

COMMITTEE REPORT
HOUSE

(11)

FURTHER:

5/21/84

Date: 5-25-84

The Committee on FINANCE has had CSSE 479 (Fin)

"An Act relating to a forest products business loan guarantee program; and providing for an effective date."

under consideration and recommends:

- do pass do not pass
- do pass with attached amendments(s)
- replace with CS for CSSE 479 (FINANCE) same title new title
- and recommends do pass
- AND attaches a "Letter of Intent" New Fiscal Note
- reports it back without recommendation Zero Fiscal Note Attached
- referred to the _____ Committee

MEMBERS SIGNING
DO PASS

MEMBERS HAVING
OTHER RECOMMENDATIONS:

Archie P. Adams
[Signature]
[Signature]
[Signature]
[Signature]
[Signature]
[Signature]
[Signature]
MILO H FRITZ

Archie P. Adams
CHAIRMAN

STATE OF ALASKA 1984 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date 5/22/84

REQUEST

Bill/Resolution No: CS SB 479 (Finance)

Title: Forest Products Loan Guarantee

Sponsor: Senate Finance

Requestor: House Finance

Date of Request: May 17, 1984

FISCAL DETAIL

Agency Affected: Revenue

Program Category Affected: _____

BRU, Program or Subprogram(s) Affected: _____

Treasury

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
<u>OPERATING</u>						
100 PERSONAL SERVICES	-	-	-	-	-	-
200 TRAVEL	-	-	-	-	-	-
300 CONTRACTUAL	-	-	-	-	-	-
400 SUPPLIES	-	-	-	-	-	-
500 EQUIPMENT	-	-	-	-	-	-
600 LANDS & STRUCTURES	-	-	-	-	-	-
700 GRANTS, CLAIMS	-	-	-	-	-	-
800 MISCELLANEOUS	-	-	-	-	-	-
<u>TOTAL OPERATING</u>	-	-	-	-	-	-
<u>CAPITAL</u>	-	-	-	-	-	-
<u>REVENUE</u>	-	-	-	-	-	-

FUNDING: (Thousands of Dollars)

GENERAL FUND	-	-	-	-	-	-
FEDERAL FUNDS	-	-	-	-	-	-
OTHER	-	-	-	-	-	-
<u>TOTAL</u>	-	-	-	-	-	-

POSITIONS:

FULL-TIME	-	-	-	-	-	-
PART-TIME	-	-	-	-	-	-
TEMPORARY	-	-	-	-	-	-

SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

This fiscal note addresses costs for Treasury to administer the program.

ANALYSIS: Attach a separate page for analysis.

Prepared By: Milt Barker *MB*

Division: Treasury

Phone: 465-2350

Date: May 17, 1984

Approved by Commissioner: *George Miller*

Agency: Revenue

Date: 5/22/84

Distribution (by Agency preparing fiscal note):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

Original sponsors: Kurtrula and
Ziegler

1 IN THE SENATE

BY THE FINANCE COMMITTEE

2 HOUSE CS FOR CS FOR SENATE BILL NO. 479 (Finance)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 THIRTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to a forest products business loan
7 guarantee program; and providing for an effective
8 date."

9 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

10 * Section 1. AS 45 is amended by adding a new chapter to read:

11 CHAPTER 45. FOREST PRODUCTS BUSINESS LOAN GUARANTEE PROGRAM.

12 Sec. 45.94.010. ESTABLISHMENT OF LOAN GUARANTEE FUND. The
13 forest products business loan guarantee fund is established in the
14 Department of Revenue.

15 Sec. 45.94.020. FOREST PRODUCTS BUSINESS LOAN GUARANTEE PROGRAM.
16 The department may, in accordance with AS 45.94.050, use money in the
17 fund to guarantee a loan for the purpose of operating or expanding a
18 forest products business in the state, or for the acquisition of an
19 interest in a forest products business in the state.

20 Sec. 45.94.030. POWERS AND DUTIES OF THE DEPARTMENT. (a) The
21 commissioner may

22 (1) designate agents and delegate powers necessary to
23 implement this chapter;

24 (2) adopt regulations to implement this chapter;

25 (3) make and execute contracts and other instruments to
26 implement this chapter;

27 (4) acquire real or personal property by purchase, trans-
28 fer, or foreclosure when the acquisition is necessary to protect an
29 interest in the fund; and

1 (5) receive, and protect against the disclosure of, trade
2 secrets or other confidential information reasonably necessary to
3 conduct the review required by AS 45.94.050.

4 (b) The commissioner shall require that a loan guaranteed by the
5 fund be secured by adequate collateral, and that the net cash flow
6 from the forest products business provides adequate coverage for the
7 debt service on the loan. The applicant shall provide a proposed
8 operating plan and an economic and financial feasibility analysis
9 prepared by a firm acceptable to the department.

10 Sec. 45.94.040. INVESTMENT OF THE FUND. Money in the fund that
11 is not being used for loan guarantees under this chapter shall be
12 invested as provided for the investment of state treasury surplus
13 under AS 37.10.070. Income from investment shall be transferred to
14 the general fund.

15 Sec. 45.94.050. CONDITIONS OF MAKING A LOAN GUARANTEE. (a) The
16 department may guarantee a loan under this chapter under the following
17 conditions:

18 (1) the term of the loan may not exceed 10 years;

19 (2) the loan must be secured by the real or personal
20 property, inventory or accounts receivable of the forest products
21 business, or by other collateral acceptable to the department;

22 (3) the loan must originate with and be serviced by a state
23 or federally chartered financial institution;

24 (4) if the loan is for the purpose of acquiring an interest
25 in a forest products business in the state

26 (A) the persons acquiring the interest must be resi-
27 dents of the state and qualified to operate and manage the busi-
28 ness;

29 (B) the interest acquired may not be less than 35

1 percent of the stock or assets of the business;

2 (C) the acquisition must be necessary for the con-
3 tinued operation of the business; and

4 (D) the commissioner must find, on the basis of the
5 financial and feasibility analysis and proposed operating plan
6 submitted under AS 45.94.030(b), that the acquisition will
7 materially increase the likelihood of success of the business,
8 and that additional debt service will be offset by beneficial
9 operation or management changes; and

10 (5) if the loan is for the purpose of expanding or op-
11 erating a forest products business in the state, the commissioner must
12 find, on the basis of the financial and feasibility analysis and
13 proposed operating plan submitted under AS 45.94.030(b), that the
14 expansion of operating capital will increase employment or avoid a
15 decrease in employment in the area in which the business is located,
16 and that additional debt service will be offset by the probable
17 savings or earnings from the expansion of operating capital.

18 (b) The department may provide a guarantee from the fund for up
19 to 50 percent of a loan, but may not guarantee more than \$30,000,000
20 per borrower. The department may not guarantee the payment of annual
21 interest on the guaranteed portion of a loan.

22 (c) After a default by a borrower, the maximum liability of the
23 fund for a loan guarantee under this chapter is equal to the amount in
24 default multiplied by the guaranteed percentage of the loan. Payments
25 received toward satisfaction of a default shall be allocated between
26 the lender and the fund according to the guaranteed percentage of the
27 loan until the principal balance has been repaid.

28 Sec. 45.94.060. DEFINITIONS. In this chapter

29 "commissioner" means the commissioner of revenue;

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(2) "department" means the Department of Revenue;

(3) "forest products business" means a sole proprietorship, partnership, corporation or other business organization formed for the purpose of harvesting or processing timber or other forest resources;

(4) "fund" means the forest products business loan guarantee fund.

* Sec. 2. This Act takes effect immediately in accordance with AS 01.-10.070(c).

WORK DRAFT

WORK DRAFT

WORK DRAFT

Asper
5/24/84

KEY

Original sponsors: Kertrula and
Ziegler

— additions
[] deletions

1 IN THE SENATE

BY THE FINANCE COMMITTEE

2 HOUSE CS FOR CS FOR SENATE BILL NO. 479 (Finance)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 THIRTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to a forest products business loan
7 guarantee program; and providing for an effective
8 date."

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11 CHAPTER 94. FOREST PRODUCTS BUSINESS LOAN GUARANTEE PROGRAM.

12 Sec. 45.94.010. ESTABLISHMENT OF LOAN GUARANTEE FUND. The
13 forest products business loan guarantee fund is established in the
14 Department of Revenue.

15 Sec. 45.94.020. FOREST PRODUCTS BUSINESS LOAN GUARANTEE PROGRAM.

16 The department may, in accordance with AS 45.94.050, use money in the
17 fund to guarantee a loan for the purpose of ^[financing the purchase of 35] operating or expanding a
18 90 or more of the stock or assets of a forest products business
19 forest products business in the state, or for the acquisition of an
20 interest in a forest products business in the state. ^{business, as provided}
_{in AS 45.94.050.]}

21 Sec. 45.94.030. POWERS AND DUTIES OF THE DEPARTMENT. (a) The
22 commissioner may

23 (1) designate agents and delegate powers necessary to
24 implement this chapter;

25 (2) adopt regulations to implement this chapter;

26 (3) make and execute contracts and other instruments to
27 implement this chapter;

28 (4) acquire real or personal property by purchase, trans-
29 fer, or foreclosure when the acquisition is necessary to protect an
interest in the fund; and

(4) the loan is made to the employees of the forest products business, to an employee stock ownership trust, or to one or more corporations or other business associations or entities in which the controlling interest is held by state residents who are employees of the forest products business.

(5) receive, and protect against the disclosure of, trade secrets or other confidential information reasonably necessary to conduct the review required by AS 45.94.050.

(b) The commissioner shall require that a loan guaranteed by the fund be secured by adequate collateral, and that the net cash flow from the forest products business provides adequate coverage for the debt service on the loan. The applicant shall provide a proposed operating plan and an economic and financial feasibility analysis prepared by a firm acceptable to the department.

Sec. 45.94.040. INVESTMENT OF THE FUND. Money in the fund that is not being used for loan guarantees under this chapter shall be invested as provided for the investment of state treasury surplus under AS 37.10.070. Income from investment shall be transferred to the general fund.

Sec. 45.94.050. CONDITIONS OF MAKING A LOAN GUARANTEE. (a) The department may guarantee a loan under this chapter ^[if] under the following conditions:

- (1) the term of the loan ^[does] may not exceed 10 years;
- (2) the loan ^[is] must be secured by the real or personal property, inventory or accounts receivable of the forest products business, or by other collateral acceptable to the department;
- (3) the loan ^[is] must originate with and be serviced by a state or federally chartered financial institution;

→ (4) if the loan is for the purpose of acquiring an interest in a forest products business in the state

(A) the persons acquiring the interest must be residents of the state and qualified to operate and manage the business;

(B) the interest acquired may not be less than 35

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percent of the stock or assets of the business;

(C) the acquisition must be necessary for the continued operation of the business; and

(D) the commissioner must find, on the basis of the financial and feasibility analysis and proposed operating plan submitted under AS 45.94.030(b), that the acquisition will materially increase the likelihood of success of the business, and that additional debt service will be offset by beneficial operation or management changes; and

(5) if the loan is for the purpose of expanding or operating a forest products business in the state, the commissioner must find, on the basis of the financial and feasibility analysis and proposed operating plan submitted under AS 45.94.030(b), that the expansion of operating capital will increase employment or avoid a decrease in employment in the area in which the business is located, and that additional debt service will be offset by the probable savings or earnings from the expansion of operating capital.

(b) The department may provide a guarantee from the fund for up to 50 percent of a loan, but may not guarantee ^{less than \$5,000,000} more than \$30,000,000 per borrower. The department may not guarantee the payment of annual interest on the guaranteed portion of a loan.

(c) After a default by a borrower, the maximum liability of the fund for a loan guarantee under this chapter is equal to the amount in default multiplied by the ^(a % equal to the) guaranteed percentage of the loan. Payments received toward satisfaction of a default shall be allocated between the lender and the fund according to the guaranteed percentage of the loan until the principal balance has been repaid.

Sec. 45.94.060. DEFINITIONS. In this chapter

(1) "commissioner" means the commissioner of revenue;

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(2) "department" means the Department of Revenue;

(3) "forest products business" means a sole proprietorship, partnership, corporation or other business organization formed for the purpose of harvesting or processing timber or other forest resources;

(4) "fund" means the forest products business loan guarantee fund.

* Sec. 2. This Act takes effect immediately in accordance with AS 01.-10.070(c).

STATE OF ALASKA
THE LEGISLATURE

POUCH Y - STATE CAPITOL
JUNEAU, ALASKA 99811
907-465-3800

LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

May 24, 1984

SUBJECT: Sectional Analysis of ^{PROPOSED} HCS CSSB 479 (Finance)

TO: Representative Al Adams
Chairman, House Finance Committee

FROM: Linn H. Asper ^{LHA}
Legislative Counsel ^{LMB}

You have asked for a sectional analysis of the proposed House Finance committee substitute for Senate Bill 479, relating to a forest products business loan guarantee program.

Section 1 establishes a forest products business loan guarantee program.

AS 45.94.010 establishes the forest products business loan guarantee fund in the Department of Revenue.

AS 45.94.020 allows money in the guarantee fund to be used to guarantee a loan for the operation, expansion, or acquisition of a forest products business in the state.

AS 45.94.030 defines the powers and duties of the Department of Revenue with regard to the guarantee fund.

AS 45.94.040 instructs the Department of Revenue on investment policies for money in the guarantee fund.

AS 45.94.050 states the conditions and limitations on making a loan guarantee secured by money in the guarantee fund.

AS 45.94.060 provides definitions for terms used in the new chapter.

Section 2 provides for an immediate effective date.

LHA:lmb
L3/014

March 1, 1984

INTRODUCTION OF SB 479

Senators Kerttula and Ziegler have introduced this legislation, SB 479, as a means to assist the employees of the Alaska Division of the Louisiana-Pacific Corporation to acquire ownership of that Company's forest product business which is headquartered out of Ketchikan.

Senate Bill 479 will assist and make more secure the financing of an employee effort to purchase a controlling interest in the Ketchikan based forest products operation of Louisiana-Pacific Corporation. The employees have formed an ESOT (Employee Stock Ownership Trust) and study committee which represents all 800 direct employees of the division. In addition, 600 employees are employed by contractors for Ketchikan Pulp. If this employee purchase effort is not successful, LP has stated the operations will be shut down. Such an event will naturally result in massive unemployment and economic disruption.

The Borough and City of Ketchikan are vitally concerned about this problem, and fully support this employee effort.

The employees have completed five months of study and negotiations with LP, assisted by legal counsel and Salamon Brothers as financial advisors. The employees have committed to contribute a 25% reduction in pay and benefits as part of this purchase effort. They are confident that



Louisiana-Pacific
Helping the forest work for people

NEW
RELEASES

Release No. 112-3-4
Contact: Barry Lacter
(503) 221-080

FOR IMMEDIATE RELEASE

LOUISIANA-PACIFIC REACHES AGREEMENT
ON SALE OF ALASKA OPERATIONS TO EMPLOYEES

(Ketchikan, Alaska, March 7) -- Louisiana-Pacific Corp. announced today that it has reached an agreement in principle to sell approximately 56 percent of its ownership interests in its Alaska facilities to an Employee Stock Ownership Trust (ESOT) to be established by the employees at those operations. The agreement was reached with the Ketchikan Pulp Company Employees ESOT Study Committee, an employee committee established to review and negotiate the sale. It is subject to a number of conditions including the ESOT obtaining necessary financing, execution of a definitive agreement and any required approvals by the affected employees as well as by Louisiana-Pacific's board of directors.

The agreement sets a sales price of \$50 million to be paid with a combination of cash and notes. L-P will not realize a significant gain or loss on the

(more)

transaction. Completion of the sale is expected by
mid-1984.

