

ALASKA RE-  
NEWABLE  
RESOURCES  
CORP (ARRC)  
BRIEFING  
1-21-81

## Alaska State Legislature

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 VIC FISCHER, VICE-CHAIRMAN  
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 DICK ELIASON  
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POUCH V  
 STATE CAPITOL  
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## Senate

## Committee on Resources

February 19, 1981  
 10:40 a.m.

Beltz Room  
 211 - Capitol

MEMBERS PRESENT

SENATOR FAHRENKAMP  
 SENATOR FISCHER  
 SENATOR BRADLEY  
 SENATOR GILMAN  
 SENATOR ELIASON  
 SENATOR MULCAHY  
 SENATOR STURGULEWSKI

The meeting was called to discuss what action the Committee should take in regards to the Alaska Renewable Resources Corp. (ARRC) and the closure of the Coos Bay Processing plant.

Senator Jalmar Kerttula, President of the Alaska State Senate, stated that he had attended some of the Senate Finance Committee meetings when the formation of ARRC was under consideration. He had suggested that ARRC be structured on a classic banking system: Loan officers should only make recommendations to the Board. The Board Members should be competent, well compensated and five in number. He also suggested that prior to investing capital outside of state in projects, it should invest in Alaskan problems first.

Senator Eliason stated that when he asked ARRC why they were investing in the plant in Coos Bay, they indicated that there was not any place to build it in Alaska, it was just a pilot plant and if it was successful one would be built in Alaska.

Senator Sturgulewski put forth the motion to call ARRC and have them explain the Coos Bay processing plant situation to the Committee. The motion passed and staff was directed to have ARRC come before the Committee.

The Committee adjourned at 11:00 a.m.

(ions await Lana's decision. "Love  
Bout" has a script and "Fantasy Is-

top attractions. Van Meter expects

# Processing plant closes

Associated Press

The processing plant that was to supply most of the fish waste to be turned into meal and oil products by a state of Alaska-backed company in Oregon has been closed, its owners say.

Charter Co., a Florida-based conglomerate which is the lead partner in a proposed \$1.5 billion oil refinery in Valdez, said it shut down Charter Ocean Products Co. in Coos Bay because of unfavorable economic conditions in the fishing industry.

"We've done everything possible to maintain operations at a time when the seafood industry is in serious trouble," said Dale Bond, a Charter vice president. "In the light of current economic conditions, it's not feasible for us to continue operations."

Bond said TEPA Inc., should be able to locate new suppliers among Oregon processors still in operation for its waste conversion project. TEPA is partially financed by the Alaska Renewable Resources Corp., a state-funded investment company.

Charter's lone processing plant was completed in August of 1979. The fully automated 33,000-square-foot

facility was capable of processing 100,000 pounds of round fish per day, 50,000 pounds of shrimp, 60,000 pounds of crab and 5,000 pounds of shellfish.

Bond said 150 full- and part-time workers will be idled by the closure.

Charter will keep the plant and hire management consultants to evaluate new uses for it, Bond said.

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Question No. 8

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45 37 rn  
57 46 rn  
36 30 cdy

## License Public Hearing

City of the Municipality of Anchorage will hold a public hearing on a special zoning exception at a meeting of March 3, 1981, beginning at 7:00 p.m. in the Assembly Hall, 3500 East Tudor Road. The following:

Super Grocery, Inc.;  
Compton, Warren T. Baker

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Tudor Highway)

Public is invited to attend and be heard.

by E. Smith  
Municipal Clerk

# PACKET'S LOOK TO 1984

**Jack Germond  
and  
Jules Witcover**



Brown got himself appointed a vice chairman of the NGA's committee on transportation, commerce and technology. Twice since then, when Gov. Harry Hughes of Maryland, the chairman, couldn't make it over from Annapolis to attend meetings of the NGA executive committee, Brown flew in from California for them.

reportedly is flagging as well. Aides say the whole matter is on hold until election of the new chairman to succeed John C. White.

You have to get up early in the morning to keep up with those who raise money for politicians. A new fund-raising letter from the "Inter-American Security Council," signed by Rep. Dan Crane of Illinois, is seeking money to back his campaign, and legislation, against terrorism in the Western Hemisphere. But unlike other such mailings, this one sets a goal not of \$1 million or \$500,000, but precisely \$14,800.

According to a council spokesman, that is the amount needed to pay for the mailing. The hope of the anti-terrorist group is that the letter will produce more than that, and that the surplus then can be used to finance "research projects" on terrorist activity in the Americas.

