

SCOMM

#34:15

STATE OF ALASKA

THE LEGISLATURE

BUDGET AND AUDIT COMMITTEE

CAPITOL BUILDING, ROOM 500
Pouch V
Juneau, AK 99811

907-465-4984

DATE: May 10, 1983

TO: Rep. Rick Uehling, Chairman
House Special Committee on State Loans

FROM: Rep. Robert Bettisworth, Chairman
Legislative Budget & Audit Committee

SUBJECT: House Bill 392

The above referenced bill was designed to meet a potential need for short term operating funds by Miners and Mining Companies adversely impacted by the recent bankruptcy of Valta Smelting and Refining Co., Ltd.

It has become apparent, based on commitment from Paul Arnold, Director of the Division of Business Loans and Veteran's Affairs, that any such need can be met within the State's existing mining loan program. Mr. Arnold's commitment has assured me that applications of affected Miners will be given a top priority, and that a minimum of application paperwork will be required.

Based on Mr. Arnold's commitment, I intend to withdraw HB 392 because it does not appear necessary at this time. I, therefore, request that your Committee take no further action on this bill.

Thank you.


Rep. Robert Bettisworth, Chairman
Legislative Budget & Audit Committee

STATE OF ALASKA
DEPARTMENT OF COMMERCE &
ECONOMIC DEVELOPMENT

BILL SHEFFIELD, GOVERNOR

POUCH D
JUNEAU, ALASKA 99811
PHONE: 465-2500

OFFICE OF THE COMMISSIONER

DIVISION OF INVESTMENTS--465-2510

May 10, 1983

Honorable Robert H. Bettisworth
Alaska House of Representatives
Alaska State Legislature
Pouch V
Juneau, Alaska 99811

Dear Representative Bettisworth:

Thank you for the opportunity to discuss alternatives to HB 392 which would provide emergency operating funds to certain miners.

As discussed with Steve Frank of your office, these mining loans can already be made under existing statutes with the following exceptions:

1. There is virtually no limit on the loan value,
2. collateral is required, and
3. five years' mining/prospecting experience is required.

I believe the intent of your bill is to ensure that operating capital is made available to qualified/affected miners in an expeditious manner.

As stated earlier, I believe the vehicle to do this already exists under current statutes. In addition, I have directed our Fairbanks office to assign a priority to the processing of these loans consistent with the intent of your bill and with the exceptions noted above.

I am also extending loan approval up to \$25,000 to our Fairbanks office for these specific mining loans. This will preclude convening a loan committee and should expedite the loan process. I believe we can process loans under these circumstances within one to two weeks. In addition, at the request of Commissioner Lyon, we intend to publish newspaper ads alerting affected individuals to the services provided by all our regional offices and, in particular, our Fairbanks office.

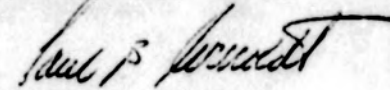
Honorable Robert Bettisworth

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May 10, 1983

I would like to express my appreciation to you for bringing this sensitive issue to our attention. If I can be of further assistance in this matter, please do not hesitate to contact me.

Sincerely,

A handwritten signature in dark ink, appearing to read "Paul B. Arnoldt", written in a cursive style.

Paul B. Arnoldt
Director

PBA/valE32

cc: Richard A. Lyon, Commissioner

MEMORANDUM

TO: Representative Rick Uehling
FROM: William Lovell, Staff
DATE: May 9, 1983, 2:00 p.m.

RE: HB 392, relating to emergency loans for miners

The check list below indicates the work so far completed in preparation for the Loans Committee hearing on House Bill 392, scheduled to be heard at 5:30 today.

- X Five-day notice given
- X Floor announcement prepared
- X Floor announcement presented
- X Each committee member's office notified
- X Each committee member's office notified a second time
- X Fiscal note obtained
- Fiscal note distributed
- X Sectional analysis completed
- Sectional analysis distributed
- X Background material obtained: memo from Rep. Bob
Bettisworth, working paper, fiscal note,
article from paper
- Background material distributed
- X Packets prepared: agenda, bills, minutes, meeting
- X Witnesses contacted: Rep. Bettisworth, DCED

/wtl
Attachment

SHORT ANALYSIS OF HB 392
by Steve Frank, Rep. Bettisworth's staff

This Bill is designed to loan temporary operating funds to Miners adversely impacted by the recent bankruptcy of Delta Smelting & Refining Co., Ltd. Many Miners and Mining Companies had gold on deposit and will not be able to resume mining this Spring without a simple, quick source of operating capital. Use of proceeds will be limited to fuel and other supplies necessary to begin this season's mining operations. Equipment and other long term investment will not be eligible for loan funds.

