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SENATOR
ARLISS STURGULEWSKI

2957 SHELDON JACKSON
ANCHORAGE, ALASKA 99508
SENATE DISTRICT F, SEAT A

Alaska State Legislature



While in Juneau
POUCH V
JUNEAU, ALASKA 99811
(907) 465-3018

Senate

MEMORANDUM

March 1, 1984

TO: All Members of the Legislature

FROM: Senator Arliss Sturgulewski, *AS*
Senate District F, Seat A

RE: The Experiences of the Alaska Renewable Resources Corporation
(Or the Rise and Fall of ARC)

Dean F. Olson, Adjunct Associate Professor, School of Business & Public Affairs, University of Alaska-Anchorage, a former trustee of the Alaska Renewable Resources Corporation, has written an excellent analysis of the Alaska Renewable Resources Corporation which was created by the legislature in 1978. After numerous legislative changes, the now-named Alaska Resources Corporation will be dissolved on July 1, 1989 if HB 685 introduced by the Sheffield administration becomes law.

Dean Olson has described what happened to an organization created with interest and enthusiasm to broaden economic opportunities in renewable resources. He makes specific recommendations as to why it is important to create political independence for a public corporate structure and yet retain certain legislative and executive prerogatives. His analysis can be of value while considering various proposed structures currently before the legislature.

Enclosure

Venture Capital for Development:

The Experiences of the

Alaska Renewable Resources Corporation

January 1984
Dean F. Olson
Adjunct Associate Professor
School of Business &
Public Affairs
University of Alaska-Anchorage
(Former Trustee - The Alaska
Renewable Resource Corporation)

I. Introduction

This paper describes the experiences of the Alaska Renewable Resources Corporation (ARRC) during the period from 1979 to 1982. The paper begins with a brief description of the founding legislation and the policy making environment which existed at the time the ARRC was established. The paper then traces the operating experiences of the agency over the three years period ending in June 1982. Finally, certain conclusions are drawn from the ARRC experience in the hope that other governments contemplating similar organizations can avoid making the same public policy errors.

The use of federal funds to broaden and strengthen the private sector through equity investment into privately owned businesses has been accepted public policy for nearly thirty years. Since the mid 1950's federal programs have supported privately owned venture investment firms known as Small Business Investment Corporations (SBIC's) and Minority Small Business Investment Corporations (MESBICS). In the 1960's a number of Community Development Organization (CDC's) were established to further assist the business development efforts of selected target groups.

State support of equity investment into private business is a more recent development. Since the early 1970's State support for venture investment into private enterprises has lead to the initiation of development institutions in Massachusetts, Connecticut, Maine and Kentucky. While these organizations differ considerably they share the broad goal of enhancing private business development through the placement of various types of risk capital.

In Alaska, the State Legislature established (in 1978) and funded (in 1979) the Alaska Renewable Resources Corporation. The Alaska Renewable Resources Corporation (ARRC) was to be funded in yearly intervals at 2.5% of the State's oil and gas royalty receipts. ARRC's goal in general terms was to create a broadened economy based more upon renewable resource businesses. The ARRC was to accomplish this goal through venture capital placement into private businesses owned in the majority by Alaskan residents.

Managed initially by a board of three full time trustees appointed by the Governor, the ARRC could make equity investments for up to 49% of an investee's outstanding common stock and could make loans on any terms which accommodated the needs of the new or expanding business. Any single investment was limited to \$1.5 million unless 'follow-up' investment was regarded as necessary to preserve the initial placement.

In 1982, after three years of operation, discontent with the ARRC resulted in legislation which made significant changes in the scope of the agency's investment policies; the size of investments it could make, and how the agency was funded and organized. Further legislation is being planned in 1984 to terminate the agency.

II. Founding Legislation and Public Policy Issues

By any objective measure the legislation establishing the ARRC was creative public policy. Prompted by the realization that oil and gas royalty income to the State would begin 'playing out' in the early 1990's, certain legislators and Alaska's Governor (Jay Hammond) promoted the

creation of several institutions. The Alaska Industrial Development Authority (AIDA) was created to 'package' small business loans into larger tax exempt bond issues for public sale. The Alaska Commercial Fish and Agricultural Bank (CFAB) was created as a cooperative lending institution to make loans to farmers, fishermen, fish processors and timber producers. The Alaska Permanent Fund (APF) was created to serve as a savings account into which a proportion of royalty receipts was to be placed as a hedge against the future downturn in revenues. Additional institutions were created to enhance hydroelectric power generation (the Alaska Power Authority) and to support the residential construction market (the Alaska Housing Finance Corporation).

The ARRC was intended to 'balance out' the above rainbow of development institutions by providing a source of equity financing to new and expanding businesses engaged in the production of renewable resources (Fishing and fish processing, Agriculture, Forest products, and Alternative energy). The agency was empowered to own up to 49% of the outstanding common stock of target enterprises. Further, the ARRC could make loans at any interest rate for a term of less than 30 years. The ARRC also had granting powers which it could employ to stimulate inquiry into new technology which might enhance renewable resources. Finally, the ARRC could provide technical assistance funds for business development. Total loans and investment into a single business was limited to \$1.5 million.

The initial legislation provided that the ARRC was to receive 2.5% of State lease bonuses, rentals and royalty income. In practice, the agency

approached the legislature each year for operating and investment capital budgets. Over the three year period ending in June, 1982, the ARRC received below 1% of State receipts.

The ARRC was governed by a full time board of three trustee appointed by the Governor for four year terms. The trustees (and all other ARRC employees) were employees of the State of Alaska. There were no professional qualifications for trustees provided for in the legislation. The three trustees were to have equal authority and responsibility for agency decisions.

The ARRC was designed to work in concert with private businesses to:

- (1) rehabilitate, enhance and develop renewable resources by providing maximum opportunities for employment and a higher standard of living for its citizens; and
- (2) further the development of renewable resources that would contribute to a stable self sustaining state economy, employment and life style alternations for citizens (AS 37.12.010).

The legislature agreed, when passing the ARRC legislation, that achievement of the above public policy objectives was being retarded by a cyclical, narrowly based economy. The ARRC was directed to remove barriers to achieving a broadened economy by assisting in research and development and by providing venture capital to renewable resource businesses owned by Alaskan citizens.

The enabling legislation permitted considerable financing flexibility by the ARRC. No income or minimum yield requirements were placed upon the

agency. Grants could not exceed 10% of ARRC capital, but this was never a serious constraint. Because operating funds were appropriated each year, the agency did not have to live within budgets bounded by its investment income.

In sum, the ARRC was created as a part of an array, a 'rainbow', of institutions designed to increase economic opportunities for Alaskans. The ARRC's role was to provide high risk capital to start-up and expanding businesses in renewable resource industries. An agency of State government, the ARRC was managed by a tripartite board of trustees of equal authority and was given substantial flexibility in the selection of alternative investment structure to employ in placing its investments.

III. Operating Experiences 1979-82

The ARRC attracted immediate interest from Alaskans with business ideas. Within six months from its beginning the agency had received several hundred proposals. Many proposals were not well developed, while others were complete business plans. Over the three year period the ARRC received an average of 400 proposals per year.