L-P's Alaskan operations consist primarily of a pulp mill in Ketchikan with an annual capacity of 150,000 tons which manufactures specialty sulfite pulp for world markets and three sawmills which produce high quality spruce and hemlock cants. The mills are supported by a long-term timber sale agreement with the U. S. Forest Service.

"We believe that the long-term prospects for these facilities will be brighter with employee participation in ownership," according to Harry A. Merlo, L-P chairman and president.

Louisiana-Pacific is a major forest products firm with more than 100 plants and mills throughout the United States.

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EDITORS PLEASE NOTE: Released via Business Wire
March 7, 1984

STATE OF ALASKA 1984 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date

REQUEST

Bill/Resolution No: Loans CS HB 527
 Title: Forest Products Loan
 Guarantee _____
 Sponsor: House Loans
 Requestor: House Resources
 Date of Request: 3-10-84

FISCAL DETAIL

Agency Affected: Revenue
 Program Category Affected: _____
 BRU, Program or Subprogram(s) Affected: Treasury

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
OPERATING						
100 PERSONAL SERVICES	-	-	-	-	-	-
200 TRAVEL	-	-	-	-	-	-
300 CONTRACTUAL	-	-	-	-	-	-
400 SUPPLIES	-	-	-	-	-	-
500 EQUIPMENT	-	-	-	-	-	-
600 LANDS & STRUCTURES	-	-	-	-	-	-
700 GRANTS, CLAIMS	-	-	-	-	-	-
800 MISCELLANEOUS	-	-	-	-	-	-
TOTAL OPERATING	-0-	-0-	-0-	-0-	-0-	-0-
CAPITAL	-	-	-	-	-	-
REVENUE	-	-	-	-	-	-

FUNDING: (Thousands of Dollars)

GENERAL FUND	-	-	-	-	-	-
FEDERAL FUNDS	-	-	-	-	-	-
OTHER	-	-	-	-	-	-
TOTAL	-	-	-	-	-	-

POSITIONS:

FULL-TIME	-	-	-	-	-	-
PART-TIME	-	-	-	-	-	-
TEMPORARY	-	-	-	-	-	-

SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

This fiscal note addresses costs for the Department of Revenue to administer the program. A guarantee would require the amount of the guarantee to be appropriated to the guarantee fund.

ANALYSIS: Attach a separate page for analysis.

Prepared By: Milt Barker MB
 Division: Treasury

Phone: 465-2350
 Date: 3-12-84

Approved by Commissioner: [Signature]
 Agency: _____

Date: 3/13/84

Distribution (by Agency preparing fiscal note):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

POTENTIAL UNEMPLOYMENT PAYMENTS TO DIRECT/INDIRECT & SERVICE RELATED EMPLOYEES IN THE EVENT OF A LOUISIANA PACIFIC AND ALASKA LUMBER & PULP CLOSURE

UNEMPLOYMENT CLAIMANTS	AVERAGE PAYMENT & DURATION	EXHAUST BENEFITS	
		39 WEEKS	52 WEEKS
3,000	\$6,245,580	\$14,952,600	\$19,936,800
6,000	\$12,491,160	\$29,905,200	\$39,873,600
10,000	\$20,818,600	\$49,842,000	\$66,456,000

ADMINISTRATIVE COSTS OF MAKING PAYMENTS

CLAIMANTS	AVERAGE PAYMENT & DURATION	39 WEEKS	52 WEEKS
3,000	\$189,296	\$384,296	_____
6,000	\$396,596	\$769,452	_____
10,000	\$659,711	\$1,281,289	_____

* AVG. PAYMENT & DURATION = \$127.80 per week for 16.29 weeks

LOUISIANA PACIFIC EMPLOYMENT INFORMATION

		<u>PAYROLL</u>	<u>WAGES & BENEFITS</u>
DIRECT EMPLOYMENT	800	\$22.6 million	\$23 - 30 million
SECONDARY EMPLOYMENT	<u>600</u>		
TOTAL EMPLOYMENT	1400		

STATE OF ALASKA
THE LEGISLATURE

POUCH Y STATE CAPITOL
JUNIAU ALASKA 99811
907 465 3800

LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

February 27, 1984

SUBJECT: Sectional analysis of
SB 479

TO: Senator Jalmar Kerttula

FROM: *LH* Linn H. Asper
Legislative Council

You have asked for a sectional analysis of SB 479, relating to a forest products business loan guarantee program.

*Section 1 establishes the forest products business loan guarantee program and sets conditions for the loan guarantees.

Sec. 45.94.010 establishes the forest products business loan guarantee fund in the Department of Revenue

Sec. 45.94.020 allows the Department of Revenue to use fund money to guarantee a loan for the purchase of 35 percent or more of the stock or assets of a forest products business by the employees of that business.

Sec. 45.94.030 grants the department the powers necessary to administer loan guarantees under the forest products business loan guarantee program, and requires that a loan guaranteed must be secured by adequate collateral.

Sec. 45.94.040 directs the department to invest money from the loan guarantee fund that is not being used to guarantee loans in investments allowed under AS 37.10.070.

Sec. 45.94.050 establishes conditions on a loan guarantee, including maximum and minimum amounts that may be guaranteed, terms of loans guaranteed, security for guaranteed loans, state financial institution participation in the guaranteed loan, and other terms applicable to guaranteed loans.

Senator Kerttula
Page 2
February 27, 1984

Sec. 45.94.055 allows the department to guarantee additional loans for a borrower under the terms of the chapter.

Sec. 45.94:060 provides definitions of terms used in the chapter.

Section 2 of the Act provides an immediate effective date.

LHA:csh
C2/137

Ketchikan, Alaska, Wednesday, March 7, 1984

Committee approves LPK purchase plan

By GREGG POPPEN
Daily News Staff Writer

Members of the Employee Stock Ownership Trust (ESOT) study committee Tuesday approved a \$50 million employee buy out of Louisiana-Pacific Ketchikan Division (LPK) after months of bargaining with the parent corporation. ESOT would hold 56 percent of the division's stock, with Louisiana-Pacific (L-P) keeping the rest.

About 11 percent of the refinanced stock is expected to be offered to the public by ESOT.

ESOT leader and LPK comptroller Martin Pihl said today the study

committee's 28 members — salaried management employees and union wage employees — had given the purchase proposal close consideration since drafting over the weekend a letter of intent to participate with L-P in the \$90 million deal. "I think we all feel pretty good about it. There was not unanimous approval, but very near," he said.

Pihl said ESOT's purchase of division stock is conditional on finding \$50 million in financing and gaining employee approval of the plan. It must also be approved by the Louisiana Pacific board of directors.

The sale is expected to be completed by mid-1984, according to a press release issued today by Louisiana-Pacific.

L-P proposed the employee buy out last fall and first offered the division to employees for about \$150 million. LPK facilities include the Ward Cove pulp mill, the Ketchikan Spruce Mill on the downtown waterfront and the Kenai Lumber Co. of Seward. Other facilities are logging camps, sorting yards and Annette Hemlock, a sawmill in Metlakatla. Nearly a thousand workers are on the LPK payroll at full production. The pulp

mill is considered Ketchikan's greatest employer.

Financing search

ESOT executives will finish preparing financial documents in the next several weeks with the help of Salomon Brothers, the New York financial consultants who were hired by ESOT. Pihl said ESOT committee members have a list of six major banks in Alaska and the Lower 48 which will hear ESOT's pitch for financing.

Bankers are sure to look closely at what Pihl called ESOT's "viability plan" — a package of operating plans

and management strategies for the prospective employee-run corporation. The plan includes wage and benefits reductions for employees and savings in operating expenditures, particularly at the pulp mill. ESOT leaders said in recent weeks about \$10 million in annual operations savings would be needed to make the division break even.

Employees are hoping the U.S. Forest Service regional forester will grant timber industry cost relief requests that could reduce the price of building roads and harvesting timber. This weekend, industry lead-

ers will meet once again with regional forester John Sandor in Juneau.

Another impending concern is the tentative denial by the U.S. Environmental Protection Agency (EPA) regional administrator of LPK's request for a variance from new wastewater treatment standards. A final ruling by regional administrator Ernesta Barnes will come in late May, she said last week during a Ketchikan visit.

LPK estimates the cost of complying with the EPA treatment regulations at more than \$10 million.

Forest
Products Loan
Program

SENATE BILL NO. 479, by Senators Kerttula and Ziegler.

Establishes a Forest Product Business Loan Guarantee Program in the Dept. of Revenue. Money in the loan fund could be used to guarantee a loan for the purpose of financing the purchase of 35 percent or more of the stock or assets of a forest products business by, on behalf of, or for the benefits of the employees of that business. The Commissioner must require that a loan guaranteed by the fund be secured by adequate collateral.

Money in the fund that is not being used for loan guarantees must be invested under laws governing investment of the Permanent Fund (AS 37.10.070). Income from the investment would be transferred to the General Fund.

The following conditions must be met before the Dept. of Revenue could guarantee a loan: (1) the term of the loan cannot exceed 10 years; (2) the loan must be secured by real or personal property, inventory or accounts receivable of the forest products business, or by other collateral acceptable to the department; (3) the loan must be originated with and serviced by the Alaska Commercial Fishing and Agriculture Bank, or by a state or federally chartered financial institution located in Alaska; and (4) the loan must be made to the employees of the forest products business, to an employee stock ownership trust, or to one or more corporations or other business associations or entities in which the employees of the business hold an interest that is equal to or greater than the interest held by the seller of the business.

The Department could guarantee up to 50 percent of a loan, but could not guarantee less than \$5 million or more than \$30 million per borrower, and could not guarantee the payment of annual interest on the guaranteed portion of a loan.

Upon default by a borrower, the amount of the maximum liability of the fund for a loan guarantee is the percentage of the amount in default specified by the Department in the guarantee agreement.

Allows the Department to grant additional guarantees to the same borrower if 30 days have elapsed since the date the first guarantee contract was signed.

Effective immediately. Identical to HB 627.

Introduced February 13 and referred to Labor & Commerce, Resources and Finance.

H.R. 3282

Amendment to the Subcommittee Amendment in in the Nature
of a Substitute:

On Page 80, add a new section 45:

Sec 45. Section 402 of the Federal Water Pollution
Control Act is amended by adding at the end thereof
the following new subsection:

"(o). For a period not exceeding ten years from
the date of enactment, the Administrator shall
administer the terms of the following permits
according to the terms contained therein, but
in no event shall the Administrator require
discharge standards to be less than those in
effect on May 10, 1984:

1. Alaska Lumber and Pulp Company,
located at Sitka, Alaska (NPDES
permit No. AK000053-1) and
2. Louisiana-Pacific Corporation, located
at Ketchikan, Alaska (NPDES permit No.
AK 000092-2).

RECEIVED LPK

LAW OFFICES

LANE POWELL MOSS & MILLER

A PARTNERSHIP INCLUDING PROFESSIONAL CORPORATIONS

MAR 12 1984

CO

GORDON W. MOSS, P.S.
 RAYMOND W. MAMAK, P.S.
 WILLIAM J. WALSH, JR.
 O. KEITH GRIM, P.S.
 WILBUR J. LAWRENCE
 D. WAYNE GITTINGER
 BARRY H. BIGGS
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 JOHN F. SHERWOOD
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 ROBERT J. FREDERICK, P.S.
 MATTHEW R. KENNEY, P.S.
 JOHN R. TOMLINSON, P.S.
 ROBERT L. ISRAEL, P.S.
 ARTHUR W. HARRIGAN, JR., P.S.
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 EUGENE R. NIELSON
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 MARK EDWIN JOHNSON
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 JAMES L. ROBERT, P.S.
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 EVAN O. THOMAS III
 MICHAEL E. MORGAN
 HERMIT E. BARKER, JR.
 R. ELDRIDGE HICKS
 WAYNE W. HANSEN

*JAMES B. STOETZER
 RICHARD C. SIEFERT
 LARRY S. GANONES, P.S.
 DAVID O. JOHANSEN
 MICHAEL H. RUNYAN
 DEBORAH D. WRIGHT
 *DALE W. HOUSE
 ANNE McDONALD
 H. PETER SORG, JR.
 RUDY A. ENGLUND
 DANIEL GANDARA
 LEE A. THORSON

WARREN E. BABB, JR.
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 THOMAS F. GROHMAN
 DANIEL M. HENDRICKSON
 NANCY McCREADY HIGGINS
 *DAVID T. HUNTER
 D. JOSEPH HURSON
 *MONICA JENICEK

*MARILYN J. KAMM
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 DAVID H. SCHMOEGEL
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 W. CRAIG SMITH
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 900 WEST FIFTH AVENUE
 ANCHORAGE, ALASKA 99501
 (907) 272-8401

TELECOPIER: 272-9515

March 9, 1984

*ADMITTED IN ALASKA
 *ADMITTED IN ALASKA AND WASHINGTON
 ALL OTHERS ADMITTED IN WASHINGTON

ESOT Study Committee
 Ketchikan Pulp Company
 P.O. Box 6600
 Ketchikan, AK 99901

ATTN: Clyde Johnson

Gentlemen:

We enclose herewith the Study Group's executed original of the agreement in principle dated March 6, 1984; it should be retained by the custodian of the Study Group's records.

Very truly yours,

LANE POWELL MOSS & MILLER

Wayne
 D. Wayne Gittinger

DWG: ssh
 Enclosure

cc: Mr. Kit Keyes (w/encl.)
 Mr. Martin Pihl (w/encl.) ✓

March 6, 1984

Louisiana-Pacific Corporation
111 Southwest Fifth Avenue
Portland, Oregon 97204

Attention: Mr. Harry A. Merlo, President

Re: Ketchikan Pulp Company
Kenai Lumber Company

Gentlemen:

This letter of intent is to confirm the basic terms and conditions of an agreement in principle between the KPC-Employees ESOT Study Committee, Inc., on behalf of an Employee Stock Ownership Trust (the "ESOT") to be established by Ketchikan Pulp Company ("KPC") and Louisiana-Pacific Corporation ("LP").

The agreement in principle is that LP will sell and the ESOT will purchase five-ninths (5/9) of the outstanding capital stock of KPC (the "ESOT-KPC Stock") on the following terms and conditions:

1. Price. The price for the ESOT-KPC Stock shall be \$50-million.

2. Payment. The ESOT will pay for the ESOT-KPC Stock as follows:

a. Cash at closing	\$40,000,000
b. Public Offering Note	5,000,000
c. Subordinated Note	5,000,000

3. Financing.

a. It is anticipated that the \$40-million payable at closing will be financed by the ESOT from the

Louisiana-Pacific Corporation
Attention: Mr. Harry A. Merlo, President
March 6, 1984
Page 2

proceeds of the senior debt (the "Senior Debt") consisting of loans to the ESOT from commercial banks or other financial institutions. On or before May 1, 1984, the ESOT shall have obtained from a commercial bank or banks or other financial institutions, binding commitments to provide (i) the Senior Debt; (ii) a working capital line of credit for KPC in the amount of \$20-million, with amortization, interest rates and other terms acceptable to the ESOT; and (iii) a standby credit in the amount of \$5-million to assure timely payment of the Public Offering Note.

b. The Senior Debt shall be secured by security interests granted by the ESOT and KPC with respect to all assets of KPC except its inventories and accounts receivable. KPC's working capital line of credit in effect from time to time shall be secured solely by security interests granted by KPC in its inventories and accounts receivable.

c. Subject to whatever restrictions exist in connection with the Senior Debt, KPC shall have the right from time to time to increase its working capital line of credit.