The Bill is designed to provide a simple application process that will be quick and uncumbersome. Time is of the essence, due to the short mining season.

EMERGENCY WORKING CAPITAL MINING LOAN PROGRAM

A. QUALIFICATIONS

1. Residents of State of Alaska, Partnerships and Corporations 51% owned by resident
2. Miner or Mining Company verified by signed affidavit (Notorized) showing location of Mine, and how long they have been there, and signed by one witness.
3. Credit verification.

B. LOAN AMOUNT

100% of amount claimed as a creditor to Delta Smelting & Refining Company, Ltd. Not to exceed \$25,000 and not less than \$1000.00 (amount must be verified by the list prepared by the trustee in bankruptcy).

C. LOAN PURPOSE - WORKING CAPITAL

1. Repayment principal and interest by 12-31-83.
2. Interest rate - 10% per annum.

D. COLLATERAL - NOT REQUIRED

E. SHOW INTENT FOR MINING THIS SEASON

F. PROGRAM ADMINISTRATION

Direct lending through State of Alaska Mining Loan Fund.

Dan Barrett of Delta Smelting recognized \$2.3 million in Alaskan names. Total should be between \$2.5 and \$3 million. Canadian Dollars.

About 140 claims.

About 100 over \$1,000.00.

80 less than \$25,000.00.

12 between \$25,000.00 and \$50,000.00. 3 between \$50,000.00 and \$100,000.00,
5 over \$100,000.00.

CLAIMS OVER \$100,000.00

1. Au Placer, Inc.	293M
2. Little Creek Mining	174M
3. Richard Wilmarth	103M
4. Mr. & Mrs. R.E. Frith	109M
5. Charles E. Stout	111M
	<u>790M</u>

market value index, up 8.72 at 436.31.

Chrysler to pay debts early

DETROIT — Chrysler Corp. said Thursday it would pay back \$400 million in federally guaranteed loans next month, seven years ahead of schedule. The announcement triggered a demand by a top United Auto Workers official that contract talks be opened so Chrysler workers can receive an immediate pay increase. The current labor agreement between Chrysler and the union does not expire until January. But a UAW officer said Chrysler's return to profitability, reflected in the early loan repayment, justifies a re-opening of the agreement.

Execs bullish on economy

NEW YORK — Business executives are increasingly confident that the recession is over and that a sustained recovery is under way, a survey said Thursday. Of the 602 executives interviewed by Louis Harris and Associates, a public opinion firm, 77 percent said they expected a "modest" recovery in the next 12 months. Twenty-one percent said they expected a "solid" recovery, the survey said. Only 2 percent foresaw no recovery or a deterioration of economic conditions. Louis Harris, whose firm conducted the survey for InterNorth Inc., told a news conference that 83 percent of the executives polled last December had expected a modest recovery in 1983 and 5 percent expected a solid recovery.

Judge delays 'milk tax'

COLUMBIA, S.C. — A federal judge Thursday temporarily barred the government from collecting 50 cents for every hundred pounds of milk produced by the nation's farmers. U.S. District Judge Matthew Perry said the injunction will remain in effect until May 25, when he will issue a final opinion on the case filed by the state of South Carolina and seven dairy groups against U.S. Agriculture Secretary John Block. USDA had planned to start charging the country's 250,000 dairy farmers on Sunday. Congress empowered Block to impose the fee to make dairy farmers help pay for government purchases of surplus milk.

Rich rancher sues Seafirst

SAN ANTONIO, Texas — Clinton Manges, a wealthy south Texas rancher, filed a countersuit in state court against Seattle-First National Bank, seeking \$1.5 billion in damages for a dispute over \$40 million in loans. Manges' filed his suit after Seattle-First National Bank filed a \$100 million suit in federal court Wednesday contending the rancher had defaulted on the loans. The millionaire rancher charged the bank with "misappropriation of funds, improper banking practices, slander and libel."

AMC to launch China venture

American Motors Corp. signed a

Waters, a former chamber president who now serves as executive

Alaska miners hit by Canada smelter default

By ROBERTA GRAHAM
Daily News business reporter

5/16/83

A Canadian smelting firm was forced into bankruptcy Thursday after an overwhelming majority of creditors — including as many as 300 Alaska miners — voted down the company's plan to reorganize its debts.

The fate of Delta Smelting and Refining Co. Ltd., Richmond, British Columbia, and its Alaska smelting subsidiary in Fairbanks, concerns smaller miners in the state who have \$1 million to \$2.4 million in precious metals on deposit.