The ARRC loaned or made investments into about 3% of the proposals reviewed. An immense amount of staff energy was devoted to screening proposals and investigating business plans nearing completion. In retrospect far too much time was spent in turndowns and too little was spent in assisting businesses that had been approved for investment.

Due to its political origins and the widespread perception that the ARRC was a "State loan program" (a source of soft money) it was difficult to make turndowns stick. Applicants whose proposals had been turned down would often protest to legislators and succeed in getting their proposal reviewed a second time. While their tactic did not result in an investment it did consume an inordinate amount of energy. Turndowns were particularly difficult to enforce when the proposing business was a major factor in the economy of a small Alaskan community. In these instances local and State politicians would join forces in seeking a favorable review.

By early 1980 the ARRC had acquired the reputation for being slow to reach decisions and for being harsh in its evaluation of proposals. Legislators assailed the agency for 'not getting the money on the street' fast enough. Review of business plans did require three to four months. Investigation and 'due diligence' on the plan and the background of management personnel often requires this length of time; a fact little appreciated by most applicants and legislators accustomed to dealing with collateral lenders.

In May 1980, one year from the operational beginnings of the ARRC, the legislature directed the agency to help seafood processors prepare for a salmon harvest of historically large proportions. Prompted by concerns that domestic processing capacity would fall short of the harvest the legislature appropriated \$15 million for the ARRC and directed the agency to suspend normal business planning and investment criterion, as well as the \$1.5 million investment limit, and move to aid the industry in its

attempts to finance the expansion necessary to process the 1980 salmon harvest.

In addition, in May 1980, the legislature directed ARRC to move to assist timber processors in Southeast Alaska build wood-fired electrical generation plants so as to conform to EPA pollution standards. Again, the emergency legislation suspended the ARRC's normal screening criteria and the \$1.5 million investment limit. Some \$5.2 million was allocated to this special purpose.

The effect of the emergency legislation for fish and timber processors was to redirect the ARRC's strategic focus away from new business development and toward the 'fast tract' restructuring and refinancing of existing businesses. The table below shows the magnitude of this type of activity in relation to the total portfolio on June 30, 1981 and 1982. Refinancing activity accounted for about three quarters of the portfolio in each year and about one quarter of the number of transactions.

Table I

Alaska Renewable Resources CorporationPortfolio by Typeof Transaction

June 30

(\$'000)

	<u>\$</u>		<u>#</u>	
	<u>1981</u>	<u>1982</u>	<u>1981</u>	<u>1982</u>
Refinancing	\$17,212	\$21,448	6	7
Expansions	1,425	1,711	5	6
Start-ups	3,699	4,762	9	11
R & D and Demonstration	1,088	646	7	5
Totals	<u>\$23,424</u>	<u>\$28,567</u>	<u>27</u>	<u>29</u>

The strategic redirection of the ARRC, from business developer to business savior, is in retrospect the single most important factor in understanding the agency's short and confusing history. The emergency redirection of effort served to cloud the strategic role intended for the ARRC. The ARRC never recovered from the confusion.

Another element of importance in understanding the ARRC's experience is the organizational structure created in the initial legislation. The tripartite board of full time trustees of equal responsibility and authority produced incredible confusion in the internal operation of the

ARRC and in the external environment of the agency. The concept simply could not be made to work. It is hard to imagine any combination of executive personalities which could function effectively in this context.

The dependency of the ARRC upon annual legislative appropriations for operating and investment budgets produced several operational impediments. First, ARRC personnel could never be sure that the agency could participate in second or third round financings of start-up companies. Follow-up financing of this type is common in more than one-half of all new businesses. The initial venture investor is usually a player in these subsequent 'trips to the well' by the venture. The ARRC could provide no assurance to prospective co-investors that it would be in existence to help with any future financings. Second, the ARRC emerged as a political football each year. Legislative supporters of the ARRC and the public policy issues underlying its creation found it increasingly difficult to convince legislators with disappointed constituents. Furthermore, as more legislators became aware that the ARRC could and did take equity positions in private businesses, philosophical concerns about the basic public policy issues became more pronounced. Philosophical support for the agency was never strong and began to erode fairly quickly with a few well publicized turn-downs and an equally well publicized bankruptcy in which the ARRC took control of the enterprise.

The ARRC invested in over 30 businesses over the three year period under review. Table II shows that from its beginning in 1979 to June 30, 1982, the agency placed \$23.3 million in loans and \$7.2 million in equity

investments. The preponderant role played by the two 'assistance funds' is again quite evident.

Table II

Alaska Renewable Resources Corporation

Total Loans & Equity Investments

Fiscal Year Ending

June 30,

(\$'000)

Loans	1980	1981	1982	1983
Agriculture	\$37.6	\$273.9	\$790.1	\$261.9
Fisheries	2,310.2	5,965.0	7,557.3	4,129.2
Fisheries Assistance Fund ¹	5,023.6	10,748.8	11,129.0	8,398.4
Forest Products	201.0	531.7	2,228.5	351.4
Forest Assistance Fund ²		164.3	1,600.0	3,470.2
Manufacturing ³				370.0
sub-total	\$7,572.4	\$17,683.7	\$23,304.9	\$16,981.1
<u>Equity Investments</u>				
Agriculture		\$50.0	\$50.0	
Fisheries	\$375.1	765.5	871.5	\$666.5
Fisheries Assistance Fund ¹	500.0	4,513.6	4,091.1	3,741.3
Forest Products	150.0	350.0	433.1	433.1
Forest Assistance Fund ²			1,800.0	1,800.0
Manufacturing				
sub-total	\$1,025.1	\$5,679.1	\$7,245.7	\$6,640.9
Total	\$8,597.5	\$23,362.8	\$30,550.6	\$23,622.0

¹Special legislation passed in May 1980 directed the agency to provide emergency refinancing to fish processors.

²Special legislation passed in May 1980 directed the agency to provide emergencing financing to forest product producers.

³Legislation passed in May 1982 permitted the agency to invest in manufacturing and mining.

While the volume of transaction activity grew quickly, the full time staff remained small. The first professional employee was hired in March 1980. By the end of that year four investment officers had been retained. As Table III reveals, operating expenses were relatively low in relation to the volume of funds invested and the volume of proposals reviewed. Operating expenses were about 8% of portfolio volume in 1980 and declined to 3.6% in 1982. Operating costs include expert help retained to review specific proposals as well as all full time staff expenses. Table III also reveals that the technical assistance and granting powers that the agency enjoyed were never a major dimension of the ARRC's activities. Finally, provisions for the 'write down' of loans and investments are depicted. Some 20.9% of the portfolio was reserved for loss in 1982. The actual write down of portfolio assets amounted to 22.7% over the fiscal year ending June 30, 1983.

