SCOMM

95:28

What is CFAB?

Alaska Commercial Fishing and Agriculture Bank (CFAB) began operations in 1980. Its sole mission is to provide financing of all kinds to the commercial fishing industry and the agriculture industry (including timber) in Alaska.

What kinds of loans and repayment programs are available from CFAB?

CFAB can make loans for almost any fishing-related or farming-related purpose. The most common purposes are the purchase, modification, or refinancing of a vessel; purchase of a limited entry permit; gear, engine, or equipment replacement or upgrade; general operating capital; and fish processing, etc. There are no "standard" repayment terms or programs — we work with each applicant to determine a repayment schedule appropriate to that particular loan transaction.

Who may borrow from CFAB?

In order to be eligible for consideration as a CFAB borrower, an applicant must be commercially involved in one of the industries mentioned earlier. An individual applicant must be a bona fide Alaska resident. A partnership must be comprised of Alaska residents. If the applicant is a corporation, the majority ownership and control must rest with Alaskans. There are some exceptions to the latter rule for companies which are involved in shorebased fish processing.

Eligibility, however, is only a first step. To obtain a CFAB loan, an applicant must be found by CFAB to be capable and creditworthy within the context of the specific loan request. The standards used by CFAB are essentially the same as those of any responsible lender. However, CFAB's specialized purposes, and the experience we have gained, may permit us to consider a broader range of applicants than do most other lenders.

Who owns CFAB?

CFAB is a cooperative. This means that each borrower becomes an owner through a modest purchase of CFAB stock when a loan is made. The State of Alaska is also an owner. CFAB was established by a special Alaska statute, and the State made an initial investment of "seed money" — that money is expected to be returned to the State as borrowers' ownership grows.

Does that mean the State operates CFAB?

CFAB's statute provides for it to be operated as a private cooperative rather than as a State agency. Its basic policies and directions are established by a seven-person Board of Directors, which hires professional management and staff to operate the business. Five of the Directors must be borrower-owners of CFAB and are elected by the total borrower-ownership. The other two Directors are appointed by the Governor of Alaska. All Directors' terms are for three years. CFAB holds an ownership meeting each year - borrower-owners have the opportunity to vote on important matters, to receive reports from Directors and management, and to elect Directors. The State's stock is non-voting, although CFAB provides periodic reports to State officials.

Where does CFAB get its money to loan?

CFAB is not limited as to its source of funds. Since its inception, CFAB has borrowed funds for re-lending from the Federal Farm Credit System.

What is CFAB's interest rate and how is it set?

Although CFAB occasionally makes fixed rate loans, the vast majority of its loans are on a variable rate basis. That is, the rate will change — up or down — as CFAB's costs change. There is no single initial rate — the initial rate is based on the kind of loan involved. Most important, we use a procedure to objectively analyze the creditworthiness of each individual applicant, which permits us to offer the most favorable interest rates to the most desirable risks. CFAB's interest rates overall are set to provide sufficient income to pay its own interest costs and operating expenses and to provide a small margin. Since CFAB is a cooperative, any margin which is actually produced is either returned to the borrower-owners or otherwise used to their benefit.

How does one do business with CFAB?

That's easy. Although CFAB's only office is in Anchorage, we also have a network of local and independent **Loan Correspondents** available to assist you. For the name of the one nearest you, just call us and ask to speak with a loan officer, or drop us a line. If you're in Anchorage, stop in and visit. There's only one basic requirement — **YOU MUST BE AN ALASKAN COMMERCIAL FISHERMAN.** That's who we're here for!

Alaska Commercial Fishing and Agriculture Bank
2550 Denali St., Suite 1201
Anchorage, Alaska 99503
(907) 276-2007

Toll-free in Alaska and the Pacific Northwest
800-544-2228



REPRESENTATIVE ALAN AUSTERMAN Alaska State Legislature

P.O. Box 2368, Kodiak, Alaska 99615 (907) 486-5930 • Session: State Capitol, Juneau, Alaska 99801 465-2487

Concurrence on HB 284

Representative Austerman supports the Senate changes to HB 284.

The changes were as follows:

Section 8 and 9 - The changes in these sections were adopted unanimously by the House Finance Committee but were omitted inadvertently in the version brought to the House Floor and corrected in Senate Finance. The language change now requires CFAB to retire 100% of the State's investment. The new language beginning on page 3 line 31 of the new Senate CS identifies CFAB as an agent of the state in its role of financing limited entry permits. This language replaces the language in earlier versions which sought to retain $1 million of state ownership for that same purpose.

Section 10 - The Senate Finance Committee amended this section with the intent to mandate removal of a director whose borrowing relationship is substandard.

Section 20 - This section was amended on the Senate Floor and inserted a new "(5)" to reflect a long-standing state policy and effort to avoid out-of-state sales of permits by IRS.

Section 28 - On the last line of the bill, the words "on or" were removed from the effective date clause per Legal Services advice.

HOUSE COMMITTEE REPORT

(11)
Date Referred: May 2, 1995 FURTHER REFERRALS:

Date of Committee Action: 3/13/96

The FINANCE Committee considered: HB 284

HOUSE BILL NO. 284 AK COMMERCIAL FISHING & AGRICULTURE BANK

"An Act relating to the Alaska Commercial Fishing and Agriculture Bank."

recommends it be replaced with the following committee substitute CS HB 284 (FIN) [✓] the same title [ ] a new title

[ ] additional referral to _____ Committee
[ ] attached amendment(s)

ADOPTS: ITC **Letter of Intent**

ATTACHES NEW FISCAL NOTE(s): (Dept) **APPROVES PREVIOUS:** (Dept/Date)

[ ] fiscal note(s) _____ [ ] fiscal note(s) _____

[✓] zero fiscal note(s) Com Fishery Ltd Entry Revinw [ ] zero fiscal note(s) _____

SIGNING WITH RECOMMENDATIONS		DP	DNP	NR	AM
Richard Foster	FOSTER	X			
Mark Hanley	Hanley	X			
Gloss Mulder	mulder	X			
Terry Martin	martin	X			
Carl Parnell	Parnell	X			
Ben Grussendorf	grussendorf	X			
Tim Brown	BROWN			X	
Pete Kelly	Kelly	X			
Gene Therriault	Therriault	X			
Mike Navarre	Navarre	X			

CO-CHAIR'S SIGNATURE Mark Hanley Richard Foster

Alaska State Legislature

House of Representatives
Special Committee on Fisheries

RE: AMENDMENT TO HB 284

TO BE OFFERED BY REP. AUSTERMAN
March 11, 1996

The amendment offered in the House Finance Committee affects only Sections 8 and 9 of HB 284 and is best explained by addressing those sections in reverse order.

Section 9 of HB 284, as it passed out of the Fisheries and Labor & Commerce committees, includes a provision for the state to maintain a permanent $1.0 million stock investment in CFAB. The purpose of that feature was to provide foundation for a future legal assertion that CFAB is acting as an agent of the state with respect to its financing of limited entry permits. The amendment removes that feature, leaving CFAB obligated to return the entire state investment to the state.

The amendment adds a new (third) sentence to Section 8 of HB 284. That sentence provides a more precise and clearly limited expression of CFAB's relationship to the state in its financing of limited entry permits.

Room 434, State Capitol, Juneau, Alaska 99801-1182 (907) 465-4230 or 465-2487

TO BE OFFERED BY REP. AUSTERMAN ON MAR. 11, 1996

January 15, 1996

POTENTIAL AMENDMENT - HB 284

Sec. 8. AS 44.81.010(a) is amended to read:

(a) There is established the Alaska Commercial Fishing and Agriculture Bank. The exercise by the bank of the powers conferred by this chapter is considered to be for a public purpose. In the exercise of its powers under AS 44.81.215(7) the bank is acting under the express authority and reservations of the state as the issuer of limited entry permits under AS 16.43. The bank is exempt from the provisions of AS 06.05 (Alaska Banking Code) and AS 10.15 (Alaska Cooperative Corporation Act) in its structure and operations and in the exercise of powers granted by this chapter.

Sec. 9. AS 44.81.010(b) is amended to read:

(b) For the purpose of acquiring and accumulating capital [THE FUNDING] of the bank [BANK'S OPERATIONS], the board [OF DIRECTORS] may issue nonvoting, preferred shares of stock in the bank and determine the value of each share. The state, through the Department of Revenue [APPROPRIATE AGENCIES], may purchase the nonvoting, preferred shares issued by the bank. Shares purchased by the state shall be repurchased by the bank within 20 years after their purchase. If the bank fails to repurchase the shares within 20 years after their purchase by the state, the commissioner of commerce and economic development may appoint a receiver to direct, manage, and operate [DISSOLVE] the bank until the shares have been repurchased. Upon voluntary or involuntary liquidation of the bank, and upon repayment of all legal debts and obligations of the bank, all shares of nonvoting, preferred stock owned by the state have priority for redemption over all other forms and amounts of ownership of the bank.

3/11 MOVED by Martin NO OBJECTION ADOPTED

9-LS0584\G.1
Bannister
3/11/96

AMENDMENT

OFFERED IN THE HOUSE BY REPRESENTATIVE AUSTERMAN

TO: HB 284

Page 3, line 31, following "purpose":

Insert "**In the exercise of its powers under AS 44.81.215(7), the bank is acting as an agent under the express authority and reservations of the state as the issuer of limited entry permits under AS 16.43.**"

Page 4, lines 8 - 9:

Delete "**If the cumulative value of the shares** [SHARES]"

Insert "Shares"

Page 4, lines 9 - 10:

Delete "**exceeds $1,000,000, the shares representing the excess**"

Page 4, line 11:

Delete "**representing the excess**"

Page 4, line 14:

Delete "**representing the excess**"

AMENDMENT FOR CSHB 284 (FIN)

Page 18, line 31:

delete "on or"

9-LS0584\G.1
Bannister
3/11/96

AMENDMENT

OFFERED IN THE HOUSE BY REPRESENTATIVE AUSTERMAN

TO: HB 284

Page 3, line 31, following "purpose":

Insert "**In the exercise of its powers under AS 44.81.215(7), the bank is acting as an agent under the express authority and reservations of the state as the issuer of limited entry permits under AS 16.43.**"

Page 4, lines 8 - 9:

Delete "**If the cumulative value of the shares** [SHARES]"

Insert "Shares"

Page 4, lines 9 - 10:

Delete "**exceeds $1,000,000, the shares representing the excess**"

Page 4, line 11:

Delete "**representing the excess**"

Page 4, line 14:

Delete "**representing the excess**"

#4

AMENDMENT

TO: CS HB 284 (Fin) BY: Sen. Zharoff

Page 11, line 15:

Add new subsections to read:

"(5) the payment of obligations incurred in the support of a borrower and the persons who are dependent upon that borrower if the majority of the borrower's earned income is derived through commercial fishing under the borrower's permit;

(6) the enhancement of the productivity or diversification of the commercial fishing activities of a borrower;

(7) the payment of obligations whose status places the permit of a borrower in jeopardy of attachment, distraint, or sale on execution of judgment or under a process or order of a court;"

Renumber subsections accordingly.

YOU NEVER KNOW WHAT'S GOING TO CAPTURE THEIR INTEREST !

Be Brief

LEGAL SERVICES

DIVISION OF LEGAL AND RESEARCH SERVICES
LEGISLATIVE AFFAIRS AGENCY
STATE OF ALASKA

(907) 465-3867 or 465-2450
FAX (907) 465-2029
Mail Stop 3101

130 Seward Street, Suite 409
Juneau, Alaska 99801-2105

MEMORANDUM March 18, 1996

SUBJECT: Sectional Summary of CSHB 284 (FIN)
(Work Order No. 9-LS0584\K)

TO: Representative Alan Austerman
Attn: Amy Daugherty

FROM: TB
Theresa Bannister
Legislative Counsel

You have requested a sectional summary of the above-described bill.

As a preliminary matter, note that a sectional summary of a bill draft should not be considered an authoritative interpretation of the bill draft and the bill draft itself is the best statement of its contents.

Section 1 corrects the CFAB cross-references to conform to the new CFAB provisions.

Section 2 corrects the CFAB cross-references to conform to the new CFAB provisions.

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Section 6 corrects a CFAB cross-reference to conform to the new CFAB provisions.

Section 7 corrects a CFAB cross-reference to conform to the new CFAB provisions.

Section 8 establishes the Alaska Commercial Fishing and Agriculture Bank. Provides that the exercise of bank powers is considered to be for a public purpose. Exempts the bank from the Alaska Banking Code and the Alaska Cooperative Corporation Act in the bank's structure, operations, and exercise of its powers.

Section 9 authorizes the bank to issue certain shares of stock in order to acquire and accumulate capital. Allows the state, through the Department of Revenue, to purchase the

stock shares. Requires the bank to repurchase the state's shares in the bank that exceed $1,000,000. Sets a time for the repurchase. Authorizes the commissioner of commerce to appoint a receiver to manage the bank until the shares are repurchased, if the bank fails to make the repurchase within the set time. Gives the nonvoting, preferred stock shares of the state priority for redemption if there is a liquidation of the bank, after payment of all legal obligations of the bank.

Section 10 establishes a board of directors to govern the bank. Establishes the number of directors, the method of appointment and election, the duration of the terms, the staggering of the terms, the bases for removal from the board, the method of removal, the quorum for transacting business, the election of officers for the board, and the compensation the members will receive. Prohibits a board member from voting on a bank transaction under this chapter if the member is a party to the transaction.

Section 11 contains provisions about the officers and employees of the bank. Requires the board to employ a president. Restricts who can be president. States that the president serves at the pleasure of the board. Requires the board to appoint those officers provided for in the bylaws and as the board determines necessary for the bank. Limits who can be an officer. Authorizes the president to hire employees for the bank. Gives approval of salaries to the board. States that employees are not state employees and exempts them from the public employees retirement system chapter.

Section 12 states that the bank is to be structured and run as a cooperative corporation. Directs the board to issue membership stock shares. States that the membership stock may be issued to persons eligible to transact business with the bank. Allows the board to establish one or more mechanisms by which certain persons are required to provide or establish capital ownership in the bank.

Section 13 authorizes the board to adopt, alter, amend, or repeal bylaws for running the bank.

Section 14 allows the bank to indemnify its directors, officers, and employees. Allows the bank to maintain insurance on their behalf. Requires the indemnification and insurance to comply with an indemnification and insurance provision in the corporations code.

Section 15 states that the state pledges to and agrees with a lender to the bank that the state will not change the bank's powers and rights under this chapter to fulfill the terms of a contract made by the bank with the lender, or otherwise impair the lender's rights and remedies with regard to the bank. Indicates the limitations of the pledge.

Section 16 requires the board to publish an annual report to the bank's members and make the report available to the governor, legislature and the public. Indicates what the report must contain. Authorizes the board to publish other appropriate reports.

Section 17 lists the general powers of the bank.

Section 18 describes the lending powers of the bank, including to whom and for what purposes the bank may lend. The powers include making loans for limited entry permits and obtaining the pledge of a limited entry permit as security for a loan.

Section 19 allows a limited entry permit to be pledged as security for a loan. Requires the bank, after the loan has been paid, to certify the repayment to the Commercial Fisheries Entry Commission, so that the Commission can amend the permit certificate to list the equitable owner as the holder. Requires the annual permit cards to be in the name of the equitable owner, who remains responsible for compliance with permit requirements. States that co-borrowers and guarantors on the loan have no right in the pledged permit. Allows the equitable owner of a pledged permit to nominate a person to whom the permit may be transferred if the pledge is foreclosed.

Section 20 lists the purposes for which a permit may be pledged as security for a loan from the bank.

Section 21 adds five sections.

Sec. 44.81.241 requires the bank to notify the borrowers and guarantors (on a loan for which a limited entry permit is pledged) if there is a default on the loan. Lists what information must be included in the notice. This information includes a statement that the default may be cured under certain conditions.

Sec. 44.81.243 provides that if the borrowers and guarantors (on a loan for which a limited entry permit is pledged) fail to cure a default, the entire loan indebtedness becomes due and the bank can take any legal action to collect the loan. If the bank forecloses on the permit pledge, the section allows the bank to proceed with the foreclosure and its other remedies in any order the bank selects.

Sec. 44.81.245 allows the bank to foreclose on a permit pledge by sending a notice of foreclosure. Specifies how the notice is to be sent and what the notice must include.

Sec. 44.81.247 states that the equitable interest in the pledged permit terminates automatically without further notice after the foreclosure notice if the loan is not paid in full within the time allowed. Directs the Commercial Fisheries Entry Commission to cancel the entry permit card of the equitable owner of the permit when the commission receives a certificate of termination containing a copy of the required notices.

Sec. 44.81.249 authorizes the bank to cancel its initial notice of default and a foreclosure notice. Authorizes the bank to extend the time for curing the default. Allows the bank to personally deliver the notices rather than using certified mail.

Section 22 directs the bank, after foreclosing an entry permit pledge, to determine if the permit is subject to the buy-back program. If it is, directs the bank to offer the permit to the commission for the price of the outstanding indebtedness on the loan.

Directs the bank to sell the permit to an eligible person if the permit is not subject to the buy-back program or if the commission fails to buy back the permit within a certain time. Requires the bank to give preference to a state resident under certain circumstances. Requires the bank to pay the borrower the sale proceeds that exceed the indebtedness.

Allows the equitable owner or former equitable owner to nominate a qualified person to assume the loan at any time before foreclosure or within 30 days after foreclosure. Requires transfer of the permit to the nominee when the nominee assumes the loan.

States that the section doesn't affect certain other remedies of the bank.

Section 23 provides for the legislative auditor to cause the bank to be audited. Gives the legislative audit division access to the bank's records. Gives the division specific powers to carry out the audit.

Prohibits the legislative auditor and the auditor's employees from disclosing information acquired during an audit, unless required by law or court order.

Requires the bank to be audited annually by independent outside auditors. Allows the legislative auditor to confer with the outside auditors and to review the audit work papers. Directs the bank board to engage the auditors. Requires the bank to submit copies of the audit to the legislative auditor.

Requires state bank examiners to perform an annual qualitative examination and evaluation of the banks. Provides for payment of a fee for the examination. Directs the examiners to report to the board on the examination. Requires the examiners to prepare a summary report evaluating the bank's loan portfolio quality and addressing bank policies, practices, and management. Directs the examiners to distribute copies of the summary report to the bank, the legislature, and the governor. Subjects the other records related to the examination to a confidentiality and retainage provision in the state banking code.

Section 24 allows the bank to revoke certain distributions, redemptions, and payments if the distribution, redemption, or payment remains unclaimed for a specified period of time. Indicates that the revoked amount may revert to an unallocated capital account of the bank under certain conditions. Provides that the distribution, redemption, or payment is not subject to the state's unclaimed property provisions.

Section 25 amends the definition of "member of the bank" for the CFAB chapter.

Section 26 adds new definitions to the CFAB chapter.

Section 27 repeals certain present CFAB provisions.

Section 28 provides transition guidelines for the new provisions.

If I may be of further assistance, please advise.

TLB:klb
96-209.klb

DIVISION OF LEGAL SERVICES
LEGISLATIVE AFFAIRS AGENCY
STATE OF ALASKA

(907) 465-3867 or 465-2450
FAX (907) 465-2029
Mail Stop 3101

130 Seward Street, Suite 409
Juneau, Alaska 99801-2105

MEMORANDUM February 22, 1995

SUBJECT: Sectional Summary of CFAB Bill Draft
(Work Order No.9-LS0584\F, 2-14-95)

TO: Representative Alan Austerman
Attn: Amy Daugherty

FROM: Theresa Bannister
Legislative Counsel

You have requested a sectional summary of the above-described bill draft. Please use this summary rather than the summary of February 17, 1995. This summary corrects a misstatement made in Section 9 of the earlier summary and rewrites the section.

As a preliminary matter, note that a sectional summary of a bill draft should not be considered an authoritative interpretation of the bill draft and the bill draft itself is the best statement of its contents.

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If I may be of further assistance, please advise.

TLB:lmb:pl
95-127.lmb

Alaska State Legislature

House of Representatives
Special Committee on Fisheries

SPONSOR STATEMENT

House Bill 284

"An Act relating to the Alaska Commercial Fishing and Agricultural Bank."

House Bill 284 enacts changes to AS 44.81 and AS 16.43. These statutes contain the enabling language of the Alaska Commercial Fishing and Agricultural Bank (CFAB) and set forth the operating procedures, structure, and authorities of the bank. Most of the changes contained in HB 284 are for purposes of clarification.

It has become increasingly apparent that the statutes which established CFAB require some adjustment to meet the needs of evolving commercial law and 1990s commercial fishing economies. Since CFAB's inception in 1978, there has been little modification or refitting of the statutes.

