

H B

721

A M E N D M E N T

CFAB may  
propose  
this  
amendment

Offered in the HOUSE

TO: HB 721

Page 1, delete all material after line 8 and insert the following in its place:

\*\* Section 1. AS 44.81.260(b)(1) is amended to read:

(1) the Department of Commerce and Economic Development [LEGISLATIVE AUDIT DIVISION] has access to the records of the bank to perform an examination required [AUDIT AUTHORITY] under AS 44.81.265 [AS 44.81.270].

\* Sec. 2. AS 44.81 is amended by adding a new section to read:

Sec. 44.81.265. BANK EXAMINATIONS. The Department of Commerce and Economic Development shall conduct an annual examination of the bank in the manner prescribed for the examination of banks under AS 06.05.025 and shall charge a fee for the examination as provided under AS 06.05.035. The department shall submit to the legislature a report of each examination of the bank conducted under this section.

\* Sec. 3. AS 44.81.280 is amended to read:

Sec. 44.81.280. PROHIBITION ON DISCLOSURE. The Department of Commerce and Economic Development [LEGISLATIVE AUDITOR AND HIS EMPLOYEES] may not disclose information acquired by it [LDEM] in the course of an examination [AUDIT] of the bank concerning the particulars of the business or affairs of a borrower of the bank or another person, unless the information is required to be disclosed by law or under a

court order.

\* Sec. 4. AS 44.81.270 is repealed."



Alaska  
Commercial  
Fishing &  
Agriculture  
Bank

*Your Alaskan Cooperative*



## What is CFAB?

The Alaska Commercial Fishing and Agriculture Bank is a **Cooperative Bank**; Owned by the people who borrow from it and funded through the Farm Credit System. We are **not** a State Agency or a "soft money" loan program. We are here to fill a gap in sources for financing and services to the people involved in the commercial fishing, agriculture and timber industries in Alaska and to assure there will always be a future source of financing to these industries.

## What is a cooperative?

A Cooperative such as CFAB is individuals such as yourself or other fishermen, farmers, processors, harvesters, suppliers, and marketers coming together with others who have similar business needs to obtain financing and related services more efficiently and economically. The main purpose of a Cooperative is to serve its members on a sound business basis.

## What are the advantages of being a CFAB member?

### Availability of Funds & Competitive Rates

As a participant in the Farm Credit System through our association with the Spokane Bank for Cooperatives, CFAB pools its members financial needs with others involved in commercial fishing, agriculture and timber throughout the United States and through this **System** has access to "Wall Street" funds.

### Investment Interest

When you borrow from CFAB you are actually purchasing a piece of a successful business—that business is CFAB. As a borrower of our Cooperative, the purchase of CFAB stock is included in your financing package. Not only are you benefiting from the availability of funds and competitive rates we offer but simultaneously you are making an investment in the future of your industries.

### Dividends

As a member/stockholder of CFAB you will realize the benefits resulting from successful operations. Each year the available dividends are distributed to CFAB members. The more efficient and progressive the Cooperative, the larger the benefits to its members.

### A Voice in the Administration

Since a Cooperative operates from a democratic process, the voting control of the Cooperative, unlike private corporate stockholders, is based on membership, not on the amount of your investment. You elect the Board of Directors from fellow CFAB members by a one member one vote process.

### Expert Staff

CFAB is a Cooperative dedicated to its members needs. Our staff is comprised of people who know the commercial fishing, agriculture and timber industries first hand. They know your business not from sitting behind a desk, or a piece of paper but from knowing you and knowing all the ins & outs of your business personally.

### Convenient Terms

Because we understand the cyclical nature of the industries we serve we can structure your financing around your specific needs.

## How do I qualify for a CFAB loan?

Your fellow CFAB members have established the following criteria to base loan decisions on:

- YOUR ability, your integrity, your experience.
- YOUR financial picture.
- YOUR repayment capability.
- YOUR collateral - needs to be sufficient to protect all CFAB member investment in the Cooperative.

## What type of loans does CFAB make?

### Commercial Fishing

New & Used Vessel Purchase  
New Vessel Construction  
Working Capital  
Gear

### Processor:

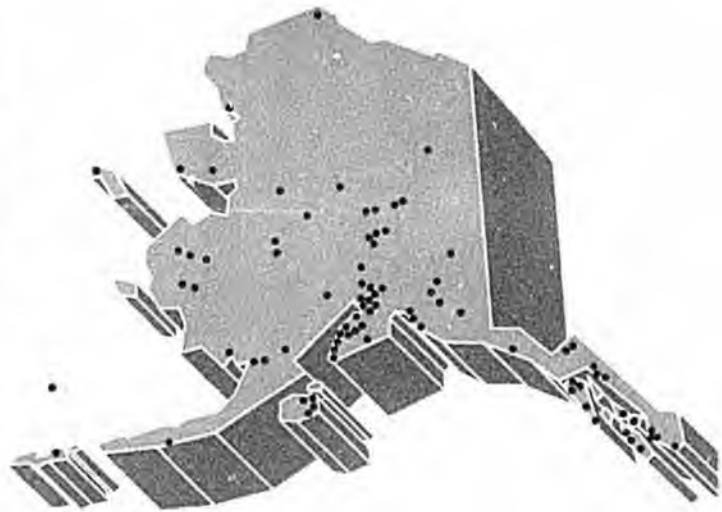
Equipment Financing  
Real Estate Financing  
Inventory and Receivable Financing  
Equipment Financing  
Plant & Facility Financing

### Agriculture

Crop Loans  
Livestock Loans  
Equipment Loans  
Farm-Related Business Loans

### Timber

Equipment Loans  
Harvesting & Marketing Loans  
Timber Related Business Loans



### Where do I apply for a loan?

CFAB services 64 communities throughout the State with regional offices in:

#### **ANCHORAGE**

Box 4-2070  
2550 Denali Street  
Suite 1201  
Anchorage, AK 99509  
276-2007

#### **KETCHIKAN**

811 Water St.  
Ketchikan, AK 99901  
225-6616

#### **CORDOVA**

Box 2228  
401 - 1st St.  
Cordova, AK 99574  
424-7689

#### **KODIAK**

Box 529  
112 Mill Bay Rd.  
Kodiak, AK 99615  
486-6131

#### **HOMER**

Box 2257  
1230 Ocean Drive  
Homer, AK 99603  
235-7708

#### **SEATTLE**

Member Service Office  
3510 1st Ave. N.W.  
Seattle, WA 98107  
(206) 633-0603

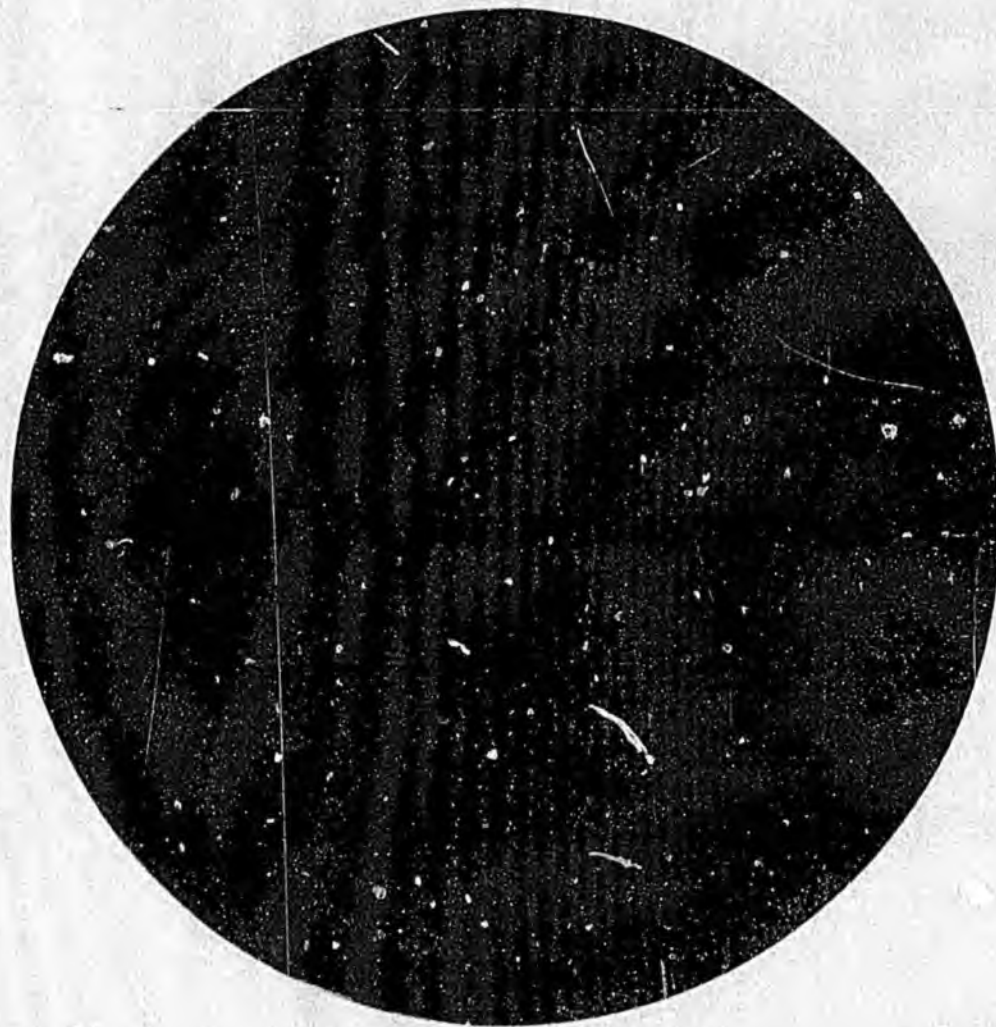
Stop by for a cup of hot coffee at a location convenient to you or call any of our friendly, courteous staff. You'll be glad you did!



**Alaska  
Commercial  
Fishing &  
Agriculture  
Bank**

An Associate Member of the Farm Credit System

**The Banks for Cooperatives  
Together. Tomorrow.**

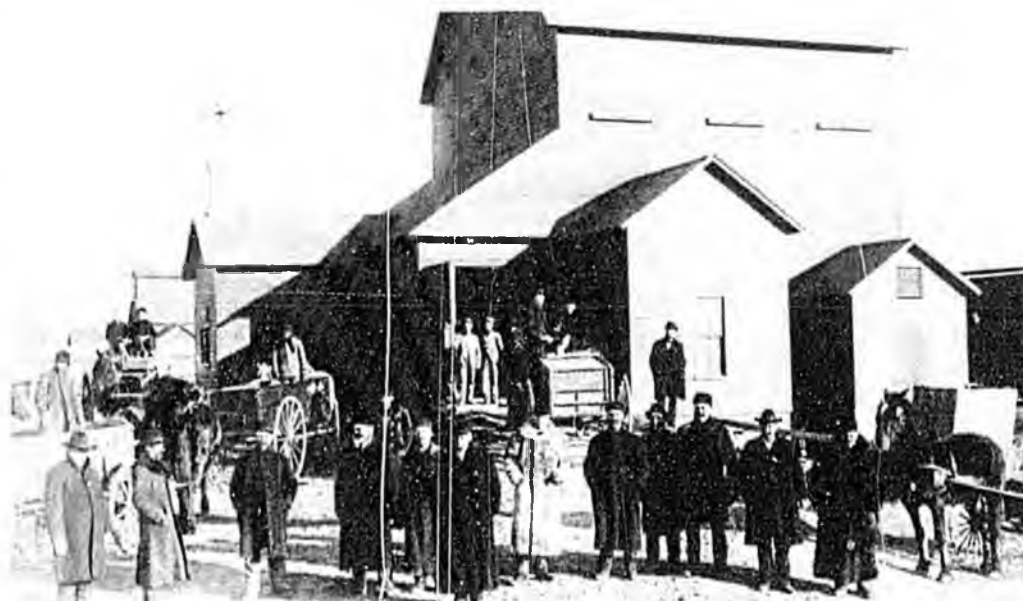




# Decisions at the turn of the century

Agriculture in the years of our founders reflected men working in harmony with the land upon which they lived. Land and food were abundant. So were the chances for success.

At the beginning of the 20th century, American agriculture faced a very real and imminent problem. Young farm men and women were leaving the farms in record numbers. The reason for this mass exodus was obvious. Industry had far outpaced agriculture in mechanization, providing better opportunities in the city with far less demanding work. The attraction of electric lights and running water provided more than ample incentive for those in search of "a better way of life."



The plight of the farmer was cause for such widespread concern that, in 1908, President Theodore Roosevelt appointed the Country Life Commission to examine all facets of farm living. Hearings brought testimonies from farm people in 40 states and territories. Another 120,000 responded to a lengthy and detailed questionnaire. Such was the response to the almost universal rural desperation.

The commission found one of the

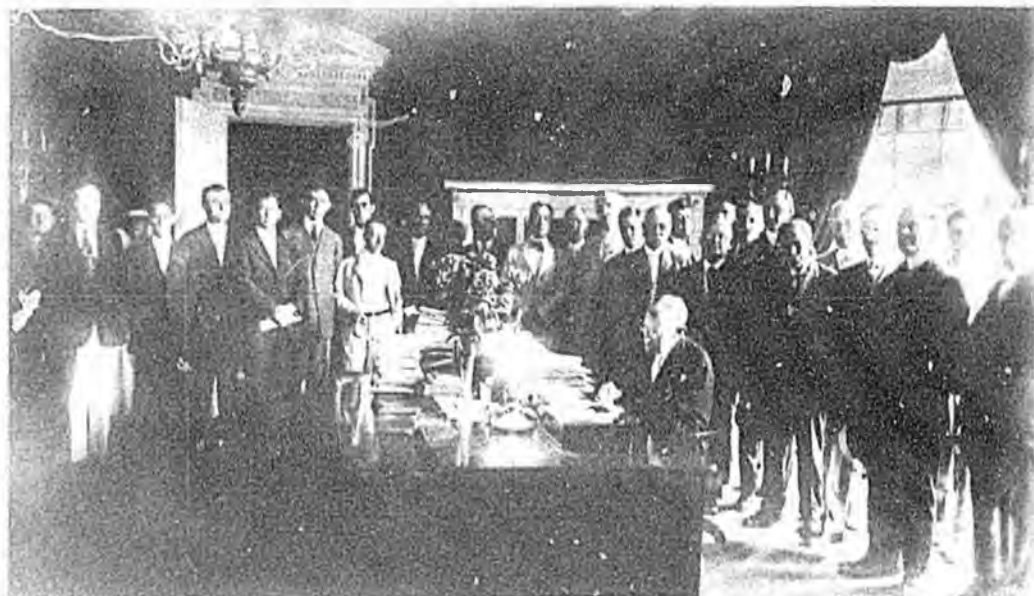


most pressing needs of rural America to be "effective cooperation among farmers, to put them on a level with organized efforts with which they do business." The commission called for cooperative laws in every state to make it easier for cooperatives to organize and conduct business. It also concluded that "a method of cooperative credit would undoubtedly prove a great service."

