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Gary W. Anderson
President

February 23, 1981

Mr. Michael Thill
Senate Committee on Labor
& Commerce
Pouch V
Juneau, Alaska 99811

Re: SB 163

Dear Mr. Thill:

The information you have requested is applicable to a governmental department, which CFAB is not. However, I can make the following statements with regard to SB 163 and the additional lending market that it provides to CFAB.

1. Loans to trappers would likely be small in terms of individual loan amount. I would assume that the total of loans would also be relatively limited. We have no figures indicating the size of the trapping business, the number of individual commercial trappers, nor their average incomes.
2. Commercial trapping does not fall within the definition of commercial fishing or agriculture of the Farm Credit System. CFAB would, therefore, not have a leveraging source for these loans.
3. So long as demand for loans was small (below \$500,000) CFAB could handle them without using the Farm Credit System. However, if the portfolio of loans to commercial trappers were to exceed that level, the absence of leveraging ability would negatively impact CFAB's overall lending potential.
4. While CFAB would make every effort to provide a viable loan package to commercial trappers, the individuals would have to meet CFAB's credit standards.

Mike, without detailed information on trapping and the possible loan demands, it is impossible to make a more definitive reply to the legislation. If it fills a definite need and CFAB can provide the service while maintaining the credit risk in its portfolio within established parameters, we would be glad to provide the loans.

Sincerely,


Gary W. Anderson
President

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the bonds, and all assets, income and receipts pledged to pay or secure the payment of the bonds, or interest on them, shall at all times be exempt from taxation by or under the authority of the state, except for inheritance and estate taxes and taxes on transfers by or in contemplation of death. (§ 3 ch 159 SLA 1978)

Sec. 44.81.180. Bonds legal investments for fiduciaries. The bonds of the bank are securities in which all public officers and bodies of the state and all municipalities and municipal subdivisions, all insurance companies and associations and other persons carrying on an insurance business, all banks, bankers, trust companies, savings banks, savings associations, including savings and loan associations and building and loan associations, investment companies and other persons carrying on a banking business, all administrators, guardians, executors, trustees and other fiduciaries, and all other persons who are now or may hereafter be authorized to invest in bonds or other obligations of the state, may properly and legally invest funds including capital in their control or belonging to them. Notwithstanding any other provisions of law, the bonds of the bank are also securities which may be deposited with and may be received by all public officers and bodies of this state and all municipalities and municipal subdivisions for any purpose for which the deposit of bonds or other obligations of the state is now or may hereafter be authorized. (§ 3 ch 159 SLA 1978)

Sec. 44.81.190. Conflicts of interest. No member of the board of directors may vote on a transaction of the bank under this chapter if he is a party to the transaction. (§ 3 ch 159 SLA 1978)

Sec. 44.81.200. Reports and publications. The board of directors shall publish an annual report to the bank's shareholders. The report shall be made available to the public and shall include financial statements audited by independent outside auditors, a statement of the amount of money received by the bank from each source during the period covered, a statement of the bank's investments, a description of the bank's investment activity during the period covered by the report, an analysis of economic and other effects of investment decisions on the state's commercial fishing and agriculture industries, and any other information the board believes would be of interest to the governor, the legislature and the public. The board may also publish such other reports as it considers desirable to carry out its purposes. (§ 3 ch 159 SLA 1978)

Sec. 44.81.210. Powers of the bank. (a) The bank may

(1) make variable rate or fixed rate loans to individuals who are residents and who are engaged in commercial agriculture or fishing, including harvesters, processors, suppliers and marketers, or to corporations, partnerships or joint ventures engaged in commercial agriculture or fishing, the majority interest of which is beneficially

owned by residents of are residents of the state bank; however, the bank corporation, partnership existing fishing vessel, the private fishing vessel, the private fishery resources, only is wholly owned and recipient of the loan

(2) make and alter corporate functions;

(3) establish amort include extensions for

(4) enter into agree farm credit system, agencies or agencies purpose of this chapter

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residents of the state and a majority of the owners of which are residents of the state, if the recipient of the loan is a member of the bank. However, the bank may make a loan under this paragraph to a corporation, partnership, or joint venture for the purchase of a new or used fishing vessel or for the repair or renovation of an existing fishing vessel, the primary purpose of which is to commercially harvest fish resources, only if the corporation, partnership, or joint venture is owned and controlled by residents of the state and if the recipient of the loan is a member of the bank.