Perhaps the most significant change contained in HB 284 is the move to permanent ownership of CFAB by the state. The state's initial investment in CFAB was $32 million in stock. This stock was to be retired by the year 2000. Section 9 of the bill will require CFAB to repurchase the state's shares in the bank that exceed $1 million ensuring a permanent investment by the state and reinforcing CFAB's public purpose mandate. At present, CFAB has retired nearly $22 million of the state's stock, and, at the current rate, will have retired all but $1 million by mid-1998.

Room 434, State Capitol, Juneau, Alaska 99801-1182 (907) 465-4230 or 465-2487

The other most significant changes appear in Section 20. This section broadens the purposes and circumstances under which a fisherman may use a limited entry permit as collateral for securing CFAB loan. CFAB is the only private commercial lender with the authority to accept a consensual lien on a limited entry permit. The changes in Section 20 reflect the needs of new economic pressures on resident fishermen.

Some of these changes include loans for the purchase or lease of quota shares, individual fishing quotas or other licenses; the purchase, construction, maintenance, repair, or improvement of commercial fishing boats, sites, gear or equipment; and, other purposes which will enhance diversification.

House Bill 284 will help the Alaska seafood industry compete more effectively in the world market as it proceeds to the twenty-first century. The state will benefit through more revenue and more jobs through industry diversification. We would respectfully request your support.

Alaska State Legislature

House of Representatives
Special Committee on Fisheries

SPONSOR STATEMENT

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"An Act relating to the Alaska Commercial Fishing and Agricultural Bank."

House Bill 284 enacts changes to AS 44.81 and AS 16.43. These statutes contain the enabling language of the Alaska Commercial Fishing and Agricultural Bank (CFAB) and set forth the operating procedures, structure, and authorities of the bank. Most of the changes contained in HB 284 are for purposes of clarification.

It has become increasingly apparent that the statutes which established CFAB require some adjustment to meet the needs of evolving commercial law and 1990s commercial fishing economies. Since CFAB's inception in 1978, there has been little modification or refitting of the statutes.

Perhaps the most significant change contained in HB 284 is the ~~move to permanent ownership of CFAB by the state. The state's initial investment in CFAB was $32 million in stock. This stock was to be retired by the year 2000. Section 9 of the bill will require CFAB to repurchase the state's shares in the bank that exceed $1 million ensuring a permanent investment by the state and reinforcing CFAB's public purpose mandate. At present, CFAB has retired nearly $22 million of the state's stock, and, at the current rate, will have retired all but $1 million by mid-1998.~~

ELIMINATION OF THE PROVISION FOR LAPSATION OF THE STATUTE UPON CFAB'S RETIREMENT OF THE STATE'S $32 MILLION INITIAL INVESTMENT. THAT INVESTMENT IS SCHEDULED TO BE FULL RETIRED BY MID-1998.

Room 434, State Capitol, Juneau, Alaska 99801-1182 (907) 465-4230 or 465-2487

The other most significant changes appear in Section 20. This section broadens the purposes and circumstances under which a fisherman may use a limited entry permit as collateral for securing CFAB loan. CFAB is the only private commercial lender with the authority to accept a consensual lien on a limited entry permit. The changes in Section 20 reflect the needs of new economic pressures on resident fishermen.

Some of these changes include loans for the purchase or lease of quota shares, individual fishing quotas or other licenses; ~~the purchase, construction, maintenance, repair, or improvement of commercial fishing boats, sites, gear or equipment; and, other purposes which will enhance diversification.~~

House Bill 284 will help the Alaska seafood industry compete more effectively in the world market as it proceeds to the twenty-first century. The state will benefit through more revenue and more jobs through industry diversification. We would respectfully request your support.

SPONSOR STATEMENT

HB 284 - "CFAB BILL"

March 13, 1996

House Bill 284 generally addresses AS 44.81 and AS 16.43. These statutes contain the enabling language of the Alaska Commercial Fishing and Agricultural Bank (CFAB) and set forth the operating procedures, structure, and authorities of the bank. Most of the changes contained in HB 284 are for purposes of clarification. It has become increasingly apparent that the statute which established CFAB requires some adjustment to meet the needs of evolving commercial law and 1990s commercial fishing economies. Snce CFAB's inception in 1978, there has been little modification or refitting of the statutes.

Perhaps the most significant change contained in HB 284 is the elimination of the provision for lapsation of the statute upon CFAB's retirement of the state's $32 million initial investment. That investment is scheduled to be fully retired by mid-1998.

Other significant changes appear in Section 20. This section broadens the purposes and circumstances under which a fisherman may use a limited entry permit as collateral for securing a CFAB loan. CFAB is the only private commercial lender with the authority to accept a consensual lien on a limited entry permit. The changes in Section 20 reflects the needs of new economic pressures on resident fishermen. These changes include loans for the purchase or lease of quota shares, individual fishing quotas or other licenses.

House Bill 284 will help the Alaska seafood industry compete more effectively in the world market as it proceeds to the twenty-fist century. The state willl benefit through more revenue and more jobs through industry diversification. We respectfully request your support.

REPRESENTATIVE ALAN AUSTERMAN Alaska State Legislature

P.O. Box 2368, Kodiak, Alaska 99615 (907) 486-5930 • Session: State Capitol, Juneau, Alaska 99801 465-2487

SPONSOR STATEMENT

HB 284

"An Act relating to the Alaska Commercial Fishing and Agriculture Bank."

House Bill 284 enacts changes to AS 44.81 and AS 16.43. These statutes contain the enabling language of the Alaska Commercial Fishing and Agriculture Bank (CFAB) and set forth the operating procedures, structure and authorities of the bank.

Most of the changes contained in HB 284 are for purposes of clarification. It has become increasingly apparent that the statues which established CFAB require some adjustment to meet the needs of evolving commercial law and fishing economies of 1990's. Since CFAB's inception in 1978, there has been little modification or refitting of the statutes.

Most of the significant changes contained in HB 284 appear in Section 20. This section broadens the purposes and circumstances under which a fisherman may use a limited entry permit as collateral for securing a CFAB loan. CFAB is the only private commercial lender with the authority to accept a consensus lien on a limited entry permit. The changes in Section 20 reflect the needs of new economic pressures on resident fishermen, for example, allowing loans for the purchase or lease of individual fishing quotas.

The state's initial investment in CFAB was $32 million in stock. This stock was to be retired by the year 2000. At present, CFAB is paying at a rate of $250,000 per month into Alaska's treasury and has retired nearly $25 million of the state's stock to date.

Over the interim, by request of a House Finance Committee member, an audit was performed on CFAB. This audit has been released to the public and speaks favorably for this organization.

House Bill 284 will help the Alaska seafood industry compete more effectively in the world market as it proceeds to the twenty-first century. The state will benefit through more revenue and more jobs through industry diversification. We respectfully request your support.

DIVISION OF LEGAL SERVICES
LEGISLATIVE AFFAIRS AGENCY
STATE OF ALASKA

(907) 465-3867 or 465-2450
FAX (907) 465-2029
Mail Stop 3101

130 Seward Street, Suite 409
Juneau, Alaska 99801-2105

MEMORANDUM January 31, 1995

SUBJECT: Bill draft revising CFAB provisions
(Work Order No. 9-LS0584\A)

TO: Representative Alan Austerman
Attn: Amy Daugherty

FROM: Theresa Bannister
Legislative Counsel

This memo accompanies a draft of a bill that you requested to revise the chapter governing CFAB.

Please note that changes have been made to the text that was provided to this office; the changes are primarily those necessary to put the text into the state's drafting style according to the legislative drafting manual or to make the meaning clearer. If you would like more information on drafting style requirements, I would be happy to provide it. Initially, you are referred to AS 01.10.050 for some general guidelines and to AS 01.10.060 for general definitions that are used throughout the statutes.

Please note that the draft raises constitutional issues. They are included in the comments that follow.

The following comments and changes are brought to your attention:

1. in sec. 44.81.010(b) you may want to change the phrase, "shares in excess of $1,000,000," to clarify whether it refers to the cumulative value of the shares or to individual shares worth $1,000,000; in addition, the liquidation preference may unconstitutionally impair pre-revision contracts, unless its application is qualified;

2. in sec. 44.81.031(b), the phrase in your sec. 44.81.030(b), "as may be provided in the bank's bylaws," was not clear whether it only referred to the identification of the officers or was to include the procedure for their appointment as well; the draft takes one approach; you may want another;

3. in sec. 44.81.061, it would be clearer to spell out the procedure you want to use rather than referring to the procedure in AS 10.06.490; referring to another chapter in this way

frequently raises questions when it is being applied; please advise if you would like to spell out the procedure;

4. the state residency provisions in secs. 44.81.210(6) and (14), 44.81.215(a)(1) - (4), and 44.81.250(b) raise issues under the equal protection provision and the privileges and immunities provisions of the federal constitution;

5. the two-year durational residency requirement in sec. 44.81.215(a)(3) raises an issue under the federal constitution; the federal constitution will not permit a state benefit program which creates distinctions between concededly bona fide residents based on the length of residency (Zobel v. Williams, 457 U.S. 55 (1982));

6. since aliens legally in this country are entitled to the equal protection safeguards of the state and federal constitutions, the U.S. residency requirement in sec. 44.81.215(a)(4) may raise equal protection issues under the state and federal constitutions;

7. I suggest deleting "association" from the definition of "joint venture" in sec. 44.81.215(b), because it is not clear to me how a joint venture can be distinguished from an association;

8. to avoid confusion, the distributions, etc., covered by sec. 44.81.300 are exempted from the unclaimed property provisions in AS 34.45.110 - 34.45.780; also, I am not sure what "forfeit" means in sec. 44.81.300;

9. in definition of "member of the bank" in sec. 44.81.350(3), the draft splits out the parts to clarify what modified what; please examine to make sure it's what you want;

10. your sec. 44.88.210 (powers of the bank) is split into two sections (secs. 44.88.210 and 44.88.215) to make the contents easier to read;

11. in sec. 44.88.210(11), substituted "person, except for natural persons," for "corporation or legal entity"; "legal entity" could also theoretically include natural persons, because they are considered actual or "legal" entities;

12. sec. 44.81.210(15) was rewritten slightly;

13. it would seem appropriate to include limited liability companies whenever you refer to corporations, partnerships, and joint ventures collectively (as in sec. 44.81.215(a)(2));

14. your sec. 44.81.210(a)(1) was broken out into two paragraphs (sec. 44.81.215(a)(1) and (2)), and the reference to married couples was moved to sec. 44.81.215(a)(1), because the reference to married couples did not seem to fit with the requirements in the section for corporations, partnerships, and joint ventures; please advise how you want married couples handled;

15. parts of secs. 44.81.210 and 44.81.215 were rewritten to make them clearer;

16. sec. 44.81.231 has been written to limit its application to limited entry permits, because it appeared to be intended only to cover limited entry permits; a definition of "permit" has been added at the end of the draft;

17. in sec. 44.81.236(7), it was not clear why "other process" was used, so the draft just uses "process";

18. your sec. 44.81.240 has been broken out into several sections (secs. 44.81.241 - 44.81.249) to make it easier to read;

19. in sec. 44.81.270(d), the reference to AS 06.05.060 is not available, since the section was repealed effective January 1, 1994; the reference has been deleted, but can be replaced with another section of AS 06.05 that you request;

20. definitions of "resident fisher" and "resident farmer" have been added to the chapter;

21. the draft contains some brief transitional provisions at the end; please review these;

22. please advise if you want to insert a specific effective date for the bill.

If I can be of further assistance, please advise.

TLB:klb:glc
95-028.klb

Enclosure

CHANGES – SCSCSHB284 VS CSHB284

CHANGE	REFERENCES	
A.	CSHB284 P.3, LINE 31; P4, LINES 8, 9, 11, 14	RESTORES AMENDMENT ADOPTED UNANIMOUSLY BY HOUSE FINANCE BUT OMITTED INADVERTENTLY IN HOUSE FLOOR VERSION. REQUIRES CFAB TO RETIRE 100% OF STATE INVESTMENT.
	SCSCSHB284 P.3, LINE 31; P.4, LINES 1, 2, 12, 13, 15	
B.	CSHB284 P.4, LINE 30, 31; P5, LINE 1	SENATE FINANCE AMENDMENT INTENDED TO MANDATE REMOVAL OF A DIRECTOR WHOSE BORROWING RELATIONSHIP IS SUBSTANDARD.
	SCSCSHB284 P.4, LINE 31; P.5, LINE 1	
C.	CSHB 284 P.11, LINE 15, 17	SENATE FLOOR ~~FINANCE~~ AMENDMENT TO REFLECT LONGSTANDING STATE POLICY AND EFFORTS TO AVOID OUT-OF-STATE SALES OF PERMITS BY IRS.
	SCSCSHB 284 P. 11, LINE 15, 16, 19, 20	
D.	CSHB 284 P.17, LINE 31	SENATE FINANCE AMENDMENT FOR TECHNICAL PURPOSES RECOMMENDED BY LEGAL SERVICES.
	SCSCSHB 284 P.18, LINE 2	

9-LS0584\M.1
Bannister
5/5/96

AMENDMENT

OFFERED IN THE SENATE

TO: SCS CSHB 284(FIN)

Page 11, lines 15 - 16:

Delete all material and insert:

"(5) the payment of obligations whose status places the permit of a borrower in jeopardy of sale as a result of United States Internal Revenue Service enforcement action;"

CS FOR HOUSE BILL NO. 284(FIN)

IN THE LEGISLATURE OF THE STATE OF ALASKA

NINETEENTH LEGISLATURE - SECOND SESSION

BY THE HOUSE FINANCE COMMITTEE

Offered: 3/18/96
Referred: Rules

Sponsor(s): HOUSE SPECIAL COMMITTEE ON FISHERIES

A BILL

FOR AN ACT ENTITLED

"An Act relating to the Alaska Commercial Fishing and Agriculture Bank."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

* Section 1. AS 16.43.150(g) is amended to read:

(g) Except as provided in AS 16.10.333 - 16.10.338, AS 44.81.215 [AS 44.81.210], 44.81.225, and 44.81.231 - 44.81.250 [44.81.230 - 44.81.250], an entry permit may not be

(1) pledged, mortgaged, leased, or encumbered in any way;

(2) transferred with any retained right of repossession or foreclosure, or on any condition requiring a subsequent transfer; or

(3) attached, distrained, or sold on execution of judgment or under any other process or order of any court, except as provided in AS 16.43.170(g) and (h).

* Sec. 2. AS 16.43.150(h) is amended to read:

(h) Unless an entry permit holder has expressed a contrary intent in a will that is probated, the commission shall, upon the death of the permit holder, transfer the permanent permit by right of survivorship directly to the surviving spouse or, if no

spouse survives, to a natural person designated by the permit holder on a form provided by the commission. If no spouse survives and if the person designated on the form, if any, does not survive, the permit passes as part of the permit holder's estate. A designation under this subsection must be acknowledged before a person authorized to administer an oath under AS 09.63.010 or must be witnessed by two persons who are qualified under AS 13.11.170 to witness the will of the permit holder. Except as provided in AS 16.10.333 - 16.10.337, **AS 44.81.215** [AS 44.81.210], and **44.81.231 - 44.81.250** [44.81.230 - 44.81.250], the permit is exempt from the claims of creditors of the estate.

* **Sec. 3.** AS 16.43.170(a) is amended to read:

(a) Except as provided in AS 16.10.333 - 16.10.338 and in **AS 44.81.231 - 44.81.250** [AS 44.81.230 - 44.81.250], entry permits and interim-use permits are transferable only through the commission as provided in this section and AS 16.43.180 and under regulations adopted by the commission. An involuntary transfer of an entry permit in a manner inconsistent with the statutes of this state and the regulations of the commission is void.

* **Sec. 4.** AS 16.43.170(b) is amended to read:

(b) Except as provided in (c) and (e) of this section, the holder of an entry permit may transfer the permit to another person or to the commission upon 60 days notice of intent to transfer under regulations adopted by the commission. No sooner than 60 days nor later than 12 months from the date of notice to the commission, the holder of an entry permit may transfer the permit. If the proposed transferee, other than the commission, can demonstrate the present ability to participate actively in the fishery and the transfer does not violate any provision of this chapter or regulations adopted under it, and if a certificate for the permit under AS 16.10.333(b)(1) - (2), 16.10.338, or **AS 44.81.231(a)** [AS 44.81.230(b)(1) - (2)] is not in effect, the commission shall approve the transfer and reissue the entry permit to the transferee provided that neither party is prohibited by law from participating in the transfer.

* **Sec. 5.** AS 16.43.170(g) is amended to read:

(g) A person may request the commission to transfer an entry permit due to an execution on the holder's interest in that permit. The request shall be made in the

form and manner provided in this chapter and regulations adopted under this chapter. The commission may deny a request for transfer of an entry permit due to an execution of a holder's interest in that permit if

(1) the execution does not comply with legal requirements or otherwise is not valid;

(2) the transfer violates this chapter or regulations adopted under this chapter;

(3) the proposed transferee or other party to the transfer is prohibited by law from participating in the transaction;

(4) a certificate for the permit under AS 16.10.333(b)(1) - (2), 16.10.338, or **AS 44.81.231(a)** [AS 44.81.230(b)(1) - (2)] is in effect at the time of the proposed transfer;

(5) the proposed transferee of the entry permit, other than the commission, cannot demonstrate the present ability to actively participate in the fishery; or

(6) the holder of the entry permit as shown by the records of the commission demonstrates, under regulations adopted by the commission, that the entry permit is a necessary means of support for the holder and those dependent upon the holder.

*** Sec. 6.** AS 16.43.960(i) is amended to read:

(i) An entry permit revoked by the commission under this section that is pledged as security for a loan under AS 16.10.333 or **AS 44.81.231** [AS 44.81.230] shall be reassigned or sold as provided in AS 16.10.337 or AS 44.81.250.

*** Sec. 7.** AS 16.43.970(f) is amended to read:

(f) An entry permit forfeited under this section that is taken as security for a loan under AS 16.10.333 or **AS 44.81.231** [AS 44.81.230] shall be reassigned as provided in AS 16.10.337 or AS 44.81.250.

*** Sec. 8.** AS 44.81.010(a) is amended to read:

(a) There is established the Alaska Commercial Fishing and Agriculture Bank. The exercise by the bank of the powers conferred by this chapter is considered to be for a public purpose. The bank is exempt from the provisions of AS 06.05 (Alaska

Banking Code) and AS 10.15 (Alaska Cooperative Corporation Act) **in its structure and operations and** in the exercise of powers granted by this chapter.

*** Sec. 9.** AS 44.81.010(b) is amended to read:

(b) For the purpose of **acquiring and accumulating capital** [THE FUNDING] of the **bank** [BANK'S OPERATIONS], the board [OF DIRECTORS] may issue nonvoting, preferred shares of stock in the bank and determine the value of each share. The state, through **the Department of Revenue** [APPROPRIATE AGENCIES], may purchase the nonvoting, preferred shares issued by the bank. **If the cumulative value of the shares** [SHARES] purchased by the state **exceeds $1,000,000, the shares representing the excess** shall be repurchased by the bank within 20 years after their purchase. If the bank fails to repurchase the shares **representing the excess** within 20 years **after their purchase by the state**, the commissioner of commerce and economic development may **appoint a receiver to direct, manage, and operate** [DISSOLVE] the bank **until the shares representing the excess have been repurchased. Upon voluntary or involuntary liquidation of the bank, and upon repayment of all legal debts and obligations of the bank, all shares of nonvoting, preferred stock owned by the state have priority for redemption over all other forms and amounts of ownership of the bank**.

*** Sec. 10.** AS 44.81.020 is repealed and reenacted to read:

Sec. 44.81.020. BOARD OF DIRECTORS. (a) The bank shall be governed by a board of directors consisting of seven to nine natural persons. The number is determined by the bank's bylaws. Two board members shall be appointed by the governor of the state. The other board members shall be elected by the members of the bank as provided in the bank's bylaws, except that at least one of the elected board members must be a resident farmer.

(b) The members of the board shall serve for terms of three years and may serve successive terms. Terms must be staggered. A member of the board who releases confidential information in violation of AS 44.81.260, commits serious ethical misconduct that relates to the member's fitness to serve as a member of the board, or maintains a chronically and irredeemably substandard borrowing relationship with the bank may be removed from the board by affirmative vote of a majority of the

members of the board.

(c) A majority of the members of the board constitutes a quorum for the transaction of business and the exercise of the powers and duties of the board.

(d) A member of the board may not vote on a transaction of the bank under this chapter if the member is a party to the transaction.

(e) The members of the board shall annually elect from among themselves a chair and vice-chair and other board officers as may be provided in the bank's bylaws.

(f) Members of the board shall receive compensation not to exceed $250 for each day of a board meeting if they attend the meeting. Directors may also receive compensation for personal time and efforts expended to further the bank's interests or business other than on meeting days as may be determined by the chair under the bank's bylaws.