Company President David Seed said a run on metal withdrawals by depositors forced the firm to file for bankruptcy.

Tony Liebert, of Campbell Sharp Ltd., Vancouver, and the smelting firm's trustee, said Delta Smelting had between \$500,000 and \$600,000 in its vaults but demand for money exceeded \$3 million.

He said an investigation was launched at the federal and provincial level immediately after the vote to reject the plan to determine if the company violated securities laws.

Liebert said the Royal Canadian Mounted Police Commercial Crime section, and the federal and provincial Departments of Consumer and Corporate Affairs will begin investigating Seed and other company officials to determine whether:

- the company deposited clients' precious metals into a Swiss bank account;
- corporate auditors were negligent; or
- employee bonding rules were violated.

Under Canadian law, creditors must vote to approve a plan before a company is allowed to reorganize its debts. Delta Smelting filed its reorganization proposal — which called for some of its debts to be forgiven — on April 11. Creditors met Wednesday to vote on the reorganization plan.

Liebert said any plan to reorganize — under Canadian law — must pass by a simple majority vote and by 75 percent of the dollar value held by creditors.

When the votes were tallied, he said, the plan had won the simple majority vote with 479 creditors voting to accept it and 399 voting to reject it. But the plan failed the second test when those holding \$6.65 million rejected it and those with \$2.85 million voted to accept it.

"There were between 400 and 450 people there to testify, and almost every speaker spoke against the plan," Liebert said. "There were a lot of angry miners there."

"As a result of the vote, we've seized the plant. We'll be winding down operations and looking for a buyer," he said.

The next step will be to investigate corpo-



Getting in on

Leonard Wagner, a story, \$8 million Alaska for completion in November Highway at 36th Street

See Page B-9, SMELTER

Senate Natural Resources subcommittee took up the issue less than two weeks ago. Crowell did not appear because no decision had been reached.

That prompted Sen. Mark Hatfield, R-Ore., and others to blast President Reagan for insensitivity to the economic plight of a region he visited only weeks earlier and pledged to help.

At issue is an economic crisis in Washington, Oregon, California and northern Idaho resulting from the large num-

When the bottom dropped out of the housing market three years ago, lumber companies in the region, having bid premium prices for the right to federal timber during the frenzied days of the late 1970s building boom, were left holding contracts they could no longer afford to fulfill.

The situation has tied up as much as 16.6 billion board feet of federal timber worth more than \$5 billion and is forcing many of the companies holding those high-priced

contracts to the brink of bankruptcy.

Officials in and out of government acknowledge that if the companies are forced to live up to their contracts, they would be driven out of business and the government left with no revenue from the defaulted contracts.

Congress has been talking about the problem for more

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rate proceedings and determine the fate of the company's subsidiary, including the Fairbanks smelting outlet.

Dan Barret, Fairbanks regional manager, was still in Vancouver and could not be reached for comment.

