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ALASKA INDUSTRIAL DEVELOPMENT
AND EXPORT AUTHORITY

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February 5, 1993

Nina

The Honorable Senator Johnny Ellis
Alaska State Legislature
State Capitol
Juneau, AK 99811

Dear Senator Ellis:

I recently reviewed a copy of SB 16 that you introduced, "An Act relating to the financing authority of the Alaska Industrial Development and Export Authority and giving approval of the issuance of bonds for an Anchorage airport seafood facility; and providing for an effective date." and thought it appropriate to provide you with background material regarding the project.

Late in the 1992 regular session last year, legislation was introduced calling for the Authority's involvement in the Alaska Seafood Center Project (ASC). At that time the project sponsor represented that its financing plan and market contract commitments were nearing completion, and without the Authority's ability to participate in the cold storage component of the project, the project would not be able to maintain its schedule for a 1992 design and construction start.

Based on these representations and to not impact the developers progress, it was agreed that specific project legislative authorization would be requested as soon as possible and that the Authority would start its due diligence and feasibility analysis of the project at once.

The legislation was not acted upon, however, during the general session, and when the Legislature went into the Special Session on May 13, sufficient information had not been compiled by the project sponsor to in all likelihood satisfy the minimum requirement necessary for AIDEA participation during 1992.

For this reason, project authorization for the ASC was not included in HB 598. However, in support of the project, at their May 29, 1992 meeting, the Authority's Board of Directors authorized staff to spend up to \$50,000 to retain consultant services to review formalized agreements with the prospective financiers, supply contracts (customers) and to determine the overall financial feasibility of the ASC business plan (Resolution 92-7 is attached). To date, no funds have been expended. The project sponsor has indicated a major international bank has agreed to be the lead lender on the project subject to AIDEA's participation and market contracts.

It may further be of interest to you that in early discussions between AIDEA, the Department of Transportation and Public Facilities (DOT/PF) and ASC, DOT/PF indicated there were concerns expressed by the Alaska International Airport System (AIAS) and airlines serving the Anchorage airport that a seafood facility located on airport property would attract birds. AIAS and the airlines were concerned the birds

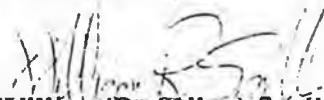
could potentially create a safety hazard. While the developer has indicated the facility will be a secondary processor and will do over 80% of its processing with frozen products which would minimize this problem, in recognition of the concern of the airlines and the AIAS, the developer has analyzed three additional sites that are adjacent to or near the airport. These sites were found to be sufficient to develop the facility on.

The Authority remains interested in the success of the project and has continued to work and support the ASC effort due to its value in creating jobs, the importance to the seafood industry throughout Alaska, and the potential role the project would have to diversify seafood exports through value-added secondary processing. ASC could be the first major secondary processor in Alaska and may create 450 direct full-time year-round jobs in addition to 750 indirect jobs in Anchorage. ASC's business plan indicates the project will support all primary processors in Alaska by purchasing its raw materials from them and making the projects 45 million pound cold storage facility available to them - a seafood infrastructure Alaska has discussed for a number of years.

A mid-February meeting has been scheduled between ASC and the Authority to review progress of the project. I would be happy to provide you with any information that is generated at the meeting and will keep you informed of issues related to the project's progress.

If you have questions or wish to discuss this project in greater detail, please do not hesitate to contact me.

Sincerely,



William R. (Riley) Snell
Executive Director

attachment

WRS:KO

cc: Commissioner Paul Fuhs
Kris Lethin
Darrel Rexwinkle
Mayor Tom Fink
Howard Benedict

JOHNNY ELLIS
SENATOR



STATE CAPITOL, ROOM 9
JUNEAU, ALASKA 99801-1182
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ALASKA STATE LEGISLATURE
SENATE
M E M O R A N D U M

TO: Senator Bert Sharp, Chairman
Senate Transportation Committee

FROM: Senator Johnny Ellis *JE*

DATE: March 4, 1993

RE: Scheduling Senate Bill 16

MAR 3 1993

I respectfully request that you schedule Senate Bill 16 for a hearing in the Senate Transportation Committee at your earliest possible convenience.

SB 16 would authorize revenue bonds to the Alaska Industrial Development and Export Authority in the amount of \$50 million for design and construction of the Alaska Seafood Center, to be located in Anchorage. This investment would leverage an additional \$110 million in private investment for a total project cost of \$160 million.