Predictably, the fund-raising appeal begins by saying: "Ronald Reagan needs your support now more than ever." There is no suggestion, though, that the president is part of the effort to finance the campaign.

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**Space Cadet Orbits Again:** When the National Governors Association begins gathering here for its winter meeting at the end of the week, the governors will be treated to a day-long special conference on technological innovation as a key to economic growth in the 1980s.

The chief mastermind of the conference is—you guessed it—the prime promoter of technology among the governors, Jerry Brown of California.

Brown, who during his first term treated the governors' conferences as if they were meetings of the National Halitosis Association, has decided since his failed 1980 presidential bid that he's got to be nicer to his colleagues. Indeed, he apparently has concluded that the meetings may be an effective way to get more national exposure for his ideas.

At last August's meeting in Denver,

The technology conference next Saturday will be opened by Brown and he will close it by leading the other governors into a private-industry technology display that will include the latest computers and other space-age marvels.

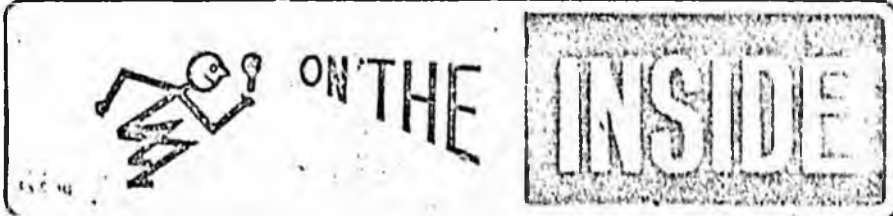
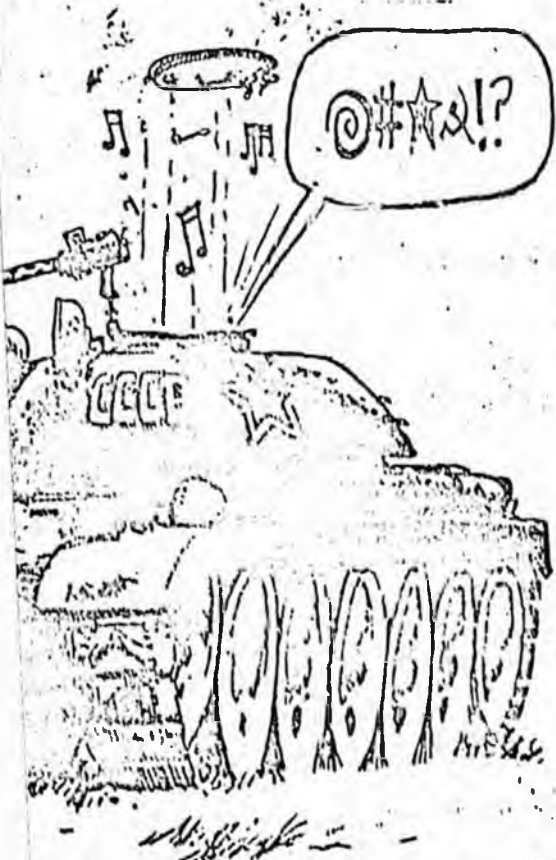
Although his selection as the new Democratic national chairman hasn't become official, Chuck Manatt of California has demonstrated his clout by apparently putting the skids to a plan for a "Democratic Coordinating Committee" headed by Robert Strauss and including delegations from both the House and Senate.

The plan may still be revived, after the expected election of Manatt later this month, but Strauss has passed the word to House Speaker Tip O'Neill that he is not interested in becoming chairman. And O'Neill's interest

ides Dick Moe, Herman are also contacts, though 1984 Mondale yet.

plans to lecture ge campuses in three major first, on the vice on today at the eta in Minn- s to discuss lester College St. Thomas

Also will speak Congress and w and the end collecting of dent politician as.



**SPEND THAT MONEY**—If you thought the pressure on the Legislature to spend the gusher of oil money that is flowing to the state has been strong, wait until details of President Reagan's budget cuts become known.

There can be little question that they'll affect many programs in Alaska. And there also can be little question that Alaskans won't have a very sympathetic ear in Congress for restoring the lost money. That means the programs will have to be trimmed or dropped—or the state will have to take up the slack.

**AN INVESTIGATION**—Don't be surprised to see the Legislature open an investigation into the closing of a state-backed fish-waste processing plant in Oregon. The plant, some of whose owners are former state officials, got part of its financing from the Alaska Renewable Resources Corp., which was created by the state.

