

MAR 10 2010

SENATE CONCURRENT RESOLUTION

REQUESTING THE STATE 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 which 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 of
8 March 5, 2010, Hawaii has lost about \$250,000,000 in market
9 value of \$1,000,000,000 in student-loan securities, due to a
10 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 value
15 of the investment, meaning that there is no fixed or predictable
16 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 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 auction loan
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 holding 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 of March 5, 2010, which also reported that major
9 investment firms have settled \$94,000,000,000 in claims under
10 pressure from federal and state regulators; and

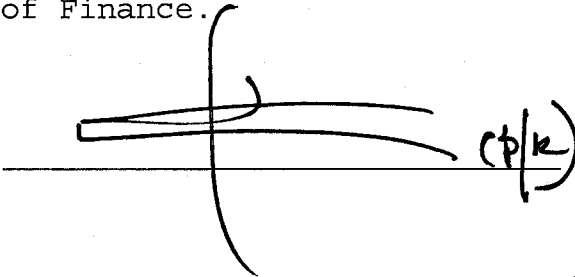
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12 WHEREAS, as the chief legal counsel for the State of
13 Hawaii, the Attorney General is the appropriate authority to
14 determine whether the State's interests have been harmed and for
15 this purpose the Legislature calls upon the Attorney General as
16 its legal representative to investigate the State's investment
17 in auction rate securities; now, therefore,

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19 BE IT RESOLVED by the Senate of the Twenty-fifth
20 Legislature of the State of Hawaii, Regular Session of 2010, the
21 House of Representatives concurring, that the State Attorney
22 General is requested to investigate activities surrounding the
23 State's purchase of auction rate securities and to take legal
24 action as appropriate; and

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26 BE IT FURTHER RESOLVED that the State Attorney General
27 immediately take any appropriate legal action against third
28 parties which may have caused Hawaii to invest in auction rate
29 securities; and

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31 BE IT FURTHER RESOLVED that the State Attorney General
32 report findings, recommendations, and a summary of legal actions
33 taken to the Legislature no later than twenty days prior to the
34 commencement of the Regular Session of 2012; and

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36 BE IT FURTHER RESOLVED that certified copies of this
37 Concurrent Resolution be transmitted to the Governor, State
38 Attorney General, and the Director of Finance.

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41 OFFERED BY:  (P/K)