* **Sec. 11.** AS 44.81 is amended by adding a new section to read:

Sec. 44.81.031. OFFICERS AND EMPLOYEES. (a) The board shall employ a president. The president may not be a member of the board and serves at the pleasure of the board. The president is the chief executive officer of the bank.

(b) The board shall appoint those officers of the bank that are provided for in the bank's bylaws and as the board determines to be necessary for the effective operations of the bank. An executive, operating, administrative, or other salaried officer of the bank may not be a member of the board.

(c) The president may hire employees of the bank as may be determined necessary for the efficient performance of the functions of the bank. The board shall approve the compensation of the employees. Employees of the bank are not employees of the state and are not considered to be employees of a public organization for the purposes of AS 39.35.

* **Sec. 12.** AS 44.81 is amended by adding a new section to read:

Sec. 44.81.041. STRUCTURE AND MEMBERSHIP OF THE BANK. (a) The bank shall be structured and operated as a cooperative corporation.

(b) The board shall issue shares of membership stock in the bank in the amounts and with the value determined by the board and stated in the articles of incorporation. The membership stock may be issued under this chapter and under the

bylaws of the bank to persons determined to be eligible to transact business with the bank.

(c) The board may establish one or more mechanisms by which persons or entities, or classes of persons or entities, who transact business with the bank are required to provide or establish capital ownership in the bank. The mechanisms may include the issuance of capital stock or other equity instruments or the allocation or retention of net proceeds from the operations of the bank. The mechanisms shall be established and imposed in a manner that the board determines equitably reflects the nature and amount of business transacted with the bank.

*** Sec. 13.** AS 44.81 is amended by adding a new section to read:

Sec. 44.81.051. BYLAWS. The board may adopt bylaws for the bank for the regulation and management of the affairs of the bank, and may alter, amend, or repeal them. The bylaws shall be consistent with this chapter and other laws that apply to the bank.

*** Sec. 14.** AS 44.81 is amended by adding a new section to read:

Sec. 44.81.061. INDEMNIFICATION OF DIRECTORS, OFFICERS, AND EMPLOYEES. The bank may indemnify directors, officers, and employees, or may purchase and maintain insurance on behalf of directors, officers, and employees. The indemnification and the insurance purchase and maintenance shall comply with AS 10.06.490.

*** Sec. 15.** AS 44.81 is amended by adding a new section to read:

Sec. 44.81.101. PLEDGE OF THE STATE. (a) The state pledges to and agrees with any lender to the bank that the state will not limit or alter the rights and powers given to the bank by this chapter to fulfill the terms of a contract made by the bank with the lender to the bank, or in any way impair the rights and remedies of the lender to the bank. The bank is authorized to include this pledge and agreement of the state in a contract with any lender to the bank.

(b) The pledge of the state is limited to the express provisions of (a) of this section and is not a guarantee, surety, promise, undertaking, or assurance of repayment or performance of any obligation of the bank.

*** Sec. 16.** AS 44.81.200 is amended to read:

Sec. 44.81.200. REPORTS AND PUBLICATIONS. The board [OF DIRECTORS] shall publish an annual report to the bank's members. The report shall be made available to **the governor, the legislature, and** the public**. The report** [AND] must include financial statements audited by independent outside auditors, a **discussion** [STATEMENT] of the bank's **circumstances and operations** [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], and any other information that the board believes would be of interest to the governor, the legislature, and the public, or that the legislature requests the board to include. The board may [ALSO] publish other reports **considered appropriate** [IT CONSIDERS DESIRABLE] to [CARRY OUT] its purposes.

*** Sec. 17.** AS 44.81.210 is repealed and reenacted to read:

Sec. 44.81.210. GENERAL POWERS OF THE BANK. The bank may

(1) adopt, alter, and use a corporate seal;

(2) sue and be sued in the name of the bank;

(3) appoint officers, employees, trustees for certificate holders, and agents, and establish their powers and duties;

(4) provide technical services to members of the bank; in this paragraph, "technical services" includes services that will enhance the ability of a member to obtain financial assistance from the bank;

(5) participate with state departments and agencies in formulating policy and in planning for the development of commercial fishing and agriculture in the state;

(6) engage in programs to support the efforts of resident fishers or farmers in order to enhance the further development, efficiency, stability, or profitability of commercial fishing or agriculture in the state;

(7) make contracts and execute instruments necessary to or convenient for the exercise of its corporate powers;

(8) issue bonds to carry out its corporate purposes and powers;

(9) borrow money and issue secured and unsecured evidence of indebtedness for a corporate purpose or to fund, refund, pay, or discharge outstanding obligations, and enter into agreements and contracts relating to these obligations;

(10) secure the payment of its obligations by pledge, mortgage, or other lien on its contracts, revenue, income, or property;

(11) incur secondary liability by guaranty or endorsement of the obligations of a person, except for natural persons, when, in the judgment of the board, the action furthers the bank's corporate purposes;

(12) acquire real or personal property by purchase, lease, bequest, devise, gift, the satisfaction of debts, or the foreclosure of mortgages, and hold, maintain, use, operate, and convey real or personal property;

(13) sell, lease as lessor or lessee, exchange, donate, convey, or encumber in any manner by mortgage or by creation of another security interest, real or personal property owned by it, or in which it has an interest, when, in the judgment of the board, the action furthers its corporate purposes;

(14) establish wholly-owned or majority-owned subsidiary corporations or limited liability companies to acquire, hold, operate, maintain, or liquidate property received by the bank in a foreclosure action or other loan collection process or to provide services to resident fishers or farmers, or other persons, if the services are consistent with the corporate purposes and powers expressed in this chapter;

(15) acquire equity or other ownership interest in a domestic corporation or limited liability company if the purpose of the acquisition is to enhance the further development, efficiency, stability, or profitability of commercial fishing or agriculture in the state;

(16) enter into agreements with public or private lenders or other entities, or with state agencies or agencies of the federal government, to carry out the purposes of this chapter;

(17) do what is necessary or desirable to carry out the corporate purposes and powers expressed or implied in this chapter.

*** Sec. 18.** AS 44.81 is amended by adding a new section to read:

Sec. 44.81.215. LENDING POWERS OF THE BANK. The bank may

(1) make loans to individuals, including married couples, who are residents of the state and who are engaged in commercial agriculture or fishing, including harvesters, processors, suppliers, and marketers, if at least one of the primary obligors on the loan is a member of the bank;

(2) make loans to corporations, partnerships, or limited liability companies engaged in commercial agriculture or fishing if the majority interest of the corporation, partnership, or limited liability company is beneficially owned by residents of the state and a majority of the owners are residents of the state, and if at least one of the primary obligors on a loan is a member of the bank; however, the bank may not make a loan under this paragraph to a corporation, partnership, or limited liability company for the purchase of a new or existing fishing boat or for the repair or renovation of an existing fishing boat if the primary purpose of the fishing boat is to commercially harvest fishery resources, unless the corporation, partnership, or limited liability company is wholly owned and controlled by residents of the state, and unless at least one of the primary obligors on the loan is a member of the bank;

(3) make loans for limited entry permits to individuals who fish commercially if the individual is a state resident; loans made under this paragraph are subject to AS 44.81.231;

(4) make a loan for capital investment or operating capital to a shore-based fish processor, a timber processor, or an agricultural processor or harvester who does not meet the resident ownership requirements of (1) or (2) of this section if a facility of the processor or harvester is located in the state and the majority interest in the processor or harvester is beneficially owned by residents of the United States;

(5) make a loan to a person, regardless of residency, if the board determines that the loan is necessary to preserve the value of property held by the bank as security for a loan that was made under AS 44.81.210 or this section and that is in default;

(6) make loans, as provided in (1), (2), or (4) of this section, that are secured by liens subordinate to valid first liens and security agreements granted to another creditor;

(7) accept the pledge of a limited entry permit as security for a loan

made under this chapter subject to the conditions set out in AS 44.81.236 on pledges of limited entry permits;

(8) make loans in participation with other lenders as provided in (1), (2), or (4) of this section, whether or not an obligor is a member of the bank;

(9) purchase or acquire participations in loans from other lenders if the participations conform to the provisions of (1), (2), or (4) of this section, whether or not an obligor is a member of the bank;

(10) issue certificates of loan participation to members and to other individuals, corporations, partnerships, and limited liability companies, but the bank may not issue a certificate of loan participation if the certificate would allow participation by the member, individual, corporation, partnership, or limited liability company in loans that individually or cumulatively involve more than 20 percent of the commercial fishery entry permits issued for one type of gear in a specific fishery resource administrative area.

*** Sec. 19.** AS 44.81 is amended by adding a new section to read:

Sec. 44.81.231. PLEDGE OF PERMITS. (a) A limited entry permit issued under AS 16.43 may be pledged by the holder as security for a loan authorized under AS 44.81.236 if the certificate for the pledged permit lists the bank as the legal owner of the permit and the pledger as the equitable owner of the permit.

(b) Annual permit cards issued under the pledged permit must be in the name of the equitable owner who shall be responsible for compliance with the laws that govern the permit as if the equitable owner were the holder of the permit.

(c) Co-borrowers or guarantors on a loan secured by one or more pledged permits do not have a right in the pledged permit of the equitable owner, whether by subrogation or other manner.

(d) Upon payment of the loan, the bank shall certify to the Commercial Fisheries Entry Commission that the loan has been repaid, and the commission shall amend the permit certificate to list the equitable owner as the holder, and the legal interest of the bank shall terminate.

(e) In anticipation of a possible foreclosure under AS 44.81.241 - 44.81.250, the equitable owner of a permit that is pledged as security for the loan may nominate

a person to whom the permit may be transferred if the pledge is foreclosed under AS 44.81.245.

* **Sec. 20.** AS 44.81 is amended by adding a new section to read:

Sec. 44.81.236. LIMITATIONS ON THE PLEDGE OF PERMITS. A loan may not be secured by the pledge of a limited entry permit unless the proceeds of the loan are used for

(1) the purchase of a permit;

(2) the purchase or lease of quota shares, individual fishing quotas, or another license, permit, or other grant of commercial fisheries harvesting entitlements that is issued and regulated under state or federal law;

(3) the purchase, construction, maintenance, repair, or improvement of commercial fishing boats, sites, gear, or equipment;

(4) working capital, including insurance premiums, supplies, food, fuel, bait, boat storage, and boat launching;

(5) the purchase of the bank's stock or other equity instruments and loan costs; or

(6) refinancing of debts incurred for a purpose listed in (1) - (5) of this section.

* **Sec. 21.** AS 44.81 is amended by adding new sections to read:

Sec. 44.81.241. INITIAL NOTICE OF DEFAULT. If there is a default on a loan secured by a permit pledged under AS 44.81.231, the bank shall notify the borrowers and guarantors on the loan of the default and of the right to cure the default by sending a notice by certified mail to their last known address or addresses on file with the bank. The notice must include

(1) the date of the notice;

(2) a description of the security given for the loan, including the number assigned by the commission and the name of the equitable owner of each permit pledged to secure the loan;

(3) the date and nature of the default;

(4) the amount of arrearages as of the date of the notice;

(5) the total indebtedness, including interest, penalties, and costs of

collection, remaining owing on the loan as of the date of the notice;

(6) the amount of daily interest to accrue from the date of the notice;

(7) a statement that the costs of collection of the loan incurred by the bank after the date of the notice will be added to the total amount of the indebtedness owing on the loan;

(8) a statement that the default may be cured within 60 days from the date of the notice or within an extended time period that is specified in an extension notice provided by the bank within the 60-day period under AS 44.81.249;

(9) the place where payment of arrearages or other cure may be made; and

(10) a statement in at least 10 point bold type stating:

"IMPORTANT: UNLESS YOU CURE THE LOAN DEFAULT WITHIN THE TIME SPECIFIED BY THIS NOTICE, THE TOTAL INDEBTEDNESS OWING ON THE LOAN SHALL BE IMMEDIATELY DUE AND PAYABLE TO THE BANK WITHOUT FURTHER NOTICE TO YOU. ALSO, THE BANK SHALL THEN BE ENTITLED TO TAKE ANY LEGAL ACTION AGAINST YOU TO COLLECT THE LOAN, INCLUDING THE INSTITUTION OF LAWSUITS AND THE FORECLOSURE OF THE PLEDGE OF ANY PERMIT PLEDGED TO SECURE THIS LOAN."

Sec. 44.81.243. BANK REMEDIES AFTER FAILURE TO CURE. If the borrowers and guarantors on a loan secured by a permit pledged under AS 44.81.231 fail to cure a default within the time stated in the notice given under AS 44.81.241, the total indebtedness owing on the loan immediately becomes due and payable to the bank, and the bank shall be entitled to take any legal action to collect the loan, including the foreclosure under AS 44.81.245 of the permit pledge that secures the loan and the institution of legal action. If the bank forecloses the permit pledge, the bank may proceed in the order the bank selects, whether before, after, or concurrent with other action taken to collect the loan.

Sec. 44.81.245. FORECLOSURE NOTICE. The bank may foreclose on a permit pledge that secures a loan by sending to the equitable owner of the permit

pledged and any other borrowers and guarantors on the loan a notice of foreclosure. The notice shall be sent by certified mail to their last known address or addresses on file with the bank and must include

(1) the date of the notice;

(2) a statement that the total indebtedness owing on the loan became due and payable to the bank because the loan default was not cured within the time specified in the notice of default and right to cure provided under AS 44.81.241, and that as a result the bank is entitled to take legal action to collect the loan, including the forfeiture of a permit pledge that secures the loan and the institution of legal action;

(3) a description of the permit pledge that is being foreclosed by the notice, including an identification of the permit by the number assigned by the commission and the name of the equitable owner;

(4) the amount of the total indebtedness owing as of the date of the notice;

(5) the amount of daily interest that accrues from the date of the notice;

(6) a statement that the costs of collection of the loan incurred by the bank after the date of the notice will be added to the total amount of the indebtedness due on the loan;

(7) a statement that to avoid forfeiture of all rights of the equitable owner of the permit identified in the notice, the loan must be paid in full within 60 days from the date of the notice or within an extended time period that is specified in an extension notice provided by the bank within the 60-day period under AS 44.81.249;

(8) a statement that once a forfeiture of all rights of the equitable owner of a permit described in the notice occurs, the permit may not be redeemed;

(9) a statement of the right of the equitable owner to nominate a person to assume the loan under AS 44.81.245;

(10) the place where payment in full may be made; and

(11) a notice in at least 10 point bold type stating:

"IMPORTANT: IF THE LOAN IS NOT PAID IN FULL BY THE

DATE SPECIFIED, ALL RIGHTS OF THE EQUITABLE OWNER TO THE PERMIT IDENTIFIED IN THIS NOTICE WILL BE FORFEITED WITHOUT FURTHER NOTICE TO YOU. IN THAT EVENT, THERE WILL NOT BE A RIGHT OF REDEMPTION OF THE PERMIT. IN ADDITION, THE BANK MAY NOW TAKE OTHER ACTION TO COLLECT THE LOAN, INCLUDING THE INSTITUTION OF LEGAL ACTION AGAINST YOU AND THE FORECLOSURE OF OTHER PERMIT PLEDGES THAT SECURE THE LOAN."

Sec. 44.81.247. TERMINATION OF PERMIT INTEREST. If a loan is not paid in full within the time specified by the notice provided for the loan under AS 44.81.245, the equitable interest in the permit identified in the notice terminates by operation of law without further notice. The commission shall cancel an entry permit card issued to the equitable owner of the permit immediately upon receipt by the commission of a certificate of termination containing a copy of the notices required by AS 44.81.241 and 44.81.245.

Sec. 44.81.249. CANCELLATION, EXTENSION, AND DELIVERY OF NOTICES. (a) The bank may cancel a notice provided under AS 44.81.241 or 44.81.245 by delivering a written notice of cancellation to the persons who were given the cancelled notice. The notice shall be given in the same manner as is required for the cancelled notice.

(b) The bank may extend the 60-day period for curing a default under AS 44.81.243 and the period before a forfeiture occurs under AS 44.81.247 by giving a written notice of extension to the persons who were given the notice. The notice shall be given in the same manner as is required for the giving of the notice being extended.

(c) The bank may give a notice required to be provided in AS 44.81.241, 44.81.245, or 44.81.247 by personal delivery instead of by certified mail.

* **Sec. 22.** AS 44.81.250 is repealed and reenacted to read:

Sec. 44.81.250. TRANSFER OF ENTRY PERMITS AFTER FORECLOSURE. (a) Upon foreclosure of a pledge of an entry permit under AS 44.81.241 - 44.81.249,

the bank shall determine if the permit is subject to a buy-back program under AS 16.43.290 - 16.43.330 and, if it is subject to a buy-back program, shall offer the permit to the commission at a price equal to the outstanding indebtedness on the loan.

(b) If the permit is not subject to a buy-back program, or if the commission fails to buy back the permit within 30 days after the commission receives the offer, the bank shall sell the permit to a person who qualifies as a transferee of an entry permit under AS 16.43 and the regulations adopted by the commission. The bank shall give preference to an offer to purchase a permit made by a state resident if the price offered is equal to or greater than the price offered by a nonresident. If the proceeds of the sale of a permit exceed the amount necessary to pay the indebtedness in full, the bank shall remit the excess to the borrower.

(c) At any time before foreclosure of a pledge of a permit, or within 30 days following foreclosure of a pledge of a permit, the equitable owner or former equitable owner may nominate a person to assume the loan. A person nominated must qualify as a transferee of the permit under AS 16.43 and must qualify to assume the loan under the requirements of the bank. If the person qualifies, the permit shall be transferred to the nominee upon the nominee's assumption of the loan.

(d) This section does not affect the right of the bank to institute legal actions against the borrowers, guarantors, or other sureties for performance to collect the indebtedness owing on the loan and to take other legal action on the collateral securing the loan.

* **Sec. 23.** AS 44.81.270 is repealed and reenacted to read:

Sec. 44.81.270. AUDITS AND EXAMINATIONS OF BANK. (a) The legislative auditor may cause the bank to be audited in the manner and under the conditions established 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 the business of the bank and books and papers kept by a director, officer, or employee relating to or upon which a record of the business of the bank is kept. The legislative audit division may summon witnesses and administer oaths or affirmations in the examination of directors, officers, or employees of the bank or another person in relation to the affairs, transactions, and conditions of the bank, and

may require and compel the production of records, books, papers, contracts, or other documents by court order if not voluntarily produced. At the direction of the legislative budget and audit committee under AS 24.20.271, the legislative auditor may conduct an audit of the bank.

(b) The legislative auditor and the auditor's 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.

(c) The bank shall be audited annually by independent outside auditors. The legislative auditor may confer with the outside auditors and review the work papers of the audit. The board shall engage the outside auditors, who shall be responsible to the board. The bank shall submit copies of each report of the outside auditors to the legislative auditor within 30 days of the report by the bank.

(d) The state bank examiners shall perform an annual qualitative examination and evaluation of the bank. The commissioner of commerce and economic development shall assess the bank a fee established under AS 06.01.010(b) for the actual expenses incurred by the Department of Commerce and Economic Development in connection with the examination. The examiners shall report to the board on the examination. The examiners shall prepare a summary report evaluating the bank's loan portfolio quality on a statistical basis and addressing the appropriateness and effectiveness of the bank's policies, practices, and management within the context of the bank's statutory purposes. The examiners shall distribute copies of the summary report to the bank, the legislature, and the governor, and the other records related to the examination of the bank are subject to AS 06.01.025.

* **Sec. 24.** AS 44.81 is amended by adding a new section to read:

Sec. 44.81.300. UNCLAIMED DISTRIBUTIONS, REDEMPTIONS, OR PAYMENTS. The bank may revoke a distribution of net proceeds by the bank or a redemption of or payment based upon an allocation of proceeds or upon capital stock issued by the bank if the distribution, redemption, or payment remains unclaimed six years after the date authorized for payment, redemption, or retirement. The amount revoked may revert to an unallocated capital account of the bank if, at least six months

before the declared date of revocation, the bank has mailed to the last known address of the person shown by the bank's records to be entitled to the amount a notice that the payment is available to the person; if the address is unknown, the bank shall publish the notice as provided by law for the publication of a summons. A distribution, redemption, or payment subject to this section is not subject to AS 34.45.110 - 34.45.780.