The loan had raised some eyebrows previously among legislators, who wondered about some of the partners and the location—outside the state. Now that the business has been closed because of poor economic conditions in the fishing industry, those legislators are likely to push for a through look at the deal.

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# ALASKA FISHERMAN'S JOURNAL

more than just the tip of the news

Vol. 4 No. 2 February 1981 75¢

## Alaska Renewable Resources Corporation leading deal

# Will Big Oil bolster Icicle Seafoods?

by Brad Matzen

© Alaska Fisherman's Journal

Icicle Seafoods, an aggressive but financially beleaguered Alaskan company, has been negotiating to bring a major oil corporation into the industry as an investor.



Standard Oil of Ohio (SOHIO) reportedly may provide a major share of the \$7 to \$10 million needed to keep Icicle in business following losses over the past two years. SOHIO's investment would be secured by subordinate debentures which can be converted into stock in five years.

The deal has been under consideration for over 10 months, according to a highly placed source at Icicle, with the Alaska Renewable Resources Corporation taking the lead role in the transaction.

"We feel that we have been leading the deal, as they say in venture capital circles," said ARRC chairman Bill Spear. "There is always the possibility that this thing won't go through, because that's the nature of this kind of action. But whether it does or not, it is significant to us at ARRC. We aren't playing from the boys' tees anymore. We're being taken seriously by the venture capital people," Spear said.

SOHIO's Dick Smith, Manager of Corporate Development, said his company has not made a final decision. "There are a lot of factors that make this an awfully long stretch for SOHIO. We had limited discussions some time ago, and only recently started a careful analysis. It will be two weeks before we know for sure. I don't want to

get anybody's hopes up," Smith said.

SOHIO's entrance into the fishing industry would be a landmark connection between non-renewable and renewable resource industries in Alaska. "They (SOHIO) are interested specifically in getting into a renewable resource company in Alaska," said a source at Icicle. "They've been constantly accused of raping and running and they're not really thinking that way. A third party put us and SOHIO together about a year ago."

SOHIO owned only retail gasoline outlets until its participation in the Trans Alaska Pipeline project when it became a producer by trading assets with British Petroleum. SOHIO's profits, like those of other major petroleum producers, have soared recently because the deregulation of fuels in the U.S. now allows them to compete on the world market scale. Consequently, they are seeking diverse investments for the excess cash. Exxon, for example, is becoming very visible in the production and sale of office and computer systems.

A cash infusion is absolutely necessary to the continued existence of Icicle Seafoods, according to a former Icicle executive. "The new cash is essential to put Icicle in a debt to equity position acceptable to commercial banks."

Another source at Icicle said he doubted that Icicle will qualify for pack financing for the coming season without new investors.

"It's unfortunate, because each element of the company by itself is sound, with good banking and business relationships. If the interest rates had not skyrocketed, Icicle would be a very healthy company. We got caught in a pinch between expansion and interest rates that took all the cash," said Icicle president Bob Brophy.

Icicle is organized into three operating divisions for Southeast, Central, and Western Alaska. The company was founded in Petersburg by a group of fishermen, including Bob Thorstenson who served as president until last year. Thorstenson is now the chairman of the board at Icicle.

Since it left the small, entrepreneurial business scene for the fast lane of booming seafood expansion, Icicle's financial picture has been shaky. Last spring, as they were gearing up for the 1980 season, Icicle sought and received \$2 million in guarantees from ARRC to qualify for pack financing. The year before, Icicle secured loans from Mitsubishi and Hooi, as well as several

private Japanese investors, to launch their fleet of three floating processors for the distant water fisheries of Western Alaska.

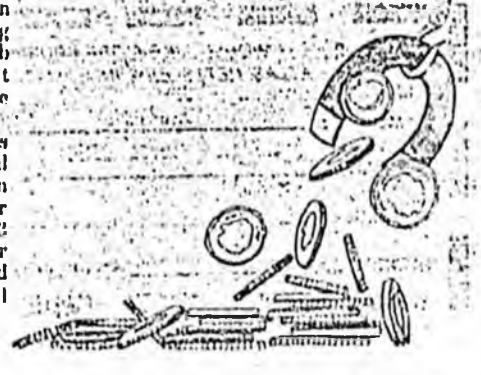
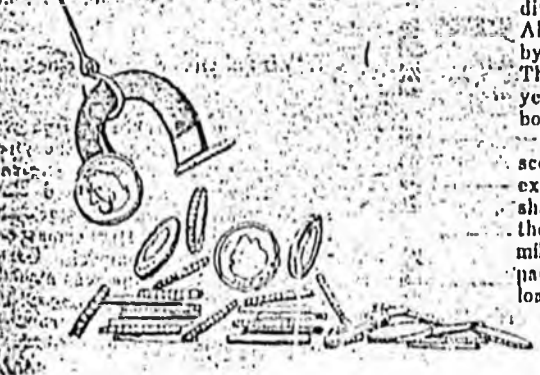
"We will hopefully do away with the Japanese financing in the near future," Brophy said. "We took the money because we needed it to get the barges into the season."

