTORNEY GENERAL TO INVESTIGATE ACTIVITIES  
SURROUNDING THE STATE'S PURCHASE OF AUCTION RATE SECURITIES  
AND TO TAKE LEGAL ACTION AS APPROPRIATE.

1           WHEREAS, auction rate securities refer to long-term  
2 investment instruments that are, in fact, bonds that are sold by  
3 investment banks at weekly or monthly auctions that set the  
4 interest rates and give holders the option to sell the  
5 securities; and  
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7           WHEREAS, according to a *Honolulu Advertiser.com* article  
8 appearing on March 5, 2010, Hawaii has lost about \$250,000,000  
9 in market value on \$1,000,000,000 in student-loan securities,  
10 due to a collapse in the auction rate securities market; and  
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12           WHEREAS, auction rate securities may not be a secure  
13 investment for the State's moneys since auction rate securities,  
14 by definition, are dependent on an auction to determine the  
15 value of the investment, meaning that there is no fixed or  
16 predictable return or appreciation in value; and  
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18           WHEREAS, it was reported by *Honolulu Advertiser.com* on  
19 February 18, 2010, that the County of Maui filed a lawsuit in  
20 federal court against an investment firm to recover \$32,000,000  
21 of taxpayer money invested by the county in student loan auction  
22 rate securities; and  
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24           WHEREAS, the County of Maui was told that the securities  
25 were safe, short-term liquid assets, which the county could  
26 easily access, just like cash; and  
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28           WHEREAS, the County of Maui reportedly was not advised  
29 about the decreasing demand for the type of investment purchased  
30 by the county; and  
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1           WHEREAS, it has also been reported that one major  
2 investment firm has abandoned the practice of supporting student  
3 loan auction rate securities; and  
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5           WHEREAS, Hawaii has been unable to sell its holdings of  
6 \$1,000,000,000 in auction rate securities without taking a loss  
7 of about \$250,000,000, according to the *Honolulu Advertiser.com*  
8 article appearing on March 5, 2010, which also reported that  
9 major investment firms have settled \$94,000,000,000 in claims  
10 under pressure from federal and state regulators; and  
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12           WHEREAS, as the chief legal counsel for the State of  
13 Hawaii, the Attorney General, as a general proposition, is the  
14 appropriate authority to determine whether the State's interests  
15 have been harmed and for this purpose the Legislature calls upon  
16 the Attorney General as its legal representative to investigate  
17 the State's investment in auction rate securities; now,  
18 therefore,  
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20           BE IT RESOLVED by the Senate of the Twenty-fifth  
21 Legislature of the State of Hawaii, Regular Session of 2010, the  
22 House of Representatives concurring, that the Attorney General  
23 is requested to investigate activities surrounding the State's  
24 purchase of auction rate securities and to take legal action as  
25 appropriate; and  
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27           BE IT FURTHER RESOLVED that the Legislature may contract  
28 with a private attorney to conduct the investigation if the  
29 Legislature determines that the Attorney General either has a  
30 conflict of interest or has taken positions on relevant issues  
31 that may raise questions as to the Attorney General's  
32 objectivity in conducting the investigation; and  
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34           BE IT FURTHER RESOLVED that the Attorney General, or  
35 private attorney as appropriate, is requested to immediately  
36 take any appropriate legal action against third parties who may  
37 have caused Hawaii to invest in auction rate securities; and  
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39           BE IT FURTHER RESOLVED that the Attorney General, or  
40 private attorney as appropriate, is requested to report  
41 findings, recommendations, and a summary of legal actions taken  
42 to the Legislature no later than twenty days prior to the  
43 commencement of the Regular Session of 2012; and  
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1 BE IT FURTHER RESOLVED that certified copies of this  
2 Concurrent Resolution be transmitted to the Governor, the  
3 President of the Senate, the Speaker of the House of  
4 Representatives, the Attorney General, and the Director of  
5 Finance.