* **Sec. 25.** AS 44.81.350(3) is amended to read:

(3) "member of the bank" includes

(A) a holder of a share of membership stock of the bank; or

(B) a patron of the bank with retained patronage earnings, or other form of capital ownership in the bank, of $2,500 or more to the patron's credit;

* **Sec. 26.** AS 44.81.350 is amended by adding new paragraphs to read:

(5) "commercial agriculture" includes commercially-related activity in connection with producing, harvesting, processing, or marketing an agricultural, maricultural, or horticultural commodity, including the breeding, raising, shearing, feeding, caring for, training, and management of livestock, bees, poultry, shellfish, and fur-bearing animals and wildlife, and the planting, cultivating, caring for, harvesting, or processing of forest products on a sustained yield basis;

(6) "permit" means a limited entry permit issued under AS 16.43;

(7) "resident farmer" means a person who is a resident of the state and who is engaged in commercial agriculture in the state;

(8) "resident fisher" means a person who is a resident of the state and who is engaged in commercial fishing in the state.

* **Sec. 27.** AS 44.81.010(c), 44.81.040, 44.81.050, 44.81.060, 44.81.070, 44.81.090, 44.81.100, 44.81.110, 44.81.160, 44.81.190, 44.81.220, 44.81.230, 44.81.235, 44.81.240, and 44.81.280 are repealed.

* **Sec. 28.** TRANSITION PROVISIONS. This Act does not affect a contract, cause of action, liability, penalty, or proceeding existing, incurred, or accrued on the effective date of this Act. This Act does not affect an action of the Alaska Commercial Fishing and Agriculture Bank taken on or before the effective date of this Act.

CS HB 284 (FIN)

LETTER OF INTENT

The legislature requests that the board of directors of the Alaska Commercial Fishing and Agriculture Bank investigate the feasibility of providing services authorized under AS 44.81.210 to Alaskans other than those authorized for services under AS 44.81.210, and report the results of that investigation to the legislature by the 15th day of the first session of the twentieth Alaska Legislature.

Mark Hanley 3/15/96

Co-Chair Mark Hanley Date

Richard Foster 15MAR96

Co-Chair Richard Foster Date

2550 Denali Street, Suite 1201
Anchorage, Alaska 99503-2737
(907) 276-2007 Fax (907) 279-7913

March 14, 1996

RECEIVED
MAR 16 1996
Ans'd

Edward E. Crane
President

President Drue Pearce
Alaska State Senate
State Capitol (MS 3100)
Juneau, Alaska 99801-1182

Dear President Pearce,

We anticipate that within a few days HB 284 will be transmitted to the Senate for consideration.

HB 284, sponsored by the House Special Fisheries Committee, directly affects only CFAB and its (present and future) borrower-owners. It is difficult to argue persuasively that there are even indirect implications for any other private or public entities. HB 284 has been subjected to hearings in three House committees (as well as consideration by a Finance Committee subcommittee). It also received in-depth analysis by the Legislative Auditor, whose report is of course available.

For those reasons, and because HB 284 is of importance to CFAB, we respectfully request that you consider limiting HB 284 to only those referrals which are in your judgement necessary to achieve effective Senate consideration. Historically, legislation affecting CFAB has been referred as a minimum to the Senate Resources Committee. We note that, according to data published by the Commercial Fisheries Entry Commission, the present members of the Senate Resources Committee count among their combined constituencies 4,399 registered voters who own 8,219 commercial fishing permits. Those totals are greater than those of the combined membership of any other Senate standing committee; as a matter of fact, each is more than 47% of the respective total for the Senate as a whole.

Thank you for your consideration.

Very truly yours,

Edward E. Crane
President

cc: Representative Alan Austerman
Chair, House Special Fisheries Committee
Senator Loren Leman
Chair, Senate Resources Committee

FISCAL NOTE

STATE OF ALASKA **BILL NO.** HB284

1996 LEGISLATIVE SESSION

Revision Date: 3/8/96 Dept. Affected: Fish and Game

Title: An Act relating to the Commercial Fishing and Agriculture Bank

BRU: Commercial Fisheries (Limited) Entry Commission

Component: Limited Entry Program Administration

Sponsor: House Special Committee on Fisheries

Requester: House Finance Committee

COMPONENT SERIAL NO. 0471

Expenditures/Revenues (Thousands of Dollars)

OPERATING EXPENDITURES	FY 97	FY 98	FY 99	FY 00	FY 01	FY 02
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0
CAPITAL EXPENDITURES						
CHANGE IN REVENUES ( )						

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts	0.0	0.0	0.0	0.0	0.0	0.0
1006 GF/MHTIA						
Other						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY96) cost: $ 0.0

POSITIONS

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary.)

House Bill 284 is a housekeeping bill which streamlines, clarifies and improves many of the operations of CFAB and is not expected to have a fiscal impact on this agency.

Prepared By: Roger Kolden Phone: 789-6160

Agency: Commercial Fisheries (Limited) Entry Commission Date: 3/8/96

Approved by Commissioner: Frank Homan

Agency: Commercial Fisheries (Limited) Entry Commission Date: 3/8/96

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STATE OF ALASKA
1996 LEGISLATIVE SESSION

FISCAL NOTE

BILL NO: HB 284

Revision Date: March 8, 1996
Dept. Affected: Revenue
Title: An Act relating to the Alaska Commercial Fishing and Agriculture Bank (CFAB)
BRU: Revenue Operations
Component: Treasury Division
Sponsor: House Special Committee on Fisheries
Requestor: Finance
COMPONENT SERIAL NO. 121

Expenditures/Revenues: (Thousands of Dollars)

OPERATING EXPENDITURES	FY 97	FY 98	FY 99	FY 00	FY 01	FY 02
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
CAPITAL EXPENDITURES						
CHANGE IN REVENUES (CFAB)		-1,000.0				

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other						
TOTAL	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Estimate of any current year (FY96) cost $ _____

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

CFAB is currently repurchasing non-voting, preferred shares of stock originally sold to the State in 1980 for $32 million. The repurchase, which is required to be complete by the year 2000, is currently scheduled to be completed by FY 1998. The effect of this bill, which establishes a $1 million minimum level of capital at the bank, will be to reduce the total final payment to the State by $1 million.

Prepared by: Betty Martin, Comptroller — Betty Martin — Phone: 465-2350
Division: Treasury — Date: 3/8/96
Approved by Commissioner: Wilson L. Condon, Commissioner — Date: 3/8/96
Agency: Department of Revenue

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TONY KNOWLES
GOVERNOR

STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

P.O. Box 110001
Juneau, Alaska 99811-0001
(907) 465-3500
Fax (907) 465-3532

RECEIVED
FEB 5 1996

January 31, 1996

Mr. Edward E. Crane, President
Alaska Commercial Fishing
and Agriculture Bank
2550 Denali Street, Suite 1201
Anchorage, AK 99503-2737

Dear Mr. Crane:

Thank you for your letter of January 11 requesting support for HB 284, the House Special Fisheries bill relating to the Commercial Fishing and Agriculture Bank (CFAB).

I was pleased to learn of CFAB's early return of a majority of the state's initial capitalization and of your plans to retire the remainder before the statutory deadline. Your cooperative members, the fishermen and farmers of Alaska, are to be complimented for their significant financial contribution to CFAB's success.

This Administration is very interested in the well-being of CFAB and in protecting its ability to help Alaskan fishermen and farmers. As a unique financial institution, CFAB provides needed support for a specialized segment of Alaska's economy. Therefore, I have asked my legislative director, Pat Pourchot, to follow HB 284 and lend his support, as appropriate, to ensure its passage.

Best wishes to CFAB and its member-borrowers.

Sincerely,

Tony Knowles
Governor

cc: Pat Pourchot, Legisilative Director

ALASKA CRUISES
P. O. BOX 7814 • KETCHIKAN, ALASKA 99901 • (907) 225-6044 Fax (907) 225-8636

4-5-95

REPRESENTATIVE ALAN AUSTERMAN
CHAIRMAN
HOUSE SPECIAL COMMITTEE ON
FISHERIES
ALASKA STATE LEGISLATURE
JUNEAU, ALASKA 99801-1182

DEAR SIR:

I URGE YOU TO SUPPORT PASSAGE
OF HB 284.

CFAB HAS BEEN A TREMENDOUS
ASSET TO THE COMMERCIAL
FISHING INDUSTRY IN ALASKA.

THE STATE AND THE INDUSTRY NEED
THIS INSTITUTION.

Sincerely,

Bill Choate
Box 493
Homer, Alaska 99603
April 6, 1995

Chairman Alan Austerman
House Special Committee on Fisheries
Alaska State Legislature
Juneau, Alaska 99801-1182

Dear Chairman Austerman,

I strongly urge you to support HB 284. As a member of CFAB and three time user of the institution, it is hard for me to imagine my success in the fishing business without them. It is clear to me that CFAB has grown and evolved over the years, and besides, Ed Crane need the kind of job security that most of you legislators enjoy.

Sincerely,

Bill Choate

P.S. CFAB---disregard last line. ha! ha!

RECEIVED
APR 07 1995
A.S.L.....

Bob CLARK;

Hey Bob, glad to see spring, & the stoping by later in summer would like to refinance my Vessel. See you then good fishing too you.

BAY TRADERS, INC.
dba THE FISH HOUSE
P.O. BOX 1209 SEWARD, ALASKA 99664
(907) 224-3674 1-800-257-7760

Rep. Chairman

Alan Austerman, I have been notified of HB 284 since I am a CFAB Owner. This Bill is not written right it seems like. Any Bill that Provides for the dissolution of CFAB is unbelievable. CFAB has helped hundreds of Fishermen like myself. CFAB has created thousands of jobs in Alaska just in Fisheries related business. I will be watching as will all fishermen use to how this is addressed. Do it right, write a Bill that will continue Business as usually for CFAB. Make yourself a lot of friends and gain respect from True Alaskans (Help CFAB).

Thank You
Michael A. Clemens

APR 10 1995
Ans'd.....

Thomas Crandall
Box 210849
Anchorage, Ak. 99521

April 9, 1995

Representative Alan Austerman, Chair
House Special Committee on Fisheries
Alaska State Legislature
Juneau, Ak. 99801-1182

Sir:

I am and have been for a considerable time a CFAB member, Alaskan, and a commercial fisherman.

I am writing to you in reguards to HB 284. I am in support of this legislation and in support of the continued existence of CFAB.

I urge you to do what you can to facilitate the passage of HB 284

CFAB is in a position to provide financing for the benefit of Alaska's fishermen in a way that other financial institutions are unable or unwilling to do.

Thank you for your consideration.

Sincerely,

Thomas Crandall

Thomas Crandall

cc: CFAB

RECEIVED
APR 12 1995
Ans'd.....

ROBERT A. CORREIA
P.O. BOX 729
KASILOF, AK 99610

APRIL 5, 1995

DEAR ALASKA LEGISLATURE,

MY NAME IS ROBERT A. CORREIA. I AM A CURRENT MEMBER OF CFAB AND HAVE BEEN A MEMBER FOR THE LAST 15 YEARS. I LIVE IN KASILOF, ALASKA AND HAVE COMMERCIALLY FISHED IN COOK INLET FOR 30 YEARS. RESIDENT ALASKA FISHERMEN NEED CFAB AND I URGE YOUR SUPPORT OF HB 284.

SINCERELY

Robert A. Correia

ROBERT A. CORREIA

2550 Denali Street, Suite 1201
Anchorage, Alaska 99503-2737
(907) 276-2007 Fax (907) 279-7913

May 1, 1995

Edward E. Crane
President

Representative Pete Kott, Chair
House Labor and Commerce Committee
Alaska State Legislature
Juneau, Alaska 99801-1182

Dear Chairman Kott,

I want to again express sincere thanks to you and your Labor and Commerce Committee colleagues for modifying your schedule on Friday evening in order to consider HB 284. The challenges confronting your Committee were most obvious to those of us who observed the occasion, and I wish you well.

Although CFAB is a relatively small and somewhat obscure element of State service to Alaska residents, it is vitally important to those who use it and own it. Your Committee's efforts were a significant step in the process of improving the quality and effectiveness of CFAB's services. Thank you again.

Very truly yours,

Edward E. Crane
President

bcc: Cheryl Sutton
Office of Representative Carl Moses

P.O. Box 4086
Homer, AK 996
April 5, 1995

RECEIVED
APR 6 1995

Representative Alan Austerman, Chair
House Special Committee on Fisheries
Alaska State Legislature
Juneau, AK 99801-1182

Representative Austerman,

I am a CFAB member and believe in the significance of their existence and purposes. I would like to see the passage of HB 284 for CFAB's ongoing existence premised on their own success.

I feel it would provide more flexability in meeting the increasingly complex financial needs of commerical fishers and farmers in the future.

Please pass HB 284.

Gratefully,

David K Edens

David Edens
EDENS FISHERIES, INC.

RECEIVED
APR 6 1995

April 4, 1995

To: Edward E. Crane
From: Bruce Foster Jr.
P. O. Box 34
Sand Point, Alaska 99661

A copy of my letter to Juneau in support of H. B. 284 is enclosed.

Sincerely,

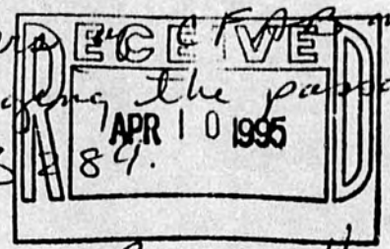
Bruce Foster Jr.
Bruce Foster Jr.

NO ENCLOSURE RECEIVED ?

4-5-95

Charles K. Heckman
Barbara M. Heckman
P O Box 79
Pilot Station, AK 99650

My husband and I are
members of [illegible] and
are in support of the passage
of HB 284.



Barbara Heckman

APRIL 12, 1995

REPRESENTATIVE ALAN AUSTERMAN, CHAIR
HOUSE SPECIAL COMMITTEE ON FISHERIES
ALASKA STATE LEGISLATURE
JUNEAU, ALASKA 99801-1182

DEAR REPRESENTATIVE AUSTERMAN:

AS A MEMBER OF CFAB SINCE 1984, I WOULD LIKE TO EXPRESS MY SUPPORT FOR PASSAGE OF HB 284.

CFAB HAS BEEN VERY IMPORTANT TO THE ALASKA FISHING INDUSTRY. WITHOUT CFAB I'M SURE MORE OF OUR LIMITED ENTRY PERMITS AND ALASKA'S FISHING INDUSTRY WOULD GO SOUTH TO SEATTLE AND OTHER PARTS OF THE LOWER 48.

CFAB HAS BEEN PAYING ITS OWN WAY. ALSO, FOR YOUR INFORMATION, I HAVE NOT BEEN GIVEN A FREE RIDE. AS AN ACTIVE CFAB MEMBER, I HAVE PAID SEVERAL THOUSAND DOLLARS IN INTEREST, AND I HAVE ALSO PURCHASED SEVERAL THOUSAND DOLLARS WORTH OF STOCK THAT HAS BEEN USED TO PAY OFF THE STATE'S ORIGINAL LOAN TO CFAB.

I RECENTLY TOOK OUT MY THIRD LOAN WITH CFAB TO BUY HALIBUT IFQ. AGAIN, WITHOUT CFAB, ALASKA CAN COUNT ON MOST OF THE HALIBUT IFQ GOING SOUTH TO THE BETTER FINANCED SEATTLE FLEET.

MY SON AND I HAVE TWO BOATS AND TWO BRISTOL BAY PERMITS THAT WERE PURCHASED WITH CFAB LOANS, AND THANKS TO CFAB WE NOW HAVE A FEW POUNDS OF HALIBUT IFQ. MORE IMPORTANTLY WE EMPLOY SIX ALASKA CREW MEMBERS EVERY YEAR AND BUY MOST OF OUR GEAR AND SUPPLIES IN ALASKA. EQUALLY IMPORTANT, WE ALL LIVE IN ALASKA AND SPEND OUR FISHING INCOME IN ALASKA. LETS KEEP AS MUCH OF THE FISHING INDUSTRY IN ALASKA AS WE CAN. KEEP CFAB A VIABLE ENTITY BY PASSING HB 284. FUTURE GENERATIONS OF ALASKA FISHERMAN NEED CFAB'S LOAN PROGRAMS.

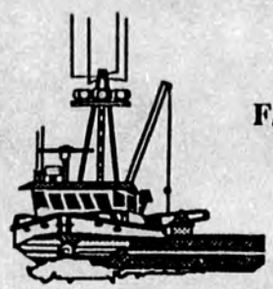
ALASKA NEEDS TO KEEP IT'S SECOND BIGGEST INDUSTRY HEALTHY!

SINCERELY,

tommy Gene Heinrich

TOMMY GENE HEINRICH

CC: EDWARD E. CRANE, CFAB



F/V SEA DANCER

Carl Kerr, Owner
P.O. Box 71
Sitka, Alaska 99835
(907) 747-8231

LIV
APR 11 1995
...

Note Sent to Alan Austerman –

Dear Sir:

We are CFAB members who in 1984 were able to obtain a $1,000,000 loan. This amount would have been very hard to borrow anywhere else.

We have payed off our loan and now own a excellent fishing boat.

We truly believe in CFAB's existance & purposes

Please pass HB 384.

Thank You

Alec & Carl Kerr
Box 71
Sitka Alaska
99835

11760 Nye Court, Apt. A
Anchorage, AK 99515
April 7, 1995

COPY

RECEIVED
APR 10 1995

Rep. Alan Austerman, Chair
House Special Committee on Fisheries
Alaska State Legislature
Juneau, AK 99801-1182

Dear Rep. Austerman:

I urge you to support the passage of HB 284. The continued existence of CFAB is essential for many fishermen and farmers in their quest to build viable businesses. I am a CFAB member and can testify that without CFAB's help, I probably could not have built my fishing business.

Sincerely,

Stephen Kurth

April 6, 1995

Representative Alan Austerman, Chair
House Special Committee on Fisheries
Alaska State Legislature
Juneau, AK 99801-1182

HB 284 is important to the fishing and farming industries. It corrects inconsistent language in AS 44.81 to prevent the unintended dissolution of the Alaska Commercial Fishing and Agriculture Bank (CFAB). HB 284 also clears up several other weaknesses in the statute so CFAB can function more effectively in meeting the increasingly complex financial needs of fishermen and farmers.

My husband and I became CFAB borrowers/shareholders in 1982. Without CFAB's help I doubt we could have started our salmon setnet business. Several other lenders denied our loan requests; the volatility and seasonal nature of fishing were inconsistent with their lending guidelines. Now we borrow from CFAB every spring to get set up for the upcoming season.

CFAB and its borrowers/owners work hard to pay their own way. As provided in the statute, CFAB is repaying the $32 million initial capital provided by the State of Alaska. Borrowers pay market interest rates; we are not subsidized.

Please pass HB 284. CFAB successfully loaned over $600 million in the past 15 years. Please help us continue playing a major role in Alaska's economy by filling a gap left by conventional lenders.

Sincerely,

Gail Lamson

Gail Lamson
16101 Genevieve
Anchorage, AK 99516

Lock's All Alaskan Seafoods
F/V Chelsea L
P.O. Box 1542
Wrangell , Alaska 99929

Dear Rep. Austerman ,

April 10 , 1995

This letter is to ask for your support in passing HB 284 . I believe this bill is nessesary for the continued operation of CFAB . As a CFAB loan holder and stock holder I know how important it is to have a lending institution that knows and specializes in the fishing industry. I'm at the point in my career and business now , where my local bank and the SBA work very comfortably with me . If CFAB had not been available for me at the beginning I seriously doubt if I could have achieved this level of success . As I said , I'm in a good position now . My son is looking forward to a career in this industry and I would like to see him have at least the options I had when I started . The passage of HB 284 would help insure this . Thank you for your time .

Sincerely ,

Michael T Lockabey

4-5-96



TO:
Rep. Alan Austerman

MR. AUSTERMAN I have been a participating member of CFAB since 1990. I feel it is essential that House Bill 284 Passes.

THANK YOU,

TERRY MacDonald SR
BOX 424
PETERSBURG, AK 99833

Terry MacDonald SR

Att: Dan Kirkshire

Ed

April 10, 1995

Representative Alan Austerman, Chair
House Special Committee on Fisheries
Alaska State Legislature
Juneau, Alaska 99801-1182

Dear Mr. Austerman:

In regard to HB284, I feel that CFAB is needed in Alaska - It is important. I borrowed over 1/2 million dollars in late 1983. It was needed very much to enhance and take care of my business needs. I have never missed a monthly payment and will be paid off in 1995. I am very grateful for CFAB's cooperation and help in fulfilling my needs. They have made me feel important and useful.

Please consider the continued need of CFAB!

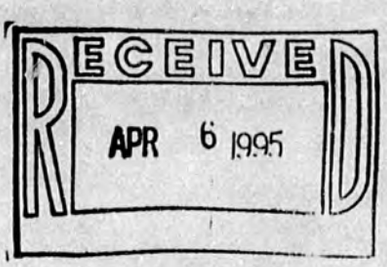
Sincerely Yours,

Roland Moody

Roland Moody

P.S. I have lived in Alaska since 1931. I have been a commercial fisherman since 1932 and have lived at Aleknagik most of the time.