4. The Public Offering Note. The Public Offering Note shall not bear interest and shall be payable in full on December 31, 1984. The Public Offering Note may be prepaid without penalty at any time in whole or in part and will be secured by security interests granted by the ESOT and KPC to LP with respect to all assets of KPC, which security interests shall be subordinate to (a) the security interests to be granted to holders of the Senior Debt; (b) the security interests to be granted by KPC to lenders under its working capital line of credit in inventories and accounts receivable; (c) the security interests to be granted to LP to secure the unpaid balance of the Subordinated Note (the "LP Note"); and (d) the security interest heretofore granted by KPC in connection with Alaska Industrial Development Authority ("AIDA") Pollution Control Project as defined in a financing agreement dated October 1, 1983 between AIDA and KPC.

Louisiana-Pacific Corporation
Attention: Mr. Harry A. Merlo, President
March 6, 1984
Page 3

5. The LP Note.

a. For a period of 10 years the LP Note will bear interest at a rate per annum equal to the lesser of the average prime rate of Bank of America National Trust and Savings Association ("B of A") during the 90-day period ending on the closing date plus 3 percent, or 15 percent. Except as provided in subparagraph c herein, no principal or interest will be payable on the LP Note during the first 10 years of its term. On the tenth anniversary date of the LP Note, the principal amount of the LP Note shall become an amount equal to \$5 million plus the amount of deferred interest (not compounded) theretofore accrued on the LP Note less the amount of any prepayments thereon pursuant to subparagraph c herein. The recomputed principal amount of the LP Note will bear interest at a rate per annum equal to the lesser of (i) the average prime rate of B of A during the 90-day period ending on such anniversary date plus 1 1/2 percent; or (ii) 14 percent, and shall be payable in 20 equal semi-annual payments including interest. Such payments shall be due and payable on the 31st day of December and the 30th day of April in each year, commencing December 31, 1994.

b. The prime rate of B of A shall be defined to mean the rate of interest publicly announced from time to time by B of A in San Francisco, California, as its prime rate, with any change in such prime rate to take effect on the day specified in the public announcement of such change.

c. The LP Note may be prepaid without penalty in whole or in part at any time. In addition, the ESOT shall be obligated to prepay on the LP Note the amount, if any, by which the proceeds from the public offering described in paragraph 6 hereof exceed \$5 million. Any prepayment upon the LP Note shall be applied first to accrued interest and then to principal and shall reduce proportionately each of the semi-annual payments of principal and interest payable on the LP Note subsequent to the date of prepayment.

Louisiana-Pacific Corporation
Attention: Mr. Harry A. Merlo, President
March 6, 1984
Page 4

d. The LP Note will be secured by security interests granted by the ESOT and KPC to LP with respect to all assets of KPC, which security interests shall be subordinate to (i) the security interests to be granted to holders of the Senior Debt; (ii) the security interests to be granted by KPC to lenders under its working capital line of credit in its inventories and accounts receivable; and (iii) the security interest heretofore granted by KPC in connection with Alaska Industrial Development Authority ("AIDA") Pollution Control Project as defined in a financing agreement dated October 1, 1983 between AIDA and KPC.

6. Public Offering. As soon as practicable but conditioned upon the consummation of the ESOT's purchase of the ESOT-KPC Stock, one-ninth (1/9) of the KPC Stock will be made the subject of a registration statement with the Securities and Exchange Commission or, at KPC's option, its intrastate Alaska counterpart, pursuant to which the KPC Stock so registered ("Public KPC Stock") will be offered for sale by the ESOT at a price at least equal to the price per share paid by the ESOT for the KPC Stock purchased from LP. All expenses of the offering, including underwriting expenses, will be paid by KPC. On or before the 15th day of each month during the public offering period, the proceeds from the sale of Public KPC Stock during the preceding calendar month will be remitted to LP and applied first to the payment of the Public Offering Note and the proceeds remaining, if any, shall be applied as a prepayment against the LP Note.

7. Disposition of KPC Stock by LP.

a. LP may at any time or from time to time sell all or any portion of the KPC Stock retained by it (the "LP-KPC Stock") in accordance with any applicable securities or other regulations; provided however, (i) that any single purchaser (including affiliates) of one-third (1/3) or more of the LP-KPC Stock agrees to be bound by the undertakings herein contemplated, and (ii) the ESOT or its nominee or other purchaser designated by it shall have a right of first refusal to purchase KPC Stock so offered by LP except in the case of a public offering of such stock by LP.

Louisiana-Pacific Corporation
Attention: Mr. Harry A. Merlo, President
March 6, 1984
Page 5

b. The ESOT and LP agree that on two occasions (the first of which shall in no event occur earlier than 18 months following the closing date), LP may require KPC to register all or a portion of the LP-KPC Stock at LP's sole cost and expense, to qualify LP's KPC Stock for sale in those jurisdictions requested by LP at a time determined by LP. In addition, at LP's sole cost and expense, KPC will undertake to file one additional registration statement for the balance of LP's shares of KPC Stock as shall not theretofore have been registered. The foregoing notwithstanding, LP may not make such a request pursuant to the foregoing for any number of shares which represents less than 25 percent of the KPC shares then held by it.

8. Voting Agreement. The ESOT and LP will at closing enter into a Voting Agreement, each committing the other, with respect to all shares of KPC Stock held by each (unless either party's holdings directly or indirectly represent less than 20 percent of the total outstanding KPC Stock) to vote their shares to elect nine directors, three of which will be nominated by LP and six of which will be nominated by the ESOT which will include the Chief Executive Officer of KPC, two salaried and three hourly employees of KPC.

9. Standstill Agreement. The ESOT and LP will at closing enter into an agreement to the effect that for a period of 20 years, LP will not directly or indirectly acquire or reacquire from any source additional shares of KPC Stock nor will it seek, accept or exercise any voting or proxy rights with respect to additional KPC Stock. The foregoing notwithstanding, if (a) the ESOT defaults upon the Senior Debt and if (b) holders of the Senior Debt declare the Senior Debt due and payable or initiate foreclosure pursuant to the terms of the Senior Debt undertakings, and if (c) such default is not cured or waived on terms acceptable to KPC's board of directors, then LP shall have the right, but not the obligation, to assume the Senior Debt (i) by surrender to the ESOT and cancellation of the LP Note; and (ii) by payment to the ESOT of a sum equal to the amount of Senior Debt principal payments theretofore made by the ESOT, less an amount (Reduction Amount) calculated by multiplying such Senior Debt principal payments by the ratio obtained by dividing the number

Louisiana-Pacific Corporation
Attention: Mr. Harry A. Merlo, President
March 6, 1984
Page 6

of ESOT-KPC shares theretofore distributed to ESOT participants by the original number of ESOT-KPC shares less the number of such shares theretofore sold to the public, and (iii) by offering to purchase from ESOT participants ESOT-KPC shares theretofore distributed to and held by them at a price per share calculated by dividing the Reduction Amount by the number of ESOT-KPC shares theretofore distributed to ESOT participants. In consideration of such Senior Debt assumption the ESOT will assign to LP all of the undistributed ESOT-KPC shares. If such Senior Debt assumption shall occur as herein provided, then upon its occurrence, the Standstill Agreement shall terminate.

10. Marketing. Between the date hereof and closing, KPC and LP will discuss and negotiate in good faith to determine the role (if any) and terms upon which LP should or could play in the post-closing marketing of products produced by KPC.

11. Preclosing Operating Plan. On or before March 15, 1984, LP and KPC shall agree to a preclosing operating plan. The operating plan will specify the levels of receivables; log, chip, pulp and other inventories; accounts payable; intercompany accounts and other current assets and liabilities.

12. Establishment of the ESOT. The Committee will cause the ESOT to be formed on or before May 1, 1984. The ESOT shall meet the requirements of the Internal Revenue Code and the Employee Retirement Income Security Act.

13. Definitive Agreement.

a. On or before May 1, 1984, LP and the ESOT will enter into a definitive agreement containing the terms and conditions included in this letter of intent and other covenants, warranties, representations, terms and conditions to which the parties shall agree. Counsel for LP shall prepare the initial draft of the definitive agreement.

Louisiana-Pacific Corporation
Attention: Mr. Harry A. Merlo, President
March 6, 1984
Page 7

b. The definitive agreement shall provide for the assignment by LP to KPC, all of the outstanding stock of Kenai Lumber Company.

14. Opinion. On or before the closing date, the ESOT shall have received an opinion from Salomon Brothers Inc satisfactory to the ESOT regarding (a) fairness to the ESOT, from a financial point of view, of the consideration to be paid by the ESOT; and (b) the financial viability of KPC as an independent company following consummation of the transaction.

15. Disclosure Statement. On or before June 1, 1984, (a) the Committee shall prepare a disclosure statement describing the transaction and related matters; and (b) the disclosure statement shall be distributed to the KPC employees and any required vote by KPC employees with respect to any part of the transaction or any related matter shall be completed. The disclosure statement shall be subject to approval by LP, which approval shall not be unreasonably withheld.

16. Other Conditions.

a. Regulatory Approvals. Prior to closing, all required governmental, regulatory and lender approvals shall have been obtained.

b. Compensation Expenses. Effective not later than the closing date, there shall have been implemented reductions in annual wage and compensation expenses as may be necessary in order to obtain a firm Senior Debt commitment (which reduction is currently anticipated to be not less than \$6,700,000). Such reduction shall have been accomplished and approved in compliance with applicable collective bargaining laws and agreements.

17. Closing. The closing of the transaction contemplated by this letter of intent shall take place in Seattle, Washington on June 30, 1984, or on such other date as shall be agreed upon by the parties (the "closing date").

Louisiana-Pacific Corporation
Attention: Mr. Harry A. Merlo, President
March 6, 1984
Page 8

It is understood that this letter reflects an agreement in principle only and, unless and until the transaction contemplated hereby is evidenced by a definitive agreement between LP and the ESOT which has been duly authorized by the Committee, the trustees of the ESOT and the board of the directors of LP, neither the Committee, the ESOT nor LP shall have any legal obligations hereunder. The date by which any action is to be accomplished pursuant to this letter may be changed by agreement between the parties.

If the foregoing accurately expresses the basic terms and conditions of our agreement in principle, please so indicate by signing and returning the enclosed copy of this letter.

Very truly yours,

KPC - EMPLOYEES ESOT STUDY
COMMITTEE, INC.

By W. R. Field
W. R. Field
Robert Jones

The foregoing accurately reflects our agreement in principle.

LOUISIANA-PACIFIC CORPORATION

By Harry A. Merlo
Harry A. Merlo
Chairman and President

By John C. Hart
John C. Hart
Vice President

DWG:ddr
7475A

Offered: 5/16/84
Referred: Rules

Original sponsors: Kerttula and
Ziegler

1 IN THE SENATE

BY THE FINANCE COMMITTEE

2

CS FOR SENATE BILL NO. 479 (Finance)

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

THIRTEENTH LEGISLATURE - SECOND SESSION

5

A BILL

6

For an Act entitled: "An Act relating to a forest products business loan
guarantee program; and providing for an effective
date."

7

8

9

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

10

* Section 1. AS 45 is amended by adding a new chapter to read:

11

CHAPTER 94. FOREST PRODUCTS BUSINESS LOAN GUARANTEE PROGRAM.

12

Sec. 45.94.010. ESTABLISHMENT OF LOAN GUARANTEE FUND. The

13

forest products business loan guarantee fund is established in the
Department of Revenue.

14

15

Sec. 45.94.020. FOREST PRODUCTS BUSINESS LOAN GUARANTEE PROGRAM.

16

The department may use money in the fund to guarantee a loan for the
purpose of financing the purchase of 35 percent or more of the stock
or assets of a forest products business by, on behalf of, or for the
benefit of the employees of that business, as provided in AS 45.94.-
050.

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Sec. 45.94.030. POWERS AND DUTIES OF THE DEPARTMENT. (a) The

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commissioner may

23

(1) designate agents and delegate powers necessary to
implement this chapter;

24

25

(2) adopt regulations to implement this chapter;

26

(3) make and execute contracts and other instruments to
implement this chapter;

27

28

(4) acquire real or personal property by purchase, trans-
fer, or foreclosure when the acquisition is necessary to protect an

29

1 interest in the fund.

2 (b) The commissioner shall require that a loan guaranteed by the
3 fund be secured by adequate collateral, and that the net cash flow
4 from the forest products business provides adequate coverage for the
5 debt service on the loan. The applicant shall provide an economic and
6 financial feasibility analysis prepared by a firm acceptable to the
7 department.

8 Sec. 45.94.040. INVESTMENT OF THE FUND. Money in the fund that
9 is not being used for loan guarantees under this chapter shall be
10 invested as provided for the investment of state treasury surplus
11 under AS 37.10.070. Income from investment shall be transferred to
12 the general fund.

13 Sec. 45.94.050. CONDITIONS OF LOAN GUARANTEES. (a) The depart-
14 ment may guarantee a loan under this chapter if

15 (1) the term of the loan does not exceed 10 years;

16 (2) the loan is secured by the real or personal property,
17 inventory or accounts receivable of the forest products business, or
18 by other collateral acceptable to the department;

19 (3) the loan is originated with and serviced by a state or
20 federally chartered financial institution; and

21 (4) the loan is made to the employees of the forest pro-
22 ducts business, to an employee stock ownership trust, or to one or
23 more corporations or other business associations or entities in which
24 the controlling interest is held by state residents who are employees
25 of the forest products business.

26 (b) The department may provide a guarantee from the fund for up
27 to 50 percent of a loan, but may not guarantee less than \$5,000,000 or
28 more than \$30,000,000 per borrower. The department may not guarantee
29 the payment of annual interest on the guaranteed portion of a loan.

1 (c) After a default by a borrower, the maximum liability of the
2 fund for a loan guarantee under this chapter is equal to the amount
3 then in default multiplied by a percentage equal to the guaranteed
4 percentage of the loan. Payments received toward satisfaction of a
5 default shall be allocated between the lender and the fund according
6 to the guaranteed percentage of the loan until the principal balance
7 has been repaid.

8 Sec. 45.94.060. DEFINITIONS. In this chapter

9 (1) "commissioner" means the commissioner of revenue;

10 (2) "department" means the Department of Revenue;

11 (3) "forest products business" means a sole proprietorship,
12 partnership, corporation or other business organization formed for the
13 purpose of harvesting or processing timber or other forest resources;

14 (4) "fund" means the forest products business loan guaran-
15 tee fund.

16 * Sec. 2. This Act takes effect immediately in accordance with AS 01.-
17 10.070(c).

Offered: 5/16/84
Referred: Rules

Original sponsors: Kerttula and
Ziegler

1 IN THE SENATE

BY THE FINANCE COMMITTEE

2

CS FOR SENATE BILL NO. 479 (Finance)

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

THIRTEENTH LEGISLATURE - SECOND SESSION

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Offered: 3/22/84
Referred: Finance

Original sponsors: Kerttula and
Ziegler

1 IN THE SENATE BY THE RESOURCES COMMITTEE
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4 THIRTEENTH LEGISLATURE - SECOND SESSION
5 A BILL
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2 liability of the fund for a loan guarantee under this chapter is the
3 percentage of the amount in default specified by the department in the
4 guarantee agreement, multiplied by the amount then in default. Pay-
5 ments received toward satisfaction of a default shall be allocated
6 between the lender and the fund according to the percentage specified
7 by the department in the guarantee agreement until the principal
8 balance has been repaid.

9 Sec. 45.94.060. DEFINITIONS. In this chapter

10 (1) "commissioner" means the commissioner of revenue;

11 (2) "department" means the Department of Revenue;

12 (3) "forest products business" means a sole proprietorship,
13 partnership, corporation or other business organization formed for the
14 purpose of harvesting or processing timber or other forest resources;

15 (4) "fund" means the forest products business loan guaran-
16 tee fund.