Table III

Alaska Renewable Resources CorporationProvisions for Losses,Operating Expenses, TechnicalAssistance and Development Grants

Fiscal Year Ending

June 30,

(\$'000)

	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>Totals</u>
Technical Assistance	\$295.3	\$94.6	\$66.6	-	\$456.5
Development Grants	51.1	167.4	5.0	-	223.5
Provision for:					
Loan Losses	-	261.1	4,712.9	3,420.1	8,394.1
Equity Losses	-	-	1,671.6	259.9	1,931.5
Operating Expenses	687.5	1,111.0	1,096.7	627.4	3,522.6

Each portfolio company is unique. The investment structure employed by the ARRC in each transaction was tailored to investor requirements. The following descriptive examples of the types of transactions the ARRC completed illustrate the diversity of the investment structures employed by the agency.

Portfolio Company A A major fish processing company operating in several fishing communities through out Alaska had grown rapidly since its inception in the mid 1960's.

The company's commercial bankers were requiring a major refinancing which would improve working capital balances and bring better balance to the company's debt to equity ratio. The company was closely held by Alaskan fishermen. The refinancing could not be accomplished within the resources of the existing owners. Financial performance of the company, the condition of the new issues market, and uncertain industry forecasts combined to render a public offering of equity unattractive. The ARRC and another venture capital investor invested a total of \$6.5 million. Certain assets were purchased by the investors and leased back to the company under a lease purchase agreement. The ARRC also acquired a minority equity position in the company through a purchase of common stock and a convertible debenture. A stock repurchase formula was negotiated which would enable the company to purchase the ARRC's stock position over several years. The

company later exercised its option to repurchase the property and has begun to purchase ARRC held stock.

Portfolio Company B A large Pacific Coast firm had gone bankrupt and the trustee was liquidating assets, some of which were in Alaska. A group of Alaskan entrepreneurs and the ARRC acquired a fish processing plant from the bankruptcy court with the intention of converting the plant to process 'bottom fish', an underutilized resource. The plant was purchased with a \$3.5 million loan and investment by the ARRC. The structure consisted of a \$2 million note secured by plant and equipment; a \$1 million subordinated convertible note, and a \$.5 million purchase of 47% of the new company's outstanding common stock. The ARRC later provided substantial additional funds to finance conversion and provide working capital. The new company went bankrupt in 1982. The ARRC owns the facility.

Portfolio Company C A group of Alaskan entrepreneurs had acquired the west coast license for a patented enzyme for conversion of fish waste into a high protein concentrate. The new company needed funds to build a prototype processing plant in hopes of confirming the feasibility of the enzyme when employed under actual production conditions. The ARRC provided \$535,000 in initial financing through a \$335,000 subordinated note with deferred payments of interest and principle and a \$200,000 purchase of 30% of outstanding common stock in the new company.

Portfolio Company D A group of 30 Eskimo fishermen in western Alaska desired to enter a commercial herring fishery which had begun the year before along the coast near their villages. The fishermen needed materials and technical assistance in building the herring skiffs, purchase of the outboard motors and other gear, and to organize a producers cooperative. The ARRC provided loan funds direct to each fishermen to build his own boat and buy the gear. The ARRC also paid for technical assistance to get the project underway.

Portfolio Company E A successful commercial crab and halibut fisherman needed financial help to convert his vessel to a 'long liner' for the harvest of bottom fish. As a demonstration project, the ARRC financed the conversion costs and, through the purchase of common stock in a newly formed company, provided start-up working capital. The initial investment consisted of \$175,000 in a subordinated deferred payment loan and \$175,000 in equity.

Portfolio Company F A successful ship repair facility needed funds to expand docking and plant facilities and to purchase a major item of equipment. The owners could not finance the equity portion of expansion costs and bank lending was not suitable for the young firm in terms of interest rates or repayment schedule. The ARRC provided \$350,000 in subordinated deferred payment debt and \$150,000 in equity in exchange for 22% of outstanding common stock.

The common elements in each of these examples is the assumption of high risk by the ARRC and other investors. Conventional lending sources

were either not available or inappropriate for the situation. The equity capital requirements were well beyond the capacity of the existing owners. Frequently, the ARRC's investment structure employed a combination of loan and equity capital. Restructuring of the investment a year or two later was required in many cases.

In May 1982, in response to encouragement from the Board of Trustees and testimony from others, legislation was passed which dramatically changed the ARRC. The tripartite board was replaced by a part time board of five persons. The maximum investment per transaction was reduced to \$500,000. Manufacturing and mining were included among eligible industries.

Importantly, the newly named agency 'the Alaska Resources Corporation' (ARC), was endowed with the portfolio then in existence and about \$12 million in uncommitted investment capital it held at that point in time. This reduced the political sensitivity of the agency but did not remove it from political supervision in that the Governor retained appointive powers.

Since May 1982, the ARC has been essentially inactive as regards new investments. The present governor is reportedly drafting legislation which would terminate the agency in 1984, thus bringing to a close a noble attempt to implement creative public policy.

IV. Conclusions from the ARRC Experience

Certain conclusions can be drawn from the three year period the ARRC existed. While the Alaskan experience need not be a forecast of outcomes

from similar programs to harness venture capital to public policy, the ARRC experience does suggest that any such attempt be attentive to the following factors.

(1) Discussion of proposed legislation establishing a State financed venture capital investment organization should be open and well publicized. Many Alaskan legislators and the public in general had a very poor understanding of venture (equity) investment and little appreciation of the public policy issues raised by government ownership of private companies;

(2) Do not depart from fully tested organizational structures in use by successful businesses. Full-time boards are not an effective organization for this purpose.

(3) Establish the organization with a definitive endowment of paid in capital. Earnings should be retained by the organization.

(4) Require the organization to attain self-supporting operations within a specified period of years; provide for the organization to issue its own securities without the guarantee of the State.

(5) Establish a certain minimum experiential and professional qualification for appointments to the board of directors.

(6) Provide for separation of employees from State employment. Permit salary and compensation structures analagous to those in private industry; and,

(7) Provide clear strategic focus to the organization in the enabling legislation.

These conclusions underscore the importance of providing for the political independence of the organization except for the ultimate power of the legislature to terminate and the power of the executive to appoint. The Alaskan experience suggests that measures which fall short of providing for such independence are too prone to political abuse to become effective agents of economic change.

STATE OF ALASKA

DEPARTMENT OF LAW

OFFICE OF THE ATTORNEY GENERAL

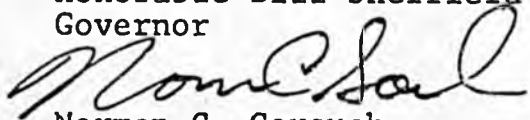
Bill Sheffield, Governor

POUCH K - STATE CAPITOL
JUNEAU, ALASKA 99811
PHONE: (907) 465-3600

February 8, 1984

M E M O R A N D U M

TO: Honorable Bill Sheffield
Governor

FROM: 
Norman C. Gorsuch
Attorney General

RE: Attached revised bill regarding the Alaska
Resources Corporation
Our file: 377-069-84

(In - Conn. in Feb)
Ben
Hoggin
Harrison
McConnell
Walt

Attached is a bill that provides for the wind-up of operations of the Alaska Resources Corporation during the next five years and for its dissolution at the end of that period. The bill also repeals, effective immediately, the statutes creating the Alaska renewable resources development fund, and the Alaska renewable resources investment fund.