to make and alter bylaws necessary or desirable to carry out its corporate functions;

(3) establish amortization plans for repayment of loans, which may include extensions for poor fishing or farming seasons;

(4) enter into agreements with regional institutions of the federal farm credit system, private lending institutions, and other state agencies or agencies of the federal government, to carry out the purposes of this chapter;

(5) adopt, alter, and use a corporate seal;

(6) sue and be sued in the name of the bank;

(7) issue bonds to carry out any of its corporate purposes and powers;

(8) sell, lease as lessor or lessee, exchange, donate, convey or encumber in any manner by mortgage or by creation of any other security interest, real or personal property owned by it, or in which it has an interest, when, in the judgment of the board of directors, the action is in furtherance of its corporate purposes;

(9) incur secondary liability by guaranty or endorsement of the obligations of another corporation or legal entity when, in the judgment of the board of directors, the action is in furtherance of its corporate purposes;

(10) make loans as provided in (1) of this section in participation with financial institutions, and establish and regulate the terms of the loans;

(11) make contracts and execute instruments necessary or convenient in the exercise of its corporate powers;

(12) acquire by purchase, lease, bequest, devise, gift, the satisfaction of debts, or the foreclosure of mortgages, and hold, maintain, use, operate, and convey real or personal property;

(13) borrow money and issue secured and unsecured evidence of indebtedness for a corporate purpose or to fund, refund, pay, or discharge outstanding obligations, and enter agreements and contracts concerning these obligations;

(14) secure the payment of its obligations by pledge or mortgage or other lien on its contracts, revenues, income, or property;

(15) appoint officers, employees, trustees for certificate holders, and agents, and prescribe their powers and duties;

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(3) establish amortization plans for repayment of loans, which may include extensions for poor fishing or farming seasons;

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(14) secure the payment of its obligations by pledge or mortgage or other lien on its contracts, revenues, income, or property;

(15) appoint officers, employees, trustees for certificate holders, and agents, and prescribe their powers and duties;

(16) provide technical services to members of the bank; for the purposes of this paragraph, "technical services" includes services that will enhance the ability of the member to obtain financial assistance from the bank;

(17) make loans, as provided in (1) of this section, secured by liens subordinate to valid first liens and security agreements granted to a private lending institution;

(18) participate with state departments and agencies in formulating policy and in planning for the development of commercial fishing and agriculture in the state;

(19) do what is necessary or desirable to carry out the corporate purposes and powers expressed or implied in this chapter;

(20) make loans to individual commercial fishermen for limited entry permits: a loan under this paragraph may be made only to an individual commercial fisherman who has been a state resident for a continuous period of five years immediately preceding the date of application for the loan and who has had a crewmember or commercial fishing license under AS 16.05.480 or a permit under AS 16.43 for any one of the past five years, and who has actively participated in the fishery during that period; loans made under this paragraph are subject to the provisions of AS 44.81.230;

(21) indemnify a director, officer or employee of the bank and his heirs, executors and administrators against all liabilities and related expenses including, but not limited to, court costs and attorney fees, judgments, and the cost of reasonable settlements, incurred by him in connection with or arising out of an action or proceeding brought against him because of an act or omission in the performance of his official duties as director, officer or employee of the bank regardless of whether he is a director, officer or employee at the time the expenses or liabilities are incurred.

(b) The provisions of (a)(21) of this section do not authorize the bank to indemnify a director, officer or employee of the bank who is adjudged liable for negligence or misconduct in the performance of his official duties. AS 3 ch 159 SLA 1978; am § 4 ch 53 SLA 1979; am §§ 7-10 ch 51 SLA 1980

Effect of amendments. — The 1979 amendment added paragraph (20) of subsection (a), inserted "suppliers" following "harvesters, processors" and deleted "primarily" following "or joint venture" near the beginning and

substituted "member" for "shareholder" near the middle and near the end. The amendment also substituted "members of the bank" for "shareholders" and "member" for "shareholder" in paragraph (16) of subsection (a), added paragraph (21) of subsection (a), and added subsection (b).

Sec. 44.81.220. Transition. Upon the repurchase of all the nonvoting, preferred shares initially issued by the bank and purchased by agencies of the state, the provisions of this chapter lapse and the bank may proceed to operate as a private cooperative corporation under

the terms of its 10.15.600. (§

Sec. 44.81.230 permits. (a) limited entry commission the for the permit commission.

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