The Alaska Seafood Center would employ 450 people full time in addition to employing roughly 200 people during the construction phase of the project.

The facility would be the first of its kind in Alaska, with secondary fish processing facilities and cold storage capacities far beyond what is currently available anywhere in the state. Instead of storing product in freezer-vans in their warehouse yards and shipping them to cold storage facilities in Seattle, processors could store product for future sales locally. It's good for the processors, and good for the state's economy. Too many of our fisheries profits are diverted to other states and countries. It's time to turn that trend around by supporting local projects like the Alaska Seafood Center.

I urge your support of Senate Bill 16. Thank you for your consideration.

FISCAL NOTE

BILL NO. SB 16

STATE OF ALASKA
1993 LEGISLATIVE SESSION

Revision Date: _____
 Title: An Act relating to the financing authority of AIDEA and
the Alaska Seafood Center
 Sponsor: Senator Ellis
 Requestor: _____

Department Affected: Commerce and Economic Development
 BRU: Alaska Industrial Development and Export Authority
 Component: Alaska Industrial Development and Export Authority
 COMPONENT SERIAL NO. 1234

EXPENDITURES/REVENUES:

OPERATING	FY 94	FY 95	FY 96	FY 97	FY 98	FY 99
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	0	0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LAND & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	0	0	0	0	0	0

CAPITAL	0	0	0	0	0	0
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REVENUE FUND SOURCE:	0	0	0	0	0	0
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FUNDING:

1002 Federal Receipts	0	0	0	0	0	0
1003 GF Match	0	0	0	0	0	0
1004 GF	0	0	0	0	0	0
1005 GF/Program Receipts	0	0	0	0	0	0
1006 GF/MHTIA	0	0	0	0	0	0
OTHER	0	0	0	0	0	0
TOTAL	0	0	0	0	0	0

POSITIONS:

FULL-TIME	0	0	0	0	0	0
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

Estimate of current year (FY 93) impact: 0

ANALYSIS: (Attach a separate page if necessary.)
 Revenue bonds will be sold to finance the project. It will have no fiscal impact on the General Fund or AIDEA.

Prepared by: William R. Snell, Executive Director
 Division: Alaska Industrial Development and Export Authority

Phone: (907) 561-8050
 Date: 3/15/93

Approved by Commissioner: Paul Fuhs
 Agency: Commerce and Economic Development

Date: 3/16/93

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SB 10: "An Act relating to the financing authority of the Alaska Industrial Development and Export Authority and giving approval of the issuance of bonds for an Anchorage airport seafood facility; and providing for an effective date."


The bill as proposed provides authority for the Alaska Industrial Development and Export Authority (AIDEA) to issue up to \$50,000,000 in bonds to finance the acquisition, design, and construction of a facility for the offloading, processing, storage, and transloading of seafood to be located at or near the Anchorage International Airport. This portion of the Alaska Seafood Center's (ASC) secondary processing project would be owned by the Authority.

The Authority supports this project because of its value in creating jobs, the importance of the seafood industry throughout Alaska, and the potential role the project may have in diversifying seafood exports through value-added secondary processing and storage. The project developer has indicated the project may create 450 direct full-time jobs in addition to 750 indirect jobs. The developer's business plan also indicates the project will support all primary processors in Alaska by the direct purchase of raw material and through the project's 45 million pound public use cold storage facility.

Because of concerns expressed by the Department of Transportation and Public Facilities (DOT&PF) and airlines serving the Anchorage International Airport that a facility located at the airport may attract birds which may cause safety hazards and because the developer has analyzed three additional sites that would be sufficient for the project, the Authority recommends that language saying the facility located at the airport is removed.

In addition, because the project must prove to be feasible prior to AIDEA selling bonds to construct and own the specific portion of the project as indicated, we encourage additional language be added to the bill that would require the developer to obtain additional financing, obtain contracts with primary processors to supply the facility, and obtain market contracts for the sale of the products.

Staff at the Authority recommends full support of the bill with the revised language as indicated above.