This is a revision of the bill on this subject that we delivered to your office December 9, 1983. That version would have terminated the corporation immediately. The Departments of Revenue and of Commerce and Economic Development, along with this department, agree that the five-year wind-up period is a more feasible approach.

A revised draft transmittal letter to the legislature is also attached.

NCG:MAF:mg

cc w/enc.: Honorable Richard Lyon
Commissioner
Department of Commerce &
Economic Development

Honorable Robert Heath
Commissioner
Department of Revenue

STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

February 13, 1984

The Honorable Joe Hayes
Alaska House of Representatives
Pouch V
Juneau, AK 99811

Dear Representative Hayes:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill that provides for the wind-up of operations and eventual dissolution of the Alaska Resources Corporation (ARC).

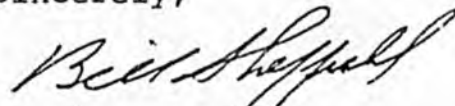
The bill retains the corporate structure of ARC for five years but amends the relevant statute to provide that the only corporate purpose is the orderly wind-up of the affairs of the corporation. This five-year period is considered necessary because ARC has substantial equity investments including capital stock investments in a number of businesses and has taken an active management role in some of the businesses. ARC also owns property as a result of foreclosure on loans against businesses in which it also has equity interests. The five-year period will give ARC sufficient time to remove itself from active management roles and then divest itself of these interests.

The corporation is transferred from the Department of Commerce and Economic Development to the Department of Revenue. The board membership is changed to provide that the commissioner of revenue and the commissioners of two other principal departments make up the board. The board is directed to contract with the Department of Revenue to manage the corporation's assets during the wind-up period. Concurrent with ARC's transfer to the Department of Revenue, all but \$500,000 of the unexpended and unobligated money in ARC's development capital fund is transferred to the general fund. The \$500,000 are to be used to cover possible costs that might arise in the course of winding up ARC's affairs.

- 2 -

The bill also repeals the statutes creating the Alaska Resources Corporation (ARC), AS 37.12; and the Alaska renewable resources development fund and Alaska renewable resources investment fund, AS 37.11. The Alaska renewable resources development fund and the Alaska renewable resources investment fund were closed out and the money returned to the general fund several years ago, after they were determined to be unconstitutional dedicated funds, but the statutes have not yet been repealed. Under this bill, the repeal of the corporation statutes will take effect July 1, 1989, and the repeal of the fund statutes will take effect immediately.

Sincerely,

A handwritten signature in cursive script that reads "Bill Sheffield". The signature is written in dark ink and is positioned above the printed name and title.

Bill Sheffield
Governor

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24 February 1984

Juneau, Alaska

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ALASKA RESOURCES CORPORATION

BALANCE SHEET

January 31, 1984

ASSETS

Cash	\$ (8,270)
Interest bearing deposits	4,664,700
U.S. Government Obligations	7,922,234
Purchased Interest, U.S. Government Obligations	206,366
	<u>12,785,030</u>
Loans Receivable	
Fisheries	3,716,003
Agriculture	257,644
Forest Products	1,325,174
Commercial Fish	8,213,712
Forest Assistance	5,265,066
Manufacturing	370,000
Total loans receivable	<u>19,147,599</u>
Less reserves for uncollectible loans	(3,984,717)
Loans receivable, net	<u>15,162,882</u>
Accrued interest receivable, loans	1,953,496
Less allowances for uncollected interest, loans	(1,538,349)
Accrued interest receivable loans, net	<u>415,147</u>
Assets acquired through foreclosure (Note A)	12,100,326
Less allowances for assets acquired through foreclosures	(4,973,401)
Net assets acquired through foreclosure	<u>7,126,925</u>
Miscellaneous receivables	4,780
Prepaid rent	7,752
Investment in Capital Stock	4,322,854
Less reserves for uncollectible equity	(1,041,601)
Less committed undisbursed funds equity	(17,378)
Investments in capital, net	<u>3,263,875</u>
Other Assets (Licensing Agreement)	53,250
	<u>\$ 38,819,641</u>

LIABILITIES & FUND BALANCE

Accrued Payroll	\$ 64,639
Original Contributed Surplus	42,307,047
Retained Earnings	(4,694,930)
Net Income	1,142,885
	<u>\$ 38,819,641</u>

*Book overdraft at all times covered under funds on deposit in repo account.

ALASKA RESOURCES CORPORATION

BALANCE SHEET

NOTE A

January 31, 1984

Assets acquired through foreclosure breakdown:Alaska Food Co.

Principal of ARC loans @ 4/30/83	\$ 8,350,850.52
Accrued interest of ARC loans @ 4/30/83	1,127,097.60
Other income from assets acquired by ARC @ 6/30/83	(9,038.16)
Other expenses paid out by ARC @ 6/30/83	63,373.09
Capital expenses paid out by ARC @ 1/31/84	7,170.82
Sale of Assets acquired by ARC @ 1/31/84	(518,200.00)
Totals:	<u>\$ 9,021,253.87</u>

Alaska Bait

Principal of ARC loans @ 5/19/83	\$ 577,349.54
Accrued interest of ARC loans @ 5/19/83	96,691.43
Professional Services (legal fees) paid by ARC @ 5/19/83	4,822.15
Other expenses paid out by ARC @ 6/30/83	4,833.44
Totals:	<u>\$ 683,696.56</u>

Martins Seafoods

Principal of ARC loans @ 5/16/83	\$ 899,544.98
Accrued interest of ARC loans @ 5/16/83	127,957.81
Professional Services (legal fees) paid by ARC @ 5/16/83	30,611.23
Other income from assets acquired by ARC @ 6/30/83	(12,522.40)
Other expenses paid out by ARC @ 6/30/83	74,660.74
Capital expenses paid out by ARC @ 12/31/83	36,602.20
Totals:	<u>\$ 1,156,854.56</u>

Seafoods of Alaska

Principal of ARC loans @ 4/29/83	\$ 802,458.37
Principal of ARC loans @ 6/29/83	364,657.90
Accrued interest of ARC loans @ 4/29/83	21,701.07
Accrued interest of ARC loans @ 6/29/83	49,210.43
Professional Services (legal fees) paid by ARC @ 4/29/83	13,024.05
Other income from assets acquired by ARC @ 6/30/83	(12,531.05)
Totals:	<u>\$ 1,238,520.77</u>

Allowance for assets acquired through foreclosure breakdown:

Reserves to loans: Alaska Food Co.	\$ 3,380,000.00
Alaska Bait	154,930.00
Seafoods of Alaska	105,245.00
Reserves to accrued interest: Alaska Food Co.	1,127,097.60
Alaska Bait	85,216.40
Seafoods of Alaska	70,912.13
Provision for decline in assets acquired through foreclosure	50,000.00
Totals:	<u>\$ 4,973,401.13</u>

Recap:

Assets acquired through foreclosure	\$12,100,325.76
Less allowance for assets acquired through foreclosure	(4,973,401.13)
Total:	<u>\$ 7,126,924.63</u>