According to Brophy, who was Icicle's vice president for finance for three years, the creative approach to securing venture capital has been planned rather than simply reactive. "You have to get the money you need from the available sources," Brophy said. "And they change from time to time."

In spite of the shifting financial scenario, Icicle has managed to remain a 51 percent or more Alaskan controlled company, with over 100 fishermen among its common stockholders. ARRC is prohibited from investing in any but Alaskan owned enterprises, and the restructuring of the company debt with new cash would be mindful of this requirement, according to Spear.

Spear said that a major new investor would be calling some of the shots if the deal goes through. "The only collateral that a venture capital investor has is what I'll call the soul of the company; the officers; the concepts; the systems in use. Banks and other secured capital sources have the hardware, they're fully collateralized. A venture investor wouldn't be active in the actual management of the operations of Icicle, but they need to be sure that the elements are sound," Spear said.

Though Icicle and SOHIO expect to conclude their agreements in principal by the end of January, the paperwork for the transaction will take another month or more. The ink could be dry in time for the 1981 season. □



# Trust is key to cannery survival

By TOM ATKINSON  
Daily News correspondent

KENAI — Survival of Salamatos Seafoods, the financially ailing Kenai processor, will depend on the trust of local fishermen this coming season.

"Cash at the dock" will be the drawing card of general manager Robert Scott in his efforts to insure an adequate supply of raw fish.

At a meeting with fishermen at the Kenai plant this week, trustees of Alaska Renewable Resource Corp., the plant owner, outlined a preliminary recovery plan. The plan calls for the resource corporation to borrow \$700,000 from unnamed Anchorage banks to finance operations in 1981.

"If we're not reasonably profitable this year we will not be back next year," said Wayne Littleton, president of the corporation. But he acknowledged that even a profitable year won't solve all of the firm's problems; its audited net worth is \$3 million in the hole.

"We are not going to come out in one season no plant makes \$3 million in one season," he said.

The renewable resource corporation is a state-funded company that loans money to risk ventures in fishing, timber and other renewable resource industries in Alaska.

Littleton is serving as interim president of Salamatos, which went to bankruptcy court this fall.

He told the group of about 40 fishermen that 1981 operations would be limited to fish butchering and marketing, which he said is the most conservative operation.

Littleton outlined the three major risks to be faced by Salamatos this year as the buying price of fish, operating costs and market price. Experts predict this year will see a large salmon harvest.

To proceed with the plan the resource corporation attorney, Thomas Yerbich, must gain the approval of federal bankruptcy court Judge Doug William next week.

Corporate trustee Phil Hubbard stressed that for the plant to work, fishermen must gamble on Salamatos by selling their fish there this year. "We're committed to making it work. We need you to do it," Hubbard said.

To entice fishermen to sell to Salamatos, the general manager, Scott, pledged that all pur-

chases will be cash transactions.

But some fishermen remain dubious. "It is going to be tough for me to take Salamatos at its word," said one fisherman present at the meeting. Another quipped, "This is the third or fourth stanza on the same verse."

Hubbard said after the meeting that he felt fishermen would see Salamatos through another season.

Salamatos owes about 50 Kenai fishermen \$220,000. The fishermen are unsecured creditors who ordinarily would be paid after secured creditors in a bankruptcy case.

But Littleton told the gathering, "We do not want the fishermen in the back seat." Yerbich said he will petition the court in mid-February to declare the fishermen preferred creditors, making them payable before secured creditors, the largest of which is Alaska Pacific Bank. Yerbich warned, however, that the petition is likely to be denied.

Scott said Salamatos will extend credit to fishermen for gear, gasoline and groceries. Such credit from past seasons has left fishermen owing Salamatos \$300,000, according to Littleton.

Scott predicted there is a good chance of Salamatos flying in salmon from Bristol Bay this year.