Paul Fuhs, Commissioner

3/15/93

Date

FISCAL NOTE

Revision Date: _____ Department Affected: DOT&PF
 Title: AIDEA Bonds: Anchorage Seafood Facility BRU: AIA
 Sponsor: Ellis Component: AIA Administration
 Requestor: Ellis Component Serial Number: 613

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY94	FY95	FY96	FY97	FY98	FY99
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	0	0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LAND & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING:	0	0	0	0	0	0
CAPITAL	0	0	0	0	0	0
REVENUE FUND SOURCE	0	0	0	0	0	0

FUNDING: (Thousands of Dollars)

1002 FEDERAL RECEIPTS	0	0	0	0	0	0
1003 GF MATCH	0	0	0	0	0	0
1004 GF	0	0	0	0	0	0
1005 GF/PROGRAM RECEIPTS	0	0	0	0	0	0
1006 GF/MHTIA	0	0	0	0	0	0
OTHER	0	0	0	0	0	0
TOTAL FUNDING:	0	0	0	0	0	0

POSITIONS

FULL-TIME	0	0	0	0	0	0
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

Estimate of current year (FY93) impact: \$0

ANALYSIS: (Attach a separate page if necessary)

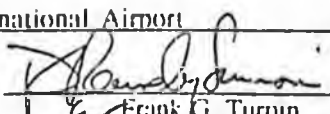
No Fiscal Impact

Prepared by: Gina Marie Lindsev

Phone: 266-2540

Division: Anchorage International Airport

Date: January 15, 1993

Approved by Commissioner: 

Phone: 465-3900

Agency: Department of Transportation and Public Facilities

Date: January 15, 1993

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*Department of Transportation
and Public Facilities*

POSITION PAPER

BILL NO: SB 16

APPROVED:

[Signature] for FT

TITLE: AIDEA Bonds: Anchorage Seafood Facility DATE: January 15, 1993

The department has no objection to a bill granting AIDEA approval to issue bonds for a seafood facility but has serious concern with the possibility of locating such a facility on or near airport property. We recognize that such a facility could generate revenue through lease payments, but the department objects to a seafood center on airport property for the following reasons:

1. Seafood facilities tend to attract birds and could create a major safety hazard. A seafood center was proposed for Anchorage International several years ago and airlines serving the airport strenuously objected to such a facility in close proximity to aircraft operations.
2. There is a finite amount of developable or leasable airport land and as much as possible should be reserved for activities which must operate on the airport.

ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY

RESOLUTION NO. A92-7

A RESOLUTION OF THE ALASKA INDUSTRIAL
DEVELOPMENT AND EXPORT AUTHORITY RELATING
TO THE ALASKA SEAFOOD CENTER

WHEREAS, the Alaska Industrial Development and Export Authority ("Authority") is committed to the consideration of qualified Development Projects which promote economic growth and development;

WHEREAS, the seafood industry is a critical component of the Alaska economy;

WHEREAS, there is a need to promote and develop shore-based facilities which enhance the value and marketability of Alaska seafood resources;

WHEREAS, the Alaska Seafood Center ("Center") has proposed the development of a seafood processing facility to be located in Anchorage, Alaska;

WHEREAS, the Facility under consideration will provide for the processing and enhancement of Alaska seafood product;

WHEREAS, the Facility will provide a critical economic benefit to the seafood industry in Alaska;

WHEREAS, the Center has discussed with the Authority the possibility of the Authority's financial participation in development of the Center;

WHEREAS, the Center intends to enter into negotiations with prospective financiers, suppliers and customers to formalize a Business Plan for the Center;

NOW, THEREFORE, BE IT RESOLVED:

1. The Authority is fully supportive of development of the Center.

2. Staff is directed, if requested, to work in coordination with the Center to assist in the formalization of those agreements with prospective financiers, suppliers, and customers as are necessary to formalize a Business Plan for the Center.

3. The Authority looks forward to an opportunity to review a request for participation in the financing of the Center once the Business Plan is formalized.

4. Staff is authorized to expend up to \$50,000 in assets of the Economic Development Account, A.S. 44.88.172, for expenses incurred under Item 2 of this Resolution.

DATED at Anchorage, Alaska, this 29th day of May 1992.

Chairman

(SEAL)
ATTEST

Secretary



ALASKA INDUSTRIAL DEVELOPMENT
AND EXPORT AUTHORITY

480 WEST TUDOR • ANCHORAGE, ALASKA 99503-6690 • (907) 561-8050 • FAX (907) 561-8998

PROJECT FACT SHEET: Alaska Seafood Center/Cold Storage

DATE: November 25, 1992

STATUS: The Legislature failed to act on bonding authority for this project in 1992. The AIDEA Board approved an expenditure of up to \$50,000 to work with the Alaska Seafood Center to develop a business plan. The project may be brought before the Legislature in 1993.