ALASKA RESOURCES CORPORATION

STATEMENT OF INCOME & EXPENSES

July 1, 1983 - January 31, 1984

INCOME

Interest Income Investments	\$ 200,094
Interest Income Loans	979,595
Interest Income U.S. Government Obligations	470,573
Miscellaneous Income	5,710
Gain or Loss on Sale of Investments	10,000
Rental Income From Assets Acquired Through Foreclosure	67,670
Other Income From Assets Acquired Through Foreclosure	126,429
Total Income	<u>\$1,860,071</u>

EXPENSES

Personal Services - Salaries & Benefits	\$ 162,672
Travel & Moving - In-State Trans	4,744
Travel & Moving - In-State Per Diem	3,961
Travel & Moving - Out-State Trans	5,269
Travel & Moving - Out-State Per Diem	2,779
Board Member Expenses	9,131
Moving & Relocation	2,875
Telephone	6,910
Postage & Mailing	343
Printing & Binding	176
Advertising	2,739
Subscriptions	394
Rents & Leases	52,496
Storage Fees	130
Professional Services	22,309
Conference Registration	140
Freight Express/Cart	810
Stationary & Supplies	1,937
Miscellaneous Expenses	409
Operating Expenses Pertaining to Assets Acquired Through Foreclosure	266,462
Total Operating Expenses	<u>546,686</u>
Provision For Uncollectible Loans	170,500
Total Expenses	<u>\$ 717,186</u>
NET INCOME	<u>\$ 1,142,885</u>

ES: R - Restructure
 E - Expansion
 S - Start up
 IB - Investment Banking
 VC - Venture Capital

ALASKA RESOURCES CORPORATION
INVESTMENT RECAP

January 31, 1984

TYPE	COMPANY NAME	FISHERIES	SPECIAL FISH	AGRICULTURE	FOREST PRODUCTS	SPECIAL FOREST	MANUFACTURING	COMMITTED UNDISBURSED FUNDS	MISCELLANEOUS	TOTAL DEBT	EQUITY AMOUNT	EQUITY %	TOTAL DEBT & EQUITY
C	ACT I (AK. F.I.S.H.)	125,000				1,500,000				125,000	125,000	13%	250,000
B	ALASKA TIMBER									1,500,000			1,500,000
B	ALYESKA CANDY KITCHEN			23,654						23,654			23,654
B	AMERICAN EAGLE	129,758	49,861							179,619			179,619
C	ANCHOR RENEWABLE FARMS			119,468						119,468			119,468
C	ANCHORAGE TANK						370,000			370,000			370,000
C	BALL BROTHERS, INC.	807,772	2,564,950						180,000	3,552,722	500,000	40%	4,052,722
C	BALL, ALBERT	25,000								25,000			25,000
C	BALL, GERALD	25,000								25,000			25,000
C	BALL, NEWTON	25,000								25,000			25,000
C	ICICLE SEAFOODS		2,181,458					17,378		2,198,836	2,222,622	39%	4,421,458
B	KACHEMAK	213,502								213,502			213,502
C	KOKECHIK	278,588								278,588	490	49%	279,078
B	CLARK, INC.		395,000							395,000	25,000	1%	420,000
C	MASTERCRAFT KITCHENS				265,063					265,063			265,063
B	PINES SAWMILL				5,111					5,111			5,111
C	RICE FUR FARM			114,522						114,522			114,522
C	SALAMATOF		3,022,442							3,022,442	976,264	35%	3,998,706
C	SAYLES MARINE, INC.	95,126								95,126			95,126
C	SCHNABEL LUMBER CO.				1,000,000	3,765,066				4,765,066			4,765,066
C	SEAWARD SHIPYARD	516,274								516,274	150,000	22%	666,274
C	SMARAGD PARTNERS	456,340								456,340			456,340
C	STEIK ENTERPRISES				55,000					55,000			55,000
C	STERLING SEAFOODS	125,000								125,000	100,000	49%	225,000
C	TRINITY RESOURCES										206,100	32%	206,100
B	WYMAN	893,642								893,642			893,642
	TOTALS:	3,716,002	8,213,711	257,644	1,325,174	5,265,066	370,000	17,378	180,000	19,344,975	4,305,470		23,650,445

INVESTMENT ANALYSIS

@ January 31, 1984

Date Made	Project	Bank	Type of Account	Balance @ 1-31-84	Interest Yield Rate	Date Interest Paid	Maturity Date
MONEY MARKET ACCOUNTS:							
1-10-83	Funds held for investment	ANB of North	Money Market - checking	100,654.29	8.50	1-31-84	End of ea. month
1-12-83	Ball Brothers (pledged 180,000)	APB	Cash Investment - checking	181,357.44	8.875	1-31-84	End of ea. month
1-13-83	Funds held for investment	ABC	Cash Investment - savings	100,888.27	9.50	1-31-84	End of ea. month
1-13-83	" " " "	PBT	Investor Fund - checking	100,697.59	8.75	1-31-84	Weekly
1-13-83	" " " "	AK. Mutual	Money Market - checking	100,790.70	9.00	1-31-84	End of ea. month
1-13-83	" " " "	AK. State	Money Market - checking	100,761.87	8.75	1-31-84	End of ea. month
1-13-83	" " " "	Dean Witter	Liquid Asset Fund	281,553.10	9.00	Compounds daily	Paid every 4-6 days
2-11-83	" " " "	UBA	Money Market - checking	100,729.23	9.50	2-01-84	1st. of ea. month
3-07-83	" " " "	SNB	Hi Fi Plus - checking	100,766.79	9.00	1-31-84	End of ea. month
3-14-83	" " " "	1st. Bk. Ketch.	Money Market - savings	100,749.25	8.701	1-31-84	End of ea. month
5-31-83	" " " "	B.M. Behrends	Money Market - checking	100,750.90	8.50	1-15-84	15th of ea. month
	Totals:			<u>1,369,699.43</u>			
CERTIFICATES OF DEPOSIT:							
9-13-83	Funds held for investment	NBA	Time Certificate Deposit	100,000.00	9.60		3-12-84
9-15-83	" " " "	UBA	" " "	250,000.00	10.00		3-13-84
10-5-83	" " " "	AK. MUTUAL	" " "	500,000.00	9.875		4-02-84
1-23-84	" " " "	AK. MUTUAL	" " "	300,000.00	9.00		4-23-84
1-20-84	" " " "	1st. NAT OF ANCH	" " "	100,000.00	9.25		4-30-84
12-6-83	" " " "	AK. MUTUAL	" " "	600,000.00	9.625		6-04-84
12-12-83	" " " "	AK. CONTINENTAL	" " "	100,000.00	10.00		6-08-84
1-04-84	Kodiak Elect. (pledged)	ANB of NORTH	" " "	40,000.00	9.45		7-05-84
12-15-83	Schnabel (pledged)	B.M. BEHREND	" " "	1,000,000.00	10.324		5-31-84
	Totals:			<u>2,990,000.00</u>			
TREASURY NOTES & BONDS:							
12-8-82	Funds held for investment	DEAN WITTER	Fed. Home Loan Bond	2,000,000.00	9.44	April & Oct.	4-25-84
9-30-83	" " " "	" "	U.S. Treasury Note	1,250,000.00	10.41	March & Sept.	9-30-84
1-03-84	" " " "	" "	Fanny Maye	1,500,000.00	10.86	May & Nov.	11-12-85
12-1-83	" " " "	" "	U.S. Treasury Note	1,000,000.00	10.60	May & Nov.	11-30-85
7-08-83	" " " "	" "	Ryan Mtg. Accept. Bond	1,100,000.00	11.375	June & Dec.	6-28-2013
7-28-83	" " " "	" "	Ryan Mtg. Accept. Bond	1,000,000.00	12.375	Jan. & July	7-28-2013
	Totals:			<u>7,850,000.00</u>			
REPURCHASE AGREEMENT:							
		UBA	Repurchase Agreement	305,000.00	9.00		