17 * Sec. 2. This Act takes effect immediately in accordance with AS 01.-
18 10.070(c).

Introduced: 2/13/84
Referred: Labor and Commerce
Resources and
Finance

1 IN THE SENATE

BY KERTTULA AND ZIEGLER

2

SENATE BILL NO. 479

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

THIRTEENTH LEGISLATURE - SECOND SESSION

5

A BILL

6 For an Act entitled: "An Act relating to a forest products business loan
7 guarantee program; and providing for an effective
8 date."

9 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

10 * Section 1. AS 45 is amended by adding a new chapter to read:

11 CHAPTER 94. FOREST PRODUCTS BUSINESS LOAN GUARANTEE PROGRAM.

12 Sec. 45.94.010. ESTABLISHMENT OF LOAN GUARANTEE FUND. The
13 forest product business loan guarantee fund is established in the
14 Department of Revenue.

15 Sec. 45.94.020. FOREST PRODUCTS BUSINESS LOAN GUARANTEE PROGRAM.
16 The department may use money in the fund to guarantee a loan for the
17 purpose of financing the purchase of 35 percent or more of the stock
18 or assets of a forest products business by, on behalf of, or for the
19 benefit of the employees of that business, as provided in AS 45.94.-
20 050.

21 Sec. 45.94.030. POWERS AND DUTIES OF THE DEPARTMENT. (a) The
22 commissioner may

23 (1) designate agents and delegate powers necessary to
24 implement this chapter;

25 (2) adopt regulations to implement this chapter;

26 (3) make and execute contracts and other instruments to
27 implement this chapter;

28 (4) acquire real or personal property by purchase, trans-
29 fer, or foreclosure when the acquisition is necessary to protect an

1 interest in the fund.

2 (b) The commissioner shall require that a loan guaranteed by the
3 fund be secured by adequate collateral.

4 Sec. 45.94.040. INVESTMENT OF THE FUND. Money in the fund that
5 is not being used for loan guarantees under this chapter shall be
6 invested as provided for the investment of state treasury surplus
7 under AS 37.10.070. Income from investment shall be transferred to
8 the general fund.

9 Sec. 45.94.050. CONDITIONS OF LOAN GUARANTEES. (a) The depart-
10 ment may guarantee a loan under this chapter if

11 (1) the term of the loan does not exceed 10 years;

12 (2) the loan is secured by the real or personal property,
13 inventory or accounts receivable of the forest products business, or
14 by other collateral acceptable to the department;

15 (3) the loan is originated with and serviced by the Alaska
16 Commercial Fishing and Agriculture Bank, or by a state or federally
17 chartered financial institution located in the state; and

18 (4) the loan is made to the employees of the forest pro-
19 ducts business, to an employee stock ownership trust, or to one or
20 more corporations or other business associations or entities in which
21 the employees of the forest products business hold an interest that is
22 equal to or greater than the interest held by the seller of the forest
23 products business.

24 (b) The department may provide a guarantee from the fund for up
25 to 50 percent of a loan, but may not guarantee less than \$5,000,000 or
26 more than \$30,000,000 per borrower. The department may not guarantee
27 the payment of annual interest on the guaranteed portion of a loan.

28 (c) Upon default by a borrower, the amount of the maximum liabi-
29 lity of the fund for a loan guarantee under this chapter is the

1 percentage of the amount in default specified by the department in the
2 guarantee agreement.

3 Sec. 45.94.055. ADDITIONAL GUARANTEES. Not less than 30 days
4 after the department enters into a contract to guarantee a loan to a
5 borrower under this chapter, the department may enter into a contract
6 to guarantee another loan to that borrower under this chapter.

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Resources and
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14 tee fund.

15 * Sec. 2. This Act takes effect immediately in accordance with AS 01.-
16 10.070(c).

March 1, 1984

INTRODUCTION OF SB 479

Senators Kerttula and Ziegler have introduced this legislation, SB 479, as a means to assist the employees of the Alaska Division of the Louisiana-Pacific Corporation to acquire ownership of that Company's forest product business which is headquartered out of Ketchikan.

Senate Bill 479 will assist and make more secure the financing of an employee effort to purchase a controlling interest in the Ketchikan based forest products operation of Louisiana-Pacific Corporation. The employees have formed an ESOT (Employee Stock Ownership Trust) and study committee which represents all 800 direct employees of the division. In addition, 600 employees are employed by contractors for Ketchikan Pulp. If this employee purchase effort is not successful, LP has stated the operations will be shut down. Such an event will naturally result in massive unemployment and economic disruption.

The Borough and City of Ketchikan are vitally concerned about this problem, and fully support this employee effort.

The employees have completed five months of study and negotiations with LP, assisted by legal counsel and Salamon Brothers as financial advisors. The employees have committed to contribute a 25% reduction in pay and benefits as part of this purchase effort. They are confident that

this new Alaskan-owned forest products company will be a success as a consequence of their personal contributions combined with with new material cost reductions resulting from the combined efforts of the Alaska Loggers Association and the U.S. Forest Service, and an improved outlook for resolution of the EPA variance request.

It is vitally important to the economy of the state that established industries continue to operate. This bill will not only serve to assist in the maintenance of the economic viability of a company, but it will serve to assist Alaskans in their efforts to acquire ownership of that company. Should the bill not be enacted into law and the shutdown of Louisiana-Pacific takes place, the state could suffer considerable costs in the form of lost tax revenues, lost payroll and extensive unemployment benefit payments.

It is certainly appropriate for the State of Alaska to assist its residents in maintaining the viability of a major industry. It is also most significant that the assistance is in the form of a guarantee for a commitment that Alaskans are making to invest their own money and futures in that industry and the state.



Louisiana-Pacific
Helping the forest work for people

NEW
RELEASES

Release No. 112-3-4
Contact: Barry Lyster
(503) 711-080

FOR IMMEDIATE RELEASE

LOUISIANA-PACIFIC REACHES AGREEMENT
ON SALE OF ALASKA OPERATIONS TO EMPLOYEES

(Ketchikan, Alaska, March 7) -- Louisiana-Pacific Corp. announced today that it has reached an agreement in principle to sell approximately 56 percent of its ownership interests in its Alaska facilities to an Employee Stock Ownership Trust (ESOT) to be established by the employees at those operations. The agreement was reached with the Ketchikan Pulp Company Employees ESOT Study Committee, an employee committee established to review and negotiate the sale. It is subject to a number of conditions including the ESOT obtaining necessary financing, execution of a definitive agreement and any required approvals by the affected employees as well as by Louisiana-Pacific's board of directors.

The agreement sets a sales price of \$50 million to be paid with a combination of cash and notes. LP will not realize a significant gain or loss on the

(more)

transaction. Completion of the sale is expected by
mid-1984.

L-P's Alaskan operations consist primarily of a pulp mill in Ketchikan with an annual capacity of 150,000 tons which manufactures specialty sulfite pulp for world markets and three sawmills which produce high quality spruce and hemlock cants. The mills are supported by a long-term timber sale agreement with the U. S. Forest Service.

"We believe that the long-term prospects for these facilities will be brighter with employee participation in ownership," according to Harry A. Merlo, L-P chairman and president.

Louisiana-Pacific is a major forest products firm with more than 100 plants and mills throughout the United States.

- 0 -

EDITORS PLEASE NOTE: Released via Business Wire
March 7, 1984

STATE OF ALASKA 1984 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date

REQUEST

Bill/Resolution No: Loans CS HB 527
 Title: Forest Products Loan
 Guarantee
 Sponsor: House Loans
 Requestor: House Resources
 Date of Request: 3-10-84

FISCAL DETAIL

Agency Affected: Revenue
 Program Category Affected: _____
 BRU, Program or Subprogram(s) Affected:
Treasury

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
<u>OPERATING</u>						
100 PERSONAL SERVICES	-	-	-	-	-	-
200 TRAVEL	-	-	-	-	-	-
300 CONTRACTUAL	-	-	-	-	-	-
400 SUPPLIES	-	-	-	-	-	-
500 EQUIPMENT	-	-	-	-	-	-
600 LANDS & STRUCTURES	-	-	-	-	-	-
700 GRANTS, CLAIMS	-	-	-	-	-	-
800 MISCELLANEOUS	-	-	-	-	-	-
<u>TOTAL OPERATING</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
<u>CAPITAL</u>	-	-	-	-	-	-
<u>REVENUE</u>	-	-	-	-	-	-

FUNDING: (Thousands of Dollars)

GENERAL FUND	-	-	-	-	-	-
FEDERAL FUNDS	-	-	-	-	-	-
OTHER	-	-	-	-	-	-
<u>TOTAL</u>	-	-	-	-	-	-

POSITIONS:

FULL-TIME	-	-	-	-	-	-
PART-TIME	-	-	-	-	-	-
TEMPORARY	-	-	-	-	-	-

SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

This fiscal note addresses costs for the Department of Revenue to administer the program. A guarantee would require the amount of the guarantee to be appropriated to the guarantee fund.

ANALYSIS: Attach a separate page for analysis.

Prepared By: Milt Barker MB
 Division: Treasury

Phone: 465-2350
 Date: 3-12-84

Approved by Commissioner: [Signature]
 Agency: _____

Date: 3/13/84

Distribution (by Agency preparing fiscal note):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

POTENTIAL UNEMPLOYMENT PAYMENTS TO DIRECT/INDIRECT & SERVICE RELATED EMPLOYEES IN
THE EVENT OF A LOUISIANA PACIFIC AND ALASKA LUMBER & PULP CLOSURE

UNEMPLOYMENT CLAIMENTS	AVERAGE PAYMENT & DURATION	EXHAUST BENEFITS	
		39 WEEKS	52 WEEKS
3,000	\$6,245,580	\$14,952,600	\$19,936,800
6,000	\$12,491,160	\$29,905,200	\$39,873,600
10,000	\$20,818,600	\$49,842,000	\$66,456,000

ADMINISTRATIVE COSTS OF MAKING PAYMENTS

CLAIMENTS	AVERAGE PAYMENT & DURATION	39 WEEKS	52 WEEKS
3,000	\$189,296	\$384,296	_____
6,000	\$396,596	\$769,452	_____
10,000	\$659,711	\$1,281,289	_____

* AVG. PAYMENT & DURATION = \$127.80 per week for 16.29 weeks

LOUISIANA PACIFIC EMPLOYMENT INFORMATION

		<u>PAYROLL</u>	<u>WAGES & BENEFITS</u>
DIRECT EMPLOYMENT	800	\$22.6 million	\$28 - 30 million
SECONDARY EMPLOYMENT	<u>600</u>		
TOTAL EMPLOYMENT	1400		

STATE OF ALASKA
THE LEGISLATURE

POUCH Y STATE CAPITOL
JUNEAU, ALASKA 99811
907 465 3800

LEGISLATIVE AFFAIRS AGENCY

M E M O R A N D U M

February 27, 1984

SUBJECT: Sectional analysis of
SB 479

TO: Senator Jalmar Kerttula

FROM: *LH* Linn H. Asper
Legislative Council

You have asked for a sectional analysis of SB 479, relating to a forest products business loan guarantee program.

*Section 1 establishes the forest products business loan guarantee program and sets conditions for the loan guarantees.

Sec. 45.94.010 establishes the forest products business loan guarantee fund in the Department of Revenue

Sec. 45.94.020 allows the Department of Revenue to use fund money to guarantee a loan for the purchase of 35 percent or more of the stock or assets of a forest products business by the employees of that business.

Sec. 45.94.030 grants the department the powers necessary to administer loan guarantees under the forest products business loan guarantee program, and requires that a loan guaranteed must be secured by adequate collateral.

Sec. 45.94.040 directs the department to invest money from the loan guarantee fund that is not being used to guarantee loans in investments allowed under AS 37.10.070.

Sec. 45.94.050 establishes conditions on a loan guarantee, including maximum and minimum amounts that may be guaranteed, terms of loans guaranteed, security for guaranteed loans, state financial institution participation in the guaranteed loan, and other terms applicable to guaranteed loans.

Senator Kerttula
Page 2
February 27, 1984

Sec. 45.94.055 allows the department to guarantee additional loans for a borrower under the terms of the chapter.

Sec. 45.94.060 provides definitions of terms used in the chapter.

Section 2 of the Act provides an immediate effective date.

LHA:csh
C2/137

Committee approves LPK purchase plan

By GREGG POPPEN
Daily News Staff Writer

Members of the Employee Stock Ownership Trust (ESOT) study committee Tuesday approved a \$50 million employee buy out of Louisiana-Pacific Ketchikan Division (LPK) after months of bargaining with the parent corporation. ESOT would hold 56 percent of the division's stock, with Louisiana-Pacific (L-P) keeping the rest.

About 11 percent of the refinanced stock is expected to be offered to the public by ESOT.

ESOT leader and LPK comptroller Martin Pihl said today the study

committee's 28 members — salaried management employees and union wage employees — had given the purchase proposal close consideration since drafting over the weekend a letter of intent to participate with L-P in the \$90 million deal. "I think we all feel pretty good about it. There was not unanimous approval, but very near," he said.

Pihl said ESOT's purchase of division stock is conditional on finding \$50 million in financing and gaining employee approval of the plan. It must also be approved by the Louisiana Pacific board of directors.

The sale is expected to be completed by mid-1984, according to a press release issued today by Louisiana-Pacific.

L-P proposed the employee buy out last fall and first offered the division to employees for about \$150 million. LPK facilities include the Ward Cove pulp mill, the Ketchikan Spruce Mill on the downtown waterfront and the Kenai Lumber Co. of Seward. Other facilities are logging camps, sorting yards and Annette Hemlock, a sawmill in Metlakatla. Nearly a thousand workers are on the LPK payroll at full production. The pulp

mill is considered Ketchikan's greatest employer.

Financing search

ESOT executives will finish preparing financial documents in the next several weeks with the help of Salomon Brothers, the New York financial consultants who were hired by ESOT. Pihl said ESOT committee members have a list of six major banks in Alaska and the Lower 48 which will hear ESOT's pitch for financing.

Bankers are sure to look closely at what Pihl called ESOT's "viability plan" — a package of operating plans

and management strategies for the prospective employee-run corporation. The plan includes wage and benefits reductions for employees and savings in operating expenditures, particularly at the pulp mill. ESOT leaders said in recent weeks about \$10 million in annual operations savings would be needed to make the division break even.

Employees are hoping the U.S. Forest Service regional forester will grant timber industry cost relief requests that could reduce the price of building roads and harvesting timber. This weekend, industry lead-

ers will meet once again with regional forester John Sandor in Juneau.

Another impending concern is the tentative denial by the U.S. Environmental Protection Agency (EPA) regional administrator of LPK's request for a variance from new wastewater treatment standards. A final ruling by regional administrator Ernesta Barnes will come in late May, she said last week during a Ketchikan visit.

LPK estimates the cost of complying with the EPA treatment regulations at more than \$10 million.

Forest
Products Loan
Program

SENATE BILL NO. 479, by Senators Kerttula and Ziegler.

Establishes a Forest Product Business Loan Guarantee Program in the Dept. of Revenue. Money in the loan fund could be used to guarantee a loan for the purpose of financing the purchase of 35 percent or more of the stock or assets of a forest products business by, on behalf of, or for the benefits of the employees of that business. The Commissioner must require that a loan guaranteed by the fund be secured by adequate collateral.

Money in the fund that is not being used for loan guarantees must be invested under laws governing investment of the Permanent Fund (AS 37.10.070). Income from the investment would be transferred to the General Fund.

