

H B

627

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 Salomon 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.

THE FOLLOWING DOCUMENT(S) MAY NOT FILM
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ORIGINAL.



Louisiana-Pacific
Helping the forest work for people

**NEW
RELEASES**

Release No. 112-3-6
Contact: Barry Lacter
(503) 221-0800

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.

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

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Forest Product HOUSE BILL NO. 627, (see page 360). Reported back to the
Business Loan House March 9 by the House Special Committee on State Loans
Guarantee Fund recommending it be replaced with a substitute and it do pass.
(establishing) Concurring: Uehling (Chair), Koponen, Pestinger, Furnace and
Wendte. Not concurring: Ward had no recommendation. To Resources.

The Loans substitute makes the following changes:

The Department of Revenue may guarantee a loan under the Forest
Products Business Loan Guarantee Program if

page 525

COMMITTEE REPORTS (House)

HB 627, (cont'd)

--the loan is originated with and serviced by a state or federally chartered financial institution (original version stated that the loan must originate with and be serviced by the Alaska Commercial Fishing and Agriculture Bank, or by a state or federally chartered financial institution located in the state)

--"(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." (was ". . . or to one or more corporations or other business associations in which the employees of the forest products business hold an interest that is equal to or greater than the interest held by the seller of the forest products business.")

Does not include section from original version allowing for additional guarantees: "Not less than 30 days after the department enters into a contract to guarantee a loan to a borrower under this chapter, the department may enter into a contract to guarantee another loan to that borrower under this chapter."

Historic HOUSE BILL NO. 640, (see page 365). Reported back to the
Properties House on March 5 by the House Special Committee on Loans with
Grants the committee recommending it be replaced with a Loans CS and
the majority recommending do pass. Concurring: Uehling
(Chairman), Furnace and Pestinger. Koponen had no recommendation.
To Finance.

The only change made by the Loans CS is to the title of the bill:
"An Act relating to historic properties grants and loans."

Municipal Bond HOUSE BILL NO. 679, (see page 383). Reported back to the
Bank Authority House March 9 by Community & Regional Affairs recommending it
pass. Concurring: M. W. Miller (Chair), Cato, Phillips and
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Oil & Natural HOUSE BILL NO. 680, (see page 383). Reported back to the
Gas House March 9 by Labor & Commerce recommending it be replaced
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curring: Wendte had no recommendation. On March 7 the Speaker
added a Resources Committee referral before the Finance referral.
To Resources.

The L&C substitute is a completely new version, and it:

STATE OF ALASKA
THE LEGISLATURE

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

LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

February 27, 1984

SUBJECT: Sectional analysis of
HB 627

TO: Representative Ron Wendte

FROM: *LH* Liam H. Asper
Legislative Council

You have asked for a sectional analysis of HB 627, 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.

Representative Wendte
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
C2/138

STATE OF ALASKA 1984 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date

REQUEST

Bill/Resolution No: Loans CS HB 627
 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: Hilt Barker MB
 Division: Treasury
 Approved by Commissioner: Arthur Matthews
 Agency: _____

Phone: 465-2350
 Date: 3-12-84
 Date: 3/13/84

Distribution (by Agency preparing fiscal note):

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

Chapter 92. Fishery Product Revolving Loan Guarantee Fund.

Section 10. Establishment of fund
20. Fishery product guarantees
30. Powers and duties of the department
40. Investment of the fund
Section 50. Conditions of loan guarantees
55. Additional guarantees
60. Definitions

Sec. 45.92.010. Establishment of fund. The fishery product revolving loan guarantee fund is established in the Department of Revenue. (§ 1 ch 33 SLA 1982)

Sec. 45.92.020. Fishery product guarantees. The department may use money in the fund to guarantee a loan made to a fish processor with facilities in Alaska for the purpose of financing

- (1) the purchase and processing of fishery products from Alaska fisheries; or
(2) the repurchasing, transporting, repackaging, inspecting, and storing of Alaska fishery products that are recalled in 1982. (§ 1 ch 33 SLA 1982)

Sec. 45.92.030. Powers and duties of the department. (a) The commissioner may

- (1) designate agents and delegate powers necessary to implement this chapter;
(2) adopt regulations to implement this chapter;
(3) make and execute contracts and other instruments to implement this chapter;
(4) acquire real or personal property by purchase, transfer, or foreclosure when the acquisition is necessary to protect an interest in the fund.

(b) The commissioner shall require that a loan guaranteed by the fund be secured by collateral. (§ 1 ch 33 SLA 1982)

Sec. 45.92.040. 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. (§ 1 ch 33 SLA 1982)

Sec. 45.92.050. Conditions of loan guarantees. (a) The department may guarantee a loan under this chapter if

- (1) the term of the loan does not exceed one year;
(2) the loan is secured by inventory or accounts receivable of the fish processor, or by other collateral acceptable to the department;
(3) the loan is originated with and serviced by the Alaska Commercial Fishing and Agriculture Bank, or by a state or federally chartered financial institution located in the state; and

(4) the majority interest in the fish processor is beneficially owned by residents of the state and the majority of owners of the fish processor are residents of the state.