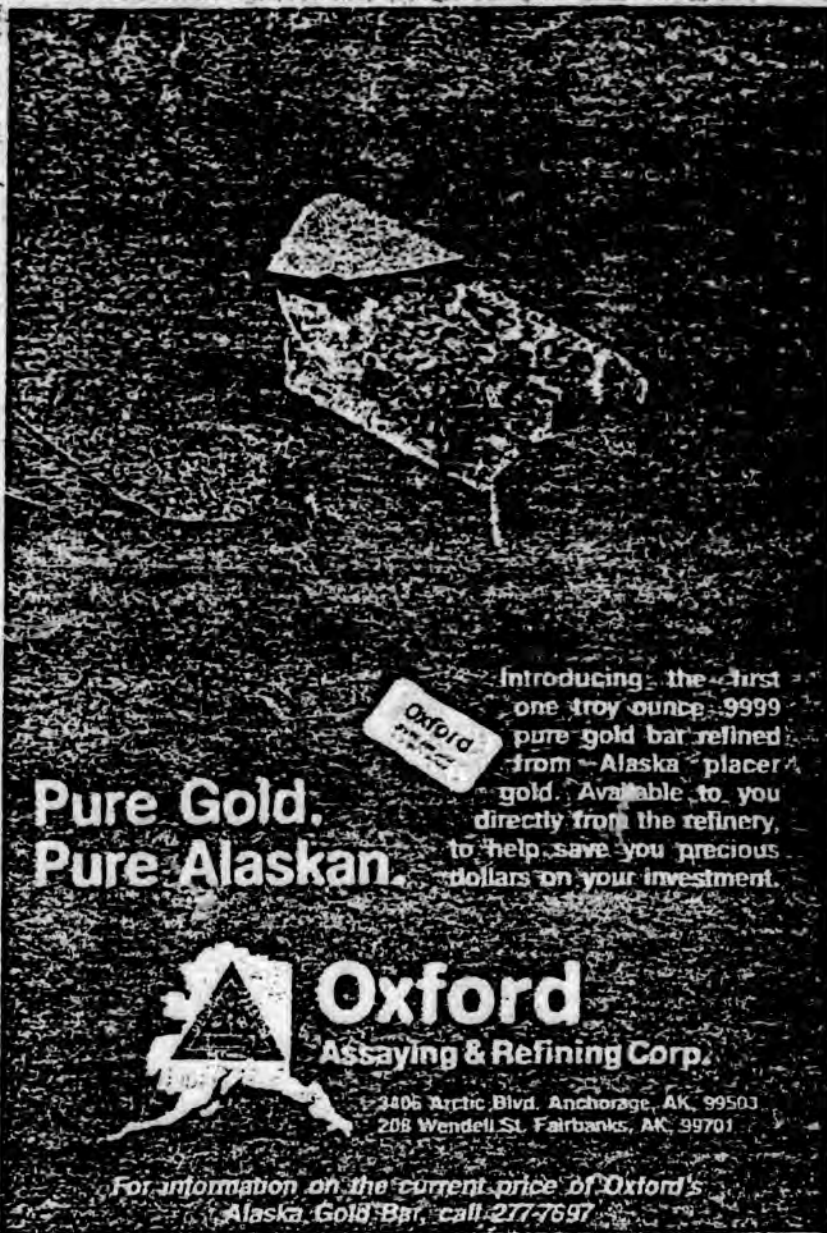
Sandra Thomas, Delta Smelting's agent in Anchorage, said she was unaware of the vote and declined to comment on the fate of the local office.

But Liebert said it is unlikely that unsecured creditors will recoup more than 10 cents on the dollar invested.

"There's about \$500,000 to \$600,000 in precious metals in the company's vault right now. And there are \$3 million plus in claims against it. Whether the creditors ever get their money back is the question," he said.

Owners of several larger Alaska mining operations said they became suspicious of Delta's operations and decided to pull out the metals they had on deposit.

But hundreds of independent gold miners may be left with nothing, leaving them out in the cold during the 1983 mining season, Liebert said.



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PUBLIC NOTICE



OPEN BURN PERIOD FOR SPRING CLEAN-UP ANNOUNCED

Open burning for the disposal of small quantities of grass, leaves, weeds and other organic debris will be allowed during a ten (10) day period from May 6, 1983 to May 15, 1983, within the Anchorage Bowl area only. The burn period days are subject to daily approval by both the Anchorage Air Pollution Control Agency and the Anchorage Fire Department.

SECTIONAL ANALYSIS OF HOUSE BILL 392
by Bill Lowell, Staff

Section 1. This section allows the Department of Commerce and Economic Development to make emergency loans from the mining loan fund, in addition to other kinds of mining loans, according to the following guidelines:

1. Eligibility. To be eligible, a miner or mining business must
 - A. have entrusted precious metal to the Delta Smelting and Refining Company, Ltd. (a Canadian firm that has declared bankruptcy);
 - B. be an Alaskan resident or a corporation in which a controlling interest is owned by Alaskans;
 - C. hold an official Alaskan mining license;
 - D. be engaged in mining in Alaska; and
 - E. maintain a working interest in a mine or claim.
2. Restrictions. Loans made under the provisions of this section
 - A. may not be less than \$1000;
 - B. may not exceed the value of the precious metal entrusted to Delta Smelting and Refining, Ltd;
 - C. may not exceed \$25,000;
 - D. shall bear 10% interest; and
 - E. must be repaid with interest by January 1, 1984.
3. Eligible miners may not receive more than 1 emergency mining loan.
4. Collateral is not required for these loans. [Subject to amendment]
5. Miners or mining companies must submit a specific form in order to receive the loan. The form must include
 - A. credit verification;
 - B. proof of residency;

Sectional analysis of HB 392
Page two

- C. proof of intention to mine a certain claim in Alaska this year;
 - D. statement of assets and liabilities; and
 - E. proof of deposit of metals with Delta Smelting and Refining.
5. The DCED may adopt regulations. A definition of precious metals is provided.

Section 2. Omitted.

Section 3. This section provides that the act takes effect immediately.

/wtl