He intends, he said, to operate tenders for remote fishermen as usual this year. When asked if sales to tenders would be on a cash basis also, Scott said, "I really don't like putting cash on tenders, but if we have to, I guess we will."

Hubbard told fishermen the operating plan is not yet certain.

After the coming season, the resource corporation will devise a reorganization plan for future years. That plan should be ready for approval by the courts and by creditors at the end of the year, Yerbich said.

Some fishermen proposed future ownership plans at the meeting. Ideas ranged from ownership by a co-op of local fishermen to taking stock in exchange for fish. Corporate trustees were receptive to the proposals. "We have no desire to remain owners of this company," said trustee Bill Spier.

The resource corporation acquired its first 50 percent of Salamatos stock in November from founder and former president Tom Waterer. Waterer

had borrowed \$300,000 from the corporation, putting up his stock as collateral. When he defaulted on the loan, the corporation collected his stock. According to Littleton, Waterer still has an option to buy back his stock.

The plant then was managed by the other half-owners, Mr. and Mrs. Dean Yeasel of Ohio. When the Yeasels announced plans to seek liquidation bankruptcy, the resource corporation assumed control of their stock.

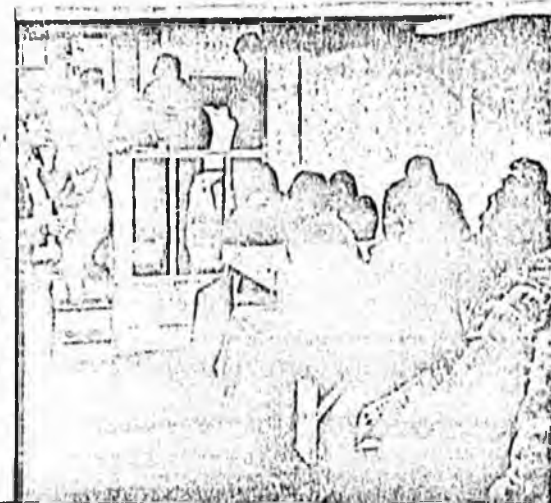


Photo by Kent West  
Lawyer Thomas Yerbich talks to Kenai fishermen Thursday night.

# ARRC takes over ownership of Salamatof Seafoods

by Brad Matsen

The Alaska Renewable Resources Corporation (ARRC) has taken over complete ownership of Salamatof Seafoods, Inc., of Kenai; and will seek to reorganize the financially troubled company under Chapter 11 of the bankruptcy laws.

The Salamatof plant will operate during the 1981 season, ARRC Chairman Bill Spear told the *Journal*. The company employs several hundred people and accounts for 17 percent of the Kenai Peninsula's freezing capacity.

About 250 fishermen (owed a total of about \$200,000) and other unsecured creditors face a long wait for payment. With Salamatof under a Chapter 11, says Spear, they stand a better chance of eventually collecting. "If the company liquidated, fishermen would get zero. Salamatof has a negative net worth."

Last year, Salamatof lost \$2 million on total sales of \$15 million. Just prior to the onset of the fishing season, ARRC injected \$2.3 million into the already troubled company. "Our investment is still well covered," Spear said. "Even in the event of liquidation, the plant and facilities will get us even."

ARRC is a private corporation funded by special appropriations from the Alaska legislature. Under ordinary circumstances, ARRC is prohibited from assuming a direct management role in companies in which it invests. ARRC is also usually prohibited from owning more than 49 percent of any company.

ARRC is permitted to enter into direct management and majority control to protect its investment in a company. "That's what we're doing with Salamatof," Spear said. "And we'll be looking for a way to divest

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"The leadership role the Board has determined to take in reorganizing the company," Spear said in a prepared statement, "is not motivated by a concern for our own balance sheets, but rather by a recognition that the corporation has responsibilities beyond simple financing, to stand by its investments and the communities in which they operate."

In taking full control of Salamatof, ARRC acquired the outstanding shares in the company which were owned by an Ohio couple. Spear declined to elaborate on the terms of their arrangement with those owners. He did say that ARRC had spent about \$50,000 since Salamatof closed its doors. "That money might have been part of the settlement with the Ohio owners," Spear said.

ARRC appointed an interim board for Salamatof after accepting the resignations of the former officers and directors, including Salamatof founder and president Tom Waterer. Wayne Littleton, ARRC's president, has been named acting president of Salamatof, and Bob Scott, an experienced manager formerly with Whitney-Fidalgo, has been hired as plant manager. □



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