

HB

102

# STATE OF ALASKA

## DEPARTMENT OF REVENUE

OFFICE OF THE COMMISSIONER

AB102 APR 19 1985  
BILL SHEFFIELD, GOVERNOR

POUCH 5  
JUNEAU, ALASKA 99811  
PHONE: (907) 465-2300

April 18, 1985

The Honorable Arliss Sturgulewski  
Chairman, Committee on Resources  
Pouch V  
Juneau, AK 99811

Dear Senator Sturgulewski:

This letter is in response to your recent communication respecting the relationship between the Alaska Resources Corporation (ARC) and Salamatof Seafoods, Inc. (SSI). Your inquiry was prompted by Mr. Paul Seaton, an Anchor Point fisherman and shareholder in SSI, who has objected to what he asserts is an "unfair subsidy" and a "give away" to SSI.

Mr. Seaton fairly accurately reports the terms of a proposal of ARC staff to divest itself of SSI shares and to restructure the latter's debt. The basic elements of the restructuring proposal by ARC staff are as follows:

1. ARC and SSI convert an existing \$3,065,000 note due ARC to a new debt instrument with no annual payments through 1988.
2. SSI is required to apply all funds available above start-up needs (which shall not exceed \$150,000) to prepayment of existing notes to Alaska Pacific Bank.
3. SSI shall remain current on all term debt during the period.
4. In 1989, SSI will retire the ARC note in its entirety through refinancing.
5. The amount required to retire the ARC note shall be the greater of: 1) \$1,900,000 or 2) 50% of the then-current fair market value appraisal of the leasehold interest and the plant and equipment ARC holds as collateral.
6. During 1985, SSI will leave Chapter 11 protection and will pay ARC \$50,000 cash for all the shares ARC now holds in the corporation.

On October 10, 1984 the ARC board of directors authorized its staff to proceed with negotiations, "understanding that the board retains final authority to approve the final agreement." An agreement incorporating most of the terms above will be presented to the board at its May 1985 meeting. While I cannot predict the board's ultimate disposition regarding this matter, I do not believe that such an agreement exceeds the authority of the board or that it is an "unfair subsidy."

The Alaska Resource Corporation (formerly the Alaska Renewable Resources Corporation) has had a troublesome history. Created by Chapter 179, SLA 1978, it was established to:

1. Facilitate the rehabilitation, enhancement and development of the State's renewable resources to strengthen the self-sustaining sectors of the State economy.
2. Sponsor research and development of technologies and innovations for the rehabilitation and enhancement of the State's renewable resources to achieve an appropriate use of the resources.
3. Identify new products, markets and technologies for renewable resource industries in the State which will constitute an appropriate use of the resources; stimulate the research and development of these products, markets and technologies; assist in the demonstration of their technical and economic feasibility; and assist in their introduction into commercial markets.

(AS 37.12.015)

ARRC, armed with its purposes and hefty appropriations from the legislature, invested in many enterprises, most of which have proven to be unsuccessful. After attempts to improve its track record, the 1984 Legislature directed the corporation to wind-up its affairs by July 1, 1989. Ch. 161, SLA 1984. In particular, the corporation was directed to divest itself of all equity investments and all other remaining assets, with the exception of the outstanding loan portfolio, by July 1, 1989. § 18 Ch. 161, SLA 1984 (codified as AS 37.12.075).

This brings us to Salamatof Seafoods, Inc. (SSI). ARC has been involved with SSI since 1980. Its early dealings are thoroughly detailed in a 1981 review conducted by the Division of Legislative Audit (audit control no. 04-101-1045-5). An internal memorandum of our corporation staff summarizes the connection.

In June of 1980, the ARC Trustees saw fit to advance \$2,000,000 to [SSI] to assist it in refinancing its business. This note was to be repaid monthly at \$100,000 principal plus accrued interest per annum over a 9-year period, with the principal balance of approximately \$1,100,000 due at the end of the ninth year. A "forgiveness" of \$700,000 of this principal amount was provided in exchange for 49% of the company's shares, to be exercised at the 1989 maturity date.

With this refinancing in hand, the company attempted to expand even further, setting up buying stations in other areas of the State. This resulted in payroll costs of nearly \$1.6 million and transportation/tendering obligations of almost \$1.7 million, along with interest obligations of nearly \$540,000. Funds borrowed to expand the plant facility were used as working capital, payables outstripped receivables at a breathtaking rate, and a loss of \$2.7 million was incurred.