# Cooperatives, "criminals" and Capper-Volstead

With President Woodrow Wilson's signing of the Federal Farm Loan Act of 1916, the first link of the cooperative Farm Credit System was established with the formation of the Federal Land Banks. At last, farmers could obtain long-term mortgage credit.

This initial availability of cooperative credit rekindled interest in cooperatives in general. Agricultural cooperatives began to appear almost overnight. Many seemed to vanish as quickly as they appeared. But some attained significant marketing and bargaining muscle. Their power caused many people to question whether cooperatives violated the monopoly and restraint of trade provisions of the Sherman Antitrust Act.



Indeed, farmers starting cooperatives in Ohio, California, Illinois, Iowa, New York and Minnesota were arrested and prosecuted under state statutes for acting in restraint of trade. Though none of the farmers were convicted, the point was clear that the laws pertaining to cooperatives needed clarification.

That clarification came with the 1922 passage of the Capper-Volstead Act, which has been referred to as the



"Magna Charta" of cooperatives. This act recognized farmers' rights to organize and operate marketing cooperatives. It further stipulated that farmers could act together without being held in restraint of trade as long as the cooperatives operated for the mutual benefit of their members.

The legal problem of organizing and operating cooperatives was, therefore, resolved. The problem of financing cooperatives was not.

## Several attempts at providing operating credit

Recognizing cooperatives' needs for operating credit, the federal government reactivated the War Finance Corporation of 1921. Part of its responsibility was to make loans to agricultural cooperatives. When the Federal Intermediate Credit Banks were established in 1923, they were authorized, among other things, to make commodity loans to cooperatives.

But the plight of the American farmer, and the economy as a whole, continued to worsen. In his campaign for the presidency, Herbert Hoover pledged severely needed economic relief for the farmer. That "relief" came in the form of the Agricultural Marketing Act of 1929. The Federal Farm Board, created by this act, was granted a \$500 million revolving fund to make loans to cooperatives and to stabilizing corporations to maintain commodity prices in much the same way price support programs function today. This proved an impossible task in the economic climate of the Great Depression.

The Federal Farm Board's task was compounded by the fact that representatives of cooperatives seeking loans often had to appear in person before the board in Washington, D.C. This practice was costly in terms of time and money. Often the board's hearings and loans were restricted to large, regional and national cooperatives that could bear the expense of testifying. By the same token, the board could not afford to maintain a field force to service the smaller cooperatives in need of financing, even though combined they represented literally hundreds of thousands of members.

The stage was being set for the introduction of the Banks for Cooperatives.



From 1929 to 1933, thousands of farmers had lost their farms. Thousands more were faced with impending foreclosure. Immediate action was needed. Immediate action was taken.

**Inauguration Day, March 4, 1933.** President Franklin Roosevelt ordered a "Bank Holiday" to prevent runs on the deposits in the commercial banks that had managed to survive the four-year-old depression.

**March 26, 1933.** By executive order, President Roosevelt made Henry Morgenthau, Jr. the governor of the newly-formed Farm Credit Administration (FCA) and transferred all government functions relating to agricultural credit to the FCA effective the next day.

**May 12, 1933.** The Emergency Farm Mortgage Act was approved, helping hundreds of thousands save their farms from foreclosure by refinancing debts through the Federal Land Bank System.

# A New Deal: The Farm Credit Act of 1933

June 16, 1933. Only three months after the inauguration of President Roosevelt, the Farm Credit Act became law.

This act established new credit organizations including the 13 Banks for Cooperatives, the 12 Production Credit Corporations and the local Production Credit Associations.

In 1933, farmers alone could not supply all the capital needed to adequately finance their cooperatives. Commercial banks were generally in no position to meet the financial needs of agricultural cooperatives. Many were barely able to meet their own obligations. This is where the Banks for Cooperatives stepped in to assist. Assuming the responsibilities of the



Federal Farm Board, they made credit available to cooperatives. They were originally capitalized from the \$110 million remaining in the Agricultural Marketing Act revolving fund which had been administered by the Federal Farm Board.

For the first time, agricultural cooperatives had a specialized, dependable source of credit that was nearby and familiar with local conditions . . . the Banks for Cooperatives.



## New people in a new financial structure

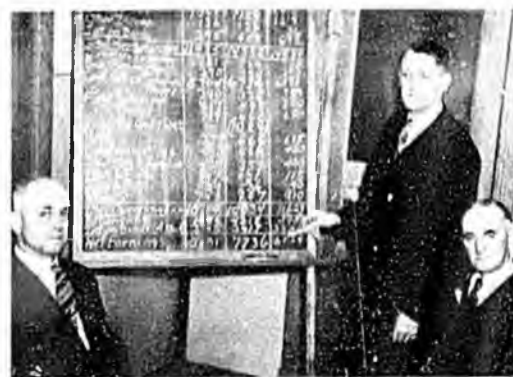
To many, the Banks for Cooperatives must have seemed like an adventure in courageous lending. But given the state of the depression-riddled economy, it was viewed as better to try, and perhaps fail, than not to try at all. The Banks for Cooperatives brought an entirely new set of people into the world of agricultural finance. There were farmers, ranchers and college marketing specialists who more than made up for any inexperience with hard work and dedication.

The structure of agricultural credit was changing also. The Farm Credit Act of 1933 established the Banks for Cooperatives in the 12 cities where Federal Land Banks and Federal Intermediate Credit Banks were already located. These Banks for Cooperatives would serve the needs of agricultural cooperatives in their respective territories. A thirteenth bank, the Central Bank for Cooperatives, was established to make loans which exceeded the regional banks' lending limits.

The first Banks for Cooperatives' loan was approved in the St. Louis district for the Egyptian Seed Growers Association on August 22, 1933. Only three days later, the second loan followed in the Sacramento district.

As the thirteen banks opened for business, employees quickly received on-the-job training. There were already applications for loans on file. Many were emergency cases. Many of the initial loans were provided just as foreclosures were about to take place. For many, the Banks for Cooperatives literally meant the difference between foreclosure and eventual prosperity.

The formidable economic hardships that were almost universal in rural America made the Banks for Coopera-



tives' advice and counseling, along with educational programs for individual cooperatives, virtually as important as the actual financing they provided. The banks worked with colleges and agricultural leaders in suggesting changes in cooperatives' corporate structures, financial policies and operating methods to help improve efficiency and service to members. The banks realized that the best interests of farmers could only be served with loans that were made on a truly sound business basis and that could be properly repaid.

# A commitment to growth and repaying the government

Prior to and during World War II, cooperatives realized considerable growth in business volume, members and services provided. After the war, cooperatives continued to expand services into the areas of processing agricultural products as well as manufacturing supplies. It was a time of prosperity through cooperation.

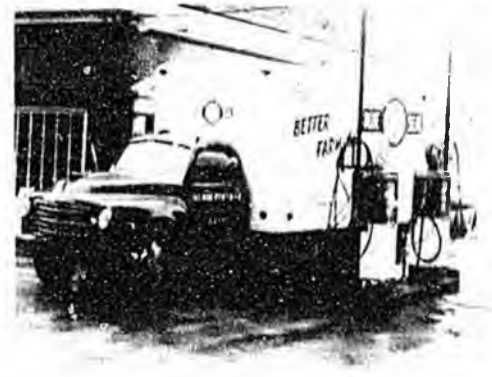
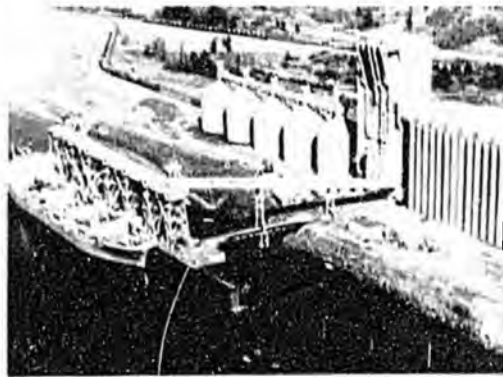
Farmer ownership and control of the Farm Credit System had been a goal of all the banks and associations from their inception. In the case of the Banks for Cooperatives, farmer ownership would be accomplished, in effect, by farmers owning stock in their cooperatives which would, in turn, own stock in the banks.

The law establishing the Banks for



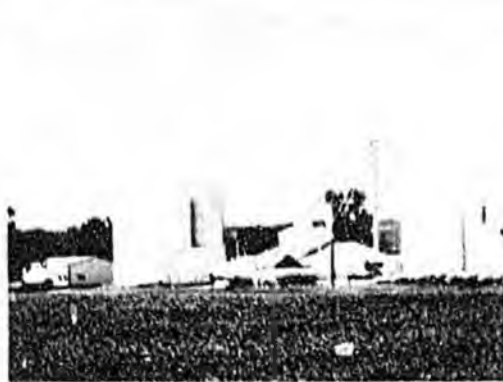
Cooperatives provided for the issuance of securities by the Central Bank for Cooperatives. After careful consideration, it was determined that the first issue of these securities would be offered to the public to raise loan funds on January 10, 1950. By that time, the investing public was so convinced of the banks' stability that the offering was oversubscribed by 13 times.

Later, the Farm Credit Act of 1955 provided a comprehensive plan for



cooperatives to build up their investment in the banks and allow for the gradual retirement of government-owned capital.

On December 31, 1968, the last of the government money used to capitalize the Banks for Cooperatives was repaid and the banks became completely owned by their borrowing stockholder cooperatives. A monumental goal had been reached in only 35 years.



# Cooperative evolution continues

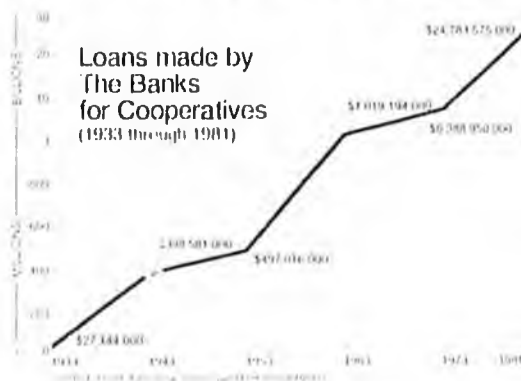
During the last two decades, agricultural cooperation and cooperative financing have changed dramatically. The Farm Credit Act of 1971 consolidated and updated all prior lending authorities, as well as broadened the scope of cooperative financing in the commercial fishing industries and rural utilities.

These authorities also enabled the Banks for Cooperatives to keep pace with the changing structure and growth of the industry. Cooperatives have merged to obtain greater economies of scale. Farm supply cooperatives, for example, have combined forces and are now the largest manufacturers of fertilizer in the country.

What were once small cooperatives



have, in many cases, grown to multi-million dollar domestic and world-wide enterprises. Cooperatives today are involved in greatly diverse businesses such as petroleum refining, livestock feeds, wineries, generating electricity,



grain storage and transportation, seed production, chemical application and research, to name a few.

To put this incredible growth in perspective, one needs only to examine the lending history of the Banks for Cooperatives. In 1935, the 13 banks loaned \$51 million to approximately 1,000 cooperatives. Nearly 50 years later, the Banks for Cooperatives loaned over \$24 billion to some 3,600 cooperatives.

# Farmers, cooperatives and their banks: Together-Tomorrow

As we speculate on what the future may hold for farmers, their cooperatives and their cooperative banks, one thing seems certain. Growth will bring change, domestically and internationally.

The Farm Credit Act Amendments of 1980 gave the Banks for Cooperatives authority to finance international cooperative transactions. Cooperatives anticipate increased participation in agricultural exports in light of predictions that 50 percent of all agricultural production will be exported by the year 2000. U.S. agricultural exports are now valued at \$40 billion, annually, with 30 percent of our grain, 40 percent of our cotton, 55 percent of our soybeans and wheat and 75 percent of our rice production currently being exported.

As these trends continue, farmers will look to their cooperatives to help maximize returns on their sizeable investments. And their cooperatives will look to the Banks for Cooperatives for financial and support assistance. They will find that assistance in services ranging from currency exchange to leverage lease options. They will find the Central Bank for Cooperatives providing support services to district banks to keep personnel updated on the latest procedures and developments in international finance. They will find a partner in their development of international business . . . a partner with a special understanding of the unique financial needs of cooperatives, developed through a half century of mutual trust and commitment to service.

Export development will go hand in hand with the development of new industrial applications for agricultural



products. Again, growth will stimulate change. Just as many of today's cooperatives have become large, diversified business organizations to better serve their farmer and rancher members, so must their financial partners grow.

This process seems as inevitable as the shift in agriculture from a labor-intensive to a capital-intensive industry. With now fewer than 3 percent of the population working the land, the trend to fewer, yet larger farms will undoubtedly be reflected in changing cooperative structures which allow for more specialized services. As cooperatives continue to provide more specialized services, their banks must also offer new and better services to meet those needs. This, of course, requires a level of specialized expertise that cooperatives know they will receive from the Banks for Cooperatives.