PROJECT BUDGET: \$50 million

SOURCE OF FUNDS: Revenue bonds sold by AIDEA

PURPOSE: To expand the capabilities of the Alaska seafood industry to provide secondary processing, freight forwarding, and commercial cold storage services.

PARTICIPANTS: AIDEA will finance construction in Anchorage of a cold storage warehouse facility as part of the proposed Alaska Seafood Center. The facility will be an integral part of the state-of-the-art fish processing, cold storage, and distribution center planned by ASC.

BACKGROUND: The cold storage warehouse will allow ASC to perform secondary (value added) processing of bottomfish, surimi, and salmon; provide freight forwarding for salmon and other seafood products; and provide commercial cold storage services for seafood and non-seafood products. The secondary processing capabilities will create a local market for shore-based primary processors. Other Alaskan processors will be able to use the frozen storage and chill room capacities at cost-efficient rates. The facility will be located near the Anchorage International Airport, making it accessible to processors throughout the state.

ECONOMIC EFFECTS: ASC operations will provide about 450 new year-round jobs at the Anchorage facility and additional employment in related business sectors, including transportation.

SOCIAL EFFECTS: The facility should strengthen the entire seafood industry in Alaska by enhancing the cold storage, secondary processing, and freight forwarding capabilities available.

SCOPE OF PROJECT: The cold storage warehouse will have a storage capacity of 45 million pounds, capable of handling as much as 2 million pounds of product in one day. The warehouse will include an energy-efficient ammonia refrigeration system, a high-bay racked storage system with automatic closure entrances and air-curtain walls, chill rooms, blast freezers, ice makers, a standby electrical generation system, and electric-powered lift cranes, conventional forklifts, and similar handling equipment.

~~CONFIDENTIAL~~

ALASKA SEAFOOD CENTER

Executive Summary

April 3, 1992

DONALDSON, LUFKIN & JENRETTE
SECURITIES CORPORATION

EXECUTIVE SUMMARY

Introduction

The Alaska Seafood Center, Inc., a privately-owned company ("ASC" or "the Company"), proposes to develop, build, own and operate a state-of-the-art fish processing, cold storage and distribution center ("the Facility") to be located in Anchorage, Alaska. ASC is being developed at a time of profound change in the seafood industry in Alaska and the eating habits of Americans, i.e., a rapid reduction in the consumption of red meat and an escalation in the demand for seafood. ASC believes that the combination of these circumstances has created a significant opportunity for ASC and for Alaska.

ASC's operations will be based on producing high quality, value added seafood products. ASC will create approximately 450 new year round jobs at the Facility itself and support many other jobs in Anchorage in indirectly related businesses. For example, a great number of jobs will be created in the State transportation system (airline, railroad and trucking) to serve ASC. ASC will also provide economical cold storage and transportation services to smaller fish processors in the State, giving them faster and more profitable access to their customers. The Company's business segments will be:

- Secondary processing of bottomfish based on Alaskan raw material of blocks and fillets from pollock and cod (frozen products).
- Secondary processing of surimi based on Alaskan raw material of surimi blocks, a fish paste primarily made from minced Alaskan pollock (frozen products).
- Secondary Processing of salmon based on Alaskan wildlife salmon (frozen products).
- Primary processing of salmon (chilled products).
- Freight forwarding of salmon and other native fish owned by ASC and others (chilled products).
- Commercial cold storage services for seafood and non-seafood products.

Secondary processing consists of adding value to primary processed raw materials such as fish blocks and individual quick frozen fillets (IQFs). The finished product consists of a portion controlled piece of fish and added coatings, sauces or toppings in order to prepare it for consumption.

When fully on-line, the Facility will have the capacity per day to process (raw material) approximately 210,000 pounds ("lbs") of bottomfish products, 13,000 lbs of surimi products and 180,000 lbs of salmon (during the salmon season). Upon completion, it will have a cold storage capacity of approximately 45 million lbs of seafood and non-seafood products and a chill room capacity for receiving and shipping of chilled fish of approximately 2.2 million lbs. The fish resources of the Bering Sea and the Gulf of Alaska will provide the raw materials for the Company's seafood processing business segments. In 1991, Alaskan waters within the Alaskan Exclusive Economic Zone ("EEZ") produced 4.4 billion lbs of bottomfish which included cod and pollock, the most important species for ASC's production. The salmon harvest was a 60-year record of 725 million lbs.