In late 1980, ARC moved against the company's assets and took control of all equity and assets of the company. ARC replaced all management and was the primary player in the resulting Chapter 11 Plan of Reorganization. At the end of 1981, a Plan of Reorganization was authored by ARC, which created the present debt-equity structure. In effect, all unsecured debt was converted to equity at the theoretical rate of 50 cents on the dollar, resulting in 62% common equity being held by several hundred fishermen, suppliers, and service providers. ARC's secured debt of \$2.277 million was converted to a term note, and ARC's \$479,000 of accrued interest was converted to common shares at the rate of 100 cents on the dollar. Debt in the amount of \$570,000 due Alaska Pacific Bank (APB) and NBA was purchased by ARC, with ARC converting the associated accrued interest to shares at the same rate. Thus, under the Reorganization Plan, ARC held \$3.065 million in debt and 38% of SSI's common equity. Two notes in the aggregate principal amount of \$1,000,000, issued by APB in 1979, remained in effect, with a first collateral position on SSI's plant and equipment assets held by the bank. Other debt, in the approximate amount of \$990,000, was restructured by the companies and government agencies holding it, according to estimates of Salamatof's future ability to pay.

During 1982 and 1983 SSI fully complied with the reorganization plan. In 1984 it was unable to meet the long-term debt repayment schedule, though it did show a healthy operating profit. It was in this context that SSI requested that ARC restructure its present loan and sale of ARC's equity position back to SSI.

There are obvious advantages and disadvantages to the current plan. ARC could refuse to restructure and force SSI into liquidation, with the risk that it would get little return on its investment. That risk is also present if we opt for some variant of the proposed restructuring. In either case, the ARC board's primary concern is not whether SSI is being subsidized (though the characterization is no less accurate than it would be for any other creditor who is prepared to forego certain present benefits and assume the risk of future benefits). Instead, when the board

The Honorable Arliss Sturgulewski  
March 18, 1985  
Page 4

meets in May its purpose will be to evaluate a plan or plans that will ensure the best return on equity that ARC can reasonably hope to achieve in light of its mandate to wind up its affairs by July 1, 1989.

I hope this lengthy missive has provided an adequate context within which to evaluate our actions. Please do not hesitate to contact me if you have any further questions or concerns.

Sincerely,



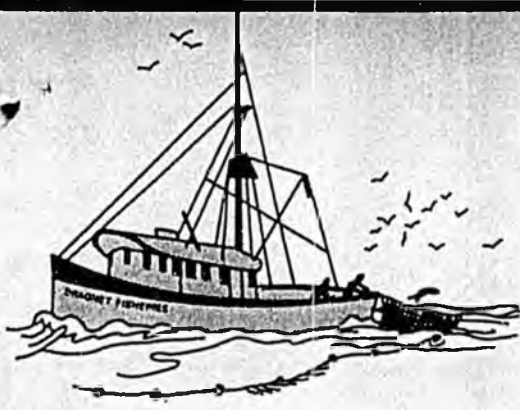
Bruce M. Botelho  
Deputy Commissioner, Taxation

BMB:bv  
85-82

# Dragnet Fisheries

FISHING, PROCESSING, COLD STORAGE & SHIPPING  
FRESH AND FROZEN

APR 19 1985



KENAI PLANT - SUMMER SALES  
P.O. BOX 3892  
KENAI, ALASKA 99611  
TELEPHONE # (907) 283-4059  
TELEX 26-440

NAKNEK-KING SALMON PLANT  
GENERAL DELIVERY  
KING SALMON, ALASKA 99613  
TELEPHONE # (907) 246-3364

CORPORATE OFFICE - FALL/WINTER SALES  
1833 POST ROAD  
ANCHORAGE, ALASKA 99501  
TELEPHONE # (907) 274-1551  
TELEX 26-428

DILLINGHAM-WOOD RIVER PLANT  
GENERAL DELIVERY  
DILLINGHAM, ALASKA 99576  
TELEPHONE # (907) 842-2242  
(907) 842-1041

HB102

April 16, 1985

Senator Arlis Sturgulewski  
Pouch V  
Juneau, Ak. 99811

It has come to the attention of Dragnet Fisheries that Salamantoff Seafoods Inc. is currently seeking a loan modification agreement with the Dept. of Revenue to their existing 3 million dollar loan. We are concerned with the impact and ramifications that passage of House Bill No. 102 will ultimately have on the local privately financed competing companies.