The following conditions must be met before the Dept. of Revenue could guarantee a loan: (1) the term of the loan cannot exceed 10 years; (2) the loan must be secured by real or personal property, inventory or accounts receivable of the forest products business, or by other collateral acceptable to the department; (3) the loan must be originated with and serviced by the Alaska Commercial Fishing and Agriculture Bank, or by a state or federally chartered financial institution located in Alaska; and (4) the loan must be made to the employees of the forest products business, to an employee stock ownership trust, or to one or more corporations or other business associations or entities in which the employees of the business hold an interest that is equal to or greater than the interest held by the seller of the business.

The Department could guarantee up to 50 percent of a loan, but could not guarantee less than \$5 million or more than \$30 million per borrower, and could not guarantee the payment of annual interest on the guaranteed portion of a loan.

Upon default by a borrower, the amount of the maximum liability of the fund for a loan guarantee is the percentage of the amount in default specified by the Department in the guarantee agreement.

Allows the Department to grant additional guarantees to the same borrower if 30 days have elapsed since the date the first guarantee contract was signed.

Effective immediately. Identical to HB 627.

Introduced February 13 and referred to Labor & Commerce, Resources and Finance.

H.R. 3282

Amendment to the Subcommittee Amendment in in the Nature
of a Substitute:

On Page 80, add a new section 45:

Sec 45. Section 402 of the Federal Water Pollution
Control Act is amended by adding at the end thereof
the following new subsection:

"(o). For a period not exceeding ten years from
the date of enactment, the Administrator shall
administer the terms of the following permits
according to the terms contained therein, but
in no event shall the Administrator require
discharge standards to be less than those in
effect on May 10, 1984:

1. Alaska Lumber and Pulp Company,
located at Sitka, Alaska (NPDES
permit No. AK000053-1) and
2. Louisiana-Pacific Corporation, located
at Ketchikan, Alaska (NPDES permit No.
AK 000092-2).

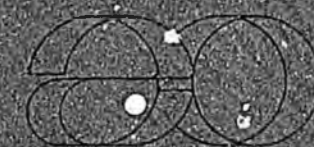


KETCHIKAN PULP COMPANY

KETCHIKAN, ALASKA 99901

KETCHIKAN PULP COMPANY

... Our First 20 Years



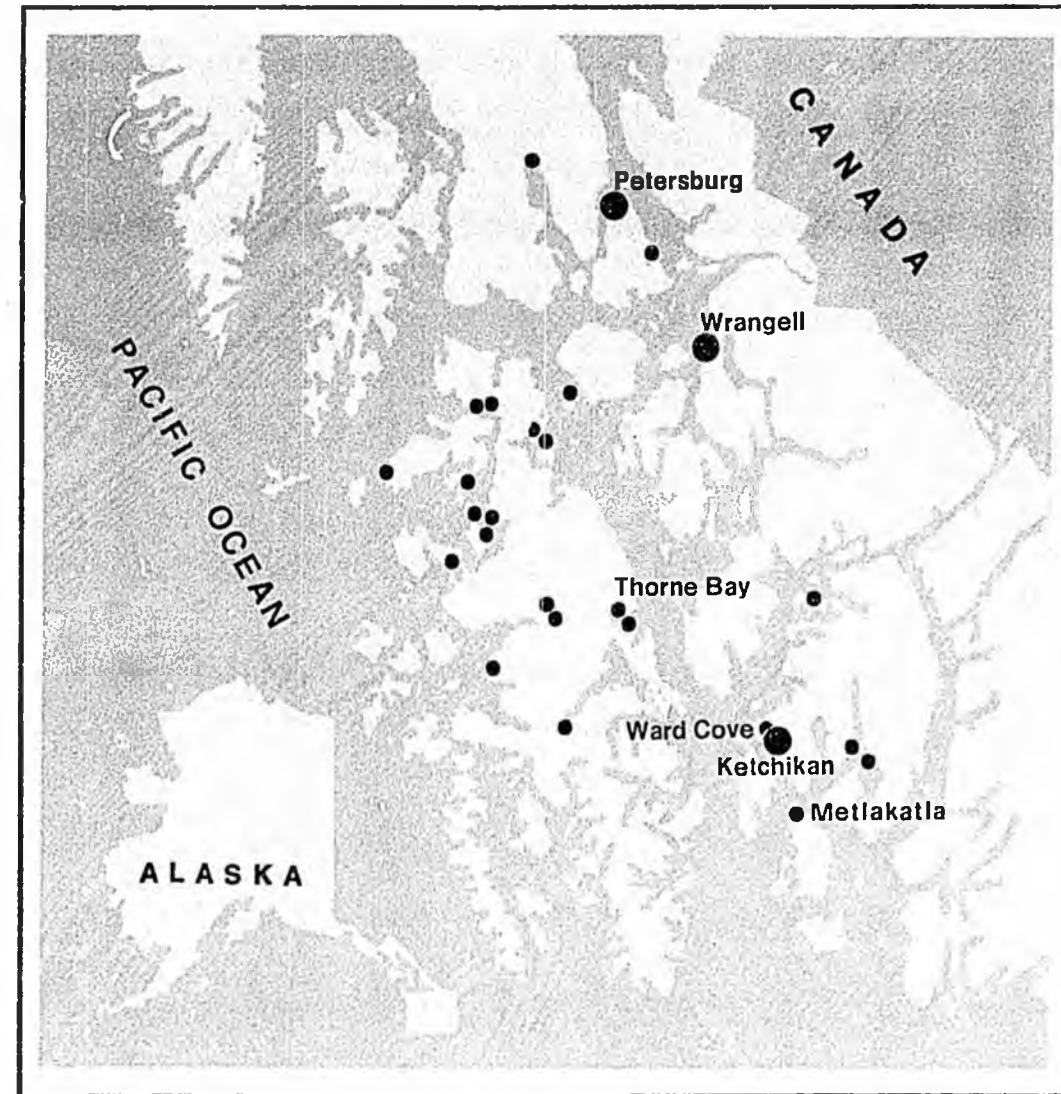
OUR GREAT LAND

The forested mountains and valleys of the Tongass National Forest in Southeastern Alaska are the source of raw material for the dissolving pulp and lumber produced by Ketchikan Pulp Company.

A long-term timber sale, previously bid at public auction, provides eight and one quarter billion board feet of timber on approximately 786,000 acres of Tongass National Forest to be harvested over a fifty year period.

This timber is located on the northern half of Prince of Wales Island and a portion of Revillagigedo Island. Western hemlock, Sitka spruce interspersed with western red cedar and Alaska yellow cedar grow in dense wind and rainswept forests.

A pulp mill and sawmill are located at Ward Cove, seven and one half miles north of Ketchikan. Affiliated sawmills are at Ketchikan, Metlakatla, and Klawock. Logging camps are located throughout the richly forested area.



• Ketchikan Pulp Company Logging Operations.

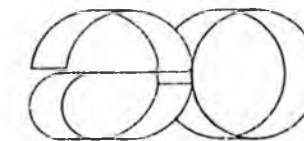
CHALLENGES AND OPPORTUNITIES...

Many challenges faced Ketchikan Pulp Company as they pioneered the pulp industry in Alaska. Today with the ever increasing demands for wood products, new and exciting challenges still exist.

New and competitive products from forest resources are constantly being developed with advancing technology. New markets, and the rapidly changing economic conditions in the United States and world markets present unlimited challenges.

Efficient utilization for the best use of the raw material will continue to be developed thru advancing expertise, knowledge and past experience. Experiments have only begun on the practicability of balloon and helicopter logging in Southeastern Alaska. These methods will have a minimal impact on the environment and make timber, now inaccessible, economically feasible to harvest.

The Forest Products industry is a mainstay in Alaska and the Ketchikan economy, and is expected to become increasingly important in the years to come. The realization that wood is the only renewable construction resource insures a secure future for the timber industry and Alaska.



Art by Mark Wheeler — Ketchikan, Alaska.
Lithography in U.S.A. by Union Printing Co. — Bellingham, Washington

OUR PEOPLE OUR COMMUNITY...

Company employees deserve much of the credit for making these twenty years possible. The high quality of our pulp, lumber, and cants is the result of the skill and conscientious endeavors on the part of our people who have made Alaska their home and who have created a social environment of which they can be proud.

Ketchikan is the third largest city in the State of Alaska with main industries being timber, fishing and tourism.



Ketchikan is home to 10,000 Alaskans and is shopping headquarters for 4,000 more. Ketchikan is the Gateway to Alaska with a frontier feeling and a pioneer spirit. Ketchikan is an All-American-City and has been listed as one of the ten most liveable cities in America. Just 90 jet-minutes from Seattle and 45 jet-minutes from our state capitol in Juneau, Ketchikan is also the Salmon Capitol of the World.

Ketchikan Pulp Company is proud to be a part of the Ketchikan community and the State of Alaska.

KETCHIKAN PULP COMPANY ...Our First 20 Years

Ketchikan Pulp Company was the dream of many men; men who were deeply interested in encouraging and bringing about a steady industrial development of Alaska; men who recognized that any such project was a pioneer undertaking involving long-term investment accompanied by unusual risks; men who were willing to take the risk of unknown conditions that might be encountered at an isolated site a great distance from markets.

Interest in Alaska pulp opportunities extends back as far as 1910. The Territory needed a stable economic base to supplement the highly seasonal and fluctuating fisheries industry. Virgin growth stands of spruce and hemlock interspersed with cedar offered limitless raw materials and covered all of the countless islands of Southeastern Alaska.

Some of this timber had been utilized. Over the years a number of small sawmills had operated in Southeastern Alaska. Many mining camps were cutting their own lumber, and when the camps were abandoned so were the sawmills. The need for lumber increased as the fishing industry developed and towns began to grow, but little more than lumber for homes and shops was ever produced.

Among those instrumental in encouraging interest in timber as a raw material for pulp was the United States Forest Service. As an incentive,

timber sales were offered in 1913 and 1917, but these attempts were unsuccessful. A small paper pulp mill was built in the early 1920s by Alaska Pulp and Paper Company at Speel River, 30 miles south of Juneau. This mill produced about 15 tons per day of ground wood pulp. Unsatisfactory prices for low grade pulp and a lack of market forced its operators to close in 1923.

During the late 1920s several paper companies investigated the possibilities of establishing processing plants. Two timber sales were advertised and conditionally awarded, but the Great Depression and conditions through World War II discouraged any real interest.

In June 1944 Regional Forester B. Frank Heintzleman had C.W. Archbold, Supervisor of the Southern Division, set up timber cruising parties to

KP 10 Floating construction camp for construction workers at Ward Cove - June 30, 1952.



prepare maps and reports to be used as the basis for another sale of timber. This timber was located mainly on Prince of Wales Island, the largest of the cluster of islands making up the Alexander Archipelago in Southeastern Alaska.

During 1945 discussions were held between Helntzleman and Fred Stevenot and Lawson Turcotte of Puget Sound Pulp and Timber Company of Bellingham, Washington. Harold Cavin, chief engineer, John P. Van Orsdel, consulting forester, and Wm. D. Shannon, consulting hydroelectric engineer were sent to Ketchikan. They submitted favorable reports on the feasibility of a dissolving pulp mill at Ketchikan. Dissolving pulp is a special grade of chemical pulp for use in the manufacture of rayon and cellophane products.

This study emphasized the heavy financial requirements of the undertaking, and the importance of an assured market for a major part of the plant's output.

In 1948 American Viscose Corporation, a pioneer United States manufacturer of rayon and cellophane, sent a committee to investigate a proposal of Puget sound Pulp and Timber Company to build a pulp mill in Alaska. As a result of the visit, the two companies formed Ketchikan Pulp Company as a joint venture.

Officers of this new company were chairman of the board, Dr. Frank H. Reichel, president of American Viscose Corporation; president, Lawson P. Turcotte, president of the Puget Sound Pulp and Timber Company; vice-president and treasurer,

William H. Brown, secretary-treasurer of American Viscose Corporation; vice president and secretary, Robert H. Evans, general counsel of Puget Sound Pulp and Timber Company. Other directors were Henry H. Bitler and John G. Jackson of American Viscose Corporation and Erik T. Ekholm and Fred G. Stevenot of Puget Sound Pulp and Timber Company.

It took three years of preparations before the final timber purchase agreement between Ketchikan Pulp Company and the United States Forest Service was completed on July 26, 1951, on a timber tract previously bid at public auction. The agreement, still in effect, calls for a 50 year, sustained yield, timber harvesting schedule. Ketchikan Pulp has consistently harvested less timber than allowed annually under this agreement.

The decision was made to establish a high grade dissolving pulp mill of 300 tons daily capacity with a proposed increase to 525. This inaugurated a new enterprise to make constructive use of the vast timber resources of the Territory.

The mill site selected is seven miles north of Ketchikan at Ward Cove, a small cove where Russian traders anchored before Alaska was purchased by the United States. In the 1880s when the cove was surveyed by the U.S.S. *Patterson*, it was named for one of the officers on the ship. Later the area was known as Wacker, Alaska, named for the family who owned much of the area.

Here was suitable terrain for the construction of a pulp mill and wharf. The adjacent waters had suffi-

WE PROTECT AIR QUALITY...

The original design of the pulping and spent liquor recovery systems at Ward Cove emphasized maximum air and water protection. Furnaces fired by oil and waste wood contained cyclonic units for fly ash separation. Spent liquor recovery furnaces were constructed with four tower cooling and absorption wet scrubbers to remove sulfur dioxide and particulate material from the flue gases.

The pulp mill is presently in compliance with their state air quality control permit, issued June 18, 1973 and is continuing to test more comprehensive control techniques to further enhance air quality.

Clean air is also a concern at our sawmills. In November 1973 the State of Alaska issued an air quality control permit to Ketchikan Spruce Mills for operation of their waste wood boiler. This was the first sawmill boiler in Alaska to comply with air quality requirements. Previously, in 1969 the tepee burner at Ketchikan Spruce Mills was retired from service. It was the first burner in Alaska and one of the first in the nation to be taken out of use. Waste wood formerly burned in this unit was then routed to the pulp mill for incineration and power generation. In 1973 use of the wigwam burner at Annette Hemlock Mills was discontinued. Barging of its waste to Ward Cove for power generation was initiated in June, 1974.

WE PROTECT WATER QUALITY...

Clean water is important to Ketchikan Pulp Company and our employees. Every week water samples are collected from twelve stations in and near Ward Cove to provide information on water quality control.

Last year \$6.35 million of environmental controls were completed. The log deck and bundle handling crane minimizes log handling and storage in the water as well as keeping loose bark and debris out of the water.

Emergency storage capacity for sulphite waste liquors is being provided. In event of equipment failure these waste liquors will not be discharged into the bay. A new sanitary waste treatment plant has also been installed.

The new clarifier is an open circular concrete tank 190 feet in diameter and 12 feet deep. The waste water from barking, pulp washing, and floor drains is pumped to the clarifier. The solids are raked to the center and pumped to the hog house, filtered, pressed, and burned with the hog fuel.

All of these projects meet the present requirements of the Federal Environmental Protection Agency and the State of Alaska.

George Beck, recalls, "The building of Ketchikan Pulp had an impact very much like that which the Trans-Alaska Pipeline is experiencing now."

To provide a fresh water supply a gigantic 85-foot high dam was built at the outlet of Lake Connell. A wooden stave pipeline five feet in diameter and three miles long was built to bring fresh water to Ward Cove. Because the water contains impurities such as dissolved organic matter, it was necessary to build a filter plant to filter and chemically treat the water before its use in the pulp making process.

Meanwhile on Prince of Wales Island at Hollis a logging camp was set up with operations beginning in July 1953. This logging camp, built near the site of an abandoned gold mining town, contained company-built homes, buildings for meetings and weekly moving pictures, a recreation hall and schoolhouse in which the first eight grades were taught. It was the largest logging operation in the Territory of Alaska. Today, Hollis is again a timbered area with second growth trees standing 30 to 40 feet high.