Government activities must also

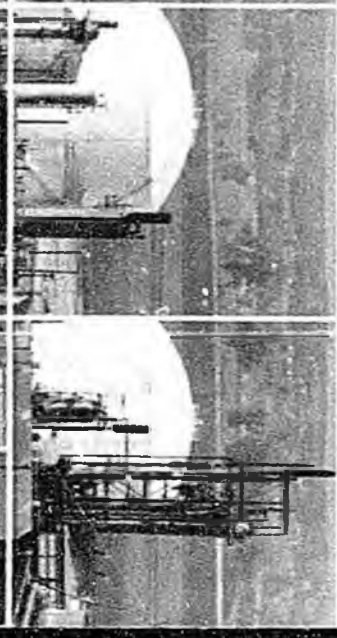
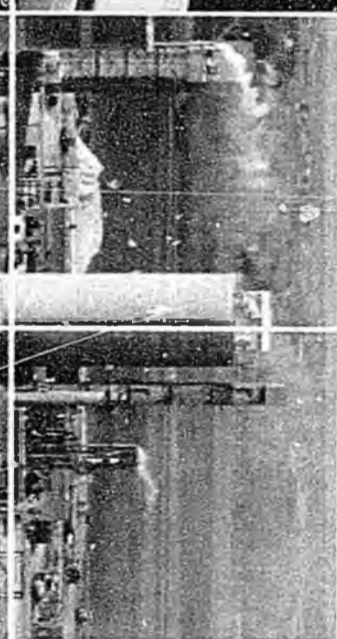
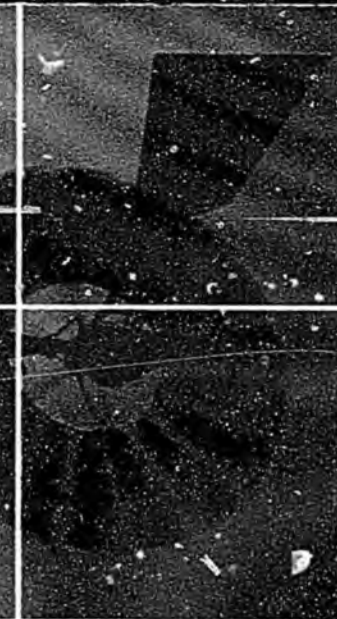
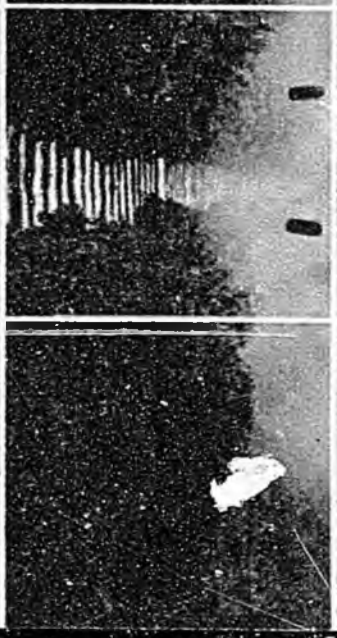
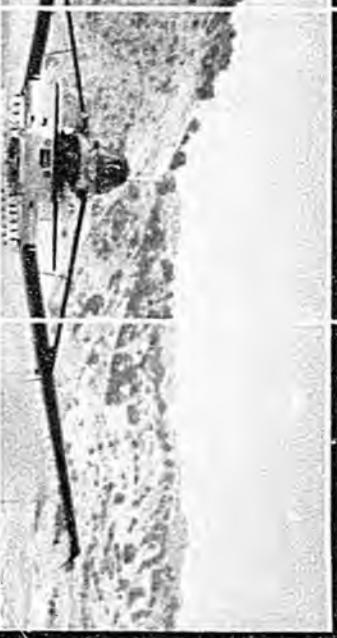
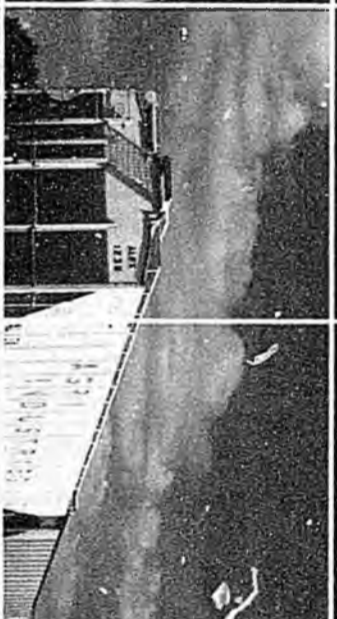
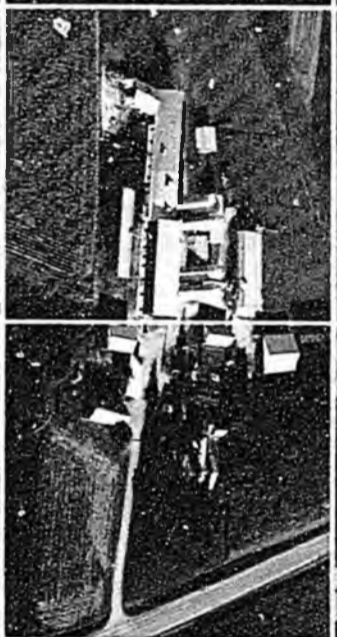
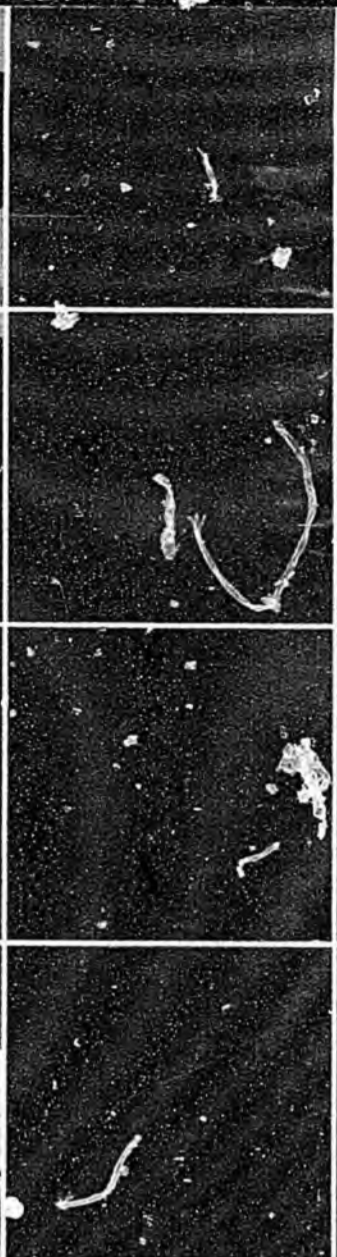
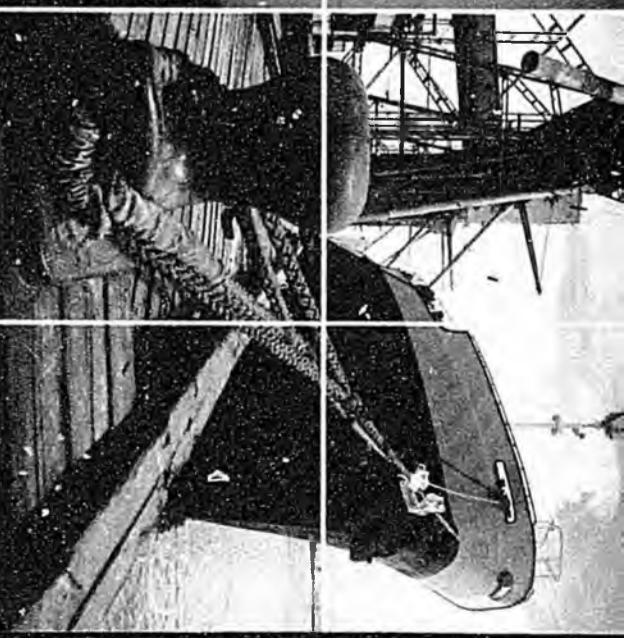
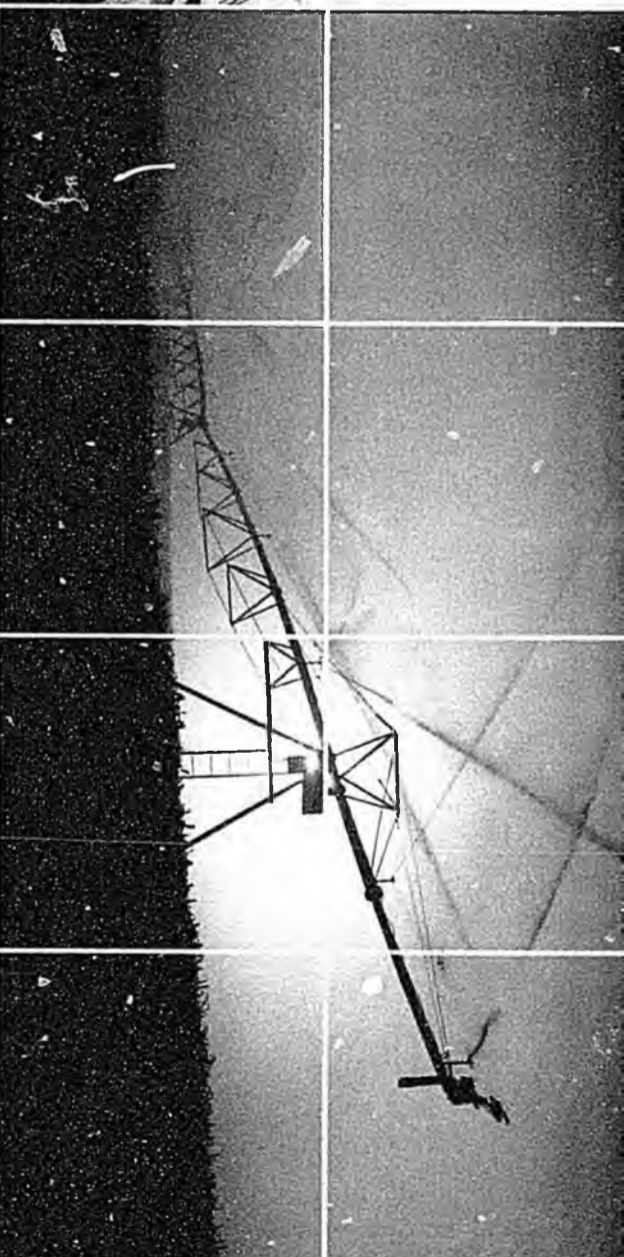
be closely monitored, as the consequences of policy changes are magnified by the expanding scale of the agricultural economy.

New challenges must certainly be met in the world marketplace, in the money markets, in joint ventures with private companies and in ways that are impossible to foresee.

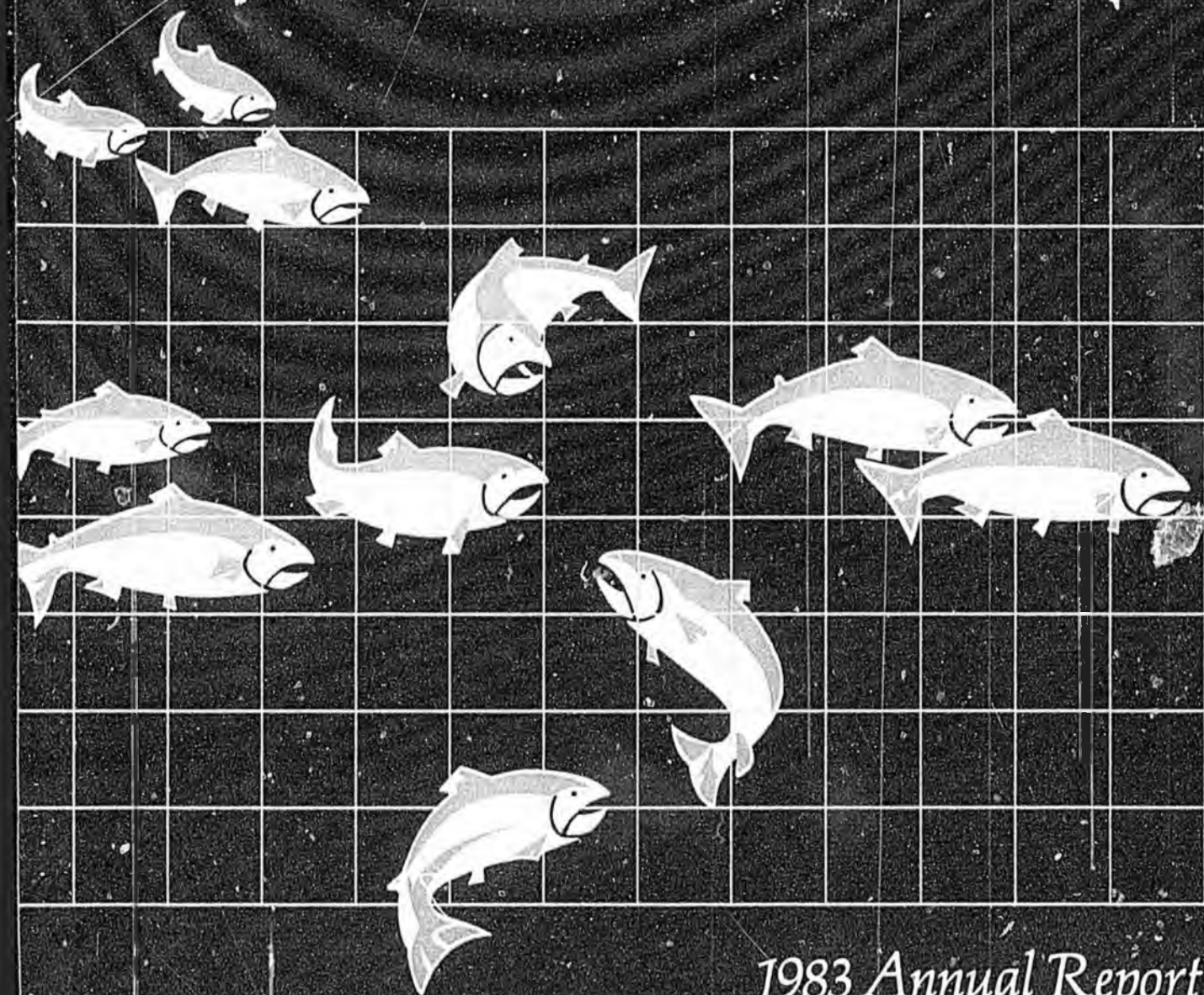
But change has been a fact of life for 50 years at the Banks for Cooperatives . . . change in money costs, government regulation, farm population and the farm economy in general. And in these 50 years, the Banks for Cooperatives have been able to constantly expand and improve the quality of their services.