Dragnet Fisheries Co., Inc. located in Kenai, Ak. has been in operation since 1978. It is an independently owned and operated enterprise which relies upon conventional financing. Ours and other Cook Inlet processors' economic security is based upon being able to compete on even grounds within the industry. We feel that State funding of Salamantoff Seafoods both disrupts fair competition and is a poor use of the State of Alaska's money.

Salamantoff Seafoods has been given 1.2 million dollars free and clear with an additional 1.9 million dollar interest free loan by the Alaska Resource Corporation. According to the Proposal to Divest Shares and Restructure Shares written by LeResch and Co. in Juneau, Salamantoff's ability to repay this loan lies in their securing a greater market share of forth coming salmon stocks providing record Cook Inlet runs are established as in 1982 and 1983. The chances of record salmon runs equalling 1982 and 1983 are historically improbable due to the cyclic nature of the industry.

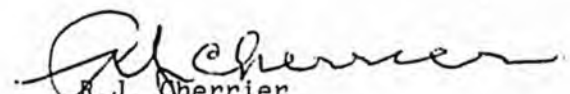
To our understanding originally the loan was based upon the idea that keeping Salamantoff Seafoods solvent was to the benefit of the local community and industry. Using interest free State acquired financing to obtain a greater market share puts Salamantoff Seafoods at an unfair advantage which will ultimately force other area processors into bankruptcy. Cook Inlet simply cannot sustain all facilities.

The financial soundness of Salamantoff Seafoods comes into question also. With all local operations feeling the impact of poor market conditions, high overhead and intense competition a close look into how Salamantoff has been dealing with these problems is needed. Should the State continue supporting an enterprise which wishes to postpone payments of an interest free loan and yet finds it possible to give out escalating salaries and bonuses to it's management? Upon examination of the 1984 balance sheet administrative expenses were up 20 percent. This administrative expense was 30 percent greater than the amount by which long term debt was decreased. All management personal were given significant raises for the 1985 year. According to the Loan Modification Agreement the general manager will be paid a \$73,000.00 salary plus a \$6,000.00 cost of living allowance. Is this a justifiable sum for a company whos production capacity is limited to such a short season? Is this structure to the benefit of the community, the industry, or a few select individuals?

Our concern focuses on what is best for the individuals and enterprises of the region in the long run. At a time in which decreasing oil revenues are causing lawmakers to think about phasing out state-subsidized loans by raising interest rates in various programs, we do not feel the loan agreement between Salamantoff and the Dept. of Revenue benefits the people of Alaska. Nor do we feel any beneficial effects will result for the Cook Inlet fishing industry which has more buyers than production warrents.

We would appreciate further investigation into House Bill No. 102. Your efforts are greatly appreciated.

Sincerely,

  
R.J. Cherrier  
President  
Dragnet Fisheries Co., Inc.

MAR 25 1985

Arliss Sturgulewski, Chairman  
Senate Committee on Resources

March 19, 1985

Dear Senator,

Re: ARC-Salamatof Seafoods subsidy

Thank you for your consideration of my letter. I believe that a bill is currently in the Senate which is meant to accomplish the transfer of funds to Salamatof Seafoods, Inc. from ARC. It is HB-102 and I am not sure where it is in the Senate. From the context of a letter from Rep. Peter Goll, I do not believe that the House anticipated the scope or extent to which ARC intends to use this innocuous sounding bill. I have this day sent a response to the Dept of Revenue to a very misleading letter written by Mr. Scott for Salamatof Seafoods which I recently received from the Commissioner of Revenue. I have inclosed a copy of my letter because of the time delay which you might experience if you are to receive this through that Dept. although you have probably already received the Scott letter.

Again Thank You for your investigation into this matter and any appropriate action that you may be able to take.

Sincerely,



Paul K. Seaton  
SRBox 1253  
Anchor Point, Ak  
99556  
(907)235-6342

Mary A. Nordale  
Commissioner of Revenue and  
Director ARC

March 19, 1985

Dear Commissioner,

Thank you for your response to my letter and the response of Salamatof Seafoods Inc.(SSI). I feel obligated to respond to Mr. Scott's letter since it contains many misleading statements but more especially since it appears to be an attack on me personally and attempts to disparage my Tendering operation and questions the ability of the F/V Georgia Straits to function in a quality Salmon operation. This has not been the experience of Fishermens Packing Co. for whom we now tender with basically the same operation as with SSI. In the interest of fairness and equity I ask that you distribute this answer to anyone to whom you gave Mr. Scott's letter.