U.S. fisheries harvest all bottomfish coming from the EEZ. The primary processing (heading, gutting, filleting and in certain cases mincing) and freezing into IQF fillets and fish blocks is done on shore based primary processing plants and on board catcher/processing ships, within hours after the catch so as to avoid spoilage. The resulting products (fish blocks and IQF fillets) are shipped by refrigerated cargo ships to Japan, Korea, Europe and the contiguous 48 states (the "Lower 48") for secondary processing.

ASC offers the opportunity for Alaska to have secondary (value added) processing take place within the State, resulting in a substantial number of year round jobs for Alaskans. ASC will be a major customer of shore based primary processors, buying substantial quantities of product from them, which will eliminate their transportation disadvantage.

ASC offers other Alaskan processors the opportunity to store frozen seafood and offers other food businesses the opportunity to store non-seafood products on a commercial basis. Commercial fisheries can take advantage of ASC's location to store their products in Anchorage and reduce their transportation and storage costs. ASC will provide greater flexibility to other food businesses and distributors by providing them the ability to store larger quantities in Anchorage instead of the Lower 48.

ASC offers freight forwarding of chilled fish products to other Alaskan processors. ASC's logistic capabilities and chill room capacity located close to the airport are essential for air transportation of chilled fish in a regularly scheduled and therefore cost efficient manner.

The Facility

ASC has located several sites on which it has negotiated an acceptable price. They are zoned for processing, storage, wholesaling and distribution operations. All have sewer, water and utility services up to or near the property line which are considered by ASC to be satisfactory for the contemplated uses. Before notice to proceed is given to the contractor, a complete geotechnical study will be done. There are various permits and approvals that are required to be obtained prior to the start of construction and operation of the Facility. ASC is confident that the Facility will receive all these necessary permits on a "fast track basis" based on assurances from the city.

The sites have been selected because of their access to all forms of transportation. They are two to seven minutes from the Anchorage International Airport and about 15 minutes from the Port of Anchorage. All have direct rail access by rail from a spur off the main line to the property boundary via a dedicated easement.

ASC has entered into a \$62,736,000 lump sum turnkey fixed price contract with National Projects, Inc., a subsidiary of Morrison-Knudsen Corporation, ("National") for the design and construction of the Facility. The cost of processing equipment is not included in the contract price. ASC will procure all processing equipment directly from the vendors. Allowances, rather than fixed prices, are included for landscaping, stonework, permits, signs and installation of the first processing line. The contract calls for a construction schedule of 20 months with liquidated damages in the amounts of \$29,000 per day for late completion subject to a cap of \$1,500,000. The contract also provides National with a \$14,500 per day early completion bonus.

The Facility will consist of approximately 245,000 square feet. The first floor will be used for processing, freezing and storage of fresh and frozen fish and other foods. The second floor will be used for sanitary facilities, an employee lunchroom, administrative offices, and a guest lunchroom. The Facility will include a paved parking area and the dock areas will be paved as well, to accommodate refrigerated vans and other trucks. In addition, the truck staging area will provide space for refrigerated vans. The fish processing, processing support and office areas, dock facilities and cold storage building will be constructed with concrete and steel. In the cold storage area, the structure will be approximately 63 feet high, while the racks used to store product will be approximately 50 feet high. The energy building will house the refrigeration equipment, battery charger and heating equipment as well as the maintenance department.

The Facility will use state-of-the-art equipment designed to include the latest proven technological developments. The heart of the ASC seafood processing system will be two secondary bottomfish processing lines, one for battered and breaded products (sometimes called "B&B"), and one line for prepared foods. There will also be a line for the secondary processing of surimi and a line for secondary processing of fish blocks into portions and headed and gutted salmon into steaks. The Facility will have a single line for primary salmon processing (i.e., heading, gutting and filleting). Such salmon then will be either flown out fresh as chilled fillets or glazed and blast frozen in preparation for cold storage as frozen fillets and headed and gutted salmon for later steaking.

ASC's state-of-the-art equipment will make it possible to process chilled and frozen products in a cost efficient manner. Strict hygiene and quality control standards, which meet or exceed U.S. inspection criteria, will ensure that the finished products can meet customers' demands for the highest quality.

Employment

When fully on line, ASC's operations will provide approximately 450 new year round jobs to Alaskans who will be employed directly at the Facility. In addition, numerous other existing and newly created jobs will be supported in the businesses that serve and service the Facility. For example, many jobs will be created in the transportation sector (airline, railroad and trucking). Also, the wages paid to the employees at ASC and the related service businesses will benefit the local economy according to the economic multiplier for the community.