April 5, 1995



The Honorable Alan Austerman
Chairman
House Special Committee on Fisheries
Alaska State Legislature
Juneau, Alaska 99801-1182

Dear Mr. Chairman:

As a commercial fisherman and a CFAB member, I am writing to urge the Alaska State Legislature to pass HR 284 to continue the existence of CFAB and to make some changes CFAB needs to continue its operations.

I grew up in the village of Ugashik where my parents, brothers, sister and I all fished commercially, and I still vote in that district as well as spend summers fishing for salmon. When I left to attend college, my permit went to a younger brother. Later when my brother had to sell his permit, I was able to purchase it through a CFAB loan and was able to keep the permit in the family when so many permits are being sold to "outsiders" leaving fewer and fewer permits in the hands of Alaskans who need jobs and money in the rural areas.

I tried to borrow money through the Alaska Department of Commerce and Economic Development, but they said I was ineligible. So I turned to CFAB which helped me, and I think the work that CFAB is doing for Alaskans and the state are very important and should be continued. When CFAB was created, it was a wonderful plan to assist fishermen/women. We do not receive a "free ride" because we pay interest on the money we borrow.

Thank you for your consideration of my comments.

Sincerely,

Marie Matsuno Nash
P.O. Box 101918
Anchorage, Alaska 99510-1918

cc: The Honorable Lyman Hoffman
The Honorable Carl Moses
bcc: Ed Crane, CFAB

Hello Mr Austerman.

My name is Joel Nimmer, and I am presently a member of CFAB.

CFAB made it possible for me to start a career in fishing as a younger man. This is an extremely tough field to break into these days, and young people need an institution to look to for financial opportunity.

Commercial fishing is part of a vibrant economy and lends greatly to the "Alaskan Mystique." It requires a lending institution to keep its future moving ahead and help guide new people into its fisheries.

I certainly hope HB 284 ensuring the ongoing existence of CFAB will be passed.

Thank you

Joel Nimmer

N4886 Ctlt V

Fond du Lac WI

54935

RECEIVED
APR 13 1995
Asa'd.....

April 12, 1994

Representative Alan Austerman, Chair
House Special Committee on Fisheries
Alaska State Legislature
Juneau, Alaska 99801-1182

Dear Sir,
We would like to take the opportunity to express our opinion regarding HB 284.

It is of the utmost importance that this Bill pass. If it fails, Alaskans may lose one of it's most successful and necessary institutions.

Interestingly enough, the rationale for the creation of CFAB back in 1980 is even more apparent today. Without a doubt CFAB serves as the lender of last resort to certain members (specifically independent non-Japanese affiliated companies) of the Alaskan seafood industry whom for whatever reason cannot obtain credit from commercial banks in either Alaska or Seattle.

Our company's recent experience serves as a perfect example. ADF was formed in 1985 to operate the existing APA plant in Chignik. For several years ADF operated quite profitably, reinvesting most of it's profit in capital improvements to increase capacity and quality, along with the upgrades necessary to keep up with the ever more stringent health and safety requirements imposed by both the State and Federal governments. We had also become the largest Salmon buyer in Chignik and one of the largest Cod buyers in Alaska.

During those years, the Seattle banks were happy to make credit available as requested. The salmon industry was healthy in general with few clouds on the horizon.

In 1989 however, the Exxon Valdez oil spill became the first of several successive disturbances which proved difficult for ADF to overcome. If the spill was insufficient cause by itself to have done so by impugning the reputation of Alaskan salmon, the meteoric rise and consequent overproduction of farm raised salmon caused the market value of Sockeye salmon to fall by up to 50%, squeezing margins for processors and fishermen.

By 1992, ADF began to suffer losses. By themselves these losses weren't sufficient to cause the loss of bank credit. ADF's fundamentals were strong and had a blemishless credit history.

But when coupled with the difficulty of recovering capital previously loaned to fishermen (due to low grounds prices), and the avalanche of bad press surrounding numerous bankruptcies in the Alaskan groundfish business. ADF's bank lost faith and chose to beat a hasty retreat from the industry in general. In point of fact, virtually the entire Seattle banking community had shunned the industry by that time.

We at ADF had come to know several members of the CFAB staff over the years through interactions regarding their financing of various Chignik fishermen. When our problem surfaced, we approached them.

We found a willingness to listen by a group whose expertise and insight far exceeds any other Bank's seafood department. Despite their best efforts, and due to the almost unreasonable demands made by our existing bank, CFAB was understandably unable to effect a refinancing.

This left ADF with no other choice but to reorganize, which it accomplished quite successfully. Almost one year later, ADF is strong again. We maintained our #1 position in Chignik, are paying dividends to shareholders, and are poised for further growth.

None of this would have been possible without CFAB. Upon reorganization and as promised, ADF recieved a modest but sufficient Line of Credit from CFAB when there was not another bank in the Northwest who was willing to do so.

Their credit standards are tight (as well they should be), but they are the only financial institution committed to supporting independent members of Alaska's seafood industry despite it's cyclical nature, irrespective of whether better short term returns might be had elsewhere at any given moment.

As our industry adjusts to the multitude of changes on the horizon, the continued existence of CFAB is a prerequisite to maintaining a healthy, competetive environment for one of Alaska's largest industries.

We urge you and all members of the Legislature to support HB 284.

Respectfully,

Brad A. Resnick
President

April 10, 1995

To House Special Committee on Fisheries
To Alaska State Legislature

As a Commercial Fisherman and 18 year resident of Alaska, I urge you to support HB 284.

I've been a member / borrower of CFAB since 1986. I've had one permit loan, one gear loan and three seasonal operating loans. All loans have been paid in full and on time.

CFAB has been the only financing option open to me at times. CFAB provides flexibility that other lenders would never consider.

We are a resource State, and need lenders that can respond to people, that earn their living from those resources.

In order to help keep our Fisheries in Alaskan hands, we need lending institutions such as CFAB, that loan only to Alaskans.

Thank-You

Peter Royal

PETER ROYAL
205 E. DIMOND BLVD. #634
ANCHORAGE, ALASKA 99515

SEWARD SHEA
PO BOX 1035
SEWARD, AK 99664-1035

April 1, 1975

Representative Glen Gustafson, Chair
House Spec. Committee on Fisheries
Alaska State Legislature
Juneau, Alaska 99801-1182

Dear Sir.

I am presently a member of CFAB and have benefited very much from them in the past. I see many ways they will be able to be of use in the future if I have use of their services. I urge the passage of H.B. 284.

Sincerely,

Lewis C. Shea

- a.c. CFAB

F/V Dolphin

COPY

SEWARD
WATERFRONT LODGING
550 Railway (On-The-Bay)
P.O. Box 618
SEWARD, ALASKA 99664

(907) 224-5563

MEMO

DATE 4/3/95

SUBJECT HB 284

TO Rep. Alan Austerman, chair
House Spec. Comm. on Fisheries
AK State Legislature
Juneau, AK 99801-1182

Please pass HB 284. As members of CFAB we support the efforts and the presence of CFAB's existance & purpose in our lives as fishermen. We appreciate and take pride in being part of the CFAB ownership & have benefited by their assistance in years past & we look forward to working with them again in the upcoming season.

Thank you for your support.

Michael & Arlene Wiley
P.O. B. 618 - Seward
Commercial setnetters

Fax E.G. Crane

☐ PLEASE REPLY ☐ NO REPLY NECCOSARY SIGNED

40% Pre-Consumer Content
10% Post-Consumer Content

Ronald E. & Anne Winters
M/V BERING
P.O. Box 178
Cordova, AK 99574

April 6, 1995



Rep. Alan Austerman, Chair
House Special Services Comm/Fisheries
Alaska State Legislature
Juneau, AK 99801-1182

Dear Rep. Austerman,

As members of CFAB we would like to express our support for the passage of HB284. CFAB has proven to be an asset to the fishing and farming communities of the state and the bank has made significant strides in becoming self-supporting. We support their continued existence and trust that HB284 will clean up some of the language of the original legislation and address other gaps and problems facing the institution today.

Sincerely,

M/V BERING

Ron & Anne Winters

COPY

SECTIONAL REFERENCES TO HB

Chapter 81. Commercial Fishing and Agriculture Bank.

Section
10. Alaska Commercial Fishing and Agriculture Bank
20. Board of directors
40. Bylaws
50. Membership meetings
60. Membership stock
70. President; officers and employees
90. Term of office and removal
100. Quorum
110. Compensation of board members
160. Pledge of the state
190. Conflicts of interest
200. Reports and publications
210. Powers of the bank
220. Transition
225. Small loans to nonmembers
230. Loans for purchase of Alaska limited entry permits
235. Limitations on pledge of permits
240. Default and foreclosure of certain loans secured by limited entry permits
250. Deficiencies and transfer of entry permits after foreclosure
260. Confidentiality of records
270. Audit of bank
280. Prohibition on disclosure
350. Definitions

Cross references. — For legislative findings and purpose in connection with the enactment of this chapter, see §§ 1 and 2, ch. 159, SLA 1978 in the Temporary and Special Acts.

8

Sec. 44.81.010. Alaska Commercial Fishing and Agriculture Bank. (a) There is established the Alaska Commercial Fishing and Agriculture Bank. The exercise by the bank of the powers conferred by this chapter is considered to be for a public purpose. The bank is exempt from the provisions of AS 06.05 (Alaska Banking Code) and AS 10.15 (Alaska Cooperative Corporation Act) in the exercise of powers granted by this chapter.

9

(b) For the purpose of the funding of the bank's operations, the board of directors may issue nonvoting, preferred shares of stock in the bank and determine the value of each share. The state, through appropriate agencies, may purchase the nonvoting, preferred shares issued by the bank. Shares purchased by the state shall be repurchased by the bank within 20 years after their purchase. If the bank fails to repurchase the shares within 20 years, the commissioner of commerce and economic development may dissolve the bank.

(c) *[Repealed, § 43 ch 85 SLA 1988.]* (§ 3 ch 159 SLA 1978; am § 1 ch 53 SLA 1979; am § 12 ch 122 SLA 1980; am § 1 ch 109 SLA 1981; am § 65 ch 21 SLA 1985; am § 1 ch 49 SLA 1987; am § 43 ch 85 SLA 1988)

Revisor's notes. — Formerly AS 44.54.010. Renumbered in 1980.

Cross references. — For legislative findings in connection with the 1981 amendments to this section, see § 9, ch. 109, SLA 1981 in the Temporary and Special Acts.

NOTES TO DECISIONS

Status for maritime foreclosure proceedings. — The Alaska Commercial Fishing and Agriculture Bank is not a state agency for purposes of maritime lien foreclosure proceedings. Alaska Com. Fishing & Agric. Bank v. O/S Alaska Coast, 715 P.2d 707 (Alaska 1986).

10

Sec. 44.81.020. Board of directors. (a) The bank shall be managed by a board of directors consisting of seven members. Five board members shall be elected by the members of the bank, with at least one of the elected board members being an Alaska farmer, and two board members shall be appointed by the governor until the repurchase of all the nonvoting, preferred shares initially issued by the bank and purchased by agencies of the state. After repurchase is completed, all board members shall be elected by the members of the bank. The board members shall annually elect a chairman from among themselves. The purpose of the board is to manage the assets of the bank.

(b) The governor shall designate the two members whose positions on the board will remain appointive for the period set out in (a) of this section. (§ 3 ch 159 SLA 1978; am § 2 ch 53 SLA 1979; am § 3 ch 51 SLA 1980; am § 2 ch 49 SLA 1987)

Revisor's notes. — Formerly AS 44.54.020. Renumbered in 1980.

Sec. 44.81.030. Articles of incorporation. [Repealed, § 66 ch 21 SLA 1985.]

13 & 27

Sec. 44.81.040. Bylaws. The board of directors shall adopt the initial bylaws of the bank. The power to alter, amend, or repeal the bylaws is vested in the board of directors. The bylaws may contain provisions for the regulation and management of the affairs of the bank not inconsistent with this chapter or other provisions of law. (§ 3 ch 159 SLA 1978)

Revisor's notes. — Formerly AS 44.54.040. Renumbered in 1980.

27

Sec. 44.81.050. Membership meetings. Upon filing the articles of incorporation, the board of directors, with the assistance of the commissioner of commerce and economic development or the commissioner's designee, may hold public meetings throughout the state for the purpose of explaining to members of the commercial fishing and farming industries the functions of the bank and to encourage membership in the bank. (§ 3 ch 159 SLA 1978)

Revisor's notes. — Formerly AS 44.54.050. Renumbered in 1980.

Sec. 44.81.060. Membership stock. (a) The board of directors shall issue shares of membership stock in the bank in the amounts and with the value determined by the board and stated in the articles of incorporation.

(b) Loans made to members of the bank under the provisions of this chapter shall be in accordance with a schedule of maximum amounts adopted by the board of directors based upon proportional ownership of shares of capital stock. (§ 3 ch 159 SLA 1978; am § 4 ch 51 SLA 1980)

Revisor's notes. — Formerly AS 44.54.060. Renumbered in 1980.

Sec. 44.81.070. President; officers and employees. (a) The board of directors shall employ a president. The president may not be a member of the board of directors. The president serves at the pleasure of the board of directors. The president is the chief executive officer of the bank.

(b) The board of directors shall appoint one or more vice-presidents, as prescribed in the bylaws of the bank, a secretary, a treasurer, and other officers as the board of directors considers necessary. The board of directors may appoint one person to more than one of the positions described in this subsection. The officers described in this subsection are not required to be members of the board of directors.

(c) The president may hire employees of the bank reasonably necessary for the efficient performance of the functions of the bank. Subject to the approval of the board of directors, the president may also contract for and engage the services of professional and technical advisors. The board of directors shall prescribe the duties and compensation of employees of the bank. Employees of the bank are not employees of the state and are not considered to be employees of a public organization for the purposes of AS 39.30.150 — 39.30.180 or AS 39.35. (§ 3 ch 159 SLA 1978; am § 5 ch 51 SLA 1980; am § 2 ch 109 SLA 1981)

Revisor's notes. — Formerly AS 44.54.070. Renumbered in 1980.

Sec. 44.81.080. Exempt status. [Repealed, § 10 ch 109 SLA 1981. For current law see AS 44.81.070(c).]

Sec. 44.81.090. Term of office and removal. The members of the board shall serve for terms of three years, and they may serve successive terms. Terms shall be staggered. An elected member of the board who releases confidential information in violation of AS 44.81.260, commits serious ethical misconduct that relates to the member's fitness to serve as a member of the board, or maintains a chronically and irredeemably substandard borrowing relationship with the bank may be removed from the board by affirmative vote of a majority of the members of the board. (§ 3 ch 159 SLA 1978; am § 3 ch 53 SLA 1979; am § 3 ch 49 SLA 1987)

Revisor's notes. — Formerly AS 44.54.090. Renumbered in 1980.

Sec. 44.81.100. Quorum. A majority of the members of the board constitutes a quorum for the transaction of business and the exercise of the powers and duties of the board. (§ 3 ch 159 SLA 1978)

Revisor's notes. — Formerly AS 44.54.100. Renumbered in 1980.

Sec. 44.81.110. Compensation of board members. Members of the board receive compensation not to exceed $250 as determined by the board for each day the board meets if they attend the meeting. (§ 3 ch 159 SLA 1978; am § 3 ch 109 SLA 1981)

Revisor's notes. — Formerly AS 44.54.110. Renumbered in 1980.

NOTES TO DECISIONS

Cited in Alaska Com. Fishing & Agric. Bank v. O/S Alaska Coast, 715 P.2d 707 (Alaska 1986).

Secs. 44.81.120 — 44.81.150. Bonds of the bank; trust indentures and trust agreements; validity of pledges; nonliability on bonds. [Repealed, § 10 ch 109 SLA 1981.]

Sec. 44.81.160. Pledge of the state. The state pledges to and agrees with any lender to the bank and with the federal agency or regional institution of the federal farm credit system that loans or contributes funds in respect of a project, that the state will not limit or alter the rights and powers vested in the bank by this chapter to fulfill the terms of any contract made by the bank with the lender to the

bank or federal agency or regional institution of the federal farm credit system, or in any way impair the rights and remedies of the lender to the bank or federal agency or regional institution of the federal farm credit system. The bank is authorized to include this pledge and agreement of the state, insofar as it refers to a lender to the bank in a contract with the maker of a loan, and insofar as it relates to a federal agency or regional institution of the federal farm credit system, in a contract with a federal agency or regional institution of the federal farm credit system. (§ 3 ch 159 SLA 1978; am § 4 ch 109 SLA 1981)

Revisor's notes. — Formerly AS 44.54.160. Renumbered in 1980.

NOTES TO DECISIONS

Cited in Alaska Com. Fishing & Agric. Bank v. O/S Alaska Coast, 715 P.2d 707 (Alaska 1986).

Secs. 44.81.170 — 44.81.180. Exemption from taxation; bonds legal investments for fiduciaries. [Repealed, § 10 ch 109 SLA 1981.]

Sec. 44.81.190. Conflicts of interest. A member of the board of directors may not vote on a transaction of the bank under this chapter if the member is a party to the transaction. (§ 3 ch 159 SLA 1978)

Revisor's notes. — Formerly AS 44.54.190. Renumbered in 1980.

Sec. 44.81.200. Reports and publications. The board of directors shall publish an annual report to the bank's members. The report shall be made available to the public and 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, and any other information that the board believes would be of interest to the governor, the legislature, and the public, or that the legislature requests the board to include. The board may also publish other reports it considers desirable to carry out its purposes. (§ 3 ch 159 SLA 1978; am § 5 ch 109 SLA 1981)

Revisor's notes. — Formerly AS 44.54.200. Renumbered in 1980.

NOTES TO DECISIONS

Cited in Alaska Com. Fishing & Agric. Bank v. O/S Alaska Coast, 715 P.2d 707 (Alaska 1986).

Sec. 44.81.210. Powers of the bank. (a) The bank may

(1) make variable rate or fixed rate loans to individuals who are residents and who are engaged in commercial agriculture or fishing, including harvesters, processors, suppliers, and marketers, or to corporations, partnerships or joint ventures engaged in commercial agriculture or fishing, the majority interest of which is beneficially owned by residents of the state and a majority of the owners of which are residents of the state, if the recipient of the loan is a member of the bank; however, the bank may make a loan under this paragraph to a corporation, partnership, or joint venture for the purchase of a new or existing fishing vessel or for the repair or renovation of an existing fishing vessel, the primary purpose of which is to commercially harvest fishery resources, only if the corporation, partnership, or joint venture is wholly owned and controlled by residents of the state and if the recipient of the loan is a member of the bank;

(2) make and alter bylaws necessary or desirable to carry out its corporate functions;

(3) establish amortization plans for repayment of loans, which may include extensions for poor fishing or farming seasons, or for adverse market conditions for Alaskan products;

(4) enter into agreements with regional institutions of the federal farm credit system, private lending institutions, and other state agencies or agencies of the federal government, to carry out the purposes of this chapter;

(5) adopt, alter, and use a corporate seal;

(6) sue and be sued in the name of the bank;

(7) issue bonds to carry out any of its corporate purposes and powers;

(8) sell, lease as lessor or lessee, exchange, donate, convey, or encumber in any manner by mortgage or by creation of any other security interest, real or personal property owned by it, or in which it has an interest, when, in the judgment of the board of directors, the action is in furtherance of its corporate purposes;

(9) incur secondary liability by guaranty or endorsement of the obligations of another corporation or legal entity when, in the judgment of the board of directors, the action is in furtherance of its corporate purposes;

(10) make loans as provided in (1) of this subsection in participation with financial institutions, and establish and regulate the terms of the loans;

(11) make contracts and execute instruments necessary or convenient in the exercise of its corporate powers;

(12) acquire by purchase, lease, bequest, devise, gift, the satisfaction of debts, or the foreclosure of mortgages, and hold, maintain, use, operate, and convey real or personal property;

(13) borrow money and issue secured and unsecured evidence of indebtedness for a corporate purpose or to fund, refund, pay, or discharge outstanding obligations, and enter agreements and contracts concerning these obligations;

(14) secure the payment of its obligations by pledge or mortgage or other lien on its contracts, revenues, income, or property;

(15) appoint officers, employees, trustees for certificate holders, and agents, and prescribe their powers and duties;

(16) provide technical services to members of the bank; for the purpose of this paragraph, "technical services" includes services that will enhance the ability of the member to obtain financial assistance from the bank;

(17) make loans, as provided in (1) of this subsection, secured by liens subordinate to valid first liens and security agreements granted to a private lending institution;

(18) participate with state departments and agencies in formulating policy and in planning for the development of commercial fishing and agriculture in the state;

(19) do what is necessary or desirable to carry out the corporate purposes and powers expressed or implied in this chapter;

(20) make loans to individual commercial fishermen for limited entry permits; a loan under this paragraph may be made only to an individual commercial fisherman who has been a state resident for a continuous period of two years immediately preceding the date of application for the loan; loans made under this paragraph are subject to AS 44.81.230;

(21) indemnify directors, officers, or employees of the bank and their heirs, executors, and administrators against all liabilities and related expenses including, but not limited to, court costs and attorney fees, judgments, and the cost of reasonable settlements, incurred by them in connection with or arising out of an action or proceeding brought against them because of an act or omission in the performance of their official duties as directors, officers, or employees of the bank regardless of whether they were directors, officers, or employees at the time the expenses or liabilities are incurred;

(22) accept the pledge of a limited entry permit as security for a loan made under this chapter subject to the conditions set out in AS 44.81.230 — 44.81.250 on pledges of limited entry permits;

(23) make a loan to a person, regardless of residency, if the board of directors of the bank determines that the loan is necessary to preserve

the value of property held by the bank as security for a loan that was made under (1) of this subsection and that is in default;

(24) issue certificates of loan participation to members and to other individuals, corporations, partnerships, and joint ventures, but the bank may not issue a certificate of loan participation if the certificate would allow participation by the member, individual, corporation, partnership, or joint venture in loans that individually or cumulatively involve more than 20 percent of the commercial fishery entry permits issued for one type of gear in a specific fishery resource administrative area.