I will not comment on every point made by Mr. Scott but must say that his letter missed the **point** of my letter which was that the State should not proceed with such a plan as proposed unless there is a clear public necessity. No such need has been established, and there is a strong probability of damage to the fishing industry in Cook Inlet.

#### Stock Valuation Issue

Mr. Scott states that " the value (\$5/share) is not inflated " and that "the stock may be offered to the company for repurchase". I will do so concurrent with this letter. He also states that we may sell our shares and that what we receive will determine our gain or loss. The Loan Modification Agreement(LMA) page 12 sec.(k) says ..."shareholders may not sell or otherwise dispose of their shares prior to June,1 1990". If at that time we take the same tax loss available now we would have lost 5 years use of the money and the amount would be reduced by another 5 years of inflation.

#### Japanese Contract

Salamatof's contract with the Japanese may have "emphasized a conservative approach designed to reduce risk" which is fine, but now we are at a position of granting a State "subsidy" because this approach has not worked as projected or the projections were unrealistic. Some people object to calling the LMA a subsidy to SSI. In one sense they are correct as it should be considered a subsidy of the Japanese fish company which purchases and process their fish through SSI and it is that Japanese company to which material benefit accrues. However as I am sure the Commissioner of Commerce can relate, the Federal Trade Commission has recently ruled that like expenditures by foreign countries are subsidies and it will impose trade sanctions against Canada for their subsidy and

"dumping" of cod on American markets. Though Mr. Scott acknowledges that fishermen are not paid the higher prices in many cases, he misleads you into thinking that it is only the cash buyers with whom SSI is not competing. Large processors such as Royal Pacific, Fisherman's Packing, and Dragnet Fisheries provide all the services but are excluded from the price competition structure agreement with the Japanese.

#### 1984 Salmon Season

Mr. Scott offers no substantiation for his statement "that 1984 was the 5th best season since 1954 ... is a very narrow interpretation of the statistics." I would agree if I had used total run figures, as closures could have allowed a greater proportion of escapement than normal, but I used actual catch figures. How could this be "a narrow interpretation"? In fact SSI had a greater percentage than "normal" of the Inlet total since its fleet was one of the few fishing and took about 250,000 lbs before the others started fishing.

Mr. Scott states that SSI is very efficient and implies that the other processors are not. He then gives you statistics about the wages paid and seems to imply that that money would not be paid if other processors processed this same product. Of course if they are less efficient, more money would be paid by the other processors handling this same product. The same is true for the amount of money paid to fishermen for their product, as he admitted earlier.

I am rather surprised that Mr. Scott would say that this is "an eleventh hour attack". It may seem like the eleventh hour to Mr. Scott, but to all the stockholders and residents of Alaska it is the first minute. There has been no public comment period or even a news release that this restructuring which involves large expenditures (write-offs) of State funds was being considered. Indeed Mr. Scott was correct that I was "uninformed" but if you will check with Marty Lentz he will tell you that I attempted at the annual shareholders meeting to get information. Mr. Scott would give us very little. In fact, even the board of directors of SSI have not been provided either the LeResche study or the draft LMA.

Mr. Scott states that he does "not agree (with me) that one or more plants will have to close before the remaining plants will be" financially healthy. Apparently he does not agree with one of the major tenets of the LeResche Study that acknowledges SSI must increase its market share of Cook Inlet production. Page 15 says that for this plan to work;

...a combination of 1) at least two Salmon runs approximating those of 1982 and 1983, 2) an increase of the share of the Cook Inlet runs SSI is able to secure for

processing, and 3) an improvement in the operating margins either through increased efficiencies or enhanced per-pound revenues from custom processing."

Since Mr. Scott has already stated how efficient he has made SSI and the LMA requires the same Japanese contract, this only leaves #1 and #2.

Number 1) requires at least two of the next four years be historic high salmon runs [see original letter table or page 10 LeResche study]. Please check with ADFG or any fisherman on the probability of this occurrence. Fishermen and farmers are notorious optimists but nobody I know would put fifty cents on that bet!