While Anchorage can provide a well educated labor force, ASC will need to train new staff at many different levels of the organization. For this reason, and because ASC needs to start up new functions in the areas of technical operations, processing, sales/marketing, logistics and administration, a start up schedule for the operation has been carefully worked out. ASC's production and service activities will be ramped up over several years and the employees will be hired in accordance with this schedule.

Location

The Facility's location in Anchorage will place it close to the bottomfish harvesting grounds and at the center of the four major Alaskan salmon fishing areas. Anchorage is a beautiful modern city, the largest in Alaska, with a year-round moderate climate and a population of approximately 225,000 people. The Anchorage location will provide a competent and stable labor force and a readily available supply of workers, many already experienced in seafood processing.

Transportation of frozen raw materials to the Facility and of frozen finished products to the market will be by surface transportation.

To get the chilled fish products to the U.S. market and abroad ASC will take advantage of Anchorage International Airport, which is the biggest air cargo center in the U.S. The airport provides access to all destinations served by the eleven international and ten domestic airline companies operating there. Major air cargo carriers such as Japan Airlines and Korea Airlines have facilities at the airport and United Parcel Service and Federal Express have recently completed major international cargo and package terminals as well.

Raw Materials

ASC, with its location in Anchorage, Alaska, will have access to one of the world's most important fisheries. The Alaska Seafood Center will process three of the top four fish species in the U.S., based on landed seafood tonnage - Alaska Pollock #1, Salmon #3, and Cod #4. In 1990, Alaska handled 5.4 billion pounds of landed fish, five times as much as the state with the second highest tonnage, Louisiana (which is predominantly shrimp). Based on the dollar amount of seafood products, Alaska handled five times as much fish as the second highest state, Massachusetts. Alaska is a reliable and well-managed source of high quality fish. Access to high quality raw materials is a worldwide problem for the seafood industry. In the northern hemisphere there are only three major areas (the North Sea in Europe, the Grand Banks of New England and Nova Scotia, and Alaska) that have the shallow cold water which can support commercial levels of bottomfishing. The processing industries of the North Sea and the Grand Banks lack adequate raw materials because the fish stock has been greatly overfished. Alaskan fisheries, however, are not overfished and are extremely well managed by Federal and State authorities. ASC will have direct access to the world's largest fishery of high quality wild salmon, unlike other processors which may use farmed salmon, which is often of lower quality and is often chemically treated.

ASC has entered into contracts with three suppliers which either procure or otherwise control seafood products in adequate quantities and qualities to more than meet its requirements. ASC also has received expressions of interest from other seafood product suppliers.

Demand for Seafood Products

As the U.S. population ages and becomes more health conscious, Americans are turning to fish, among other items, as an essential part of a healthy low cholesterol and low fat diet. Consumer expenditures for fish in 1990 totalled \$26.7 billion, of which one-third was sold in stores (primarily supermarkets) and two-thirds were sold through the food service sector, including restaurants. The demand for seafood in the U.S. has been steadily increasing over the last ten years based on an increased consumption per capita and a growing U.S. population.

The National Fisheries Institute indicates that if the 20 pound per capita goal for the year 2000 is met (1990 consumption was 15.5 pounds per capita), U.S. consumers will eat over 5.3 billion pounds of seafood. Comparing this to the 3.9 billion pounds consumed in 1990, an additional 1.4 billion pounds of edible weight of seafood must enter the market by the year 2000. 75 percent of this growth can be attributed to the increase in per capita consumption. Although domestic fish consumption has grown at a rapid rate, Americans still eat approximately one-tenth as much fish as the Japanese and one-fourth as much as the Europeans. ASC believes that this also supports the estimated growth of domestic consumption in the coming years.

The countries in the Far East, i.e. Japan, Taiwan and Korea represent strong markets for seafood products. Because of the lack of raw material, European countries such as France, Italy and Spain also represent markets with sharply increasing demands for frozen and especially chilled seafood products.

The Market

ASC has successfully developed a market niche for selling its products through extensive studies of the market and competitors and by working with several large buyers of seafood products. ASC's concept for doing business with its customers will be:

- ASC will work with a few large customers on a long term contractual basis.
- ASC will not develop its own brand name but instead will be a reliable supplier of customized private label seafood products based on consistent quality and availability.
- ASC will provide its customers with a one-stop shopping program based on a full range of value added table ready seafood products made from Alaskan raw materials.
- ASC will provide research and development services by working with the customers to develop their private label program of customized products.