In May 1954 the first finished pulp rolled off the machine. Alaska's dream of a wood pulp industry had become a reality. At that time the completed mill, costing \$55 million, represented the largest single industrial investment ever made in the Territory of Alaska.

On July 14, 1954, a formal dedication was held. Industry dignitaries from New York, Philadelphia, the West Coast, and Tokyo came to see the world's most modern dissolving pulp mill in operation.

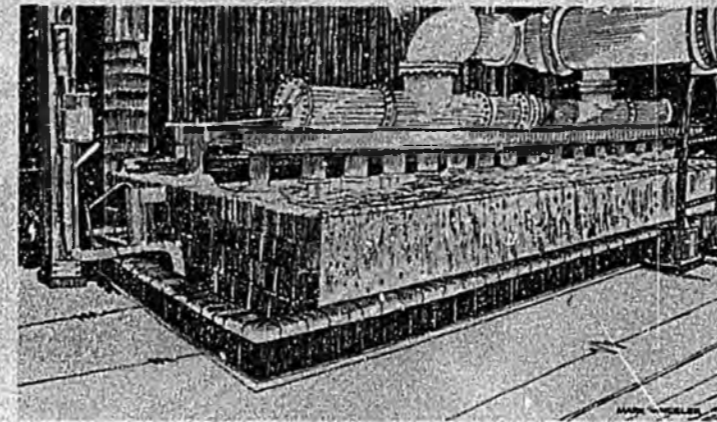


Powerhouse stack, machine shop, dock, pulp preparation building, pulp storage building and sulfur silos taking shape - May 21, 1953.

Among the honored guests who spoke at the ceremonies were Governor B. Frank Heintzleman, who as Regional Forester 10 years before, was instrumental in the inception of the mill, Alaska's Congressional Delegate E. L. Bartlett, and Chief U. S. Forester R. E. McArdle.

"We now see the establishment of a major enterprise which will provide year round employment, based upon a renewable natural resource offering a supply of raw material in perpetuity under proper scientific management," Governor Heintzleman stated in his dedication message.

In June 1954 the freighter *P & T Trader* lifted the first shipment of pulp which was destined for Buenos Aires, Argentina. The first shipment to Europe was made in September 1954 on the Nor-



Sulfur gases from the sulfur burner are cooled by water in the first stage of the acid making process.

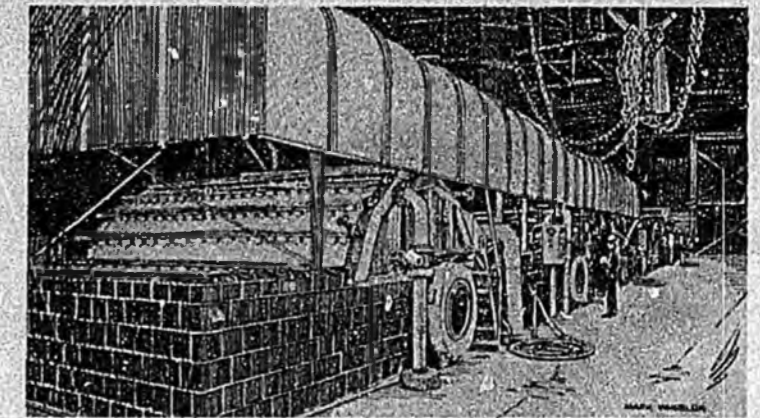
RECOVERING COOKING LIQUOR...

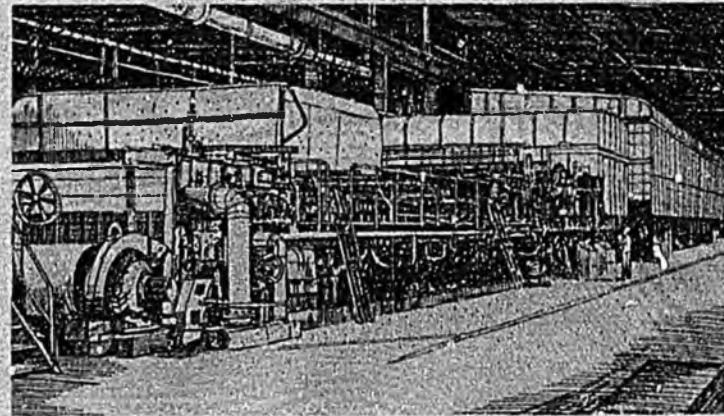
The cooking acid is first washed out of the pulp and then concentrated by evaporation. This spent acid or "red liquor" contains the basic chemicals, magnesium and sulfur, plus the lignins from the wood. After evaporation the red liquor is used as fuel in recovery furnaces. The combustion is self-supporting, and resultant fly-ash and flue gas contains magnesium oxide and sulfur dioxide which are again utilized in the preparation of cooking acid. Sixty per cent of mill power comes from the recovery furnaces.

PROCESSING THE PULP...

The next phase in the preparation of pulp is to remove uncooked knots and wood chunks. Smaller particles of wood, bark and dirt not removed by the deknottling operation are separated out by screens which rotate and vibrate simultaneously. Then the pulp is washed. After this the pulp is ready for bleaching. The continuous bleaching process takes five hours and is done in six stages using varying quantities of chlorine, caustic, and bleach liquor according to the grade of pulp being produced.

Cocked raw pulp passes through a series of washers where spent chemicals are removed and the pulp is bleached in six stages, prior to drying.





Bleached pulp, suspended in water is spread into sheet form where it is dewatered, dried and rolled.

22.

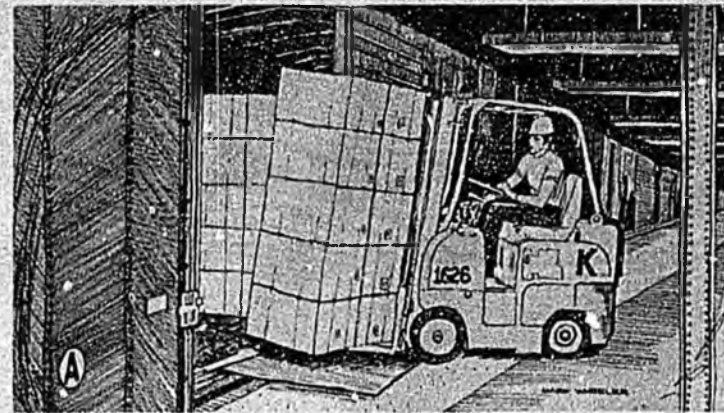
DRYING THE PULP...

Bleached pulp is metered to the headbox of the pulp machine. Here it is evenly distributed on a moving wire screen. As the pulp moves through the machine, water is removed by gravity, next by suction, then by pressure and finally by heat as it passes over 140 steam heated dryer rolls. After drying, the pulp is wound onto jumbo-sized rolls weighing 20 tons each. These are stored while each is thoroughly tested for quality by the laboratory.

SHIPPING TO CONSUMERS...

The pulp is cut into sheets of various sizes depending upon the customer's specifications and made into bales weighing up to 700 pounds. Shipments to domestic customers travel by rail car barge to Seattle and are then routed over major rail lines. Export pulp is loaded aboard ocean-going vessels from the Company dock. Domestic rayon and cellophane plants are the major customers but pulp has been exported to Mexico, Colombia, India, and other countries.

Dried pulp is cut, baled, and loaded into box cars for shipment to conversion plants.



Excavation, clearing, and construction office building at Ward Cove - July 22, 1952.

cient depth to accommodate barges and ocean-going vessels and was adequately sheltered for log storage and handling.

Preliminary engineering work was begun on the mill, power and water sites. W.A. Bates, president of the Miners and Merchants Bank in Ketchikan, was given the tremendous task of putting the proposed mill site under option. About 90 owners were involved, many of whom were deceased, thus requiring negotiations with numerous heirs all over the United States. It took Bates nearly three years to complete title searches, obtain options and close purchase transactions and it required him to travel to places such as Moss Landing, California, Fairbanks, Alaska, and Scranton, Pennsylvania.

In the meantime keen interest was shown in a

new magnesium oxide process being developed to make pulp. Through the use of magnesium oxide as a cooking acid base, a mill could operate as a closed system in which the chemicals used in cooking acid would be recovered and reused.

By April 1952 the process proved efficient and economical, so Ketchikan Pulp Company awarded a \$46 million construction contract to Ward Cove Builders, formed jointly by Howard S. Wright Company and Guy F. Atkinson Company. Harold Cavin, Puget Sound Pulp and Timber Company, was in charge of engineering and design of the mill, one of the first in the world built for the magnesium oxide process.

Thousands of tons of heavy equipment and materials were shipped to Prince Rupert, British Columbia by rail from the eastern United States and ferried on 6 and 12-car barges to Ward Cove.

At Ward Cove there was a flurry of activity. Countless bargeloads of building materials were unloaded and gigantic construction equipment moved in. Actual construction started on May 19, 1952 when clearing for the office building began. Then on June 1 ground was broken for the mill itself.

The construction of the mill had a tremendous impact on the city of Ketchikan. The builders hired as many local workers and contractors as possible. In addition, literally thousands of experts in all areas of construction were brought in, all requiring housing, utilities, and community services. The then mayor and still current resident of Ketchikan,

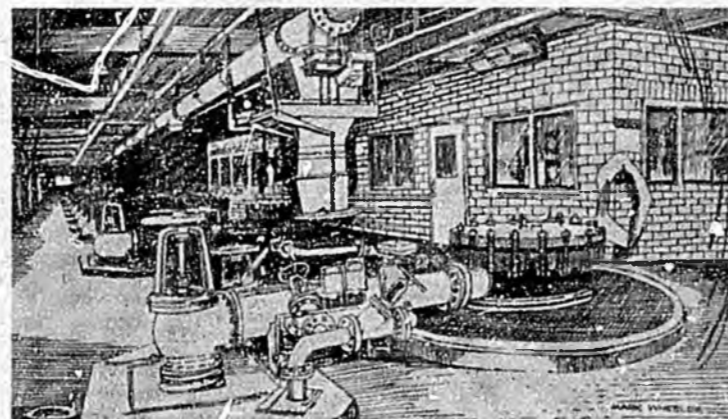
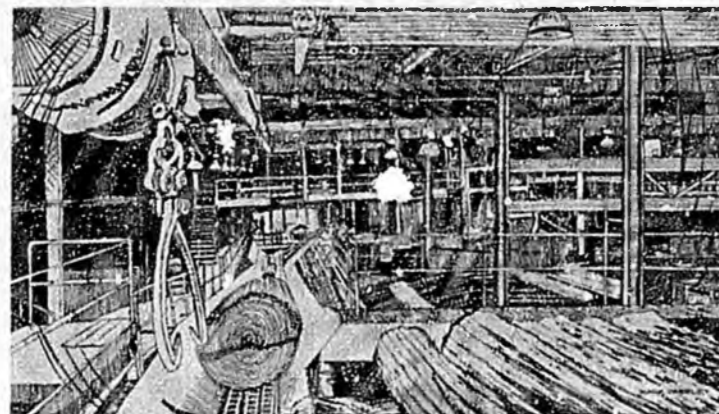
7.

CHIPPING...

Debarked logs not suitable for lumber enter the whole log chipper. Here an average 20 foot log is reduced to 3/4 inch chips in approximately twelve seconds. A belt conveyor moves the chips to silos for storage. Size uniformity is assured by chip screens while fines and sawdust are conveyed to the power house to be used as fuel. Chips made at sawmills are shipped to the pulp mill in barges. These are unloaded by a dock crane and blown by a pneumatic conveying system to the storage silos.

20.

The logs enter woodroom no. 1 through the barker and are either reduced to chips or are conveyed to bandsaw and edger for lumber manufacture.



Chips enter the top of these nine digesters where they are cooked in batches for 5 hours and reduced to pulp.

MAKING PULP...

Wood chips must be dissolved to obtain the individual cellulose fibers. This is done by cooking the chips with steam and chemicals to release the fibers from the lignin or natural binder. There are nine digesters. Each is 58 feet high and 17 feet in diameter. The digester is filled with 110 tons of chips and 55,000 gallons of cooking liquor. The digester is sealed, the temperature rises to 300 degrees F. under a pressure of 120# per square inch for five hours. The pressure is then reduced and the cooked chips are dumped into a large tank.

wegian freighter *Risanger*, destined for Belgium, Holland, and Germany. Since then "Tongacell", the brand name for Ketchikan Pulp Company's pulp, has been shipped all over the world although 75 per cent goes to United States markets.

Ketchikan Pulp Company has *continuously* upgraded the manufacturing plant. Additional digesters were installed in 1957, 1964 and 1969. Additional recovery and acid manufacturing facilities were added in 1967 and 1966. In 1971 a new power plant generator was installed as well as a second woodroom. In 1973 \$6.35 million of environmental projects were completed including an elevated log deck and bundle handling crane. These improvements have resulted in increased production and better utilization of the raw material. The production surpassed the rated 525 tons per day in 1959 with the current mill capacity now at 650 tons per day.

To increase utilization of forest resources Ketchikan Pulp Company acquired Ketchikan Spruce Mills in 1967 and leased Annette Hemlock Mills at Metlakatla in 1971. The Company financed the construction of a sawmill at Klawock which is leased to an independent operator. In 1973 construction was completed on a sawmill as part of the new log deck and existing woodrooms at the Ward Cove plant. This is one of the few sawmills built into the woodroom of a pulp operation.