Number 2) requires that the fish come from some other Cook Inlet processor. On page 16 the study states "...if any other processors in the area experience problems (some have been) this proportion could be expected to increase, at least modestly." Thus only if SSI can be "carried" and "forgiven" long enough and continue to keep this product away from the privately owned processors so that they continue to "experience problems" and go bankrupt, then maybe SSI will get enough market share to let this plan work.

#### Tenders, West Side Fishermen and Salmon Quality

Mr. Scott's retrospective argument as to his reasons for not using the tender Georgia Straits(GS) and West Side set net fish based on their quality makes a provocative proposition, but it simply does not fit the facts as they occurred. Mr. Scott apparently did not recall that SSI attempted to hire the former captain of the Georgia Straits to run a tender to compete with the Georgia Straits for the same fish from the same area for the next season. He also apparently does not recall that he had SSI contact numerous fishermen on the West Side 'o try to get them to stay with SSI instead of going with the Georgia Straits to another processor. The names, addresses and phone numbers of that captain and some of the fishermen are included on the back page if you wish to contact them to verify this. Mr. Scott did manage to convince one fisherman's group to stay with SSI and it is ironic that this was the fisherman with whom we had consistently had the largest problem in the maintenance of good quality.

Mr. Scott alleges that the Georgia Straits was responsible for poor quality of fish and submits an entire packet labeled Exhibit #1 in an apparent attempt to support his claim. He obviously either did not read the exhibits or counted on you being too busy to read them and simply accept that they supported his proposition. Please do look at Exhibit #1 and I thank him for making them available to you since I do not have access

to such resource material. I quote some relevant passages:

(p1-7/20/80) "good for the amount of ice available";  
 (p3-7/8) "Butchering errors [at SSI] still the leading cause of downgrade"; (p6-7/5) "Tender had little ice";  
 (p7-7/22) "Insufficient ice of poor quality provided to tender (many days of fish, hot & sunny, no ice except as it is being made and it seems to melt fairly quickly)"; (p2 of QC report of 7/9/80) "With an adequate supply of ice...the tender is faced with only one major problem in getting top quality fish to the plant and that is a problem of timing." "The major problems with this are 1. Shortage of ice at the plant....";

As you can see from these Exhibits the major problem in 1980 before we were champagne refrigerated was the plants lack of ice availability. If you fully read the quality control report of 7/9/80 you will have a fair representation of Georgia Straits' operation although some unusual problems did occur on that trip. It should be noted that during all years SSI was contractually obligated to supply the ice.

Almost the entire remaining documents deal with a single trip (although two dates appear on the documents 7/17 and 7/18/82, you can see the figures are the same). This is the load of fish that: was rejected by the Japanese; most dumped; insurance claimed with the GS tender fee listed as a cost; a settlement proposed by Mr. Scott to the insurance company included the tender fee but reduced SSI lost revenue claim by 1/2; the insurance company paid on that settlement invoice; Mr. Scott decided to keep the tender fee as additional "lost profit"; our lawsuit for recovery of those fees proceeded. SSI countersued for the cost of the fish, sue labor, and all associated expenses although they had already recovered these from the insurance company. Unfortunately the presiding judge had, early on, ruled on a case of controlling law which put the GS in the same category as a common carrier such as SEA-LAND. This obviously was inappropriate and would have been overturned on appeal. Since my claim was relatively small, the chances of any real recovery after one subtracted the large attorney fees applicable to appeals and retrial was negligible. Therefore, I dropped my claim since the purpose of my suit was only to recover the money I had lost, and to that point in time I had relatively little invested since my legal fees were on a contingency basis. Mr. Scott omitted in his letter that SSI also dropped their large claims concurrently, even though they had already expended over \$30,000 to keep from paying the Georgia Straits it's \$20,000 claim. I would have voiced my concerns on this matter earlier if it had not been for my lawyer's

request not to muddy the question in my lawsuit before the court. I would have taken this same position regardless of the outcome of that legal action. All of this is superfluous and irrelevant to the basic question of whether SSI should receive what will amount to a State Subsidy, but I found it necessary since Mr. Scott continually attacked my motives in questioning the State's position and since he has attempted to impugn the reputation of the quality of the tender service that I provide to the West Side of Cook Inlet.