(b) The provisions of (a)(21) of this section do not authorize the bank to indemnify a director, officer, or employee of the bank who is adjudged liable for negligence or misconduct in the performance of official duties.

(c) Notwithstanding (a)(1) of this section, the bank may make variable or fixed rate loan to a shore-based fish processor, a timber processor, or an agricultural processor or harvester that does not meet the resident ownership requirements of (a)(1) of this section for capital investment or operating capital if a facility of the processor or harvester is located in the state and the majority interest in the processor or harvester is beneficially owned by residents of the United States. (§ 3 ch 159 SLA 1978; am § 4 ch 53 SLA 1979; am §§ 7 — 10 ch 51 SLA 1980; am § 6 ch 109 SLA 1981; am § 52 ch 113 SLA 1982; am § 17 ch 67 SLA 1983; am § 20 ch 79 SLA 1985; am §§ 4, 5 ch 49 SLA 1987; am § 2 ch 52 SLA 1987; am § 2 ch 70 SLA 1989)

Revisor's notes. — Formerly AS 44.54.210. Renumbered in 1980.

Cross references. — For legislative findings in connection with the enactment of (c) of this section, see § 1, ch. 52, SLA 1987 in the Temporary and Special Acts; for legislative purpose in connection with the enactment of (a)(24) of this section, see § 1, ch. 70, SLA 1989 in the Temporary and Special Acts.

Effect of amendments. — The 1989 amendment, effective May 31, 1989, added paragraph (24) in subsection (a).

NOTES TO DECISIONS

Cited in Alaska Com. Fishing & Agric. Bank v. O/S Alaska Coast, 715 P.2d 707 (Alaska 1986).

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 this chapter 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)

Revisor's notes. — Formerly AS 44.54.220. Renumbered in 1980.

NOTES TO DECISIONS

Cited in Alaska Com. Fishing & Agric. Bank v. O/S Alaska Coast, 715 P.2d 707 (Alaska 1986).

Sec. 44.81.225. Small loans to nonmembers. (a) To facilitate the development of commercial fisheries in geographic areas in which factors such as geographic considerations, uncertainties of communication, or limited demands do not encourage normal lending activities, the bank may make small loans to qualified borrowers who are not members of the bank.

(b) The provisions of this chapter apply to loans authorized by this section except that

(1) the borrower is not required to be a member of the bank at the time the loan is approved; and

(2) the principal amount of the portion of the loan made by the bank may not exceed $25,000.

(c) The total amount of money that may be loaned under this section may not exceed eight percent of the total capital of the bank.

(d) To service loans made under this section, the bank may contract or make other arrangements with a public agency or with a legal entity that the bank determines to be responsible and competent to administer the loan. (§ 2 ch 39 SLA 1991)

Sec. 44.81.230. Loans for purchase of Alaska limited entry permits. (a) A loan under AS 44.81.210(a)(20) or 44.81.225 for the purchase of a limited entry permit may be made only upon certification by the commission that the fisherman is a person who qualifies as a transferee for the permit under AS 16.43 and the regulations adopted by the commission.

(b) Upon approval by the bank, a permit may be pledged as security for a loan made under (a) of this section, AS 44.81.225, or 44.81.235 if

(1) the certificate for the pledged permit lists the bank as the legal owner of the permit;

(2) the certificate for the pledged permit lists the debtor as the equitable owner of the permit;

(3) all annual permit cards issued under the pledged permit list the name of the debtor;

(4) all obligations and responsibilities of a permit owner are assumed by the debtor;

(5) co-signers or other sureties for performance under the note are not vested with any rights in the pledged permit and their obligation is limited to satisfaction of the note and payment of costs directly incurred by the bank in administering the loan.

(c) Upon satisfaction of the note by the debtor, the bank shall certify to the commission that the note has been satisfied.

(d) Upon certification as provided in (c) of this section, the commission shall amend the permit certificate to list the debtor as the legal owner.

(e) In addition to the permit of the debtor pledged as security for a loan under (a) of this section, the debtor may pledge another limited entry permit as security for that loan if the bank approves and the permit to be pledged meets the requirements of (b) of this section.

(f) In anticipation of possible foreclosure on an entry permit under AS 44.81.250, the debtor may nominate a person to assume a note for a loan made under AS 44.81.210(a)(20), 44.81.225, or 44.81.235. If the person nominated qualifies under (a) of this section at the time of the foreclosure, the person may assume all rights and liabilities of the debtor in the event the bank forecloses on the entry permit. (§ 5 ch SLA 1979; am §§ 11 — 13 ch 51 SLA 1980; am § 3 ch 70 SLA 1989; am §§ 3 — 5 ch 39 SLA 1991)

Revisor's notes. — Formerly AS 44.54.230. Renumbered in 1980.

Cross references. — For reassignment or sale of entry permits pledged as security after revocation of the permit by the commission, see AS 16.43.960(l); for legislative purpose in connection with the enactment of (e) and (f) of this section, see § 1, ch. 70, SLA 1989 in the Temporary and Special Acts.

Effect of amendments. — The 1989 amendment, effective May 31, 1989, added subsections (e) and (f).

The 1991 amendment, effective June 13, 1991, in subsection (a), inserted "or 44.81.225"; in subsection (b), substituted "a permit may be pledged" for "the permit to be purchased may be pledged," inserted "made" and "AS 44.81.225, or 44.81.235," and made a punctuation change; and, in subsection (f), substituted "a note for a loan made" for "a note given" and added "44.81.225, or 44.81.235" to the end of the first sentence.

NOTES TO DECISIONS

Cited in Anderson v. Anderson, 736 P.2d 320 (Alaska 1987).

Sec. 44.81.235. Limitations on pledge of permits. (a) The b may issue a loan secured by a limited entry permit for

(1) purchase, repair, restoration, or improvement of a commercial fishing vessel or commercial fishing gear;

(2) construction of a commercial fishing vessel;

(3) working capital, including insurance premiums, fuel, bait, and boat storage and launching expenses; or

(4) purchase and improvement of set net sites and associated equipment.

(b) A limited entry permit may be used as security for more than one loan if each loan meets the requirements of AS 44.81.210(a)(20) or (a) of this section.

(c) A limited entry permit may be used as security for a loan to refinance existing debts if the proceeds of each original loan were used in accordance with AS 44.81.210(a)(20) or (a) of this section. (§ 6 ch 49 SLA 1987; am §§ 4, 5 ch 70 SLA 1989)

Cross references. — For legislative purpose in connection with the 1989 amendments to (b) and (c) of this section, see § 1, ch. 70, SLA 1989 in the Temporary and Special Acts.

Effect of amendments. — The 1989 amendment, effective May 31, 1989, inserted "AS 44.81.210(a)(20) or" in subsections (b) and (c).

Sec. 44.81.240. Default and foreclosure of certain loans secured by limited entry permits. (a) If the debtor defaults upon a note for which a limited entry permit has been pledged as security under AS 44.81.230, the bank shall provide the debtor, by registered or certified mail sent to the debtor's last known address on file with the bank, with a notice of default that includes

(1) a description of the security given for the note including the number assigned to the pledged permit by the commission;

(2) the date upon which the default occurred;

(3) the amount of arrearages as of the date of the notice, the total amount remaining on the note less unearned interest, and the amount of daily interest;

(4) a statement that the debtor may, within 15 days of the postmark date of the notice, request a hearing at which the debtor may submit evidence showing the debtor has not defaulted;

(5) a statement that the note may be reinstated if brought current within 60 days from the postmark date of the notice;

(6) a statement that the note may be paid in full less unearned interest within 90 days from the postmark date of the notice;

(7) the place where reinstatement or payment in full may be made; and

(8) a notice in at least 10-point bold type stating: "IMPORTANT: YOUR FAILURE TO REINSTATE OR PAY THIS NOTE IN FULL BY THE DATE SPECIFIED WILL RESULT IN A FORFEITURE OF ALL RIGHTS TO THE PERMIT AND THE POSSIBILITY OF LEGAL ACTION BEING INSTITUTED AGAINST YOU."

(b) Upon the debtor's failure to reinstate or satisfy the note within the time specified in (a) of this section, the debtor's equitable interest is terminated by operation of law without further notice. Any entry permit cards issued to the debtor under the permit shall be canceled immediately upon receipt by the commission of a certificate of termination containing a copy of the notice required by (a) of this section issued by the bank. (§ 5 ch 53 SLA 1979; am § 14 ch 51 SLA 1980)

Revisor's notes. — Formerly AS 44.54.240. Renumbered in 1980.

Sec. 44.81.250. Deficiencies and transfer of entry permits after foreclosure. (a) Upon a foreclosure on an entry permit as provided in AS 44.81.240, the bank shall offer the commission a right of first refusal if the permit is subject to a buy-back program under AS 16.43.290 — 16.43.330 at a price equal to the amount outstanding on the note plus any costs the bank directly incurred in administering the loan.

(b) If the commission does not exercise its right of first refusal within 30 days after it receives the offer, or if the permit is not subject to a buy-back program under AS 16.43.290 — 16.43.330, the bank shall promptly notify the debtor of this fact. If the debtor has not previously nominated a qualified person to assume the note under AS 44.81.230(f), the debtor has 30 days from the postmark date of the notice to nominate a person qualified to assume the note. The person nominated must qualify under the requirements of AS 44.81.230(a). If qualified, the person nominated may assume all rights and liabilities of the original debtor.

(c) If the debtor is unable to nominate a qualified person to assume the note under (b) of this section, the permit must be made available to a qualified person, chosen as provided in this section, who shall assume the note subject to all rights and liabilities of the original debtor. The commission shall provide the bank with a list of persons chosen by lottery who qualify as transferees of entry permits under AS 16.43 and regulations adopted by the commission and who have met the residency requirements of AS 44.81.210(a)(20). The bank shall then determine, in order of presentation, any remaining qualifications. The bank shall allow the first applicant meeting all qualifications to assume the note.

(d) Nothing in this section affects the right of the bank to institute legal action for a deficiency resulting from a default on a note for a loan made under AS 44.81.210(a)(20), 44.81.225, 44.81.230, or 44.81.235. In addition to any deficiency, the debtor is liable for the costs of administering the note and for costs and attorney fees.

(e) If the commission is unable to provide a list of one or more qualified persons as provided in (c) of this section within 15 days, or if no person listed is determined by the bank to be qualified to assume the note, the bank may sell the permit to an individual commercial fisherman who has been a state resident for two years immediately preceding the date of the sale. If the proceeds of the sale of a permit exceed the amount necessary to pay the note in full, plus interest to date of sale, penalties, costs, and attorney fees, the bank shall remit the excess to the original debtor. (§ 5 ch 53 SLA 1979; am §§ 15 — 17

ch 51 SLA 1980; am §§ 6 — 8 ch 70 SLA 1989; am § 6 ch 39 SLA 1991; am § 37 ch 30 SLA 1992)

Revisor's notes. — Formerly AS 44.54.250. Renumbered in 1980.

Cross references. — For legislative purpose in connection with the 1989 amendments to (b) and (d) of this section, and the enactment of (e), see § 1, ch. 70, SLA 1989 in the Temporary and Special Acts.

Effect of amendments. — The 1989 amendment, effective May 31, 1989, added "If the debtor has not previously nominated a qualified person to assume the note under AS 44.81.230(f)" at the beginning of the second sentence in subsection (b); inserted the reference to "44.81.210(a)(20)" in the first sentence in subsection (d); and added subsection (e).

The 1991 amendment, effective June 13, 1991, in subsection (d), substituted "note for a loan made under" for "note given under" and inserted "44.81.225," and "or 44.81.235," and made a stylistic change.

The 1992 amendment, effective May 16, 1992, deleted "and commercial fishing participation" following "met the residency" in the second sentence of subsection (e).

Sec. 44.81.260. Confidentiality of records. (a) The records of the bank that are identified with, or identifiable as being derived from the records of, a specific borrower, member of the bank, or applicant for a loan are confidential and may not be disclosed by the bank or by its directors, officers, employees, or agents to a person other than the directors, officers, employees, or agents of the bank, except

(1) when required by a federal or state statute;

(2) under AS 44.81.270;

(3) under a search warrant issued under federal law or the law of this state;

(4) under a subpoena or court order issued in a civil action under federal law or the law of this state;

(5) under a subpoena or court order issued in connection with a proceeding before a federal grand jury or grand jury of this state;

(6) under a summons or subpoena issued by an agency or a department of the United States or this state, or an officer, employee, or agent of the agency or department;

(7) under a request by a financial institution, if the request is solely for the stated written purpose of determining the credit worthiness of a member or borrower as an applicant for credit, and if the information disclosed by the bank pertains only to the payment history of the member or borrower;

(8) under a request by a lender that has extended or is considering extending credit to the bank if the credit is or may be secured by the pledge of a loan by the bank;

(9) when disclosed to the attorney general of the United States or to a law enforcement agency of this state if the records may be relevant to a report or investigation of a possible violation of federal law or a law of this state.

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(b) The records of the bank that are not subject to (a) of this section may be kept confidential by the bank, subject to the exceptions listed in (a)(1) — (5) of this section.

(c) Notwithstanding (a) — (b) of this section, a borrower, a member of the bank, or an applicant for a loan may authorize the bank in writing to disclose records provided to the bank by the borrower, member, or applicant.

(d) In this section,

(1) "member" includes past and present members;

(2) "records" means financial and other records, including information known to have been derived from the records, in any form, including original documents and copies. (§ 8 ch 109 SLA 1981; am § 1 ch 15 SLA 1991)

Effect of amendments. — The 1991 amendment, effective June 6, 1991, rewrote the section.

Sec. 44.81.270. Audit of bank. (a) At the direction of the Legislative Budget and Audit Committee under AS 24.20.271, the legislative auditor may conduct an audit of the bank. 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.

(b) The bank shall be audited annually by independent outside auditors. The legislative auditor may confer with the outside auditors and review the workpapers of the audit.

(c) The state bank examiners shall perform an annual qualitative examination and evaluation of the bank. The commissioner of commerce and economic development shall assess the bank a fee established under AS 06.01.010(b) for the actual expenses incurred by the Department of Commerce and Economic Development in connection with the examination. The examiners shall report to the board of directors on the examination. The examiners shall prepare a summary report evaluating the bank's loan portfolio quality on a statistical basis and addressing the appropriateness and effectiveness of the bank's policies, practices, and management within the context of the bank's statutory purposes. The examiners shall distribute copies of the summary report to the bank, the legislature, and the governor. (§ 8 ch 109 SLA 1981; am § 7 ch 49 SLA 1987; am §§ 40, 41 ch 85 SLA 1988)

NOTES TO DECISIONS

Cited in Alaska Com. Fishing & Agric. Bank v. OS Alaska Coast, 716 P.2d 707 (Alaska 1986).

Sec. 44.81.280. Prohibition on disclosure. The legislative auditor and the auditor's 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)

Sec. 44.81.350. Definitions. In this chapter

(1) "bank" means the Alaska Commercial Fishing and Agriculture Bank;

(2) "commission" means the Alaska Commercial Fisheries Entry Commission under AS 16.43.020;

(3) "member of the bank" includes a holder of a share of membership stock of the bank or a patron of the bank with retained patronage earnings of $2,500 or more to the patron's credit;

(4) "supplier" means a person whose main source of income is from providing goods or services that are directly related to commercial fishing or agriculture to individuals, corporations, partnerships, or joint ventures engaged in commercial fishing or agriculture. (§ 18 ch 51 SLA 1980)

Revisor's notes. — Formerly AS 44.54.260. Renumbered in 1980.

Chapter 82. Alaska Gas Pipeline Financing Authority.

Section
10. Creation of authority
20. Membership
30. Officers and quorum
40. Compensation
50. Staff
60. Legal counsel
70. Purpose of authority
80. General powers
90. Bonds of the authority
100. Submission of financial and Alaska impact plan
110. Legislative approval
115. Nomination of a member of the board
120. Trust indentures and trust agreements
130. Nonliability on bonds
140. Pledge of the state
150. Exemption from taxation
160. Bonds legal investments for fiduciaries
170. Regulations
180. Annual audit
190. Annual report
200. Definitions

Cross references. — For legislative findings in connection with the enactment of this chapter, see § 1, ch. 90, SLA 1978, as amended by § 4, ch. 81, SLA 1979, in the Temporary and Special Acts.

Sec. 44.82.010. Creation of authority. There is created the Alaska Gas Pipeline Financing Authority. The authority is a public corporation of the state. It is an instrumentality of the state within the Department of Revenue, but has a legal existence independent of and separate from the state. Exercise by the authority of the powers conferred by this chapter is an essential governmental function of the state. (§ 2 ch 90 SLA 1978)

Revisor's notes. — Formerly AS 44.55.010. Renumbered in 1980.

Sec. 44.82.020. Membership. The membership of the authority consists of the commissioner of revenue, the commissioner of commerce and economic development, and the commissioner of natural resources. The commissioner of revenue is chairman of the authority. If a member is unable for any reason to attend a meeting of the authority, the member may, by a written instrument filed with the authority, designate a person within the member's department to act in the member's place at the meeting. For all purposes of this chapter, the designee is a member of the authority at the meeting. (§ 2 ch 90 SLA 1978)

Revisor's notes. — Formerly AS 44.55.020. Renumbered in 1980.

Sec. 44.82.030. Officers and quorum. The members of the authority may elect other officers. Two members constitute a quorum. Action may be taken and motions and resolutions adopted by the authority at a meeting by the affirmative vote of at least two members. (§ 2 ch 90 SLA 1978)

Revisor's notes. — Formerly AS 44.55.030. Renumbered in 1980.

Sec. 44.82.040. Compensation. The members of the authority serve without compensation but are entitled to the same travel pay and per diem as provided by law for board members who are state employees. (§ 2 ch 90 SLA 1978)

Revisor's notes. — Formerly AS 44.55.040. Renumbered in 1980.

Cross references. — For per diem and travel expenses, see AS 39.20.180.

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Alaska Commercial Fishing and Agriculture Bank

1995 Annual Report

Alaska Commercial Fishing and Agriculture Bank

1995 Annual Report

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Executive Message to Members

May 31, 1995, marked the end of over 15 years of CFAB operations. While fifteen years may be of little note in an Old Testament context, CFAB's absolute dependence on resource-based industries has sometimes made a single year seem like a lifetime!

The authors of this report have had close involvement with much of CFAB's cumulative history. Board Chairman Alan Otness has been a CFAB member almost since the beginning, and has served as a Director since 1986. President Ed Crane has now completed ten years as CFAB's chief executive officer.

Those years of experience and exposure have given us perspectives which, although somewhat subjective, are almost certainly different from those of CFAB's individual member-borrowers. In the following paragraphs we will present the usual financial information and other fact-based indications of CFAB's status, and in addition we will offer for your consideration some of our perspectives on the roles which CFAB plays for individual fishers and for the resident-based seafood business as a whole.

1995 *Results*

We are pleased to report the results of Fiscal 1995 operations. CFAB's gross interest income declined by $250,000, from about $3,124,000 in 1994 to $2,874,000 in 1995. This was due to reduced outstanding loan volume.

Interest expense declined by a lesser amount, about $173,000. CFAB's borrowings in 1995 were less than in 1994, but its average cost of funds was higher.

A year ago we advised that CFAB's 1994 operating expenses of $1,676,000 were the lowest of any 12-month period in its history. We are happy to report that the 1995 operating expense total of $1,617,000 is yet another "record low"! Although expense control and maintenance of a modest institutional lifestyle are major points of emphasis for CFAB, we are reluctant to promise a continuing reduction of operating expenses in today's economy. Another aspect of that point, though, is that CFAB is positioned to accommodate significantly more loans — and loan volume — with very little, if any, increase in operating expenses. This would effectively translate into reduced costs for all borrowing members.