In fact, change may well be the only certainty in agricultural finance. And through these changes, farmers, their cooperatives and the Banks for Cooperatives will remain partners in progress . . . together — tomorrow.





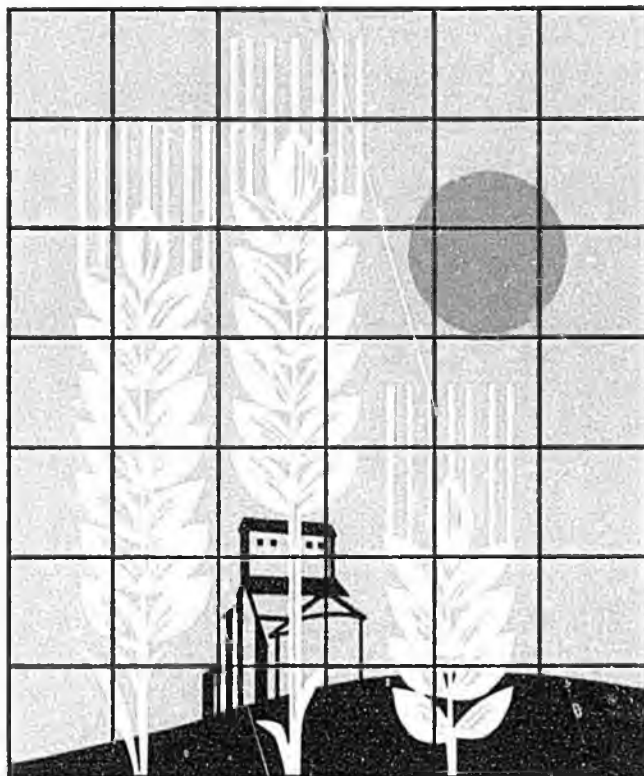
*Alaska Commercial Fishing  
& Agriculture Bank*



*1983 Annual Report*

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*CFAB*, a private lending cooperative, a part of the free enterprise system, constitutes a unique cooperative partnership of fishermen, farmers and the financial community, based on the best traditions of our democratic society. That is, in good times or bad, CFAB is here to help in the true cooperative spirit.



Although 1983 was trying for some of our membership, at CFAB, it was a year of energy, direction and purpose. Under the direction of the Board, management focussed on internal operations to maintain operating costs, sound credit and collections, and deliver better service to the membership. Recruitment of a good professional staff is nearly completed, bringing together what the Board believes to be an excellent team for the Bank. As the

Bank matures, we are attracting more experienced people to our staff.

In December, we also saw the implementation of the C Stock Redemption Program. This program was designed to repurchase from the State of Alaska its current Class C Stock investment of \$31.8 million in CFAB. All new member loans and any members with loan renewals or extensions after December 12, 1983, will be participating in the program. This will mean that CFAB will be able to retire the balance of the original State Class C Stock investment by the year 2000 and give the membership full vested ownership of our cooperative bank.

As a cooperative bank, CFAB is an associate of the Farm Credit System, which was originally established in 1916, to assist farmers. Its authority was broadened with the Farm Credit Act of 1971, to include commercial fishermen. The Farm Credit System raises the funds it loans to member banks and associates by selling taxable bonds through its fiscal agent on Wall Street to investors of all sizes throughout America.

When you apply for a loan at CFAB, CFAB turns to the Spokane Bank for Cooperatives, a member of the Farm Credit System, for funding when your application is approved. CFAB is required to make its presentation of your credit request based on its specialized knowledge of the industries it serves and, as with all financial institutions, whether commercial or cooperative, the funds requested must be guaranteed by member-borrower collateral.

In effect, management at CFAB serves a dual role. First and foremost, they are charged with the responsibility of providing funding for approved credit loan requests. Secondly, but equally important, is their responsibility to ensure that CFAB remains strong and stable through sound lending policies.

As a cooperative bank, CFAB receives its direction from the Board. We, in turn, need membership input to chart our course. CFAB is succeeding. We are financially sound, and we are committed to remain so for the future of our industries and you the membership.

The Board of Directors and management, have traveled up and down our shore from Kotzebue to Ketchikan to meet our members during 1983. We have an even greater outreach program in 1984. Our Senior Staff and Loan Officers will be in fishing and farming areas more than ever this coming year. They will be supported by our Region Managers in Ketchikan, Cordova, Homer and Kodiak. I personally visited every Region Office during 1983. The Board of Directors held meetings and visited in Dillingham, Cordova, Petersburg, Juneau, Ketchikan and Anchorage in 1983. We will continue to be present in these and other areas throughout this coming year.

Your Board of Directors is committed to the future of our Industries, our members and a sound, yet aggressive, financial institution in CFAB, a Private Lending Cooperative.

Thanks for your support of the Bank.

A handwritten signature in cursive script, reading "Paul A. Huppert". The signature is written in dark ink on a light background.

Paul A. Huppert  
Chairman of the Board

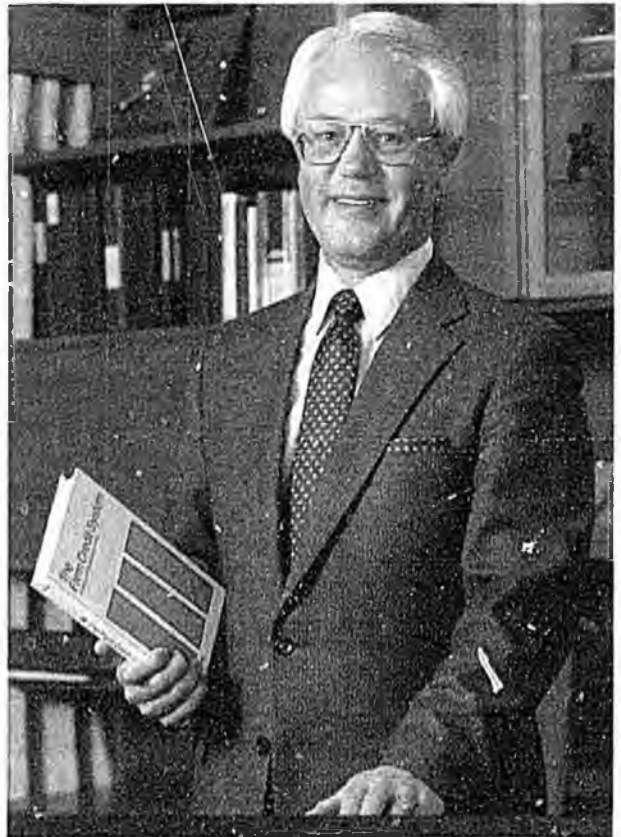
Your Bank is tied to the commercial fishing and agriculture industries in Alaska, and as such has currently felt the economic wrath of the industries. This past year is now recorded as one in which we gave up our shirt for loans extended in this and prior years. In short, we have given up most of this year's earnings to provide an additional reserve for loan losses. We have added \$2.1 million over and above our prior year's \$2 million Loan Loss Reserve for member/borrower accounts that have or are about to economically fail, in spite of great effort on everyone's part.

Our industries are capital intensive. The cost of a fishing, processing or farming operation requires large dollar investments and when these fail, lenders are hard hit along with the operation. No one wins.

Your Bank does a balancing act. Cooperative in nature, it works with the member/borrower more than most other institutions in providing financing. However, the act must be balanced; outside pressures must be adamantly resisted. The extension of sound credit is essential to the success of the Bank, its member/borrowers who are fully repaying their loans, and our industries as a whole. Ability to repay loans from earnings and adequate collateral to secure the Bank's position are basic essentials, among others, to our sound operation. The creditors of the Bank must be repaid.

These comments are stern; open and concerning as they must be. However, the Alaska Commercial Fishing and Agriculture Bank, a private lending cooperative and your Bank, remains strong. Our capital base is strong, our members as a whole have paid their accounts and they are economically successful. Your Board of Directors is highly aware of industry strengths and weaknesses; you have dedicated and professional employees. Sound lending policies, consistent with the Bank Mission, will protect your investment in the Bank and the industries' needs for the Bank in the future.

The future is still just as bright as it ever was for the Bank in its role as a private lending cooperative for the commercial fishing and agriculture, including timber, industries' economic growth in



Alaska. In the Bank's short history it has and will continue to meet the challenges and overcome the disenchantments, hold on to its pride, and improve to meet and retain the status of a sound financial institution dedicated to a prudent, productive and aggressive member-owned private lending cooperative. We have in place what it takes to remain strong and responsive to sound credit needs.

It has been said that tough times never last, but tough people do. This statement epitomizes the men and women in our industries and we are grateful to them for their support and confidence in the Bank, and its role and theirs in the free enterprise system. For their dedicated efforts in 1983, I extend my personal thanks to you the member/owners, the Board of Directors and my fellow employees for your support and pride in CFAB, a Private Lending Cooperative.

Forest J. Paulson  
President and Chief Executive Officer

**Paul Huppert** — Chairman of the Board  
Founding Director, Term expires 1985  
Farmer — Palmer

*"CFAB's credit worthiness is judged by its members' credit worthiness."*

**Tommy Thompson** — Secretary/Treasurer  
Term expires 1986  
Processor — Sitka

*"I think CFAB is fulfilling its original charter very well. It is standing by its members in good times and bad, as evidenced by this past fishing season."*



Paul Huppert, Tommy Thompson

**Roseleen "Snooks" Moore** — Director  
Term expires 1984  
Fisherman — Cook Inlet, False Pass

*"The members are the backbone of CFAB and we can all be proud of the fact that in three short years CFAB now has 828 Alaskan Fisherman and Farmers supporting their cooperative."*

**Dale Pihlman** — Founding Director  
Term expires 1985  
Fisherman — Southeastern Alaska

*"The strength of CFAB can be measured by the contributions of Alaska Fishermen and Farmers which, at the end of 1983, totaled \$15.2 million."*

**Frank Homan** — Founding Chairman  
Governor's Appointee  
Term expires 1984  
Economist

*"CFAB now has a well defined plan in place to repurchase the state's original investment in the cooperative. This is an accomplishment that is truly unique."*



Roseleen "Snooks" Moore, Dale Pihlman and Frank Homan



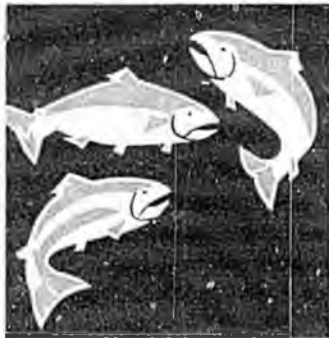
Bob Waldrop, Harvey Samuelsen and Paul Huppert

**Bob Waldrop — Vice Chairman**  
Term expires 1985  
Processor, Governor's Appointee

*"CFAB is one organization that can bring together Alaska Fishermen and Farmers, both harvesters and processors, in mutual support for each other and their industries."*

**Harvey Samuelsen — Director**  
Term expires 1986  
Fisherman — Bristol Bay

*"One of the important objectives is to enhance the economic well being of Alaskans and the growth in cooperative membership is evidence of that accomplishment."*



The Alaska Commercial Fishing and Agriculture Bank (CFAB) began operations in April of 1980. This was the culmination of three years of effort on the part of many individuals and Legislators to initiate a private-sector, industry-owned and controlled credit institution for Alaska's agriculture and fishing industries.

The impetus behind the movement for a private lending cooperative came from people who had experienced a shortage of enthusiasm by other financial institutions toward the needs of Alaska's fishing and agriculture industries.

Also, since the Farm Credit Act was broadened to include fisheries in 1971, there had been only limited solicitation of Alaska fisheries loan business by those eligible to do so because of our remoteness.

In response, the Alaska State Legislature commissioned a study in the fall of 1977 to evaluate how adequately the Alaska commercial fishing industry was being financed. The commission's secondary purpose was to assess the feasibility of combining fisheries with the farm cooperative system which was already in place.

One of the options recommended was to form a private cooperative bank for the Alaska commercial agriculture and fishing industries. This bank would borrow its initial capital from the State. In turn, the bank would use these funds to acquire more funds from the Farm Credit System via the Spokane Bank for Cooperatives in Spokane, Washington, and develop a method by which the State's original investment would be repurchased from the State.

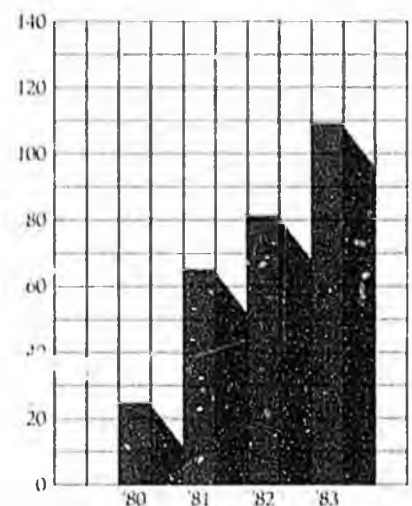
This recommendation was adopted by the legislature on October 10, 1978, and became the Alaska Commercial Fishing and Agriculture Bank. By the end of December 1981, CFAB had a loan portfolio of \$70 million and 275 members. The initial appointment of directors was later revised in 1981 to be a seven member board, with five members elected by the membership. This year's Annual Meeting and Election constitutes a historical event, whereby the last appointed director's position will be elected by the membership. Thereafter these five director's seats shall be elected and held by the membership.

Today, CFAB has grown to over 800 members. Its loan portfolio exceeds \$110 million and it has \$47 million in capital stock and retained patronage, \$15.2 million contributed by its members. The C Stock Redemption Program, the mechanism whereby the State of Alaska will be reimbursed for its original investment, is fully in place and scheduled for repayment by the year 2000.

The future of the Alaska Commercial Fishing & Agriculture Bank holds great promise. As Alaska's fishing, agriculture and timber industries continue to evolve, the need for an aggressive, highly knowledgeable, specialized financial institution will become even greater.