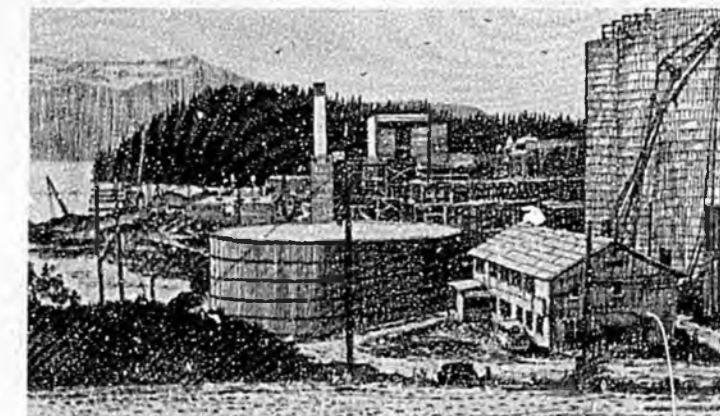
At present Ketchikan Pulp Company is jointly owned by FMC Corporation and Louisiana-Pacific Corporation. In 1963 American Viscose Corpora-

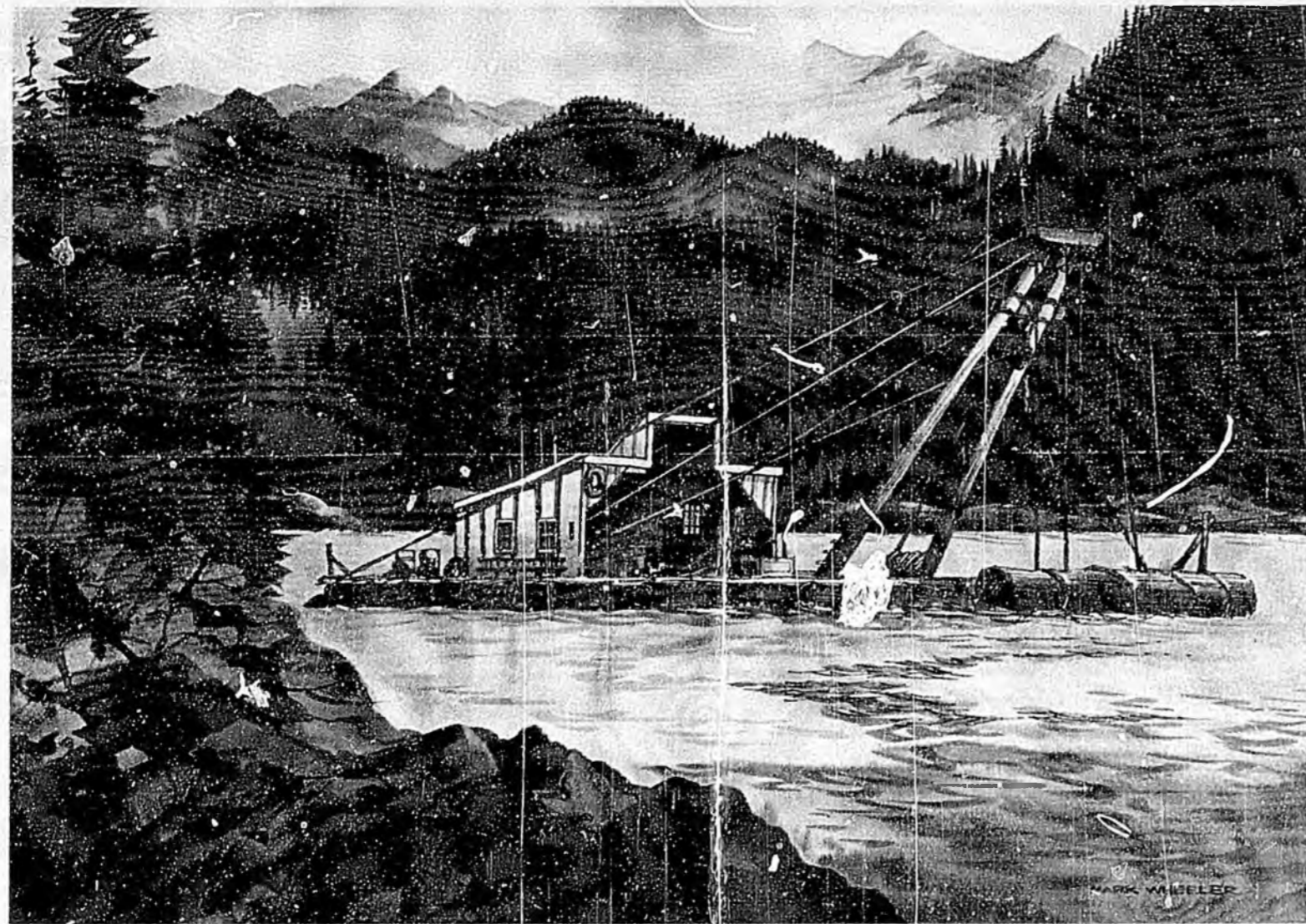
tion was purchased by FMC, and Puget Sound Pulp and Timber merged with Georgia-Pacific Corporation. On January 5, 1973 Georgia-Pacific's interest in Ketchikan Pulp Company was transferred to Louisiana-Pacific Corporation.

Today nearly 1200 people are directly employed by Ketchikan Pulp Company on a year round basis. Six hundred men and women are employed at Ward Cove while another 190 are at Ketchikan Spruce Mills, 150 at Annette Hemlock Mills and 250 at Thorne Bay. Another 750 independent loggers and construction workers supply logs and other needed services bringing the total to nearly 2000 jobs. Local spending for supplies and wages, largely spent in Ketchikan, amounts to over three million dollars a month.

9.

Chip silos, oil storage, woodroom, powerhouse, machine shop, and pulp press building nearing completion - Dec. 7, 1953.





TOWING AND SORTING...

Rafts of bundled logs are towed by tug boat from logging camps as far away as 200 miles. In the log pond at Ward Cove, the rafts are opened and bundles lifted to the log deck. The log bundle handling crane raises bundles of logs weighing up to 90 tons from the water to the log deck where steel bands are cut and logs sorted by species and grade for best utilization. Here high grade sawlogs and cedar go back to the pond to be rerafted and sent to sawmills.

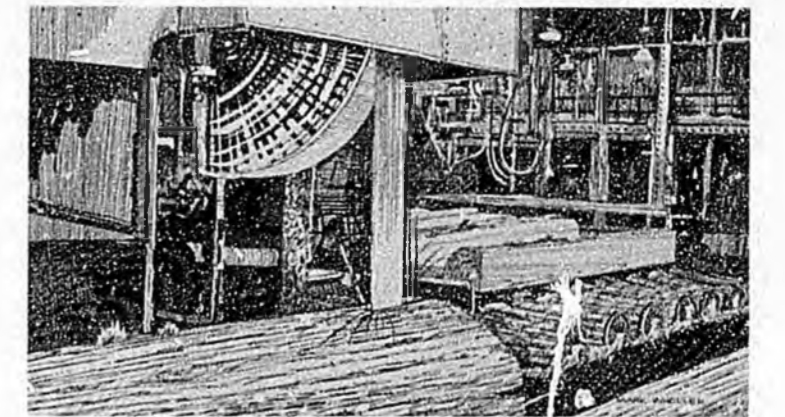
BARKING...

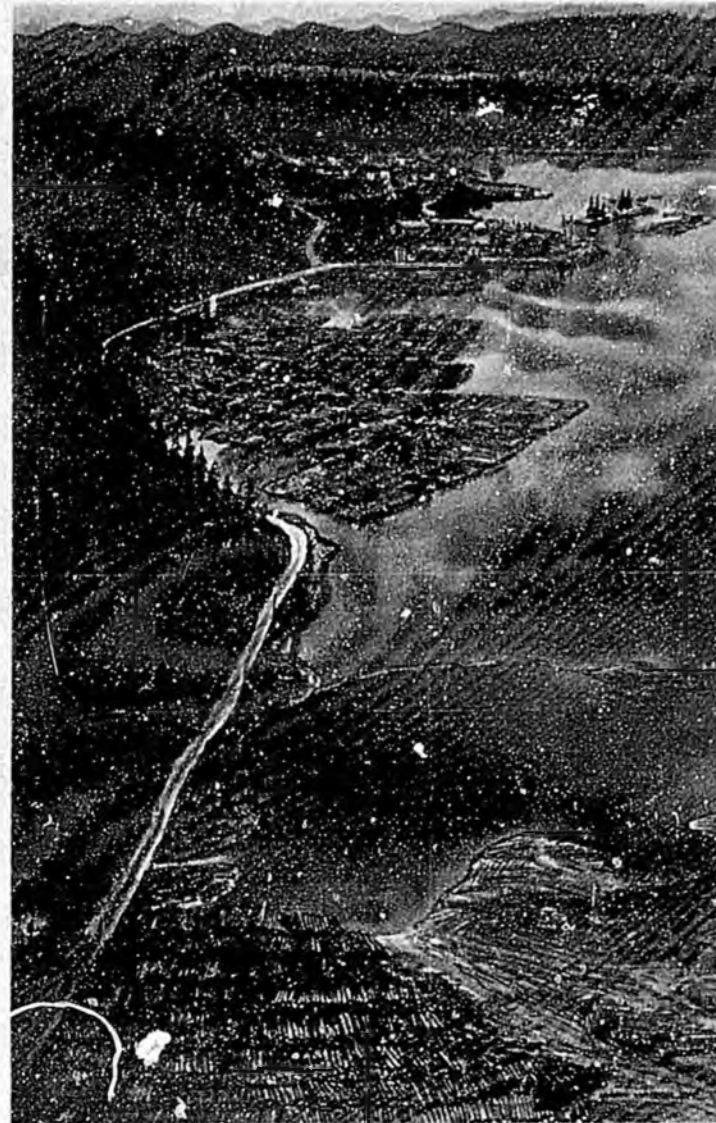
In the #1 woodroom logs are first cut into 20 foot lengths. Bark is blasted loose by water discharged from a nozzle at the tremendous pressure of 1400 pounds per square inch. The #2 woodroom barks and chips logs up to 30 inches in diameter in one continuous straight line. The bark is drained and pressed to remove water and is then burned to make steam which drives the electric turbines.

CUTTING LUMBER AND CANTS...

Logs which contain quality lumber and cants move to a sawmill integrated with both woodrooms. Here the logs go through a headrig which cuts that portion of the log suitable for lumber. This lumber is cut to precision dimensions, graded, strapped and stored until shipment. It is lightered by barge to ocean-going vessels for loading in Ward cove or at the Ketchikan Spruce Mills dock. Chips from slabs and woodscraps are conveyed to the silos.

This bandsaw in the woodroom is used for breakdown of large logs prior to chipping.





THORNE BAY...

Company logging operations started in 1953 at Hollis on Prince of Wales Island and were moved to Thorne Bay in 1962. Thorne Bay is the largest logging camp in the United States. Active logging is generally carried on during nine or ten months of the year, but most families stay year around.

The camp is a complete community with all modern conveniences such as lights, television, water, sewers, and streets. There are the customary bunk-houses and mess halls as well as houses for the 60 families who make Thorne Bay home. There is a store, restaurant, movie hall, snack bar, and employee-built church. The Thorne Bay school has all grades including a four year high school. Its basketball team competes with teams from comparable sized schools in Southeastern Alaska. Employees and their families actively participate in a Community Club, Garden Club, and an annual salmon derby.

Until summer 1974 all transportation to and from Thorne Bay has been by air or water. The camp is now connected by road to Craig, Klawock, and the Hollis ferry terminal.

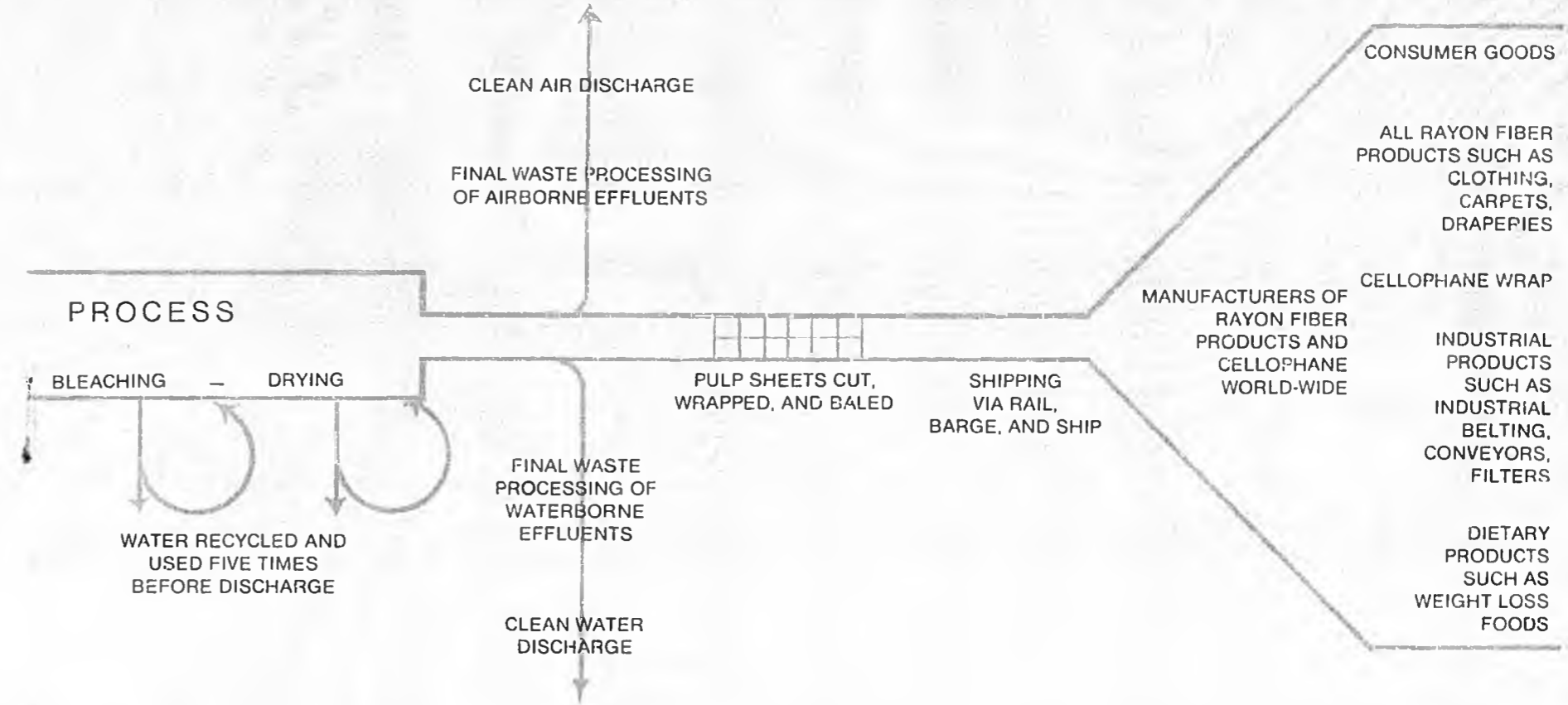
CONSUMER PRODUCTS...

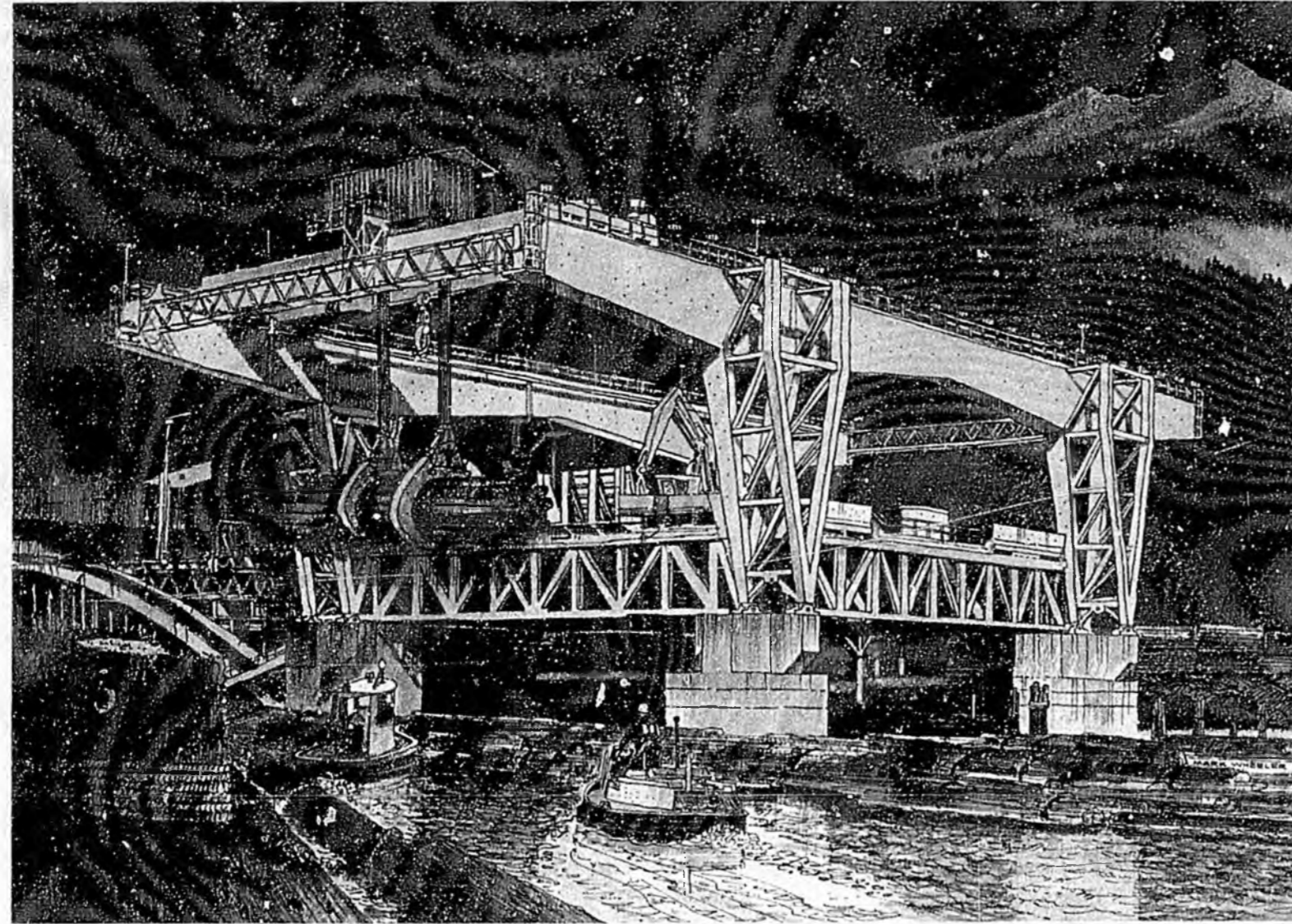
"Tongacell" high quality dissolving pulp is the raw material used for the manufacture of rayon and cellophane. Rayon is manufactured into woven and non-woven fabrics for apparel, draperies, and upholstery. Other non-woven items include disposable diapers and such disposable medical supplies as masks, gowns, drapes, and caps. Rayon is used extensively in industrial products such as tire cord, rope, twine, industrial belting, hose, braids, bris-

...tles, insulation and other products. There are applications for rayon fibers in the plastics, rubber, paper, paint, electrical, chemical and other non-textile industries.