A comparison of 1994 and 1995 overall results is somewhat awkward because of events affecting CFAB's allowance for loan losses. In 1994 CFAB made a "normal" addition of $216,000 (i.e., an expense) to that account. In 1995, however, there were major recoveries of previously charged-off loans which resulted in a transfer of $1,100,000 *from* the account (i.e., income). You will find more details in the Notes to Financial Statements later in this Annual Report. If one sets aside, for analytical purposes, the effects of those events, it can be concluded that CFAB's results of operations — before income tax or allowance for loan loss considerations — totaled $912,000 in Fiscal 1995 compared to $944,000 in 1994.

After applying the effects of those events just discussed, and after consideration of CFAB's respective tax obligations in 1994 and 1995 (the chargeoff recoveries create large tax obligations) the "bottomline" result is that CFAB's net 1995 proceeds totaled $1,439,000 compared to $821,000 in 1994.

Disposition of Net *Proceeds*

CFAB's Board of Directors followed recent years' practices and philosophies, in general, in determining the disposition of 1995 proceeds. $108,122 was authorized as a 7% dividend on the Class B Preferred Stock holdings of members whose related loans were paid in full at May 31, 1995. *This is the sixth such dividend in the past seven years.* $650,000 of the proceeds was allocated to member-patrons as a patronage refund in accordance with CFAB's Bylaws, with fifty percent of that allocation to be paid in cash by September 30, 1995. We will discuss some of the implications of that patronage refund later in this Executive Message. Finally, the remaining $680,944 of net proceeds was transferred to CFAB's unallocated surplus account.

Overall Financial Condition

CFAB continues to grow in financial strength, to a point at which a statistical comparison with many other kinds of financial institutions would suggest extraordinary health. However, your Board of Directors and management are most cognizant of the dangers inherent to loan concentration in volatile and resource-based industries. We recognize that a single season of adverse fishing results can have catastrophic effects on CFAB's total loan portfolio and related accounts (about 93% of its total assets); we are therefore not inclined ever to view CFAB as "too strong."

CFAB's formal debt declined in the past year from $9,992,000 – 28% of its total loans — to $4,479,000 — 15% of its total loans. This decreasing dependence on borrowing means, among other things, much less vulnerability to interest rate increases for CFAB and its member-borrowers.

As has been true in each of the past few years, the change in CFAB's total capital accounts is somewhat misleading. Total capital declined in 1995 from $27.5 million to $26.6 million. The basis for that decline was CFAB's retirement of $3.0 million of Class C Special Preferred Stock owned by the State of Alaska, a continuance of the retirement process begun in 1991. (Again, you may find more details in the Notes to Financial Statements.) However, as a result of the discounts generated by that retirement, of the patronage refund allocation, of the retention of net proceeds and of member-borrowers' purchases of new Class B Preferred Stock, members' equity increased by $2.1 million. At May 31, 1995, CFAB equity ownership by members stood at $16.6 million, while the State of Alaska's share had been reduced to $10.0 million.

Loan Portfolio and New Loan Activity

In this area, as in some others, the raw numbers demand some review and analysis. CFAB's gross loans and receivables declined by $5.1 million in 1995, from $35.4 million to $30.3 million. Of that decline, however, $3.7 million was in nonaccrual loans. Those numbers, in light of the $5.5 million reduction in debt mentioned earlier, not only suggest enhanced financial strength but point the way to improved results in the future.

There was more new loan activity in 1995 than in 1994. The latter year's activity seemed to be extremely low, with only 41 new loans accounting for $1.7 million of new money advances. In contrast, there were 54 new loans, for $4.0 million of new money, in 1995.

A good deal of the Fiscal 1995 new loan activity came late in the year and was related to the acquisition of Individual Fishing Quota Shares. That trend has continued into early Fiscal 1996; in June 1995 seventeen new loans totaling $1.5 million were funded, compared to four (for $359,000) in June 1994 and five (for $202,000) in June 1993. We anticipate that Fiscal 1996 will be a year of modest growth in loan numbers and volume.

The Challenge of CFAB

The unique combination of CFAB's structure, mandates, authorities, origins, and ownership results in some fascinating yet rewarding challenges for those of us charged with directing and managing its affairs.

Perhaps the most significant and most constant of those challenges is the need to balance the interests of individuals against those of CFAB's members as a whole. The vast majority of our day-to-day decisions — those related to the origination, administration, and collection of loans — directly affect specific individuals; yet we must be ever mindful that the ultimate result of those decisions will be felt by *all* other members. For example, when CFAB experiences a $10,000 loss on a loan which has become uncollectible, it must sooner or later, in one manner or another, effectively collect that $10,000 from the remainder of its membership.

Conversely, we must be ever mindful that the "corporate" decisions we must make — for instance,

an interest rate change, a charitable contribution, a patronage allocation, a revised employee health insurance program, a purchase of office furniture — will ultimately be translated into direct effects on individual borrowers' interest burdens and/or individual members' equity holdings.

As indicated, there are satisfactions associated with those challenges. An example is the pleasure derived from the Board's decision to allocate $650,000 of 1995 net proceeds — with half to be paid in cash immediately — as a patronage refund. The $325,000 cash payment represents 11.3 percent of CFAB's gross loan revenues. This means that, *as a minimum*, a hypothetical CFAB borrower who has made timely loan payments will receive that percentage of his or her interest portion as a refund. If that hypothetical borrower's loan were subject to CFAB's current average interest rate of 9.73 percent on loans to harvesters, the actual cash interest cost would equate to 8.63 percent. We believe that is a reasonable rate in today's economy and the current seafood business climate.

CFAB's *Visibility*

We are puzzled at times by the indications that, despite fifteen years of operations and considerable aggregate expenditures for advertising and promotion, CFAB seems still to be not widely recognized by Alaska fishers. There are many competent and responsible lenders to Alaska seafood business participants. We do not see CFAB as directly "in competition" with any of them; rather, CFAB serves a niche market of residents whose credit requirements can not readily be met by more traditional lenders. That point was confirmed, in many cases enthusiastically, in letters received from borrowing members during 1995 in connection with CFAB legislation (see below). Given those circumstances, it is always surprising to encounter long-time Alaskan fishers and farmers who have had no awareness of CFAB's existence! As mentioned earlier, CFAB is positioned to serve a much larger borrowing base with minimal increase in operating expenses; we urge existing members to seize any opportunities to promote CFAB's consideration.

Pending Legislation

We were also puzzled — and distressed — by developments affecting CFAB in the 1995 session of the Alaska State Legislature. At CFAB's request, the House Special Committee of Fisheries graciously introduced legislation (House Bill 284) which would make numerous changes to CFAB's governing statute. A particularly significant change would assure the ongoing existence of CFAB beyond July 2000, the currently mandated date for full retirement of the State's Class C Special Preferred Stock, by making the State a "permanent" owner of $1,000,000 of equity. Other important changes would broaden the circumstances under which loans might be secured by pledges of Commercial Fisheries Entry Permits or Individual Fishing Quota Shares. In our view, the legislation in total is a straightforward and well-founded effort to apply 15 years of experience, and the realities of today's environment, to what had been introduced as an untried concept in 1978 and 1979.

CFAB had, and has, the support of many individual legislators, and the early stages of the legislative process suggested that HB 284 would indeed become law in 1995. However, in the House Finance Committee CFAB encountered attitudes which focused not at all on the specifics and merits of HB 284 but which can only be characterized as hostility toward commercial fishing interests, as a repudiation of the legislative origins of the institution, as an attack on CFAB's institutional integrity as well as the integrity of its Board and management, and as disparagement of the significant financial commitment which members have made to CFAB's stability.

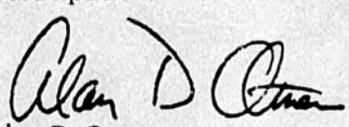
We find it difficult to understand, or to constructively respond to, this situation. CFAB is, first and foremost, a creature of the Alaska State Legislature. For fifteen years we have had only the "CFAB statute" as a primary operating guide, and we have made diligent efforts to conform to both the letter and the spirit of that statute. CFAB has retired over two-thirds of the State's original investment five years before it is required to do so. Each year's annual report is not only sent to members; it is

provided to the governor and the legislature and is made available to the media and the public. CFAB is audited or examined annually by independent auditors, by the State's bank examiners, and by its lenders, and the legislature's own auditing agency has free access to any and all CFAB information it may seek. While we cannot deny that misdirection in its earliest years created singular threats to CFAB's existence and required a long and painful period of recovery, we believe that the 15-year history in total demonstrates that CFAB is a responsible and valuable contributor to critically important segments of the State's economic and social structure.

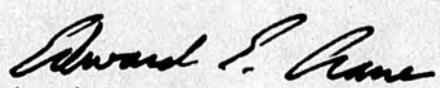
In the 1996 legislative session we will again attempt to move HB 284 from the House Finance Committee and through the remaining steps of the legislative process. We urge you, as members of CFAB, to express yourselves to your own legislators as to the role which CFAB plays.

Director Election

Two CFAB Directors' positions will be subject to election at the 1995 Annual Meeting on November 3rd. Each eligible member will receive — or will have received by the time this report is published — a call for nominations. CFAB's Board of Directors is one of its fundamental strengths, and every member should seriously consider this opportunity to seek direct participation.



Alan D. Otness
Chairman, Board of Directors



Edward E. Crane
President

Balance Sheets

	May 31, 1995	1994
Assets		
Cash and cash equivalents	$ 96,481	106,137
Loans and other receivables, net of allowance for loan losses of $2,134,270 in 1995 and $1,836,092 in 1994 (note 2)	28,204,726	33,563,610
Accrued interest receivable	1,272,462	1,491,489
Deferred tax asset (note 7)	437,203	437,203
Investment in National Bank for Cooperatives	1,608,600	1,697,719
Bank premises, furniture and equipment, net (note 3)	123,491	113,743
Income taxes receivable	–	475,573
Other assets	70,201	92,423
	$31,813,164	37,977,897
Liabilities:		
Accounts payable and accrued expenses	162,744	135,528
Accrued interest payable	21,647	50,069
Class B preferred stock subscriptions	6,790	1,119
Notes payable (note 4)	4,478,930	9,991,794
Income taxes payable (note 7)	41,592	–
Member notes payable	66,829	–
Patronage refund distributable	325,000	219,266
Dividend payable – Class B preferred stock	108,122	73,026
Total liabilities	5,211,654	10,470,802
Capital:		
Share (note 6):		
Class C special preferred stock, $10,000 par value, authorized 4,000 shares, outstanding 1,000 and 1,300	10,000,000	13,000,000
Class B preferred stock, $100 par value, authorized 400,000 shares, outstanding 40,993 and 40,162	4,099,300	4,016,200
Loans receivable on Class B preferred stock	(35,700)	(76,600)
Class A membership stock, $10 par value, authorized 10,000 shares, outstanding 1,077 and 1,045	10,770	10,450
Total share	14,074,370	16,950,050
Capital in excess of par value	132,480	129,600
Contributed capital	144,626	144,626
Unallocated surplus	10,316,242	8,673,242
Allocated undistributed patronage	1,933,792	1,609,577
Total capital	26,601,510	27,507,095
Commitments and contingent liabilities (notes 6 and 8)		
	$31,813,164	$37,977,897

See accompanying notes to financial statements.

Statements of Net Proceeds

	Years ended May 31,	
	1995	1994
Loan revenues (note 2):		
Interest and fees on loans and other receivables	$ 2,873,958	3,124,291
Provision for loan losses	1,100,000	(216,484)
Net loan revenues	3,973,958	2,907,807
Interest expense	344,628	517,244
Proceeds before other income, operating expenses and income taxes	3,629,330	2,390,563
Other income – net income from acquired assets	–	12,985
Proceeds before operating expenses and income taxes	3,629,330	2,403,548
Operating expenses:		
Salaries and benefits	1,180,113	1,192,500
Occupancy expense	144,165	144,359
Advertising and promotion	76,273	83,175
Travel, lodging and meals	49,142	61,199
Professional fees	47,510	36,996
Office operations	43,153	45,406
Telephone and postage	24,187	25,412
Directors' fees	16,050	31,350
Depreciation and amortization	4,620	21,933
Miscellaneous	32,145	33,667
Total operating expenses	1,617,358	1,675,997
Proceeds before income taxes	2,011,972	727,551
Income tax expense (benefit) (note 7)	572,906	(93,392)
Net proceeds	$ 1,439,066	820,943

See accompanying notes to financial statements.

Statements of Changes in Capital and Patronage

	Share capital	Unallocated surplus and other capital	Allocated undistributed patronage	Net proceeds	Total capital and patronage
Balance at May 31, 1993	$ 19,837,070	7,648,164	1,388,727	–	28,873,961
Class C stock, 300 shares retired	(3,000,000)	–	–	–	(3,000,000)
Discount on retirement of Class C special preferred stock	–	991,375	–	–	991,375
Issuance of stock during the year:					
Class B preferred stock, 1,218 shares issued	121,800	–	–	–	121,800
Less 528 shares canceled	(52,800)	–	–	–	(52,800)
Class A stock, 19 shares	190	1,710	–	–	1,900
Class B preferred stock, 90 shares retired	(9,000)	–	–	–	(9,000)
Class A stock, 1 share canceled	(10)	–	–	–	(10)
Reduction in loans receivable on Class B preferred stock	52,800	–	–	–	52,800
Net proceeds	–	–	–	820,943	820,943
Dividends declared – Class B preferred stock	–	–	–	(73,026)	(73,026)
Patronage refund declared	–	–	438,532	(438,532)	–
Patronage refund distributable	–	–	(219,266)	–	(219,266)
Unallocated surplus	–	309,385	–	(309,385)	–
Miscellaneous adjustment to 1993	–	(3,166)	1,584	–	(1,582)
Balance at May 31, 1994	16,950,050	8,947,468	1,609,577	–	27,507,095
Class C stock, 300 shares retired	(3,000,000)	–	–	–	(3,000,000)
Discount on retirement of Class C special preferred stock	–	962,056	–	–	962,056
Issuance of stock during the year:					
Class B preferred stock, 1,710 shares issued	171,000	–	–	–	171,000
Less 409 shares canceled	(40,900)	–	–	–	(40,900)
Class A stock, 32 shares	320	2,880	–	–	3,200
Class B preferred stock, 470 shares retired	(47,000)	–	–	–	(47,000)
Reduction in loans receivable on Class B preferred stock	40,900	–	–	–	40,900
Net proceeds	–	–	–	1,439,066	1,439,066
Dividends declared – Class B preferred stock	–	–	–	(108,122)	(108,122)
Patronage refund declared	–	–	650,000	(650,000)	–
Patronage refund distributable	–	–	(325,000)	–	(325,000)
Unallocated surplus	–	680,944	–	(680,944)	–
Miscellaneous adjustment to 1994	–	–	(785)	–	(785)
Balance at May 31, 1995	$ 14,074,370	10,593,348	1,933,792	–	26,601,510

See accompanying notes to financial statements.

Statements of Cash Flows

	Years ended May 31, 1995	1994
Cash flows from operating activities:		
Net proceeds	$ 1,439,066	820,943
Adjustments to reconcile net proceeds to net cash provided by operating activities:		
Depreciation	4,620	21,933
Provision for loan losses	(1,100,000)	210,484
Foreclosure costs	(41,821)	(40,633)
Decrease in accrued interest receivable	219,027	258,149
(Increase) decrease in income taxes receivable	475,573	(65,480)
Increase in income taxes payable	41,592	–
(Increase) decrease in other assets	22,223	(40,648)
Increase (decrease) in accounts payable and accrued expenses	27,216	(33,098)
Increase (decrease) in accrued interest payable	(28,422)	13,033
Net cash provided by operating activities	1,059,074	1,150,683
Cash flows from investing activities:		
Loan principal repayments, net of originations	6,500,704	4,723,077
Proceeds from retirement of National Bank for Cooperatives investment	89,119	209,753
Purchases of bank premises, furniture and equipment, net	(14,368)	–
Net cash provided by investing activities	6,575,455	4,932,830
Cash flows from financing activities:		
Net decrease in notes payable	(5,512,864)	(3,647,177)
Net increase in member notes payable	66,829	–
Class A membership stock issued	3,200	1,900
Payments for retirement of Class A membership stock	–	(10)
Increase (decrease) in Class B preferred stock subscriptions	5,671	(280)
Class B preferred stock issued	171,000	121,800
Class B preferred stock dividend paid	(73,026)	(67,866)
Payments for retirement of Class B preferred stock	(47,000)	(9,000)
Payments for retirement of Class C special preferred stock	(2,037,944)	(2,008,625)
Patronage refund distributed	(219,266)	(465,556)
Payments made for miscellaneous patronage refund distribution	(785)	(1,582)
Net cash used in financing activities	(7,644,185)	(6,076,396)
Net increase (decrease) in cash and cash equivalents	(9,656)	7,117
Cash and cash equivalents at beginning of year	106,137	99,020
Cash and cash equivalents at end of year	$ 96,481	106,137

(Continued)

See accompanying notes to financial statements.

Statements of Cash Flows continued

	Years ended May 31,	
	1995	1994
Supplemental schedule of noncash and other activities:		
Discount on Class C special preferred stock repurchases added to unallocated surplus	$ 962,056	991,375
Interest paid	373,050	678,591
Income taxes paid	165,000	280,000
Patronage refund distributable	325,000	217,648
Dividends declared – Class B preferred stock	108,122	73,026

See accompanying notes to financial statements.

Notes to Financial Statements

May 31, 1995 and 1994

Note (1) Summary of Significant Accounting Policies

Operations: The Alaska Commercial Fishing and Agriculture Bank (CFAB) was incorporated May 4, 1979 to promote growth of the Alaska agriculture and commercial fishing industries by providing debt financing to resident-owned businesses engaged in harvesting, processing or marketing, and to promote its own growth as a strong user-oriented institution through cooperative ownership and self-governance.

Interest on Loans: The accrual of income is suspended on loans for which the payment of interest is contractually past-due more than ninety days.

Investment in National Bank for Cooperatives: The investment in National Bank for Cooperatives (NBC) is stated at cost plus noncash patronage notifications. No ready market exists for this investment.

Allowance for Loan Losses: The allowance for loan losses is maintained at an amount that management considers to be adequate to provide for estimated loan losses inherent in the loan portfolio. The allowance is based upon review and evaluation of non-accrual loans, which considers numerous factors including type of loan, credit quality, industry conditions, prior loan loss experience and management's estimate of future potential losses, as well as application of a potential loss factor consistent with CFAB's experience.

Acquired Assets Held for Sale: Acquired assets held for sale include those assets acquired through foreclosure. These assets are carried at the lower of fair value or the recorded investment in the related loan. Holding costs are expensed when incurred unless such costs increase the fair value of the asset.

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 straight-line method over estimated useful lives of three to ten years. Expenditures for maintenance and repairs are charged to operating expenses 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 disposition of property, the cost and accumulated depreciation are removed from the respective accounts and the resulting gain or loss recorded.

Income Taxes: Under the asset and liability method of Statement of Financial Accounting Standards No. 109 (SFAS No. 109), deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which the temporary differences are expected to be recovered or settled. Under SFAS No. 109, the effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

CFAB qualifies as a cooperative taxable under Subchapter T of the Internal Revenue Code.

Cash and Cash Equivalents: For purposes of the statement of cash flows, CFAB considers all temporary cash investments with original maturities of three months or less to be cash equivalents.

Reclassifications: Certain reclassifications have been made to the prior year financial statements to present them in a manner consistent with the current year.

Note (2) Loans

CFAB's loan portfolio by major category is as follows at May 31:

	1995	1994
Seafood harvesters	$25,047,292	29,104,149
Fish processors	4,348,256	5,323,242
Agriculture and timber	554,960	567,993
Other receivables	424,188	480,918
	30,374,696	35,476,302
Less loans receivable on Class B preferred stock	35,700	76,600
	30,338,996	35,399,702
Less allowance for loan losses	2,134,270	1,836,092
	$28,204,726	33,563,610

In accordance with its statutory mandate and authority, CFAB's financing activity is limited to Alaska commercial fishing and agriculture industries. This concentration of loans in resource-based industries results in an unusual level of risk exposure. At May 31, 1995 over 96% of CFAB's loan portfolio was concentrated in the fishing industry.

In the ordinary course of business, CFAB receives requests to modify the existing terms and conditions of loans. As a

result of requests received, CFAB modified $859,612 and $3,428,337 in loans during the years ended May 31, 1995 and 1994, respectively. No interest was forgiven on modified loans in the years ended May 31, 1995 and 1994. Of the loans modified by CFAB:

Loans totaling $261,792 and $3,081,992 for the years ended May 31, 1995 and 1994, respectively, involved payment of interest in full by the borrowers, with the principal reamortized within the original loan terms.