Growth Of Loan Portfolio

Dollars in Millions  
(Net of Loan Loss Reserve)



In 1983, fishing and timber, two of three industries which are directly served by the Alaska Commercial Fishing & Agriculture Bank, were inconsistent performers on a statewide basis. Agriculture however, was one of the brighter spots, as this evolving industry made steady gains in serving the in-state market.

Alaska's commercial fishing industry was even more unevenly distributed than usual. While the salmon harvest was the largest in history, an oversupply in the frozen fish market from 1982, combined with large harvests for the last four years, put substantial downward pressure on prices.

The strongest harvests in 1983 were by fishermen in Bristol Bay, Upper Cook Inlet, Alaska Peninsula and most of Southeast Alaska. The most disappointing returns were in areas relying heavily on the pink salmon fishery such as Lower Cook Inlet, Cordova, Kodiak and the Aleutians.



The shellfish harvest was also down dramatically. Crab and shrimp seasons in some areas were either closed entirely or sharply curtailed. No improvement is expected for 1984. If shellfish stocks do rebound, it will only be after a long, gradual and well managed process.

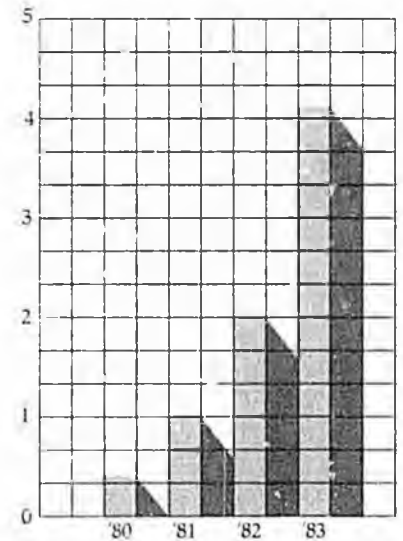
Although 1983 strained much of the salmon fishing industry, the long-term outlook is much brighter. Advancements made over the years in regulating harvest and enhancing regeneration has established an extremely productive, healthy and relatively stable resource.

Agriculture in Alaska is clearly making steady gains, led by barley crops, up 50%, potato harvests, up 15%, and burgeoning nursery greenhouse production. This positive forward push focusses on meeting the needs of the in-state market. The State of Alaska is helping in this endeavor by providing prompt, accurate pricing information to make Alaska growers more competitive with state-side producers.

Vacuum coolers, at packers in the Matanuska Valley, have improved shelf life and made the quality of local produce for fresh markets superior to those brought in from Outside, enabling most of what is being produced to be sold.

Growth of Loan Loss Reserve

Dollars in Millions



The future of Alaska farming is tied to continued local market growth and development. The opening of the state's first modern slaughter house in November should also provide increased opportunities in both ranching and the production of feed for livestock.

The Alaska Timber industry experienced its third difficult year in 1983. This was primarily due to lagging foreign markets and ongoing transitions in market and industry structure.

The outlook for 1984 and beyond is uncertain. If the Environmental Protection Agency's tentative denial of a waiver request from Alaska's two pulp mills is upheld, one or both mills may shut down. If they do not, improving markets may increase timber industry employment from 2 to 4 percent.

For some CFAB members, 1983 forced a re-evaluation of business practices. Some will have to down-size, to cut costs in an effort to preserve their livelihood. Marginal operators may find that fishing, timber or agriculture will cease to be a way of life. But for the majority of CFAB's members, experience has taught them to economize and wait, for another year, a better season.



1983 was a difficult year for all of us. It is not our first, nor will it be our last. It goes with the territory when you serve members who make their livelihood from Alaska's natural resources. At CFAB, 1983 dictated a review of lending policy and a return to basic banking. It meant belt tightening and a streamlining of operations. Direction set by the Board of Directors strengthened the organization, attracted new members and enhanced our loan portfolio.

Internally, the addition of several professional business people to key positions brought cohesiveness and teamwork to management. Management energies were then focussed on improving the quality of our loan portfolio by a concentrated effort to pursue delinquencies. Energies were also centered on in-house training, to improve staff knowledge of the industries served and thereby improve service to members.

The installation of computers with the capability of "networking" with all of CFAB's regional offices was another major step forward in providing service to members. The new computers will increase efficiency in accounting activities by providing more control over costs and procedures. Also computers will enable management to provide fast, accurate information and financial data to members throughout the state. Computer terminals that link regional offices to Anchorage will be installed and operational in 1984.

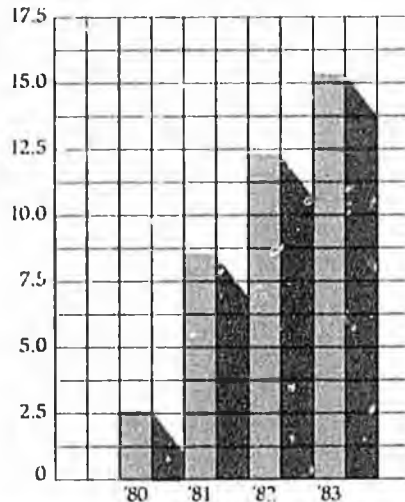
1983 also saw the passing of a significant milestone as CFAB's program for repayment of the State of Alaska's original investment in the cooperative was unveiled. The C Stock repayment program set in motion a system whereby the State will be paid in full by the year 2000. At that point, CFAB members will become sole owners of the cooperative.

CFAB continued developing community and member awareness in 1983 by airing its award winning radio and television commercials throughout Alaska. Active participation in community affairs by regional managers, as well as CFAB's high visibility at Fish Expo '83 in Seattle, has enabled the "cooperative story" to be told and kept management abreast of problems and concerns of the membership.

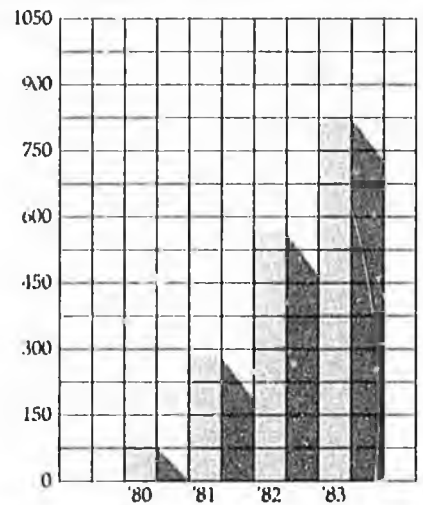
The Alaska Commercial Fishing & Agriculture Bank is committed to the industries it serves. We are presently the major source of debt financing for commercial fishing and agriculture in the state of Alaska and will remain so for many years to come. Our leadership comes from our Board of Directors and our strength comes from you, our members. As your bank, we will continue to protect your investment through prudent management and sound lending practices.

Growth in Member Capital

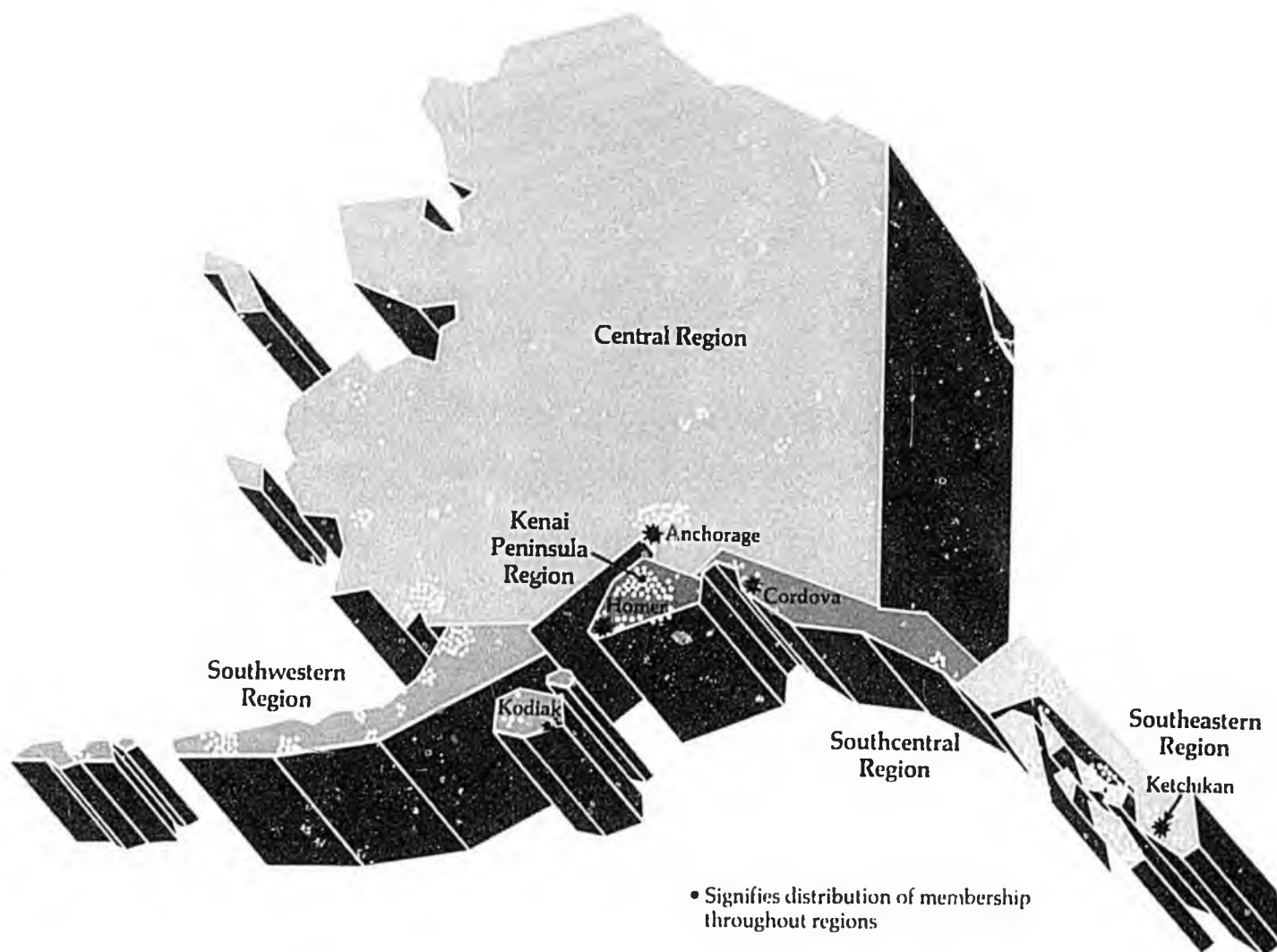
Dollars in Millions  
(Not including original investment)



Growth In Members



## Region Offices



**Central Region**  
2550 Denali Street, Suite 1201  
P.O. Box 4-2070  
Anchorage, Alaska 99509  
(907) 276-2007

**Southcentral Region**  
P.O. Box 2228  
Cordova, Alaska 99574  
(907) 424-7689

**Kenai Peninsula Region**  
Box 2257  
Homer, Alaska 99603  
(907) 235-7708

- Signifies distribution of membership throughout regions

**Southeastern Region**  
811 Water Street  
Ketchikan, Alaska 99901  
(907) 225-6616

**Southwestern Region**  
Box 529  
Kodiak, Alaska 99615  
(907) 486-6131

**Seattle Region**  
3510 1st Avenue, N.W.  
Seattle, Washington 98107  
(206) 633-0603

Balance Sheet

	December 31,	
	1983	1982
<b>Assets</b>		
Cash .....	\$ 692,276	\$ 450,416
Operating reserve at cost, which approximates market value .....	8,000,000	8,000,000
Investment in Spokane Bank for Cooperatives .....	3,708,643	2,380,450
Loans, net of allowance for loan losses of \$4,139,536 and \$2,000,000 at December 31, 1983 and 1982, respectively .....	109,850,676	81,956,846
Accrued interest receivable:		
Operating reserve .....	73,646	436,361
Loans .....	5,765,715	3,628,863
Organization costs, net of amortization of \$127,785 and \$99,388 at December 31, 1983 and 1982, respectively .....	14,197	42,594
Bank premises, furniture and equipment, net .....	707,761	859,828
Other assets .....	438,896	280,395
	<u>\$129,251,810</u>	<u>\$98,043,753</u>
<b>Liabilities</b>		
Accounts payable and accrued expenses .....	\$ 167,433	\$ 351,626
Accrued interest payable .....	2,125,084	1,805,278
Notes payable .....	79,406,368	50,680,476
Spokane Bank for Cooperatives participation payable .....	335,931	435,440
Patronage dividend payable .....	35,715	551,871
	<u>82,070,531</u>	<u>53,824,691</u>
<b>Capital And Patronage Earnings</b>		
<b>Share capital —</b>		
Class C special preferred stock, \$10,000 par value, authorized 4,000 shares, outstanding 3,180 shares .....	31,800,000	31,800,000
Class B preferred stock, \$100 par value, authorized 400,000 shares, outstanding: 1983 — 103,832 shares; 1982 — 76,483 shares .....	10,383,200	7,648,300
Class A membership stock, \$10 par value, authorized 10,000 shares, outstanding: 1983 — 828 shares; 1982 — 564 shares .....	8,280	5,640
C Stock Retirement Pool:		
Class B preferred stock assessments .....	86	
Less: assessments receivable .....	(86)	
Capital in excess of par value .....	73,710	49,950
Contributed capital .....	144,626	144,626
	<u>42,409,816</u>	<u>39,648,516</u>
Allocated undistributed patronage earnings .....	4,771,463	4,570,546
Total capital and allocated undistributed patronage earnings .....	47,181,279	44,219,062
	<u>\$129,251,810</u>	<u>\$98,043,753</u>

