SUPREME COURT OF ALASKA

Skaflestad v. Huna Totem Corp.

76 P.3d 391 (Alaska 2003) · No. S-10353 · Decided August 29, 2003

SUMMARY

The Supreme Court of Alaska affirmed judgment for Huna Totem Corporation in a shareholder class action challenging disclosures concerning creation and review of a settlement trust. The court held that the superior court applied the correct objective materiality standard under Alaska securities law and that any omissions or ambiguities were not materially misleading when considered in light of the total mix of information provided to shareholders. The court did not reach the superior court's alternative ruling that the requested remedies would be inequitable.

CASE DETAILS

COURT	Supreme Court of Alaska
WRITING FOR THE COURT	Bryner, Justice; Fabe, Chief Justice; Eastaugh, Justice; Carpeneti, Justice
JURISDICTION	Alaska
DECIDED	August 29, 2003
DOCKET	S-10353
DISPOSITION	affirmed
PROCEDURAL POSTURE	Shareholders brought a class action challenging the validity of a settlement trust, alleging that Huna Totem's proxy materials materially misled shareholders about the process for modifying or terminating the trust. After a bench trial, the superior court entered judgment for Huna Totem. The shareholders appealed.
STANDARD OF REVIEW	Questions of law are reviewed independently, while factual determinations are reviewed for clear error; materiality presents a mixed question of law and fact.
PRECEDENTIAL VALUE	Published Alaska Supreme Court opinion; precedential.
PARTIES	Alf R. Skaflestad, Karlene Greenewald, the similarly situated class members v. Huna Totem Corporation, Huna Totem Corporation Shareholder Settlement Trust

TOPICS

corporate law · trusts · commercial litigation · remedies · equitable relief

PRACTICE AREAS

securities law · corporate law · trusts · commercial litigation · remedies

QUESTIONS PRESENTED

1. Whether the superior court applied an improper scienter or intent-to-deceive requirement in evaluating the alleged proxy misrepresentations and omissions.
2. Whether the omissions and ambiguities in Huna Totem's preliminary shareholder materials and directors' oral statements were materially misleading under Alaska securities law when considered in light of the total mix of information available to shareholders.
3. Whether the superior court's alternative ruling rejecting declaratory relief, injunctive relief, and nominal damages as inequitable should be reviewed.

HOLDINGS

1. The superior court did not improperly impose a scienter requirement. Alaska's objective materiality test does not require proof of an intent to deceive, and the superior court correctly applied that test.
2. The alleged omissions and ambiguities were not materially misleading because, considering the total mix of information available to shareholders, a reasonable shareholder would not have been substantially likely to consider the omitted trustee-recommendation requirement important in deciding how to vote.

KEY QUOTATIONS

> *"Applying Brown v. Ward's objective test to the total mix of available information, as the securities act requires, we conclude, as Judge Collins did, that a reasonable shareholder considering the information actually provided would not have been likely to find the information omitted from Huna Totem's preliminary packet and post-solicitation oral communications to be important in deciding how to vote."* (397)

FACTUAL BACKGROUND

Huna Totem Corporation, an Alaska Native village corporation organized under the Alaska Native Claims Settlement Act, received more than $35 million in unrestricted cash after a tax settlement with the IRS. Its board proposed placing the funds in a settlement trust, and shareholders approved the proposal after receiving preliminary materials, a formal proxy solicitation, and the full trust document. The preliminary materials did not explain that a shareholder vote to modify or terminate the trust required a recommendation by two-thirds of the trustees, although the later formal proxy materials and trust document described that requirement. After the trust's five-year review and a partial distribution, shareholders sued, claiming the earlier communications materially misled them.

PROCEDURAL HISTORY

Huna Totem shareholders approved the proposed settlement trust in 1994. After the trust's five-year review in 2000 and a partial distribution, dissatisfied shareholders filed a class action seeking to invalidate or terminate the trust and obtain other relief. The Alaska Superior Court, after a four-day bench trial, found that some preliminary materials and oral statements were ambiguous but that the total mix of information was not materially misleading; it also alternatively found the requested remedies inequitable. The Alaska Supreme Court affirmed on the materiality issue and did not reach the alternative remedial ruling.

DISPOSITION

affirmed

CASES CITED

- Brown v. Ward, 593 P.2d 247 (Alaska 1979)
- TSC Industries, Inc. v. Northway, Inc., 426 U.S. 438 (1976)
- N.A. v. State, 19 P.3d 597 (Alaska 2001)
- Hanson v. Kake Tribal Corp., 939 P.2d 1320 (Alaska 1997)