(b) The department may provide a guarantee from the fund for up to 50 percent of a loan, but may not guarantee more than \$15,000,000 per loan or \$30,000,000 per borrower. The department may not guarantee the payment of annual interest on the guaranteed portion of a loan.

(c) Upon default by a borrower, the amount of the maximum liability of the fund for a loan guarantee under this chapter is the percentage of the amount in default specified by the department in the guarantee agreement. (§ 1 ch 33 SLA 1982; am § 2 ch 33 SLA 1982)

Effect of amendments. — The 1982 paragraph (3) of subsection (a) and added amendment added "and" at the end of paragraph (4) of that subsection.

Sec. 45.92.055. Additional guarantees. Not less than 30 days after the department enters into a contract to guarantee a loan to a borrower under this chapter, the department may enter into a contract to guarantee another loan to that borrower under this chapter. (§ 1 ch 33 SLA 1982)

- Sec. 45.92.060. Definitions. In this chapter
(1) "commissioner" means the commissioner of revenue;
(2) "department" means the Department of Revenue;
(3) "facilities in Alaska" means facilities at which fisheries products are canned, frozen, or otherwise processed for inventory, including floating facilities that are documented under the laws of the United States as defined in 46 U.S.C. 801, and operated in waters of the state;
(4) "fish processor" means a person engaging in a business for which a license is required under AS 43.75.010 — 43.75.090;
(5) "fishery product" means salmon;
(6) "fund" means the fishery product revolving loan guarantee fund. (§ 1 ch 33 SLA 1982)

Editor's note — AS 43.75.010 and AS 43.75.090 were repealed for present provisions covering the subject matter of the repealed sections, see AS 43.75.011 et seq.

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	300	\$22.6 million	\$28 - 30 million
SECONDARY EMPLOYMENT	<u>500</u>		
TOTAL EMPLOYMENT	1400		

Information Provided by LPK.

Proposed Amendments
to

~~SB 479~~

AB 527

by Revenue

1. Proposed AS 45.94.030(b) is amended to read:

"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 provide adequate coverage for the debt service on the loan. The applicant shall provide an economic and financial feasibility analysis prepared by a firm acceptable to the department."

STATE OF ALASKA
THE LEGISLATURE

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

LEGISLATIVE AFFAIRS AGENCY

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March 14, 1984

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TO: Representative Ron Wendte

FROM: Linn H. Asper
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Representative Ron Wendte
Page 2
March 14, 1984

the Alaska Commercial Fishing and Agriculture bank that was contained in the original bill. The substitute also limits loan guarantees to loans made to organizations in which the controlling interest is held by state residents who are employees of the forest products business. This provision raises certain constitutional issues, as I have previously advised. See Lynden Transport v. State of Alaska, 532 P.2d 700 (1975).

The Committee Substitute deletes a proposed sec. 45.94.055 that would have allowed the Department of Revenue 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:ojb
J4/083



Official Business

Alaska State Legislature
House Resources Committee

SIGN-IN

MAR. 14, 1984

**HB 627
FOREST PRODUCTS**

NAME

ADDRESS

PHONE

REPRESENTING

NAME	ADDRESS	PHONE	REPRESENTING
MARTIN R. PIHL	2730 - 7th AVE. KETCHIKAN	225-21510 225-24811	KETCHIKAN PULP COMPANY EMPLOYEES
Richard S. ROSS	534 Hill Road Ketchikan	225-3302	Ketchikan Pulp Company ESOP member
C. R. Benner	P.O. Box 7734 Ketchikan	247-8761	Ketchikan Pulp Company ESOP
Vince O'Reilly	Truck D Jensen	465-2501	DCETD
Milt Barber	'	2350	Revenue
Rep. Ron Wendte			
Rep. Jack McBride			

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Historic
Properties
Grants

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Gas
(recovery &
production)

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The L&C substitute is a completely new version, and it:

AMENDMENT FOR APPROPRIATION BILL:

The sum of \$25,000,000 is appropriated from the general fund to the Department of Revenue for the forest products business loan guarantee program (AS 45.94)

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NOTE REGARDING THE FOLLOWING FRAME(S) ON MICROFILM:
COMPLETE DOCUMENT IS AVAILABLE IN ORIGINAL FILES.
TITLE PAGE ONLY HAS BEEN FILMED.



KETCHIKAN PULP CO.

KETCHIKAN PULP COMPANY

Our First 20 Years