See accompanying notes to financial statements

Statement of Income

	For the Year Ended December 31,	
	1983	1982
Interest Income:		
Interest on loans .....	\$13,872,986	\$11,844,280
Interest on operating reserve .....	<u>751,779</u>	<u>1,176,637</u>
	<u>14,624,765</u>	<u>13,020,917</u>
Interest Expense:		
Interest on notes payable, net of patronage dividends:		
1983 — \$504,700; 1982 — \$505,090 .....	<u>7,234,370</u>	<u>5,783,453</u>
Net interest income .....	7,390,395	7,237,464
Provision for loan losses .....	<u>3,890,135</u>	<u>1,087,636</u>
Net interest income after provision for loan losses .....	<u>3,500,260</u>	<u>6,149,828</u>
Non-Interest Expense:		
Salaries and benefits .....	1,707,350	1,838,094
Occupancy expense .....	266,825	234,664
Professional fees .....	302,822	449,332
Directors' fees .....	88,091	72,896
Depreciation and amortization .....	170,132	135,105
Supplies .....	90,055	53,307
Travel, lodging and meals .....	186,241	153,464
Advertising and promotion .....	181,911	227,581
Telephone and postage .....	114,493	92,713
Miscellaneous .....	<u>82,867</u>	<u>104,737</u>
Total non-interest expense .....	<u>3,190,787</u>	<u>3,361,887</u>
Patronage earnings before provision for income tax .....	309,473	2,787,941
Income tax provision .....	<u>-0-</u>	<u>-0-</u>
Allocated undistributed patronage earnings .....	<u>\$ 309,473</u>	<u>\$ 2,787,941</u>

See accompanying notes to financial statements

*Statement of Changes in Capital and Allocated Undistributed Patronage Earnings*

For the Years Ended December 31, 1983 and 1982

	<u>Share Capital</u>	<u>Capital In Excess Of Par Value</u>	<u>Contributed Capital</u>	<u>Allocated Undistributed Patronage Earnings</u>	<u>Total</u>
Balance, December 31, 1981 . . . . .	\$37,803,810	\$24,480	\$144,626	\$2,348,978	\$40,321,894
Issuance of stock during the year:					
16,473 shares of Class B stock, net . . . . .	1,647,300				1,647,300
283 shares of Class A stock . . . . .	2,830	25,470			28,300
Dividends paid/payable . . . . .				(551,871)	(551,871)
Loan principal charged against allocated undistributed patronage . . . . .				(14,502)	(14,502)
Allocated undistributed patronage earnings . . . . .				2,787,941	2,787,941
Balance, December 31, 1982 . . . . .	<u>39,453,940</u>	<u>49,950</u>	<u>144,626</u>	<u>1,570,546</u>	<u>44,219,062</u>
Issuance of stock during the year:					
27,349 shares of Class B stock, net . . . . .	2,734,900				2,734,900
264 shares of Class A stock . . . . .	2,640	23,760			26,400
Dividends paid/payable . . . . .				(35,715)	(35,715)
Loan principal charged against allocated undistributed patronage . . . . .				(72,841)	(72,841)
Allocated undistributed patronage earnings . . . . .				309,473	309,473
Balance, December 31, 1983 . . . . .	<u>\$42,191,480</u>	<u>\$73,710</u>	<u>\$144,626</u>	<u>\$4,771,463</u>	<u>\$47,181,279</u>

See accompanying notes to financial statements

# Statement of Changes in Financial Position

	For the Year Ended December 31,	
	1983	1982
<b>Sources of Financial Resources:</b>		
From Operations —		
Allocated undistributed patronage earnings .....	\$ 309,473	\$ 2,787,941
Items not requiring funds —		
Depreciation and amortization .....	170,132	135,105
Provision for loan losses .....	3,890,135	1,087,636
Gain on sale of assets .....	(8,976)	
Total from operations .....	4,360,764	4,010,682
Net proceeds from sale of assets .....	256,248	
Net proceeds from stock issuance .....	2,761,300	1,675,600
Increase In —		
Accounts payable and accrued expenses .....		162,614
Accrued interest payable .....	319,806	490,785
Notes payable .....	28,725,892	13,119,393
Spokane Bank for Cooperatives participation payable .....		9,970
Patronage dividend payable .....		37,271
Decrease In —		
Cash .....		3,444,744
	<u>\$36,424,010</u>	<u>\$22,951,059</u>
<b>Uses of Financial Resources:</b>		
Loans charged off, net of recoveries .....	\$ 1,750,599	\$ 87,636
Loan principal charged against		
allocated undistributed patronage .....	72,841	14,502
Patronage dividends paid/payable .....	35,715	551,871
Increase In —		
Cash .....	241,860	
Investment in Spokane Bank for Cooperatives .....	1,328,193	1,614,519
Loans .....	30,033,366	18,042,405
Accrued interest receivable .....	1,774,137	2,154,016
Bank premises, furniture and equipment .....	236,940	353,574
Other assets .....	150,501	132,536
Decrease In —		
Accounts payable and accrued expenses .....	184,193	
Spokane Bank for Cooperatives participation payable .....	99,509	
Patronage dividend payable .....	516,156	
	<u>\$36,424,010</u>	<u>\$22,951,059</u>

See accompanying notes to financial statements

**Note 1 — Operations and Accounting Policies:**

*Operations:* The Alaska Commercial Fishing and Agriculture Bank (CFAB) was incorporated on May 4, 1979 to promote the sustained growth of Alaska agriculture and fishing through the provision of debt financing and financial services to resident-owned business engaged in harvesting, processing, or marketing; and to promote its own growth as a strong user oriented institution through cooperative ownership and self governance.

CFAB intends to accomplish its purposes primarily by making loans to individuals who are residents of Alaska and are engaged in commercial agriculture or fishing, or to corporations, partnerships or joint ventures primarily engaged in commercial agriculture or fishing, the majority interest of which is beneficially owned by residents of the State of Alaska and a majority of the owners of which are residents of the State of Alaska. A loan recipient must be a member of CFAB.

CFAB is a cooperative corporation and intends to refund any allocated undistributed patronage earnings at such time as the Board of Directors finds that the financial condition of CFAB will so permit.

*Operating Reserves and Income.* Board designated operating reserve investments in short-term instruments are stated at cost, which approximates market. Income is recorded as earned.

*Interest on Loans:* The accrual of income on loans is discontinued when, in management's opinion, there is doubt as to the collectibility of such income.

*Patronage Dividends:* Patronage dividends received from Spokane Bank for Cooperatives (SBC), of which CFAB is a member, are shown as a reduction of interest expense to SBC (see Note 7) in the year in which those dividends are declared by SBC.

*Allowance for Loan Losses:* Additions to the allowance for loan losses are provided from charges to income based on management's evaluation of the loan portfolio under existing economic conditions.

*Bank Premises, Furniture and Equipment:* Bank premises, furniture and equipment are stated at cost less accumulated depreciation and amortization. Depreciation and amortization are charged to operations by use of the straightline method over estimated useful lives of three to ten years. Expenditures for maintenance and repairs are charged to operating expense as incurred. Expenditures for renewals or improvements which extend the life of an asset are capitalized at cost and depreciated as stated above. Upon sale, retirement or other dispositions of property, the cost and accumulated depreciation are removed from the respective accounts and the resulting gain or loss is recorded in income.

*Organization Costs:* Certain costs related to the feasibility, capital needs and incorporation phases of CFAB have been deferred and are being amortized over sixty months. Such costs consist of legal and advisory fees.

*Income Taxes:* Amounts provided for income tax expense are based on earnings reported for financial statement purposes,

rather than on the taxable income shown on the corporate income tax return. These amounts may differ because certain items are recorded as income or expense in different years for financial statement and tax return purposes.

CFAB uses the flow-through method of accounting for investment tax credits, which results in a reduction of income taxes in the year credits are utilized.

*Reclassifications:* Certain amounts included in the comparative financial statements have been reclassified to achieve comparability. Such reclassification has no effect on previously reported net income.

**Note 2 — Income Taxes:**

Income tax expense is comprised of the following components:

	<u>December 31,</u>	
	1983	1982
Income tax expense calculated		
at statutory rates . . . . .	\$122,108	\$1,262,703
Tax effect of:		
Distribution of allocated		
patronage earnings . . . . .	(100,308)	(1,262,703)
Investment tax credit . . . . .	(21,800)	—
Income tax provision (benefit) . . . . .	<u>\$ -0-</u>	<u>\$ -0-</u>

**Note 3 - Related Party Transactions:**

In the ordinary course of business, CFAB makes loans to members who serve on CFAB's Board of Directors and members who are CFAB employees. Loans to members who serve on the Board of Directors must be approved by the Spokane Bank for Cooperatives. Total loans to these members at December 31, 1983 and 1982 were \$6,234,394 and \$1,590,033, respectively.

**Note 4 - Loans**

The following represents a classification of CFAB's loan portfolio by major category at December 31, 1983 and 1982:

	<u>December 31,</u>	
	1983	1982
Vessels . . . . .	\$ 50,520,974	\$33,391,411
Fish processors . . . . .	30,248,447	35,835,108
Agricultural and timber . . . . .	24,421,884	6,631,569
Gear, entry permits, and other . . . . .	8,798,907	8,098,758
	<u>113,990,212</u>	<u>83,956,846</u>
Less: Allowance for loan losses . . . . .	4,139,536	2,000,000
Net loans . . . . .	<u>\$109,850,676</u>	<u>\$81,956,846</u>

As this is only the fourth year of lending activity for CFAB, loan loss experience has been limited and no similar lending

institution exists on which to base an allowance for expected loan losses. Management has established the allowance for loan losses based on a specific provision for loans identified as a potential loss. Additionally, management has included an allowance of 1.5% for loans not specifically identified as a potential loss. A summary of the activity in the allowance for loan losses follows:

	December 31,	
	1983	1982
Balance at beginning of year	\$2,000,000	\$1,000,000
Charge to expense	3,890,135	1,087,636
Recoveries on loans previously charged off	107,539	88,485
	5,997,674	2,176,121
Loans charged off	(1,858,138)	(176,121)
Balance at end of year	<u>\$4,139,536</u>	<u>\$2,000,000</u>

The following represents a classification of CFAB's nonaccrual loans by major category at December 31, 1983 and 1982:

	December 31,	
	1983	1982
Vessels	\$3,440,990	\$1,138,981
Fish processors	2,913,520	3,251,927
Agricultural		102,588
	<u>\$6,354,510</u>	<u>\$4,493,496</u>

If interest on these loans had been accrued, such income would have approximated \$541,000 for 1983.

Nonperforming loans, but not in the opinion of management considered to be nonaccrual loans, totaled \$1,963,700.

CFAB serves the financial needs of the commercial fishing and agricultural industries in the State of Alaska. These industries are subject to seasonal and cyclical fluctuations which could affect the borrowers' ability to repay loans on a timely basis.

As of December 31, 1983, the Bank had approved loans of \$6,287,304 which had not been disbursed.

#### Note 5 - Bank Premises, Furniture and Equipment:

The following represents a classification of bank premises, furniture and equipment by major category at December 31 in each of the past two years:

	December 31,	
	1983	1982
Bank premises		\$ 220,664
Furniture, fixtures and equipment	\$ 916,083	759,956
Leasehold improvements	125,130	106,192
	1,041,213	1,086,812
Less - Accumulated depreciation and amortization	(333,452)	(226,984)
	<u>\$ 707,761</u>	<u>\$ 859,828</u>

#### Note 6 - Lease Obligations:

CFAB has entered into certain long-term operating type lease agreements for buildings and equipment. Rental expense under these leases totaled \$232,000 and \$211,300 for the years ended December 31, 1983 and 1982, respectively. Minimum annual lease payments are as follows:

Year ending December 31,	Amount
1984	\$219,953
1985	63,730
1986	35,652
1987	25,152
1988	6,105

#### Note 7 - Notes Payable:

Notes payable consisted of the following:

Borrowings against lines of credit with Spokane Bank for Cooperatives (SBC). The current agreements provide for quarterly interest payments based upon floating rates:

Seasonal loan - Credit line of \$60,000,000 expiring on June 1, 1984, bearing interest at 10.25% at December 31, 1983

Term loan - Credit line of \$30,000,000 refinanced by long-term notes in 1983

SBC Matched Funds Notes:

	December 31,	
	1983	1982
Seasonal loan - Credit line of \$60,000,000 expiring on June 1, 1984, bearing interest at 10.25% at December 31, 1983	\$49,300,000	\$10,600,000
Term loan - Credit line of \$30,000,000 refinanced by long-term notes in 1983		20,000,000
Short-term note dated November 9, 1982, bearing interest at 10.6%, due May 9, 1983		10,000,000
Long-term note dated November 9, 1982, bearing interest at 10.555%, due July 22, 1985	5,000,000	5,000,000
Long-term note dated December 1, 1982, bearing interest at 11.093%, due June 1, 1987	5,000,000	5,000,000
Long-term note dated January 20, 1983, bearing interest at 11.18%, due January 20, 1993	5,000,000	
Long-term note dated March 1, 1983, bearing interest at 10.668%, due September 1, 1987	5,000,000	
Long-term note dated January 20, 1983, bearing interest at 10.444%, due January 20, 1987	5,000,000	
Long-term note dated April 20, 1983, bearing interest at 11.132%, due October 21, 1991	5,000,000	
Other notes payable and capitalized equipment leases with various interest rates and maturity dates	106,368	80,476
	<u>\$79,406,368</u>	<u>\$50,680,476</u>

Principal payments required on notes payable are as follows:

<u>Year ended December 31,</u>	<u>Amount</u>
1984	\$49,406,368
1985	5,000,000
1986	
1987	15,000,000
1988 and later years	10,000,000

CFAB entered into SBC's matched funding loan program in November 1982 whereby CFAB may borrow both short-term and long-term funds under its established line of credit at fixed rates of interest, generally providing CFAB with a lower cost of funds.

CFAB must invest in SBC's Class C stock in an amount equal to at least 5% of the cumulative average loan balance maintained with SBC. The amount of CFAB's investment in SBC's Class C stock and equity in allocated surplus was \$3,708,643 and \$2,380,450 at December 31, 1983 and 1982, respectively. The maximum amount due SBC during 1983 was \$88,800,000. These loans are secured by all of CFAB's assets and notes evidencing loans to members.

CFAB maintains a line of credit with a local bank of \$2,000,000. At December 31, 1983 there were no draws outstanding.

**Note 8 - Share Capital:**

Shares purchased by the State of Alaska must be repurchased within twenty years by CFAB (Note 10).

Preferential shareholders rights on dissolution are attached in the order of Class C, Class B and Class A.