In this way ASC will meet the customers needs; for fewer, larger, more reliable, flexible, quality oriented suppliers that will work with them in a one-stop shopping program to develop and maintain their private label products.

ASC will sell its processed seafood products to wholesale grocery and food service distributors, retail supermarket chains, institutional food service establishments, seafood and family style restaurant chains and fast food chains. ASC will market its fresh and frozen seafood products in the United States and abroad through a direct sales organization, brokers and distributors.

ASC contemplates that the Facility will offer services such as cold storage and freight forwarding of chilled fish on a commercial basis.

Cold Storage

ASC believes that there will be a demand for commercial cold storage services because no large-scale, centralized cold storage facilities exist in Alaska. At present, salmon cold storage is handled primarily by staging refrigerated vans around local processing plants during the salmon season and then bringing the salmon directly to Japan by tramper or taking it through Anchorage for further shipment to Seattle by barge for longer term storage. This approach is costly and inefficient and lowers product quality. Local commercial fishermen can take advantage of ASC's Anchorage based facility to reduce transportation costs and increase product quality. Alaska imports the majority of its foodstuffs from the Lower 48 by barge, which takes from five to seven days to reach Anchorage from Seattle. There is little cold storage in the State and none that could service the overall demand in Anchorage for any extended period of time. The State and Anchorage can take advantage of the greater flexibility by storing imported foodstuffs in Anchorage, i.e., closer to the end users.

Freight Forwarding

ASC will provide freight forwarding services for chilled fish products owned by ASC and others. The facility will be located close to Anchorage International Airport and will have the necessary chill room capacity and size of operation to work with the airlines on a regularly scheduled and therefore cost efficient basis.

Ownership and Management of ASC

All of the outstanding stock of ASC is currently owned by members of the family of Howard M. Benedict, President and Chief Executive Officer of ASC. Howard M. Benedict is President of The Benedict Companies formed in New Haven, Connecticut in 1947, and a principal of various other corporate and partnership interests of the Benedict family. For 35 years, he has been actively engaged in commercial real estate development. Over the past several years, Mr. Benedict expanded into other diversified business interests. As an outgrowth of his real estate activities in Anchorage, he became interested in broadening his economic base in Alaska and in 1986 began work which led to the development of ASC. Keld Andersen, an experienced Danish seafood executive, has been appointed Chief Operating Officer and Managing Director of ASC.

Experienced Management. From 1985 to 1989, Mr. Keld Andersen, Chief Operating Officer and Managing Director of ASC, was the general manager of a large modern seafood processing plant, Royal Greenland, in Aalborg, Denmark, which produces ready-made fish dishes, smoked salmon and Greenland turbot, shrimp in brine and other advanced seafood products. During the Royal Greenland plant's development stage, Mr. Andersen was in charge of all feasibility studies, preliminary engineering and construction. After completion of the Royal Greenland plant, Mr. Andersen was in charge of the entire processing plant and was also involved in the marketing and distribution of finished products. During the years 1975-85, Mr. Anderson was Technical Director for one of Denmark's largest primary seafood processors, Skagerak Fiskeexport A/S, and General Manager for a large commercial cold storage operation.

Financing

Based on construction cost estimates provided by ASC, the total Facility cost is projected to be \$146.4 million. The construction takeout and term financing structure is assumed to be a combination of strategic limited partnership equity and term debt.

ASC is seeking strategic partners and/or investors to invest up to \$50 million equity in the Company. The strategic partners would provide, in addition to the capital investment, significant marketing and distribution expertise for the fish products produced by the Facility.

The debt financing which will be solicited from commercial banks, insurance companies and institutional investors will be arranged after the equity investment has been committed. The Construction Loan will be for 100% of the Facility cost and, at completion will be replaced by the equity investment with the remaining term debt amortized over seven years.

Sources and Uses of Funds

The following table shows the estimated cost of the Facility and the sources of permanent financing (\$ in thousands).