ALASKA RESOURCES CORPORATIO

CASH RECEIPTS

for January 1984

Loans Receivable:

<u>Date</u>	<u>Investee</u>	<u>Principal Payment</u>	<u>Interest Payment</u>	<u>Total Paid</u>
1-03-84	Mastercraft Kitchens	3,060.28	2,539.72	5,600.00
1-03-84	Icicle Seafoods	7,408.87	18,626.49	26,035.36
1-06-84	SeaWard Shipyard	6,589.76	3,270.74	9,860.50
1-09-84	Alaska Timber	-0-	15,489.81	15,489.81
1-10-84	Smaragd Partners	-0-	10,093.16	10,093.16
1-17-84	Anchorage Tank	-0-	2,906.25	2,906.25
	Totals	<u>17,058.91</u>	<u>52,926.17</u>	<u>69,985.08</u>

Income From Sale of Owned Assets:

<u>Date</u>	<u>Investee</u>	<u>Description</u>	<u>Amount</u>
1-18-84	Gibson Cove	Alaska Fresh purchase of equip.	<u>6,200.00</u>

Income From Owned Assets:

<u>Date</u>	<u>Investee</u>	<u>Description</u>	<u>Amount</u>
1-10-84	Sterling Plant	Schwanke lease payment	540.00
1-25-84	Gibson Cove	American Seafood pymt.	2,000.00
1-25-84	Sterling Plant	Schwanke lease payment	1,140.00
1-30-84	Martins	Tesoro Pipeline (84 right of way)	250.00
		Total	<u>3,930.00</u>

Other Revenue:

<u>Date</u>	<u>Description</u>	<u>Amount</u>
1-10-84	Photo copies	2.00
1-10-84	Reimbursed for Ak.Fish Ucc filings	27.00
1-17-84	Partial recovery (Woodyard debt)	33,000.00
1-31-84	Mike Kiech - Alternative Energy	650.59
	Total	<u>33,679.59</u>

Total Interest on Cash Investments:85,079.68Grand Total 198,874.35

ALASKA RESOURCES CORPORATION

EXPENSES

Re: OWNED ASSETS

for JANUARY 1984

Date:	Who To:	What:	Amount:
<u>Alaska Bait #1</u>			
1-12-84	City of Hoonah	Harbor Electricity	322.80
	Hoonah Seafoods	Fuel	1,270.00
1-25-84	Payroll & Taxes	Jan. Payroll & Fed. + Fica Tax	2,128.00
		Total	<u>3,720.80</u>
<u>Gibson Cove</u>			
1-12-84	City of Kodiak	Water, sewer, garbage	49.00
	Glacier State Tele.	Plant phone chgs.	130.35
	Kodiak Elec. Assoc.	Electricity	1,204.25
	Union Tire	Tires for truck	200.00
1-25-84	Payroll & Taxes	Jan. Payroll Fed, Fica, Futa, Esc. Tax	5,715.76
		Total	<u>7,299.36</u>
<u>Martins Plant</u>			
1-04-84	The Woods Hotel	Room rent (Gil)	1,554.20
1-12-84	Anchorage Tank	Materials	168.00
	Central Storage	Storage of Equipment	70.00
	W.E. Stone	Materials	546.81
	Arctic Welding	Materials	8.25
	Gil Reel	Expenses & Per Diem	1,478.10
1-18-84	Stephans Tool	Pipe vise & cutter rental	93.00
1-19-84	Dept. of Labor	Boiler inspection	80.00
1-25-84	H.C. Industries	Materials	62.00
	Don Norton	Reimbursed(car rental for Gil Reel)	268.33
1-27-84	Casual Labor	Sam & George	4,896.00
		Total	<u>9,224.69</u>
<u>Sterling Plant</u>			
1-12-84	Enstar Nat. Gas	December chgs.	191.57*
1-25-84	Homer Electric	12/8/83 to 1/9/84 Service	1,646.35*
		Total	<u>1,837.92</u>

*Enstar 191.57 billed to Schwanke

*Homer Electric 1,646.35 less 569.52 = 1,076.83 billed to Schwanke



145685

STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

February 13, 1984

The Honorable Joe Hayes
Alaska House of Representatives
Pouch V
Juneau, AK 99811

Dear Representative Hayes:

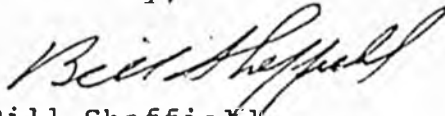
Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill that provides for the wind-up of operations and eventual dissolution of the Alaska Resources Corporation (ARC).

The bill retains the corporate structure of ARC for five years but amends the relevant statute to provide that the only corporate purpose is the orderly wind-up of the affairs of the corporation. This five-year period is considered necessary because ARC has substantial equity investments including capital stock investments in a number of businesses and has taken an active management role in some of the businesses. ARC also owns property as a result of foreclosure on loans against businesses in which it also has equity interests. The five-year period will give ARC sufficient time to remove itself from active management roles and then divest itself of these interests.

The corporation is transferred from the Department of Commerce and Economic Development to the Department of Revenue. The board membership is changed to provide that the commissioner of revenue and the commissioners of two other principal departments make up the board. The board is directed to contract with the Department of Revenue to manage the corporation's assets during the wind-up period. Concurrent with ARC's transfer to the Department of Revenue, all but \$500,000 of the unexpended and unobligated money in ARC's development capital fund is transferred to the general fund. The \$500,000 are to be used to cover possible costs that might arise in the course of winding up ARC's affairs.

The bill also repeals the statutes creating the Alaska Resources Corporation (ARC), AS 37.12; and the Alaska renewable resources development fund and Alaska renewable resources investment fund, AS 37.11. The Alaska renewable resources development fund and the Alaska renewable resources investment fund were closed out and the money returned to the general fund several years ago, after they were determined to be unconstitutional dedicated funds, but the statutes have not yet been repealed. Under this bill, the repeal of the corporation statutes will take effect July 1, 1989, and the repeal of the fund statutes will take effect immediately.

Sincerely,

A handwritten signature in cursive script, reading "Bill Sheffield".

Bill Sheffield
Governor

Analysis for Alaska Resources Corporation

Personal Services

1 Senior Investment Officer - Range 27	\$76,935
1 Investment Officer - Range 23	\$62,550
1 Accounting Technician II - Range 14 A	\$30,645
1 Secretary - Range 14 C	\$36,150
Total	\$206,280

Salaries and benefits for four full-time positions. This is a reduction of 5 positions in the FY 84 operating budget.