The only other document in Exhibit \*1 is a telex from SSI's proposed 1985 Japanese fish buyer that was obviously solicited in Feb 1985 in an attempt to disparage my tendering operation. One must question the motives of this company in commenting at this time on the 1981 season since if the State "subsidy" does not occur, Mayco Fisheries would have to competitively bid for Cook Inlet frozen salmon from the privately financed processors.

#### Balance Sheet Analysis

A study of the LMA shows the administrative cost increase problem to be worse than originally stated. Mr. Scott seem to dismiss the importance of "25% of all profits will be paid to employees as salaries and bonuses" because it is "old news". Since the draft LMA does address bonuses by name but does not set out a different plan, tacit approval of the current 25% program of the original bankruptcy plan must be assumed. My concern was not that additional administrative expenses "have resulted" but rather will result under the proposed plan, and that the board of directors hands may be tied since the plan is filed with the court. Mr. Scott's current request to have "profit" defined indicates that management intends to have some such provision apply even during this financial crisis.

The LMA compounds the problem by now incorporating an automatic COLA salary increase. It is quite unusual for COLA adjustments to be built into top level management salaries in this industry. The sentence on page 10 is quite confusing but if "annual salary reimbursement of expenses" means amount of salary, this 20% could mean that the automatic salary increase could be up to \$20,000. ( 20% of 73,000 +6,000 +benefits+ stock ownership plan). If that means exclusive of salary it could still be an automatic increase of up to say \$5,000 per year. I am guessing on the cost of the benefits outlined and may be high or low. Since I have not yet received a copy of appendix I, employees stock ownership plan, I can only assume that it is quite generous since other provisions( such as paying a \$6,000 living allowance for the general manager to live in his own home less than three miles from the plant) are quite generous as well.

I must point out that Mr. Scott has changed the accounting period to attempt to make his points. The stockholders balance sheets always cover September 1 through August (end of season through end of next season), and are thus available and comparable by us, while we have not recieved his quarterly accounting period breakdown. This changes the accounting periods when "all-expense paid vacations" enter the books so they aren't reflected in his 1984. [Still, it would be interesting to know who sponsored the 1984 "four day conference in Hawaii" and what subject would be revelent to the attendence of a president/general manager, a comptroller, a secretary/bookkeeper, and a maintainance man. Does he mean by using the term "allowed to attend" that their expenses were not paid?]

Mr. Scott's entire rebuttal on the Administrative Cost Increase in 1984 verses 1983 (p 8) appears to be hogwash based on his own submitted exhibit #2. Ignoring the stockholders balance sheet on which he claims there was a mistake, please look at his exhibit #2. You will see that he has used a 1983 schedule that goes through the end of September and a 1984 schedule that goes through the end of August. This means that the in text figures are of course bogus. This is clearly seen in the YTD salary catagory, or is it the case that in comparable periods in 1984 SSI paid out \$ ~~59,112~~ less than 1983? If there is indeed also a mistake here, it must either lower the 1983 figure or raise the 1984 figure by the appropriate amount and thus his in text arguement is reversed. ( His comparison of combined administrative and maintainance expenses is irrelevant as a comparer of administrative costs anyway.)

Although there are numerous other points which should be raised in any comprehensive analysis, I believe this is enough to lead back to the basic question of my original letter. Is it a legitimate pursuit for the state to selectively subsidize one company by a plan which acknowledges for any hope of its success the necessity of having other local, privately owned, competing companies go out of business?

Dean Shade, Ex-Captain GS  
529 S.E. Grand Ave.  
Portland Oregon 97214  
(503) 230-1859  
Larry Rozak, fisherman  
3800 S. Decatur, Sp.288  
Las Vegas, Nevada 89103  
(702) 367-0309  
Eric Beeman, fisherman  
(907) 235-6901

Sincerely,



Paul K. Seaton  
SRBox 1253  
Anchor Point, Alaska 99556  
(907) 235-6342



North Pacific Fisheries Association, Inc.

MAR 2 1985

HEADQUARTERS:

BOX 796 • HOMER ALASKA 99603

MAR 19 1985

RESOLUTION 85-1

A RESOLUTION OF NORTH PACIFIC FISHERIES ASSOCIATION  
REQUESTING CESSATION OF ALL SUBSIDIES TO SALAMATOF SEAFOODS,  
AND REQUIRING THAT ALL PAST AND CURRENT PAYMENTS BE MADE  
IMMEDIATELY TO THE STATE OF ALASKA.