Upon issue, the following rights will attach to the three categories of stock:

Class C - No voting or dividend rights. May only be issued to the State of Alaska.

Class B - No voting rights. Class B stock may only be held by members of CFAB, and dividends paid shall not exceed \$10/share annually. Borrowers must purchase and maintain Class B stock in an amount equal to 10% of their loan proceeds. This amount is added to the loan proceeds in determining the loan balance.

Class A - No dividend rights. Each member of CFAB must own one share of Class A stock. Each share of stock carries one vote. To vote, a member must be engaged in commercial fishing or agriculture and must be a current borrower or have borrowed from CFAB during the preceding two years or have retained patronage earnings with CFAB of at least \$2,500.

**Note 9 - Qualified Deferred Compensation Plan:**

As of January 1, 1982 CFAB terminated its participation in a contributory retirement benefit plan. On December 28, 1982, CFAB adopted a non-contributory plan, effective January 1, 1982, which provides all regular, full time employees retirement benefits based upon employee compensation, length of service and age at retirement. Plan costs were \$74,000 and \$85,000 for the years ended December 31, 1983 and 1982, respectively. The excess, if any, of the actuarially computed value of vested benefits over the total of pension fund assets is not available.

**Note 10 - Class C Stock Repurchase Plan:**

In accordance with AS 44.81.010(b), on or before July 18, 2000, CFAB is required to repurchase its Class C stock issued to the State of Alaska. On November 10, 1982 a contract was signed with the State of Alaska outlining the principles of a plan which calls for the repurchase of outstanding Class C stock with CFAB capital funds to be provided by CFAB's member-borrowers over a period of future operations. On December 12, 1983, CFAB implemented its Class C Stock Redemption Program.



101 WEST BENSON BOULEVARD  
ANCHORAGE, ALASKA 99503  
(907) 563-4444

January 24, 1984

To the Shareholders and Board of Directors  
Alaska Commercial Fishing and Agriculture Bank

In our opinion, the accompanying balance sheet and the related statements of income, of changes in capital and allocated undistributed patronage earnings and of changes in financial position present fairly the financial position of the Alaska Commercial Fishing and Agriculture Bank at December 31, 1983 and 1982, and the results of its operations and the changes in its financial position for the years then ended, in conformity with generally accepted accounting principles consistently applied. Our examinations of these statements were made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

*Price Waterhouse*

## Staff and Board of Directors

### Administration

*Forest J. Paulson*  
President and Chief Executive Officer  
*Karol A. Askerman*  
Assistant to the President  
*John R. Blackmon Jr.*  
Vice President, Corporate Accounting  
*Larry L. Limegar*  
Vice President-Manager, Loan Operations  
*Ben E. Pollen*  
Vice President-Manager, Data Processing  
*Daydra R. Presley*  
Communications and Marketing Coordinator

### Administration Support

*Penny D. Torrente*  
Receptionist/Clerk Typist  
*Godelieve C. VanLint*  
Courier

### Communications & Marketing

*Chianne G. Sanchez*  
Secretary

### Corporate Accounting

*Darleen S. Church*  
AVP, Controller

### Loan Servicing

*Jo F. Schropp*  
Senior Bookkeeper  
*Lora C. Smith*  
Loan Servicing Bookkeeper  
*Lisa F. Trepanier*  
Loan Servicing Secretary

### Accounting

*M. Marie Anderson*  
Senior Bookkeeper  
*Cynthia D. Blush*  
Bookkeeper/General Ledger  
*Faith M. Stouder*  
Accounting Department Secretary

### Data Processing

*Dwight D. Ormquist*  
Programmer/Analyst  
*Katie A. Pittmann*  
Executive Secretary  
*Colleen S. Strutz*  
Data Entry/Retrieval Operator

### Loan Operations

**Anchorage Region**  
*Robert H. Clark*  
Loan Officer  
*Terry H. Hayden*  
AVP, Loan Officer  
*Holly M. Huebner*  
AVP, Loan Officer  
*Gilbert J. Lomen*  
AVP, Loan Officer  
*Tim R. Ryan*  
AVP, Loan Officer  
*Janis Y. McSherry*  
Executive Secretary  
*Dorothy M. O'Neal*  
Loan Officer's Secretary

### Documentation

*Deborah A. Toschi*  
Documentation Assistant

### Save Department

(SAVE Alaska's Viable Enterprises)  
*Iver H. Amundsen*  
AVP, Special Collections and SAVE  
*Bruce C. Chertkow*  
Collection/Credit Specialist

### Kenai Peninsula Region

*Anne A. Haynes*  
Kenai Region  
New Business Manager—Homer  
*Eileen C. Marrou*  
Kenai Region Assistant

### Seattle Region

*Tammi C. Wright*  
Seattle Region Business Manager  
*K. Alexis Stephens*  
Seattle Region Collateral Control Bookkeeper

### Southcentral Region

*E. Suzanne Fossón*  
Southcentral Region  
New Business Manager—Cordova  
*Monna R. McKenzie*  
Southcentral Region Assistant

### Southeastern Region

*Dennis R. Merck*  
Southeastern Region  
Manager—Ketchikan  
*Earleen R. Ingraham*  
Southeastern Region Assistant

### Southwestern Region

*Michael W. Sigler*  
Southwestern Region  
Manager—Kodiak

### Board Of Directors

*Paul A. Huppert*  
Chairman  
P.O. Box 858  
Palmer, Alaska 99645  
*Robert Waldrop*  
Vice Chairman  
1101 Cordova  
Anchorage, Alaska 99501

*Thomas E. Thompson*  
Secretary/Treasurer  
Box 830  
Sitka, Alaska 99835

*Roseleen "Snooks" Moore*  
Director  
SRA 90-B  
Homer, Alaska 99603

*Frank M. Hoffman*  
Director  
523 Harris Street  
Juneau, Alaska 99801

*Dale R. Pihlman*  
Director  
P.O. Box 7814  
Ketchikan, Alaska 99901

*Harvey H. Samuelsen*  
Director  
Box 18  
Dillingham, Alaska 99835



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

*NEWSPAPER*

## Co-ops: What They Are And Do

By Beryle Stanton,  
National Coordinator  
National Cooperative Month  
Planning Committee

Some 60 million people in this country use cooperatives—about 50,000 of them. That's a lot of people and a lot of businesses. And they do many billions of dollars worth of business each year. As one example, the farmer-owned marketing and supply cooperatives did over \$56 billion worth of business at the latest count—in 1979.

But studies and surveys show many people know very little about this type of business enterprise—one that marches along in our economy with individual ownerships, partnerships, and other corporate type businesses.

### What Does A Cooperative Do?

#### For Members—

Cooperatives do many things for many people. They can be places to buy, places to sell, places to get a needed service.

Members use them to market farm products... obtain farm supplies such as petroleum products and fertilizer... get groceries, and other consumer goods... provide themselves with health, in-

# Co On Cooperatives

*A way of business for 60,000,000 Americans*

### Gallup Poll Shows:

## Too Many Know Too Little About Co-ops



A recent Gallup opinion poll showed Americans are less aware of what farmer cooperatives are all about than they were five years ago—when another survey had been taken to study what the general public knew and thought about cooperatives.

However, analysis of this poll shows public opinion is not actually turning against these cooperatives. Rather, many just don't know enough about them to form an opinion.

Probably about the same lack of knowledge would show up if the same sort of a survey were taken of consumer cooperatives.

*What are the co-op  
challenges in the '80s?*



## Alaska Commercial Fishing and Agriculture Bank

# INFORMATION

MAY 1984

The Alaska Commercial Fishing and Agriculture Bank (CFAB) - a private lending cooperative, was created to fill the gap in sources of financing for Alaska's fishing and agriculture industries.

Since opening its doors nearly 4 years ago, CFAB has shown significant responsiveness to the needs of the industries it serves; Development of a growing body of expertise resulting from broad specialization has enabled CFAB to finance business endeavors rather than service loan requests. Development of service and industry programs to meet all segments of the industries' needs has enabled CFAB to meet the demands of forecasted development and expansion. And by providing greater accessibility to its intended borrowers CFAB has been able to reach the following villages and communities throughout Alaska:

Aleknagik	952,090.84	Egejik	1,883,650.79	Kodiak	15,719,289.19	Saint Marys	6,000.00
Anchor Point	497,406.94	Elfin Cove	93,804.00	Kokhanok	55,150.00	Sand Point	113,996.12
Anchorage	8,299,494.04	Estor	55,000.00	Kotzebue	104,037.50	Sand Point	1,275,395.85
Angoon	8,136,635.08	False Pass	250,612.16	Manokotak	57,738.04	Seldovia	590,464.44
Auke Bay	61,500.00	False Pass	6,230.04	Metlakatla	527,321.87	Seward	1,721,610.41
Bethel	1,173,697.96	Girdwood	26,400.00	Moose Pass	29,492.20	Sitka	3,053,188.43
Chefornek	60,148.52	Haines	84,307.14	Mountain Village	216,184.80	Skagway	35,200.07
Chignik	204,600.00	Homur	8,217,595.37	Naknek	1,298,390.14	South Nuknek	26,084.36
Chignik Lake	190,349.37	Hoonah	297,000.00	Nenana	165,385.11	Sutton	11,000.00
Chugiak	79,640.00	Hydaburg	4,710,005.39	New Stuyahok	21,539.00	Tanana	10,750.00
Clam Gulch	221,178.58	Junau	1,448,721.89	Ninilchick	208,531.71	Tatitlek	121,320.53
Cooper Landing	229,570.50	Kaku	1,978,632.84	Nome	15,408.52	Togiak	58,050.00
Cordova	11,310,495.43	Kasloff	427,080.16	Palmer	125,958.49	Tok	13,900.00
Craig	69,650.00	Kenai	4,664,055.88	Petersburg	5,976,387.48	Tooksook Bay	176,587.38
Delta Junction	430,349.18	Ketchikan	5,431,277.51	Pilot Station	2,800.00	Unalaska	1,150,853.86
Dillingham	5,567,665.64	King Cove	2,886,586.17	Port Alexander	97,695.51	Valdez	1,477,704.96
Douglas	373,350.00	King Salmon	621,410.70	Port Heida	532,321.30	Ward Cove	496,754.13
Eagle River	239,047.07	Klawock	1,672,318.99	Port Lion	77,000.00	Wasilla	431,958.28
				Whittier	41,400.00		
				Willow	40,111.50		
				Wrangell	344,467.17		

Reflective also of CFAB's responsiveness is its ever increasing loan portfolio performance record as of December 31, 1983.

LOANS MADE SINCE INCEPTION:  
LOANS OUTSTANDING:

\$347,312,163

\$109,850,676

Including all previous loans and commitments outstanding, CFAB has brought over \$200 million dollars in Wall Street money to the State of Alaska. This is accomplished by CFAB's ability as a cooperative and a participant in the Farm Credit System to have ready access to "Wall Street" funds at reasonable rates. This enables CFAB to magnify the effects of the state's initial \$32 million dollar investment by more than 6.3 times in four years of operation.

RENDED TITLE:

ACT RELATING TO THE AL COMMERCIAL FISHING AND AGRICULTURE

PRIME SPONSOR: HOUSE JUDICIARY COMMITTEE.

SPONSORS:

CURRENT STATUS: 3/02/84 FAILED (1)

DATE	SEQ	PAGE	LEGISLATIVE ACTION
5/14/84	01	3831	FIRST READING -- COMMITTEE REPORTS
5/17/84	02	3872	JUD -- DP04, NR02
5/17/84	03	3892	JUD F/NOTE EQUALS ZERO
5/18/84	04	3912	SECOND READING
5/18/84	05	3914	AM01 NOT ADOPTED BY DIV 17-18-05
5/18/84	06	3914	ADVANCED TO 3RD READING BY UNAN CONSENT
5/18/84	07	3914	THIRD READING
5/18/84	08	3915	PASSED BY DIV 22-13-05
5/18/84	09	3915	NOTICE OF RECONSIDERATION GIVEN
5/18/84	10	3915	POSTPONED UNTIL 05/22/84 BY UNAN CONSENT
5/22/84	11	3975	FAILED TO RETN END READING BY DIV 17-22-01
5/23/84	12	3975	PASSED ON RECONSIDERATION BY DIV 23-15-01
***	**	**	*** **

DATE	SEQ	PAGE	LEGISLATIVE ACTION
5/23/84	13	3209	FIRST READING -- COMMITTEE REPORTS
5/01/84	14	3459	MOVED FROM CLC TO RLS BY UNAN CONSENT
5/02/84	15	3500	CLS -- OTHERS
			TAKEN UP IMMEDIATELY
5/02/84	16	3517	SECOND READING
5/02/84	17	3517	ADVANCED TO 3RD READING BY UNAN CONSENT
5/02/84	18	3517	THIRD READING
5/02/84	19	3517	FAILED BY DIV 27-13-02
***	**	**	*** **

SOURCE OF MONEY LOANED  
TOTAL LOANS  
\$25.1 Million  
December 31, 1980



MEMBER CAPITAL  
Amount  
% of Total



-0-  
---

PRIVATE BORROWINGS  
Amount  
% of Total



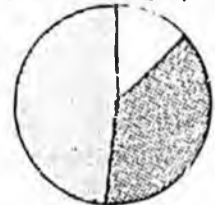
-0-  
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STATE OF ALASKA  
Amount  
% of Total



\$25.1 Million  
100%

SOURCE OF MONEY LOANED  
TOTAL LOANS  
\$64.9 Million  
December 31, 1981

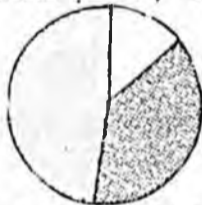


\$8.4 Million  
13%

\$24.7 Million  
38%

\$31.8 Million  
49%

SOURCE OF MONEY LOANED  
TOTAL LOANS  
\$67.3 Million  
January 27, 1982



MEMBER CAPITAL  
Amount  
% of Total



\$ 8.7 Million  
13%

PRIVATE BORROWINGS  
Amount  
% of Total



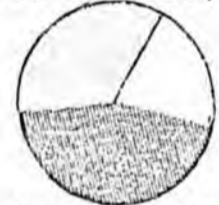
\$26.8 Million  
40%

STATE OF ALASKA  
Amount  
% of Total



\$31.8 Million  
47%

SOURCE OF MONEY LOANED  
TOTAL LOANS  
\$82.0 Million  
December 31, 1982

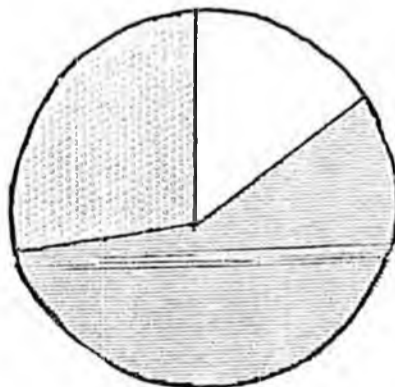


\$12.3 Million  
14%

\$37.9 Million  
46%

\$31.8 Million  
39%

SOURCE OF MONEY LOANED  
TOTAL LOANS  
\$109.9 Million  
December 31, 1983



MEMBER CAPITAL  
Amount  
% of Total



\$15.2 Million  
14%

PRIVATE BORROWINGS  
Amount  
% of Total



\$62.9 Million  
57%

STATE OF ALASKA  
Amount  
% of Total



\$31.8 Million  
29%



HB 721

ON MAY 29TH, THE SENATE LABOR AND COMMERCE COMMITTEE HELD A PUBLIC HEARING TO DISCUSS HB 721 - "AN ACT RELATING TO THE ALASKA COMMERCIAL FISHING AND AGRICULTURE BANK".