Sources:

Senior Debt	\$ 68,432
Tax Exempt Debt	40,000
Equity	<u>50,000</u>
Total Sources of Funds	<u>\$158,432</u>

Uses:

Turnkey Fixed Price Construction Contract	\$ 62,736
Allowance for ASC-Designated Equipment	27,132
Construction Contingency ⁽¹⁾	5,989
Land	6,432
Construction Management	2,780
Start-Up Expenses	<u>11,886</u>
Insurance	525
Placement, Legal, Engineering, Accounting and Miscellaneous Fees and Third-Party Reimbursables	8,775
Development Fee	2,000
Lender Fees	3,254
Escalation	7,199
Capitalized Interest	<u>1,724</u>
Total Construction Financing	<u>146,432</u>
Working Capital Reserve	5,000
Debt Service Reserve	<u>7,000</u>
Total Term Financing	<u>158,432</u>
Total Uses of Funds	<u>\$158,432</u>

(1) Includes a 5% building contingency and a 10% equipment contingency.



UNITED FISHERMEN OF ALASKA

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Seafood Industry Contributions to State Revenues - Anticipated FY94

<u>Type of Revenue</u>	<u>Revenue Source</u>	<u>Gross Revenues (millions)</u>
Direct Contributions to General Fund:	Raw Fish Tax	40.3
	CFEC Licensing Revenues	6.0
	ADF&G Crew Member Licenses	2.0
	Commercial Fishing Revolving Loan Fund	5.0
	Confiscated and Test Fish Sales	2.0
	Processors' corporate income taxes	.1
Total Direct Contributions to General Fund:		\$ 55.4
Additional Contributions to the General Fund:	Corporate Income Taxes from other business	Not Broken Out
	Marine Fuel Tax	Significant portion of the \$10.1 million collected
Other Funds Generated by Industry:	Salmon Enhancement Tax (These are passed through to the aquaculture associations to run hatcheries that produce salmon for all users)	6.1
	Seafood Marketing Assessment (These are passed through to ASMI to market seafood)	3.0
	Federal Contributions to management and research	10-12
	Taxes paid by processors to local municipalities and boroughs	No totals, but in millions

SOURCE: Alaska Department of Fish and Game, Alaska Department of Revenue, Alaska Department of Labor, CFEC, and ASMI

MEMBER ORGANIZATIONS

Alaska Crab Coalition • Alaska Longline Fisherman's Association • Alaska Trollers Association • Area K Seiners Association
 Bering Sea Fishermen's Association • Bristol Bay Driftnetters Association • Concerned Area "M" Fishermen
 Cook Inlet Aquaculture Association • Cordova District Fishermen United • Kenai Peninsula Fishermen's Association
 North Pacific Fisheries Association • Northern Southeast Regional Aquaculture Association • Peninsula Marketing Association
 Petersburg Vessel Owners Association • Prince William Sound Aquaculture Corporation • Seafood Producers Cooperative
 Southeast Alaska Seiners Association • Southern Southeast Regional Aquaculture Association
 United Cook Inlet Drift Association • Western Alaska Cooperative Marketing Association

(Over)

Examples of Lost Revenues To the Fishermen, State, and the Seafood Industry

1. Prince William Sound - Have funding available for the best stock assessment tools, to gain the maximum sustained yield in the herring and salmon fisheries. 1972-1988 Fish Tax lost over 1.510 million.

Copper River Counter - Needs two sonar counters that are state of the art to maximum sustained yield. There is a nine-day lag time to the existing sonar counter resulting loss of revenues in fishing time.

2. Area M - Needs herring survey in Dutch Harbor. No full-time area biologist.
3. Cook Inlet - Development of mainstream Susitna sonar counting - a detailed program to evaluate hydroacoustic techniques for counting all salmon species in the Susitna River. Over 24 lakes produce sockeye salmon in the drainage, yet we do not know what escapement objective each lake should have.

4. Southeast Alaska

Horse clams. Lots of regional potential. Indications of a market. No money to support in present budgets, cost unknown.

Seacucumbers - 1992 quota 2.4 million. 1.2 million # Value x vessel/million. Management cost - 50,000 estimated. Need stock assessment of additional and existing areas.

Fishery - SE Red King Crab. No current stock assessment. Result - no fishery. Potential - lost revenues to fishermen of 1.2 million.

5. Kodiak - Lost funding for two weirs on sockeye systems last year. With these weirs gone, result knowledge of the system is lost. Direct loss to fishermen of 20,000 - 30,000 red salmon. These are red salmon over and above escapement goals.

These are only a few examples of lost revenues to the fishermen, state, and the seafood industry. There is untold millions more. I have examples of many others. Contact me if you are interested in more information or have questions.

For additional information or answers to questions, please contact:
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March 15, 1993