Cellophane has found widespread use as a clear packaging material for a multitude of consumer products.

Another derivative of dissolving pulp is "Avicel" which is used in diet foods, pharmaceutical and cosmetic products.





WE START IN THE WOODS...

Before actual harvesting begins in the woods, Ketchikan Pulp Company's forestry and engineering department cruises the timber in the proposed logging site. The method of harvest is determined, and timber to be logged is laid out. After a camp is set up and roads are constructed, logging begins.

Logs are loaded upon trucks and hauled to the log dump where they are sorted and bundled. Quality logs are stored on the Thorne Bay dry deck for winter use. Other logs are placed into the water, made into bundle rafts, then towed to Ward Cove and other storage areas.

Approximately one-fourth of the log needs are supplied from the company logging camp at Thorne Bay. Additional logs are secured from logging contractors operating on the Company pulp sale and from independent timber sales acquired from the U.S. Forest Service.

WE BUILD ROADS...

Road building is an expensive part of harvesting Alaska's timber. Over the past 20 years approximately 500 miles of road have been constructed on Prince of Wales Island for the harvest of timber. These roads have been built to Forest Service standards and many will provide a network of roads to be used by the Forest Service and the public for transportation, recreation, reforestation, and forest protection.

Newly inaugurated ferry service for Prince of Wales Island with the ferry CHILKAT provides the people of this vast island with their first road tie with Ketchikan and the Marine Highway. The Craig-Klawock-Hollis road is an extension of the company-constructed logging road system up the Harris River from the original Hollis logging site. Eventually the road systems of many logging camps will be tied into this transportation system.

With the annual timber harvest, road construction programs, a new airport and sawmill at Klawock, the new ferry terminal at Hollis and a whole new area of recreational possibilities, this is one of the fastest developing areas in Southeastern Alaska.

HOW WE USE OUR RESOURCE...

Today's fully integrated utilization of Alaskan forests is being achieved because of industrial development and improvements. Of today's log acquisitions 50 per cent are sawed into high quality lumber and cants and 50 per cent are used to make high grade dissolving pulp. In contrast twenty years ago practically all of the logs became pulp.

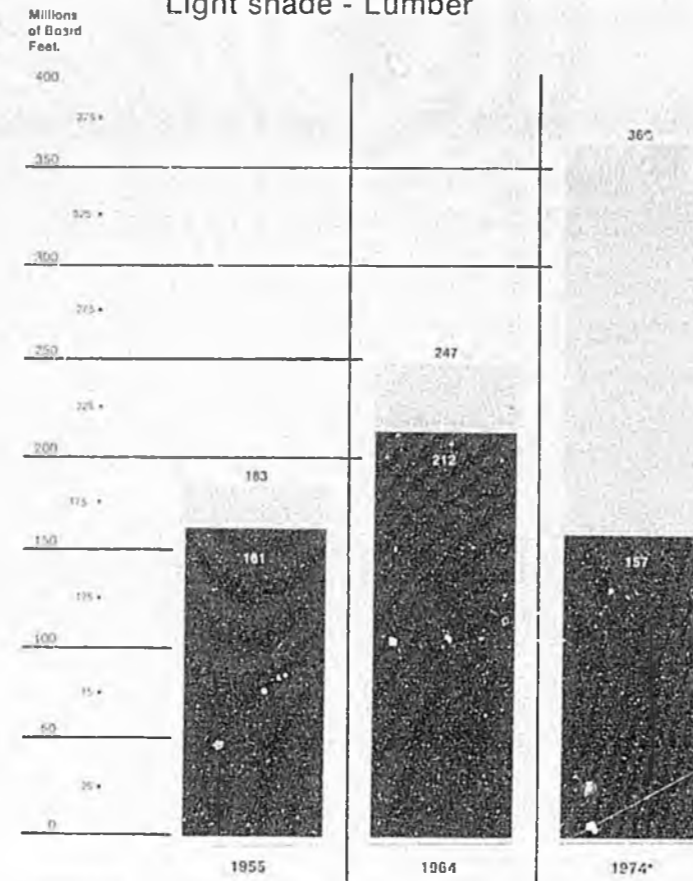
Our goal is the complete utilization of the raw material. Saw logs are towed to one of the sawmills, where the portion suitable for lumber is sawed from the log. The other portion is converted to wood chips for pulp use. The four sawmills have complete waste wood recovery systems producing chips. The pulp mill produces pulp from low grade logs not suitable for sawing and from these sawmill waste-wood recovery chips.

Bark waste and sawdust from the sawmills and pulp mill are utilized for fuel at Ward Cove. This is burned in two power boilers which produce steam for process heating and driving three turbine generators.

Ketchikan Pulp Company and its affiliated sawmills have been industry leaders in Alaska in working toward total utilization of our forest resources. Improved utilization conserves our vital forest resources and guarantees that every tree harvested will provide a full measure of prosperity for Alaska.

Graph shows utilization of whole log for lumber and pulp.

Dark shade - Pulp
Light shade - Lumber



*ESTIMATED

All Residuals Are Used As Fuel
All Sawmills Ship Their Hog Fuel To Ward Cove.

OUR SAWMILL OPERATIONS...

Ketchikan Spruce Mills, a Ketchikan landmark since 1903, is Alaska's oldest manufacturer. During early years its production of spruce was used for fishboxes, railroad ties, common lumber and airplane stock.

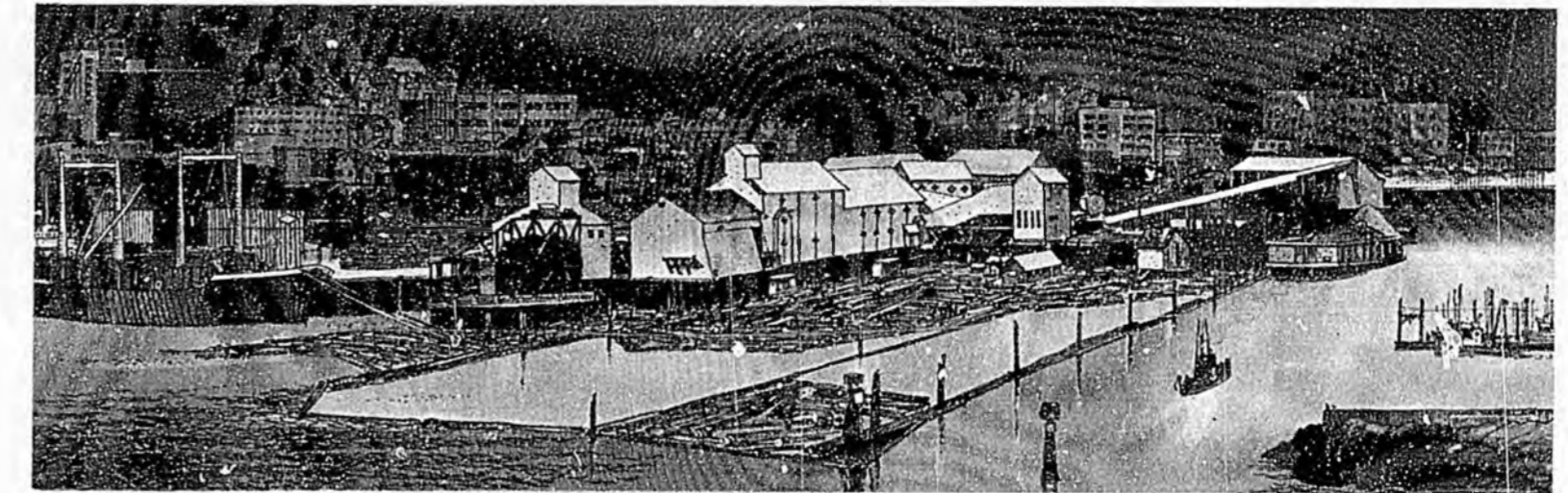
Today the lumber Ketchikan Spruce Mills produce for Japanese, Pacific Northwest and local markets is used for helicopter blades, piano and organ sounding boards, guitar stock, scaffold planks, quality ladders, masts and spars, internal

parts for rocket engines and residential and commercial construction.

Annette Hemlock Mills is operated under lease and located in the Indian community of Metlakatla. Our sawmill located at the Indian village of Klawock is leased to Alaska Timber Corporation. These mills cut high grade, old growth hemlock logs into lumber and cants for export and Northwest markets where cants are resawn into sizes conforming to customer building requirements.

A new sawmill, integrated into the woodrooms at Ward Cove, recovers segments of lumber from lower grade logs formerly used for chips.

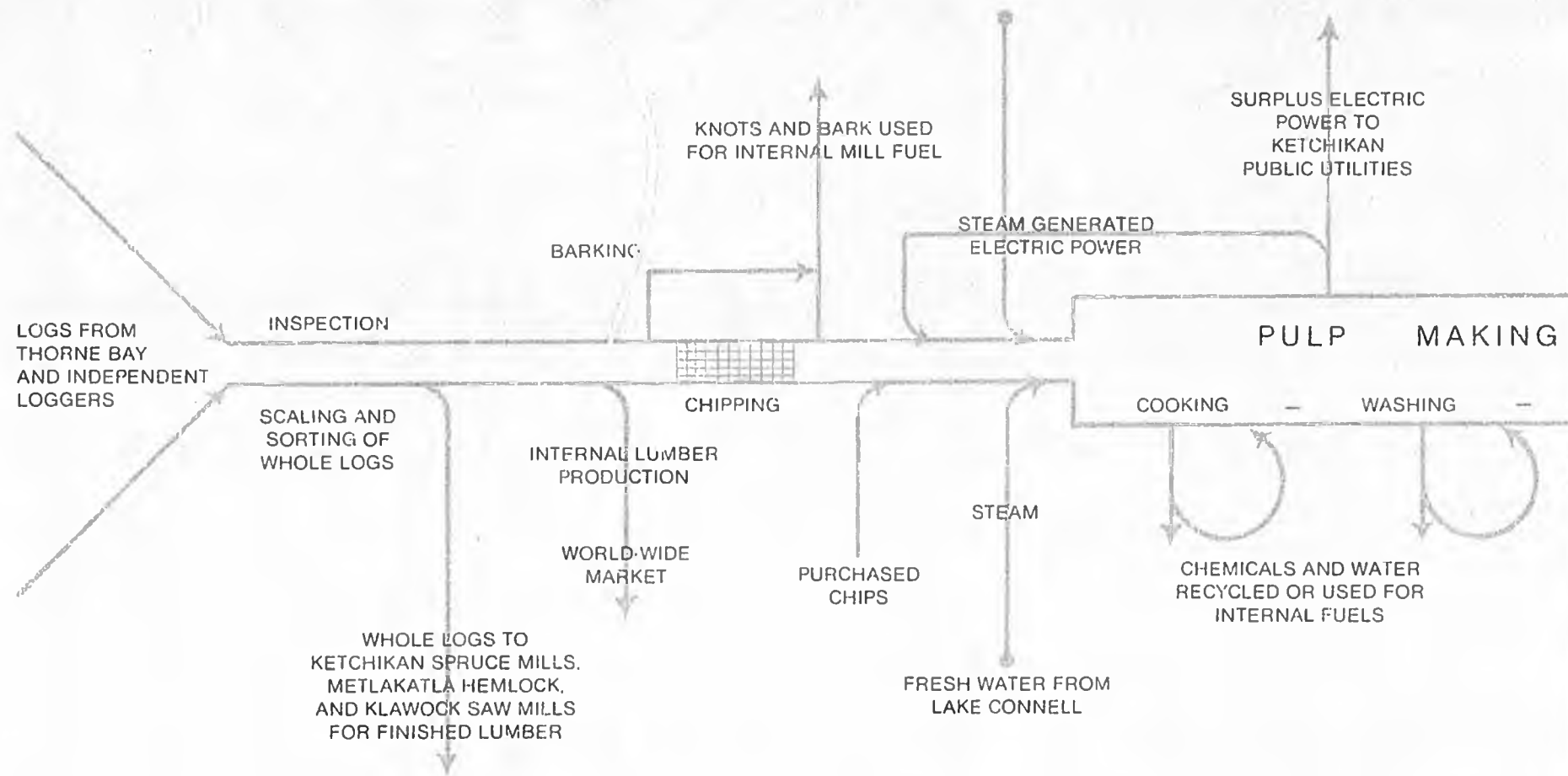
Ketchikan Spruce Mills acquired by Ketchikan Pulp Company, in 1967 to produce lumber for domestic and export markets.



HOW KETCHIKAN PULP WORKS...

In pulp making the glue holding wood together, known as lignin, is dissolved and the fibers chemically purified. The fibers are then formed into sheets and dried, cut and baled for shipping.

16.



WE PROTECT THE LAND...

Trees are harvested today with tomorrow in mind. In close cooperation with the U.S. Forest Service a sound program of forest management includes the sustained yield principle. Full consideration is given to the multiple use concept including programs of water use, wildlife and fish conservation as well as recreational facilities.

Protection of all natural resources is planned. Road construction and timber harvest is designed for minimum impact on fish and wildlife habitats. When logging roads are no longer needed they are "put to bed." Bridges are removed and the drainage is returned to its original form. In some areas grass is planted to stabilize fragile soil.

Ketchikan Pulp Company cooperates fully with the U. S. Forest Service and other governmental agencies on environmental impacts. The Maybeso Experimental Forest at Hollis, and the program conducted by the Fisheries Research Institute of the University of Washington have studied forest regeneration and the effects of logging on salmon streams. Results show that the responsible logging operator can be beneficial to the spawning salmon.

AFTER WE LEAVE THE WOODS...

Early logging areas at Hollis and elsewhere in Southeastern Alaska show remarkable regrowth with strong indications that the second crop of timber will yield double the volume per acre of the present over-mature forest.

Southeastern Alaska is fortunate that nature has provided it with a remarkable natural seeding ability. The seeds of the Sitka spruce, western hemlock, western red cedar and Alaska yellow cedar are all light and are easily borne for long distances by frequent high winds. Annual rainfall of between 150 and 200 inches provides ample moisture so that each acre reseeds to its full potential. A new crop of trees is started and the visible effects of the harvest soon disappear. As this new forest takes over, it is protected from fire by the same abundant rainfall that encourages its rapid growth.

13.