WHEREAS, the State of Alaska is subsidizing the operation of a private company by contributing a large amount of money (\$1,875,000.00) through the forgiveness of interest due on the ARC loans to Salamatof Seafoods, Inc. and;

WHEREAS, the State of Alaska is giving a large amount of money (\$770,000.00) through equity transfer of stock to the same private company, and;

WHEREAS, the freezer processing capacity within Cook Inlet far exceeds the available salmon resource, and;

WHEREAS, Salamatof Seafoods is structured in such a manner that it does not add to the ex-vessel price competition for fish within the Inlet, and;

WHEREAS, Salamatof Seafoods' position with the Japanese actually reduces the wholesale competitive demand for Cook Inlet frozen salmon, and;

WHEREAS, the public interest is no longer served by this subsidy, and;

WHEREAS, similar subsidies are not available to any other local, privately financed processors, and;

WHEREAS the diversion of salmon to the subsidized company may lead to the bankruptcy of some of the privately financed processors;

NOW THEREFORE, THE NORTH PACIFIC FISHERIES ASSOCIATION REQUESTS THAT the Governor and the legislature of the State of Alaska cease all subsidies to Salamatof Seafoods and require all past and current due payments be made immediately, and, failing to receive the payment of those accounts, declare Salamatof Seafoods in default, and liquidate the assets of Salamatof Seafoods, Inc. as soon as legally possible, including in the liquidation whatever stipulations are possible to remove the facility from use as a frozen salmon processing plant.

DATED AT HOMER, ALASKA this 25th day of February, 1985.

NORTH PACIFIC FISHERIES ASSOCIATION

KEN CASTNER, President

ATTEST:

\*\*\*\*\*  
\*  
\* DELIVER TO: JPOM \*  
\*  
\* ORIGINAL \*  
\* SENT: 03/21/85 TIME: 11:36 \*  
\* FROM: TCHOM \*  
\* SUBJECT: POM \*  
\* PRINT DATE: 03/21/85 TIME: 11:37 \*  
\*  
\*\*\*\*\*

TO: ALL SENATORS

FROM: KEN JONES, BOX 1044, HOMER, AK. 99603 235-6417

SUBJECT: SALAMATOF SEAFOODS

HOUSE BILL 102 IS POOR BUSINESS, UNJUSTIFYABLE EXPENSIVE TO THE STATE AND UNFAIR TO THE MAJORITY OF INDEPENDENT COOK INLET FISHERMEN. IF YOU STUDY SALAMATOF SEAFOODS' OWN DATA, ANY CONFIDENCE YOU HAVE IN THEM WILL DISOLVE. I RECOMMEND VOTING AGAINST HB 102.

TO: ALL SENATORS  
ALL REPRESENTATIVES

FROM: PAUL K. SEATON, SR POX 1253, ANCHOR POINT, AK 99556  
235-6342

SUBJECT: ARC AND SALAMATOF SEAFOODS

HB-102 (13-15) WILL BE USED TO PRIVATELY SELL STOCK ACQUIRED FOR \$810,052 FOR \$50,000 AND (16-17) TO PRIVATELY "GIVE AWAY" \$1,122,422 OF ARC'S \$3,022,442 OUTSTANDING LOAN TO SALAMATOF SEAFOODS. THIS GOES BEYOND THE HOUSE'S INTENT. PLEASE ALSO CLARIFY LINE 14 TO INDICATE PUBLIC WELFARE NOT JUST POSSIBLE FINANCIAL RETURN.

EOM\*\*\*\*\*

\*\*\*\*\*

TO: ALL SENATORS  
ALL REPRESENTATIVES

FROM: HARRY FORQUER, HC 41545 DEWBERRY PLACE, HOMER, AK. 99603  
235-8317

SUBJECT: SALAMATOF SEAFOODS

IT HAS COME TO MY ATTENTION OVER THE PAST YEAR THAT THE STATE IS DOING A LOT TO FINANCIALLY SUBSIDIZE SALAMATOF SEAFOODS. I FEEL THIS GIVES SALAMATOF UNFAIR ADVANTAGE OVER PRIVATE PROCESSORS. I WOULD LIKE TO SEE YOU CUT THEIR SUPPORT AND LET THEM MAKE IT ON THEIR OWN MERIT.

EOM\*\*\*\*\*