People will monitor and wind down ARC's current investments.

Travel

Travel is for investment site inspection and Board meetings of companies where ARC holds equity interest.

Contractual

Rent	\$67,891
Telephone	\$17,500
Audit and Accounting Reports	\$15,000
Legal Fees	<u>\$133,609</u>
Total	<u>\$234,000</u>

Supplies

Rental of office machines and purchase of office supplies \$10,000

STATE OF ALASKA 1984 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date _____

REQUEST
 Bill/Resolution No: HB 685
 Title: An act relating to the Alaska Resources Corporation.
 Sponsor: Governor
 Requestor: _____
 Date of Request: _____

FISCAL DETAIL
 Agency Affected: Revenue
 Program Category Affected: _____
 BRU, Program of Subprogram(s) Affected: Alaska Resources Corporation

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
OPERATING						
100 PERSONAL SERVICES	-	206.28	-	-	-	-
200 TRAVEL	-	50.00	-	-	-	-
300 CONTRACTUAL	-	234.00	-	-	-	-
400 SUPPLIES	-	10.00	-	-	-	-
500 EQUIPMENT	-	-	-	-	-	-
600 LANDS & STRUCTURES	-	-	-	-	-	-
700 GRANTS, CLAIMS	-	-	-	-	-	-
800 MISCELLANEOUS	-	-	-	-	-	-
TOTAL OPERATING	-	500.28	-	-	-	-
CAPITAL	-	-	-	-	-	-
REVENUE	-	-	-	-	-	-

FUNDING: (Thousands of Dollars)

GENERAL FUND	-	500.28	-	-	-	-
FEDERAL FUNDS	-	-	-	-	-	-
OTHER	-	-	-	-	-	-
TOTAL	-	500.28	-	-	-	-

POSITIONS:

FULL-TIME	-	4	-	-	-	-
PART-TIME	-	-	-	-	-	-
TEMPORARY	-	-	-	-	-	-

SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

* At this time it is difficult to determine what the costs will be to monitor and wind down ARC's current investments beyond FY 85.

ANALYSIS: Attach a separate page for analysis.

Prepared By: Cathy Poe
 Division: Treasury Division

Phone: 465-2350
 Date: 2/10/84

Approved by Commissioner: [Signature]
 Agency: DOR

Date: 2/10/84

Distribution (by Agency preparing fiscal note):

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

STATE OF ALASKA 1984 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: _____

REQUEST

Bill/Resolution No.: HB 685
Title: Repealing statutes on the Alaska Resources Corporation

Sponsor: Rules by request of Governor
Requestor: _____
Date of Request: _____

FISCAL DETAIL

Agency Affected: Commerce and Economic Development
Program Category Affected: Development

BRU, Program or Subprogram(s) Affected: _____

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 LAND & STRUCTURES						
700 GRANTS, CLAIMS						
800 MISCELLANEOUS						
TOTAL OPERATING	0	0	0	0	0	0
CAPITAL	0	0	0	0	0	0
REVENUE	0	0	0	0	0	0

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:

ANALYSIS: Attach a separate page for analysis

Prepared By: Catherine Wallen
Division: Administrative Services

Phone: 465-2504

Date: 12/22/83

Approved by Commissioner: Richard A. Lyon
Agency: Commerce and Economic Development

Date: 12/28/83

Distribution (by Agency preparing fiscal note):

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

12/1/83

LOANS RECEIVABLE MONITORING REPORT

Project & Resource Sector	Next Payment Due	Original Amount	Present Prin. Bal.	Date Loan Made	Maturity Date	Collateral Type & Value	Comments
BALL BROTHERS, INC. (Fish)		150,000.00 600,000.00 157,771.94	150,000.00 500,000.00 157,771.94	5/01/81 6/19/81 8/17/82	5/01/82 7/31/81 Demand	Real Estate and Equipment Value at \$425,000.00.	Ball Bros., Inc. prevailed at trial, against Mark Antonsen and Mark II Sea Products in amount of \$952,000.00 and with setting aside transfer of their interest in the Nefco Law suit. Offer for sale of remaining physical assets of BBI proposed for consideration and acceptance at January 24 AF Board meeting would net approx. \$320,000 for debt reduction.
(Emergency Fish)		1,000,000.00 2,000,000.00	564,950.00 2,000,000.00	5/29/80 5/29/80	10/31/81 10/31/86		
BALL, ALBERT (Fish)	11/01/84	25,000.00	25,000.00	10/28/83	11/01/88		
BALL, GERALD (Fish)	11/01/84	25,000.00	25,000.00	10/28/83	11/01/88		
BALL, NEWTON (Fish)	11/01/84	25,000.00	25,000.00	10/28/83	11/01/88		
ICICLE SEAFOODS (Emergency Fish)	6/01/85 2/01/84	400,000.00 1,900,000.00	400,000.00 1,781,458.08	6/12/81 9/29/82	6/12/91 9/01/87	Convertible Debenture. Preferred Marine Mortgage on Floating Processor & Equipment.	Participation with Rainier Bank. Continues to perform.
SMARAGD PARTNERS (Fish)	4/10/84	498,000.00	456,340.48	6/18/83	6/18/98	FV Smaragd \$500,000.00	Performing and current.
						Investment Officer: <u>D. Norton</u>	

LOANS RECEIVABLE MONITORING REPORT

Project & Resource Sector	Next Payment Due	Original Amount	Present Prin. Bal.	Date Loan Made	Maturity Date	Collateral Type & Value	Comments
ACT I (AK. FISH)	9/30/82	125,000.00	125,000.00	6/30/80	9/30/82	A/R - \$151,305.67 Inv. 150,000.00 \$301,305.67 Max.	Alaska Fish, Inc. filed for Chapter XI relief on February 8, 1984. Cash flow continues to be impaired. Closing Sitka location.
ALASKA TIMBER (Emerg. Timber)	2/01/84	1,500,000.00	1,500,000.00	5/04/81	7/30/89	Loan participation w/bank of Calif. Power plant val. at \$4.0 million.	Performing & current.
MASTERCRAFT (Forest Products)	2/01/84	315,000.00	265,062.54	8/08/80	10/01/87	R/E, plant & equipment val. at \$1.6 million.	Performing & current.
PINES SAWMILL (Forest Products)	2/01/84	30,000.00	5,111.37	4/02/80	4/01/85	Logging & milling equip. valued @ cost of \$60k.	Performing & current.
SAYLES MARINE, INC. (Fish)	12/31/82 10/01/84	86,126.00 70,000.00	25,126.00 70,000.00	4/29/82 12/20/83	12/31/82 7/01/98	Aluminum estimated @ \$15,000 Vessel - PMM \$85,000.	Original note - bal. \$25,126. Secured by aluminum inventory. Will need to modify terms of repayment. Documentation of vessel complete with ARC as preferred mortgage holder. Note \$70,000 secured by vessel.
SCHNABEL LUMBER CO. (Forest Products)	12/31/86	100,000.00	100,000.00	12/13/83	12/31/86	Property, plant, equipment & certain inventories estimated at net book value of \$6.0 mil. Realistic current market value 3.5 mil.	Name of company changed to Pacific Forrest Products, Inc. Modification to the mill and planer underway. Considerable log inventory on site and sorted for mill processing. Logging commenced in December by contractor, Northern Timber, Co. 1st draw under City Bank line anticipated for late March against log inventory. Expect start up in early March.
	1/02/87	100,000.00	100,000.00	"	12/31/87		
	"	100,000.00	100,000.00	"	12/31/88		
	"	100,000.00	100,000.00	"	12/31/89		
	"	100,000.00	100,000.00	"	12/31/90		
	"	100,000.00	100,000.00	"	12/31/91		
	"	100,000.00	100,000.00	"	12/31/92		
	"	100,000.00	100,000.00	"	12/31/93		
"	100,000.00	100,000.00	"	12/31/94			
"	100,000.00	100,000.00	"	"	12/31/95		

103.