THIS LEGISLATION WOULD REQUIRE LEGISLATIVE AUDIT TO CONDUCT AN AUDIT OF C.F.A.B. ANNUALLY AND TO SUBMIT ITS FINDINGS TO THE LEGISLATURE. AS HB 721 ALSO REPEALS THE CONFIDENTIALITY OF RECORDS STATUTE, ALL INFORMATION COMPILED FOR THE AUDIT WOULD BE PUBLICLY DISCLOSED.

ALTHOUGH THE LABOR AND COMMERCE COMMITTEE DISCUSSED THIS LEGISLATION FOR AN HOUR, NO ONE PRESENTED ANY EVIDENCE IN SUPPORT OF THIS LEGISLATION. ALL THE TESTIMONY INDICATED THAT PUBLIC DISCLOSURE OF THE FINANCIAL STATUS OF BORROWERS WAS NOT NECESSARY AND CERTAINLY WAS NOT GOOD PUBLIC POLICY.

I STRONGLY URGE DEFEAT OF THIS LEGISLATION.



ALASKA STATE LEGISLATURE  
HOUSE OF REPRESENTATIVES  
RESEARCH AGENCY

Pouch Y, State Capitol  
Juneau, Alaska 99811  
(907) 465-3991

*6 copies*

October 3, 1983

MEMORANDUM

TO: Representative Ramona Barnes

FROM: David Teal *Teal*  
Legislative Analyst

RE: Alaska Commercial Fishing and Agriculture Bank (CFAB)  
Research Request 83-2244

You asked this agency to report on the status of the "seed money" provided by the State of Alaska to the Commercial Fishing and Agriculture Bank (CFAB). You also asked us to determine the amount of investments which the bank holds outside of Alaska and to describe reporting requirements of the bank. These topics are discussed below. This memorandum also includes a brief history of CFAB. I believe the historical information will clarify the common misconception that CFAB is an agency of the State.

Status of CFAB

According to the attached 1982 annual report, CFAB's purpose is to promote the sustained growth of Alaska agriculture and fishing through the provision of loans and other financial services to resident-owned businesses engaged in harvesting, processing, or marketing. CFAB is a cooperative corporation and lends only to members, who must be residents of Alaska. The bank was incorporated on May 4, 1979. At the time of incorporation, CFAB was a government instrumentality within the Department of Commerce and Economic Development. However, the bank simultaneously had a legal existence independent of and separate from the State.

For the purpose of funding the bank's operations, the State was authorized to purchase non-voting shares (class C stock) issued by the bank. The State--through the Department of Revenue--has invested \$32 million in CFAB's class C stock. This investment is the seed money that is often (erroneously) referred to as a loan to CFAB.

Legislation adopted in 1981 made major changes to the status of the bank. The law removed the provision making CFAB an instrumentality of the State and also revoked the bank's tax-exempt status and revealed the

ability of the bank to issue tax-exempt bonds. In addition, the law expanded reporting requirements so that any information requested by the legislature must be included in the board's annual report to members. The law also authorized the Division of Legislative Audit to access the records of the bank.

#### Status of Seed Money

The State provided start-up funds to CFAB through the purchase of \$2 million of class C stock in 1979. Additional investments of \$30 million were made in 1980. CFAB repurchased \$200,000 of class C stock from the State in 1981, leaving the current balance of the State's investment in the bank at \$31.8 million.

On November 10, 1982, CFAB and the State signed an agreement outlining a stock repurchasing plan. The plan calls for the repurchase of the State's class C stock with capital to be provided by CFAB's members over a 17-year period of future operations. The 17-year period stems from AS 44.81.010(b), which requires that the class C stock be repurchased within 20 years of the date of sale.

Under the repurchase agreement, members of CFAB will contribute capital to the "repurchasing fund" in proportion to the amount they have borrowed from the bank.<sup>1</sup> Each member will contribute one percent of his average outstanding loan balance each year in addition to the higher mandated purchases of class B stock described in the footnote below. Money flowing into the "repurchasing fund" will not be used to repurchase any class C stock until the year 2000. CFAB will retain the money to earn interest until the end of the 20-year repurchase period allowed by law. The money will eventually be used to repurchase class C stock from the State at its par value of \$31.8 million.<sup>2</sup>

---

<sup>1</sup>Members have contributed capital to the bank since its inception. In effect, to obtain a \$100 loan, a member borrowed \$109.09; \$9.09 of which remained with CFAB as class B stock. As the loan was repaid, CFAB bought back the class B stock from the member. The agreement with the State calls for members to contribute additional capital to CFAB through higher mandated stock purchases in conjunction with loans. Beginning this year, CFAB raised the mandatory investment in class B stock from 9.09 percent to 10 percent of each member's loan balance.

<sup>2</sup>If the State had loaned \$32 million to CFAB in 1980 at a compound annual interest rate of five percent with payment of principal and interest deferred for 20 years, the repayment in the year 2000 would be about \$85 million.

Representative Barnes  
October 4, 1983  
Page 3

The repurchase agreement notes that the repurchasing pool reaches only about \$20 million under most assumptions of future activity, but claims that under "more select and rigidly managed conditions, the Plan can be judged adequate to generate \$31.8 million (i.e., the total par value of the 3,180 shares of Class C Stock currently held by the State)." The agreement also notes that CFAB can borrow to make up any shortage if the fund is insufficient to allow full repurchase of class C stock.

#### Investments Outside Alaska

The balance sheet on page 8 of the attached 1982 annual report shows investments of \$2.4 million, all held in the Spokane Bank for Cooperatives (SBC). Footnote 7 (page 15 of the report) explains this investment. In order to finance lending activity, CFAB established a line of credit with the SRC. The terms of that agreement require CFAB to invest in SBC's class C stock in an amount equal to at least 5 percent of the cumulative average loan balance maintained with SBC. The \$2.4 million investment held in the SBC reflects this requirement. The maximum amount due SBC during 1982 was \$73.3 million and the balance due on December 31, 1982 was \$50.6 million. The \$2.4 million invested in the SBC was less than 2.5 percent of total assets of CFAB at the end of 1982.

The balance sheet also shows that \$81.9 million of CFAB's total assets of \$98 million are in the form of loans to members of the cooperative. As noted earlier in this memorandum, only Alaska residents are eligible for membership in the bank. According to CFAB president Forest Paulson, the bank pays very close attention to the residency issue in an attempt to ensure that loans are made only to Alaskans for Alaska business ventures.

Cash and reserve accounts of the bank were nearly \$11 million at the end of 1982. Mr. Paulson said that reserves are generally held as certificates of deposit (CD's) at major banks. He said that Alaska banks are contacted periodically to determine their interest in obtaining the deposits. Although Alaska Pacific Bank has held some of CFAB's reserves in the past, reserves are currently split between Barclays Bank and First Interstate, both of which have headquarters in California. According to Mr. Paulson, those banks offered a better rate of return on the deposits than was offered by Alaska banks.

#### Reporting Requirements

AS 37.05.037 and AS 44.81.200 deal with reporting requirements. The former statutory reference requires each state agency which makes or

Representative Barnes  
October 4, 1983  
Page 4

purchases loans to prepare a report to the legislature each year. Since CFAB is no longer a state agency, this statute no longer applies. AS 44.81.200 deals specifically with CFAB. The statute requires that the board of directors of CFAB publish an annual report to the bank's members. The report must include:

- financial statements audited by independent outside auditors;
- a statement of the bank's investments;
- a description of the bank's loan activity during the period covered by the report;
- an analysis of economic and other effects of loan decisions on the state's commercial fishing and agriculture industries;
- any other information that the board believes would be of interest to the governor, the legislature and the public; and
- any information that the legislature requests the board to include.

The last of these reporting requirements was added in 1981. All provisions of Chapter 44.81 lapse upon the repurchase of all the class C stock purchased by agencies of the State.

The stock repurchase agreement of November 10 contains an additional reporting requirement. The agreement states that CFAB will provide the Commissioner of Revenue with annual reports which will contain information sufficient to assure the State that the plan to repurchase class C stock is succeeding.

\* \* \*

I hope you find this information useful and informative. If you have additional questions on this subject or if we can be of further assistance on another subject, please contact the agency.

DT

Attachments

1982 annual report of CFAB  
Repurchase Agreement

**Sec. 44.81.220. Transition.** Notwithstanding the provisions of AS 10.15.005, upon the repurchase of all the nonvoting, preferred shares initially issued by the bank and purchased by agencies of the state, the provisions of AS 44.81.010 — 44.81.350 lapse and the bank may proceed to operate solely as a private cooperative corporation under the terms of its bylaws and the provisions of AS 10.15.010 — 10.15.600. (§ 3 ch 159 SLA 1978; am § 7 ch 109 SLA 1981)

**Effect of amendments.** — The 1981 amendment substituted "notwithstanding the provisions of AS 10.15.005, upon" for "upon" near the beginning of the section, added "solely" preceding "as a private cooperative corporation," deleted "subject to" preceding "the provisions" and substituted "AS 10.15.010 — 10.15.600" for "AS 10.15.005 — 10.15.600" at the end of the section.

**Sec. 44.81.250. Deficiencies and transfer of entry permits after foreclosure.**

**Cross references.** — As to the security for loans after such permits are reassigned of entry permits taken as revoked see AS 16.43.355(i).

**Sec. 44.81.260. Confidentiality of records; exceptions.** (a) Except as provided in (b) of this section, the directors, officers, and employees of the bank shall hold in strict confidence all information regarding the business records of the bank, including information as to the character, credit standing, and property of members and applicants for loans. They shall not exhibit or quote from the bank's business records, including documents regarding personnel of the bank or pertaining to members or applicants for loans.

(b) The requirements of (a) of this section are subject to the following exceptions:

(1) The legislative audit division has access to the records of the bank to perform an audit authorized under AS 44.81.270.

(2) The board of directors or the president of the bank shall supply statistical and other impersonal information pertaining to members, applicants, and loans in response to requests from the legislature or a state agency or members of the federal farm credit system and may provide similar information upon request to a responsible private organization.

(3) Information concerning members may be given for the confidential use of a member of the federal farm credit system or other financial institution in contemplation of the extension of credit or the collection of loans.

(4) Impersonal information based solely on transactions or experience with a member, such as amounts of loans, terms, and payment records may be given by the bank for the confidential use of a reliable organization in contemplation of the extension of credit.

(5) Credit information concerning a member may be given when the member consents to it in writing.

(6) In litigation between a member (or his successor in interest) and the bank, any competent evidence may be introduced with respect to relevant statements made orally or in writing by or to the member or his successor. (§ 8 ch 109 SLA 1981)

**Sec. 44.81.270. Audit of bank.** The legislative auditor may cause the bank to be audited in the manner and under the conditions prescribed by AS 24.20.271 for audits performed by the legislative audit division. The legislative audit division has free access to all books and papers of the bank that relate to its business and books and papers kept by a director, officer, or employee relating to or upon which a record of its business is kept, and may summon witnesses and administer oaths or affirmations in the examination of the directors, officers, or employees of the bank or any other person in relation to its affairs, transactions, and conditions, and may require and compel the production of records, books, papers, contracts, or other documents by court order if not voluntarily produced. (§ 8 ch 109 SLA 1981)

**Sec. 44.81.280. Prohibition on disclosure.** The legislative auditor and his employees may not disclose information acquired by them in the course of an audit of the bank concerning the particulars of the business or affairs of a borrower of the bank or another person, unless the information is required to be disclosed by law or under a court order. (§ 8 ch 109 SLA 1981)

## Chapter 83. Alaska Power Authority.

### Article

1. Creation and Organization (§§ 44.83.030 — 44.83.045)
2. Purpose and Powers (§§ 44.83.070 — 44.83.092)
3. Financial Provisions (§§ 44.83.105 — 44.83.120)
4. Power Production Cost Assistance (§§ 44.83.162 — 44.83.164)
6. General Provisions (§§ 44.83.177, 44.83.179, 44.83.181 — 44.83.187, 44.83.192, 44.83.195, 44.83.230)
8. Rural Electrification Revolving Loan Fund (§§ 44.83.361, 44.83.363)
9. Energy Program for Alaska (§§ 44.83.380 — 44.83.425)

### Article 1. Creation and Organization.

Section	Section
30. Membership of the authority	45. Qualifications, powers, and duties of officers and directors
40. Officers; meetings; quorum	

**Sec. 44.83.030. Membership of the authority.** The authority shall consist of the following directors:

(1) three public directors to be appointed by the governor and confirmed by the legislature; only one director may be appointed from each judicial district described in AS 22.10.010;