LOANS RECEIVABLE MONITORING REPORT

 Report Date: February 21, 1984
 Period Ending: January 31, 1984
 Reported by: Donald L. Norton

Project & Resource Sector	Next Payment Due	Original Amount	Present Prin. Bal.	Date Loan Made	Maturity Date	Collateral Type & Value	Comments
SCHNABEL (Cont'd) (Emergency Forest)	1/01/86	1,800,000.00	1,800,000.00	4/08/81	1/01/93		
	1/01/86	165,065.83	165,065.83	12/13/83	12/31/93		
	1/02/88	200,000.00	200,000.00	12/13/83	12/31/93		
	"	200,000.00	200,000.00	"	12/31/94		
	"	200,000.00	200,000.00	"	12/31/95		
	"	200,000.00	200,000.00	"	12/31/96		
	"	200,000.00	200,000.00	"	12/31/97		
	"	200,000.00	200,000.00	"	12/31/98		
	"	200,000.00	200,000.00	"	12/31/99		
	"	200,000.00	200,000.00	"	12/31/2000		
	"	200,000.00	200,000.00	"	12/31/2001		
SEAWARD SHIPYARD (Fish)	2/01/84	350,000.00	321,187.77	4/02/80	5/02/90	R/E, plant & equipment val. at \$1.1 mil. subject to first D/T \$140k.	Performing & current. See recommendation of staff.
	2/01/84	210,000.00	179,273.80	3/05/81	6/01/84		
	2/01/84	20,000.00	15,812.48	3/05/81	6/01/84		
STEIK ENTERPRISES (Forest)	11/01/83	55,000.00	55,000.00	1/20/81	1/01/86	R/E & milling equipment estimated at \$97k.	Awaiting year end statements for review and loan modification consideration.
TRINITY RESOURCES							Principal Delaney preparing breakdown and distribution of \$280,000 - net settlement. Potential ARC recapture of portion of equity \$60,000. See staff recommendation for authorization for write down of additional equity after final distribution of approx. \$60,000.
WOODYARD/GOWDY							ARC received \$33,000.00 settlement of judgement.
						Investment Officer: <u>D. L. Norton</u>	

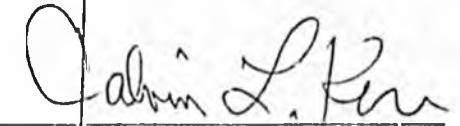
LOANS RECEIVABLE MONITORING REPORT

Project & Resource Sector	Next Payment Due	Original Amount	Present Prin. Bal.	Date Loan Made	Maturity Date	Collateral Type & Value	Comments
ALYESKA CANDY KITCHEN (Agriculture)	1/01/84	37,600.00	23,653.99	3/18/80	1/01/86	Candy making equipment \$37,000.00.	Seeking additional equity investors, submitted legal documents to State Banking & Securities in January.
AMERICAN EAGLE (Fish & Emergency Fish)	9/01/81 9/01/81	150,000.00 50,000.00	129,758.23 49,861.43	3/26/80 5/29/80	9/01/81 9/01/81	2nd PMM Vessel "Aluetian Dragon" \$943,000.00. 1st Rainier - \$535,000.00.	Financial statements received. Board recommendation in preparation.
ANCHOR RENEWABLE FARMS (Agriculture)	10/01/82	120,000.00	112,468.15	8/04/80	7/01/87	R/E, controlled environment greenhouse, greenhouse & equipment - 3rd total value \$240,000.00. 1st \$78,000 Parkinson. 2nd \$95,000 - ARLF.	Financial statements past due; Discussions with Ag. Revolving Loan Fund re: subordination & loans reveals lack of compliance. Homer Electric discussing power disconnect.
ANCHORAGE TANK (Manufacturing)	2/15/84 2/15/84	270,000.00 100,000.00	270,000.00 100,000.00	6/06/83 6/06/83	7/31/93 6/01/90	Equipment - \$489,091.	No change. Requesting F/S.
KACHEMAK SEAFOODS (Fish)	7/01/82 Demand	250,000.00 1,092.10	212,410.20 1,092.10	8/28/81 3/18/83	10/01/82 Demand	2nd inventory, receivables 1981 - 1st 1982 \$1.0 mil. (1st in quest'ion) 1st '81 - VHW, Co. unknown amount.	Still attempting to collect pension funds due to Birdie of approximately \$16,000 and to locate other assets. Suit has been filed against VHW regarding inventory and their share received. Negotiation meeting proposed.
KOKECHIK (Fish)	7/01/84	300,000.00	278,587.91	5/15/80	7/01/87	Boats & motors, original value \$300,000.	Debt modification proposed.
CLARK, INC. (Emergency Fish)	9/30/82	395,000.00	395,000.00	11/13/81	9/30/96	Plant, equipment, R/E \$3,900,000 (participation with CFAB)	Have been informed by AG's office that ARC has no legal remedies under participation agreement. Letter from CFAB attorney requested per agreement.

LOANS RECEIVABLE MONITORING REPORT

Project & Resource Sector	Next Payment Due	Original Amount	Present Prin. Bal.	Date Loan Made	Maturity Date	Collateral Type & Value	Comments
RICE FUR FARM (Agriculture)	3/31/84	115,000.00	114,521.68	11/23/81	12/02/92	Foxes, cages, equipment and R/E \$184,000.00. Subordinate to \$25,000.00 CFAB.	Sales planned for Spring 84.
SALAMATOF SEAFOODS (Emergency Fish)	9/01/84	3,065,349.93	3,022,441.99	1/01/82	8/01/92	Plant & Equipment \$4.5 mil. 2nd, 1st APB - \$900,000.	Requested additional F/S, and support of material; normal activity noted.
STERLING SEAFOODS (Fish)	9/31/82	125,000.00	125,000.00	2/12/81	10/01/87	Equipment, supplies and inventory \$104,789 value.	Plans to custom process crab are being finalized. Other options for the remainder of the year are being explored. Lease checks put on weekly payment schedule. Proposal for long term lease discussed.
WYMAN (Fish)	10/26/83	1,000,000.00	893,641.93	1/26/81	7/26/93	1st PMM Vessel "Alaska Star" \$1,700,000.00.	Letter received from Ed Wyman proposing purchase of all ARC equity. Staff reviewing per terms of shareholders agreement.

Investment Officer:



ldo.