Loans totaling $564,116 and $45,585 for the years ended May 31, 1995 and 1994, respectively, also involved payment of interest in full, but the reamortizations of principal resulted in new and later final payment dates.

Loans totaling $33,704 and $300,760 for the years ended May 31, 1995 and 1994, respectively, involved no payment, or partial payment only, of the interest due.

The loan portfolio includes loans which have been classified as nonaccrual. Nonaccrual loans by major category are as follows:

	1995	1994
Seafood harvesters	$ 2,644,757	4,651,964
Fish processors	1,515,624	3,220,523
	4,160,381	7,872,487
Less loans receivable on Class B preferred stock	900	8,500
	$ 4,159,481	7,863,987

CFAB recognizes no interest income on nonaccrual loans. Had the nonaccrual loans performed in accordance with their original terms, $615,701 would have been recorded as additional interest income in the year ended May 31, 1995.

At May 31, 1992, it was reported that $9.9 million of nonaccrual loans involved a single borrower and subsidiaries whose reorganization under Chapter 11 of the U.S. Bankruptcy Code was then pending. The plan of reorganization was confirmed by the Court in June 1992. Based on that plan, management anticipated a CFAB loss of up to $1.8 million. Events which have transpired under the confirmed plan in the past three years have exceeded management's expectations. During the year ended May 31, 1995, $2,031,703 was received in cash. $738,309 was applied to the remaining nonaccrual loan balance, while $1,293,394 was recorded as a recovery to the allowance for loan losses. As a result of this significant recovery, CFAB reduced its allowance for loan losses through a credit to the provision of $1,100,000.

Activity in the allowance for loan losses is as follows at May 31:

	1995	1994
Balance at beginning of year	$ 1,836,092	1,635,230
Charged to expense (income)	(1,100,000	216,484
Recoveries on loans previously charged off	1,449,258	306,711
	2,185,350	2,158,425
Less loan amounts charged off	51,080	322,333
Balance at end of year	$ 2,134,270	1,836,092

The allowance for loan losses is periodically evaluated by management and changes are recorded through the current period provision for loan losses.

Loans to Directors: To qualify for election to the CFAB Board of Directors, an individual must be a current or recent borrowing member or be an officer or principal of a corporation, partnership or joint venture which is a current or recent borrowing member. Loans to these directors or their interests totaled $775,875 and $854,448 at May 31, 1995 and 1994, respectively. Activity on these loans for the year ended May 31, 1995 is as follows:

Balance at beginning of year	$ 854,448
New loans	19,450
Repayments	(98,023)
Balance at end of year	$ 775,875

Note (3) Bank Premises, Furniture and Equipment

Bank premises, furniture and equipment consists of the following at May 31:

	1995	1994
Furniture, fixtures and equipment	$ 775,078	760,710
Leasehold improvements	142,025	142,025
Land	79,203	79,203
	996,306	981,938
Less accumulated depreciation and amortization	872,815	868,195
	$ 123,491	113,743

Note (4) Notes Payable

Notes payable consist of the following at May 31:

	1995	1994
Note payable with interest only payments at 5.6%, maturing June 2, 1994	$ –	5,300,000
Note payable with interest only payments at 7.25%, maturing May 1, 1995	–	277,161
Note payable to bank in monthly payments of $74,150 including interest at 6.46%, maturing May 1, 2000	3,791,395	4,414,266
Note payable with interest only payments of 9%, maturing May 1, 1996	687,535	–
Other – capital lease	–	367
	$ 4,478,930	9,991,794

Annual principal payments on notes payable are as follows:

Year ending May 31,	Amount
1996	$ 1,351,846
1997	708,525
1998	755,675
1999	805,963
2000	856,921
	$ 4,478,930

At May 31, 1995, CFAB had $9,312,464 available on its $10,000,000 line of credit.

The notes payable are secured by substantially all CFAB assets.

Note (5) Employee Benefit Plans

CFAB has an employee benefit plan as defined under Section 401(k) of the Internal Revenue Service Code covering substantially all employees.

An employee is allowed to contribute up to 15% of his/her earnings to the maximum limit allowed by the Code. Contributions by CFAB to the plan are at the discretion of the Board of Directors. Contributions by CFAB for the years ended May 31, 1995 and 1994 were $73,694 and $74,256, respectively.

Note (6) Capital

Share Capital: The shares of Class C special preferred stock owned by the State of Alaska must be repurchased by CFAB on or before July 20, 2000.

On June 30, 1991, CFAB entered into an agreement with the Alaska Department of Revenue to repurchase thirty shares of Class C special preferred stock on July 1, 1991 and twenty-five shares each month thereafter through June 2000. These payments apply to Class C special preferred stock repurchased at par discounted from July 1, 2000. The discount rate is determined annually on May 31 based on selected U.S. treasury and agency obligations with maturities in the year 2000. This annual discount rate is applied to payments scheduled to occur in the subsequent twelve-month period from July through June. The payment schedule from June 1992 to June 1993 was calculated using a discount rate of 7.32%. The payment schedule for July 1993 to June 1994 was calculated using a discount rate of 5.96%. The payment schedule for July 1994 to June 1995 was calculated using a discount rate of 6.99%. The payment schedule for July 1995 to June 1996 will be calculated using a discount rate of 6.14%.

	Total discounted payments	Par value of stock repurchased
June 1992 to May 1993	$ 7,424,372	13,000,000
June 1993 to May 1994	2,008,625	3,000,000
June 1994 to May 1995	2,037,944	3,000,000

The agreement also provided that CFAB would attempt to repurchase at least $10,000,000 par value of Class C special preferred stock. This repurchase occurred during the year ended May 31, 1993. Of the total par value of stock repurchased in that year, $3,000,000 represented regular monthly preferred stock repurchases and $10,000,000 represented the additional repurchase.

Preferential shareholders' rights on dissolution follow in the order of Class C, Class B and Class A. The following rights apply 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. However, at the discretion of the Board of Directors, a dividend may be paid to Class B stockholders whose loans are paid in full at year-end. Class B stock may only be held by members of CFAB. Prior to December 31, 1985, all loans required a purchase of Class B stock in an amount equal to 10% of the loan balance; however, this purchase was not funded but was evidenced by notes. On loans made subsequent to December 31, 1985, each borrower is required to make a cash purchase of Class B stock in an amount equal to 5% of the total loan. This investment remains in place until retired by the Board of Directors.

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 a current borrower or have borrowed from CFAB during the preceding two years or have minimum retained membership earnings and/or Class B stock with CFAB of $2,500.

Note (7) Income Taxes

The components of income tax expense (benefit) are as follows:

	Current	Deferred	Total
1995:			
Federal	$ 572,906	–	572,906
State	–	–	–
	$ 572,906	–	572,906
1994:			
Federal	(93,392)	–	(93,392)
State	–	–	–
	$ (93,392)	–	(93,392)

Income tax expense (benefit) amounted to $572,906 in 1995 and ($93,392) in 1994. The actual tax expense (benefit) differs from the "expected" tax expense for those years (computed by applying the U.S. Federal corporate tax rate of 34% to net proceeds before income taxes) as follows:

	1995	1994
Computed "expected" income tax expense	$ 684,070	247,367
State tax expense	157,252	–
Patronage refunds and dividends declared	(221,000)	(149,101)
Nondeductible expense	3,329	2,366
Changes in deferred tax asset valuation allowance	(56,211)	92,137
Reversal of prior years overstatements of tax expense	–	(267,805)
Other	5,466	(18,356)
	$ 572,906	(93,392)

The components of and changes in the net deferred tax asset at May 31 were as follows:

	1993	Deferred (expense) benefit	1994	Deferred (expense) benefit	1995
Allowance for loan losses	$ 555,978	68,293	624,271	101,381	725,652
State of Alaska, net operating loss carryforward	141,712	22,654	164,366	(157,252)	7,114
Other	2,210	1,190	3,400	(340)	3,060
	699,900	92,137	792,037	(56,211)	735,826
Valuation allowance	(262,697)	(92,137)	(354,834)	56,211	(298,623)
	$ 437,203	–	437,203	–	437,203

A valuation allowance on a deferred tax asset is provided when it is more likely than not that some portion of the deferred tax asset will not be realized.

Note (8) Commitments and Contingent Liabilities

Commitments: CFAB leases office space under a noncancelable operating lease agreement which expires in 1996 and for which the remaining lease obligation is $131,370. Rental expense under this lease totaled $131,370 for each of the years ended May 31, 1995 and 1994.

Contingencies: CFAB is a litigant in several legal actions arising from normal business activities, primarily related to delinquent loans and foreclosures. CFAB reserves for potential losses on delinquent loans as described in note 1. As to litigation outside of delinquencies and foreclosures, management believes that those actions are without merit or the ultimate liability, if any, resulting from them will not materially affect CFAB's financial position or its results of operations.

The Internal Revenue Service (IRS) is currently performing an investigation of CFAB's accounting practices for nonaccrual loans. As a result of this investigation, the IRS may claim a tax deficiency and additional penalty and interest charges, the amount of which cannot be determined at this time. If such a claim is made, management intends to vigorously defend against this claim. Management does not believe the outcome of the investigation will have a material impact on CFAB's financial statements.

Independent Auditors' Report

The Board of Directors
Alaska Commercial Fishing
and Agriculture Bank:

We have audited the accompanying balance sheets of Alaska Commercial Fishing and Agriculture Bank as of May 31, 1995 and 1994, and the related statements of net proceeds, changes in capital and patronage, and cash flows for the years then ended. These financial statements are the responsibility of Alaska Commercial Fishing and Agriculture Bank's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Alaska Commercial Fishing and Agriculture Bank as of May 31, 1995 and 1994, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

KPMG Peat Marwick LLP

July 11, 1995
Anchorage, Alaska

Board of Directors and Staff

Board of Directors

Alan Otness, Chairman
Petersburg

Gilbert Gunderson, Vice Chairman
Juneau

Dean Paddock, Secretary-Treasurer
Juneau

Dick Eliason, Director
Sitka

Barbara Hamilton, Director
Palmer

C. Ross Mullins, Director
Cordova

John Sevier, Director
Kodiak

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Robert H. Clark
Vice President

Edward E. Crane
President

Leona Hakala
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A.W. Hall
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Margaret A. Jack
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Bookkeeper

Isabelle Kautzky
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David G. Rogers
Senior Vice President

Douglas W. Sindt
Data Processing Supervisor

Lora C. Thilmony
Senior Bookkeeper

Karla Vander Bie
Documentation Specialist

Godlieve C. Van Lint
Administrative Support Clerk

DeLories M. vonGemmingen
Executive Secretary

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CFAB SUMMARY - HB 284

Sec. 1
thru
Sec. 7 — These are not substantive changes. The only purpose of these sections is to conform references in the Limited Entry Act to AS 44.81 as renumbered by this legislation.

Sec. 8 AS 44.81.010(a) — This is essentially a restatement, but also clarifies and makes more comprehensive the exemptions from the banking code and cooperative code. The third (new) sentence establishes that CFAB is an agent of the state for certain and limited purposes related to the state's sovereign authority to manage its fisheries.

Sec. 9 AS 44.81.010(b) — This addresses the technical difference between "operating funds" and "capital funds"; it eliminates the irresolvable conflict between the existing statute as a whole and its Sec. 44.81.220; it identifies the department of revenue as the nominal owner of the state's stock (a reflection of the existing reality); and it expresses a means for the state to take control and assure repurchase of its stock, if necessary, without resorting to a process which would place it in conflict with CFAB's individual member-owners. Finally, it makes clear that in liquidation all other owners' interests are subordinate to that of the state.

Sec. 10 AS 44.81.020(a) — This clarifies that the board's role is one of governance rather than of active management of CFAB. It provides for limited expansion of the board, to accommodate practical necessities as may be determined by the board, while permanently retaining a state presence through two gubernatorial appointments.

(b) thru (e) These paragraphs are intended to group board-related matters in this section, and they incorporate -- with minor changes -- the substance and provisions of existing Secs. 44.81.020(a), 44.81.090, 44.81.100, and 44.81.190.

(f) This paragraph re-states existing Sec. 44.81.110. It also provides for recognition of the need for directors to commit time for travel to and from meetings and/or to occasionally (1) represent the bank for business, ceremonial, or promotional purposes; (2) provide testimony in litigation to which the bank is a party; or (3) attend business-related seminars, conferences, and training sessions.

Sec. 11 AS 44.81.031(a)

thru (c) This covers essentially the same matters as in existing Sec. 44.81.070(a)-(c). The principal differences are to provide more flexibility in official titles; to make clear that active officers may not be directors; to remove the requirement for the board to prescribe the duties of employees (which the board is not competent to do); and to leave the matter of professional services engagements to be addressed as policy.

Sec. 12 AS 44.81.041(a)

thru (c) This establishes that CFAB is structured, and operates, as a cooperative -- a matter which has heretofore been addressed only by inference in existing Sec. 44.81.060 and by legislative history.

Sec. 13 AS 44.81.051. This parallels existing Sec. 44.81.040.

Sec. 14 AS 44.81.061. This is a revision of existing Sec. 44.81.210(a)(21), which is 15-year-old language, and makes available to CFAB the same indemnity provisions as are available to private corporations generally and as were expressed in 1989 amendments to the state's Corporation Code.

Sec. 15 AS 44.81.101(a) This is a revision of existing Sec. 44.81.160. It eliminates cumbersome language, it recognizes that CFAB has access to a range of potential lenders, and it clarifies that the state's "pledge" is a simple non-disturbance provision.

(b) This emphasizes that the state's "pledge" does not relieve CFAB of sole responsibility for its obligations.

Sec. 16 AS 44.81.200. This is changed little from existing Sec. 44.81.200. The primary difference is elimination of a somewhat presumptuous and unrealistic requirement for a discourse on the macro-effects of CFAB's activities.

Sec. 17 AS 44.81.210. (1) Existing Sec. 44.81.210(a)(5).
(2) Existing Sec. 44.81.210(a)(6).
(3) Existing Sec. 44.81.210(a)(15).
(4) Existing Sec. 44.81.210(a)(16).
(5) Existing Sec. 44.81.210(a)(18).
(6) A new paragraph which confirms CFAB's ability to actively and/or financially support the efforts of individual fishermen or farmers or groups

thereof, to pursue such things as new products, alternative markets, new harvesting techniques, etc.

(7) Existing Sec. 44.81.210(a)(11).

(8) Existing Sec. 44.81.210(a)(17).

(9) Existing Sec. 44.81.210(a)(13).

(10) Existing Sec. 44.81.210(a)(14).

(11) Existing Sec. 44.81.210(a)(9).

(12) Existing Sec. 44.81.210(a)(12).

(13) Existing Sec. 44.81.210(a)(8).

(14) A new paragraph which will permit CFAB to accomplish necessary or desirable purposes through activities which may be burdened with inherent potential liabilities or other exposures which are inappropriate to its basic function as a lender or to the interests of its members. An example might be a situation in which CFAB has acquired a fish processing plant through foreclosure and cannot find a buyer but encounters an operator willing to lease and operate the plant for a season. Fear of jeopardizing CFAB's total assets through ownership of an operating facility has caused CFAB to consider transferring ownership to a subsidiary in the past; this paragraph clearly establishes the right to do so. Another application of this authority would be creation of an entity whereby CFAB might offer its expertise and capacity in vessel and marine mortgage documentation as a service to fishermen and other lenders.

(15) A new paragraph which would permit CFAB to function as a venture capitalist in certain

situations related to commercial fishing or agriculture.

(16) A slight broadening of the provisions of existing Sec. 44.81.210(a)(4).

(17) Existing Sec. 44.81.210(a)(19).

Sec. 18 AS 44.81.215. (1) A revision to the first part of existing Sec. 44.81.210(a)(1); the inserted reference to married couples and the somewhat different approach to membership are to confirm CFAB's ability to deal with instances where, purely for credit purposes, CFAB requires a non-fishing spouse or other person to be a co-borrower on a loan.

(2) The second part of existing Sec. 44.81.210(a)(1) with slight revision.

(3) Existing Sec. 44.81.210(a)(20), except that a two-year residency requirement is removed in response to litigation which has occurred since enactment of the original statute.

(4) Existing Sec. 44.81.210(c).

(5) Existing Sec. 44.81.210(a)(23), except for removal of a limitation which can place CFAB in conflict with the Uniform Commercial Code and work to the disadvantage of the original borrower and CFAB's member-owners.

(6) Existing Sec. 44.81.210(a)(17), except for a language change to permit CFAB to subordinate its position to other kinds of creditors than "a private lending institution."

(7) Existing Sec. 44.81.210(a)(22).

(8) A revision of existing Sec. 44.81.210(a)(10). The revision permits CFAB to participate in loans to qualified applicants for eligible purposes while eliminating the sometimes insurmountable complications of coordinating CFAB's cooperative features with the more basic requirements of other lenders. (The potential volume of such participations is limited by Federal tax law and IRS Code treatment of CFAB as a cooperative.)

(9) A new subparagraph which extends CFAB's authority under the preceding subparagraph to situations where another lender has a loan in place and subsequently seeks a participant.

(10) Existing Sec. 44.81.210(a)(24).

Sec. 19 AS 44.81.231
and
Sec. 20 AS 44.81.236. These are revisions to existing Secs. 44.81.230 and 44.81.235. Although the legislative intents and philosophical/political inferences of the current sections have been maintained, there are both technical or procedural adjustments as well as changes to substance incorporated into the revisions. An example of a technical adjustment appears in the substitution of "boat(s)" for "vessel" in Sec. 236. "Boat" is used throughout other sections of the proposed versions of AS 44.81. and is a generic term. "Vessel" has a particular meaning under some Federal law, a meaning which would arguably exclude certain kinds of "boats" used by many Alaska fishermen. This

change, therefore, is simply to eliminate the potential for costly legal contentiousness.

Another such adjustment appears in the elimination of language in existing Sec. 44.81.230(a) which addresses a certification by the Limited Entry Commission. This is an unnecessary step since the effect is achieved "automatically" -- the Commission will not transfer a permit to a purchaser who is not qualified under AS 16.43 and under its regulations.

The substantive changes, all of which appear in Sec. 44.81.236, are more meaningful and may be summed up as broadening the circumstances or purposes for which a permit may be used as loan collateral. They reflect (1) developments affecting both commercial law and fishermen's operating practices since CFAB's statute was originally enacted; (2) the fact that investments in permits have become, and continue to be, an increasingly significant portion of most fishermen's capital bases; and (3) the difficulty of distinguishing the "total lifestyle" requirements from the "commercial fishing" requirements of a resident Alaska fisherman who is wholly, or nearly wholly, dependent upon commercial fishing income.

The most significant substantive changes in Sec. 44.81.236 are:

Par. (2). This reflects the current and potential imposition of new schemes for the allocation or limitation of harvesting rights, which tend to

represent opportunities or requirements for increased participation, diversification, and/or stability for resident fishermen.

Par. (5). Many resident fishermen have by choice or necessity committed most of their families' financial resources to their commercial fishing operations. Under the existing statute, CFAB may not make a loan to a resident fisherman -- secured by a permit pledge -- to pay for cancer treatment for his/her spouse, for example. But the fisherman could sell the permit, use the proceeds to pay the medical expense, and then borrow from CFAB to buy another permit! The latter approach is not only cumbersome and burdened with direct costs and risks, but its timing could quite easily result in unnecessary and costly tax consequences for the fisherman. Under the proposed revision, CFAB could accept a pledge of the permit to secure a loan to pay for the cancer treatment.

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Par. (6). On numerous occasions, CFAB has been approached by individual resident fishermen, or groups of such fishermen, for loans to finance involvement in enterprises such as added value processing, new market development, chartering or tendering, diversification into new fisheries, etc. Many, but not all, such proposals appear to be commercially feasible and bankable but are stymied by the fact that there is little or no collateral available to be offered other than a pledge of permits. This provision would allow fishermen in such situations to build upon their established capital bases.

Par. (7). There is a popular perception, supported in part by historical fact, that fishermen's permits are totally insulated from the intrusions or predations of creditors. However, evolving case law -- as well as acts of the Alaska state legislature itself -- has resulted in an increasingly broad range of vulnerability. This paragraph gives creditworthy resident fishermen an opportunity to avoid a permit loss through seizure by borrowing to meet the offending obligation. Potential seizure is not the only threat addressed, however. A not uncommon circumstance is for a Court in a divorce proceeding to order that a permit be sold so that proceeds might be split; this paragraph offers an alternative source of cash proceeds.

Par. (8). As with any lender, there are costs associated with borrowing from CFAB (including an investment required by its cooperative structure). This paragraph confirms that payment of those costs and investments is an appropriate use of proceeds of a loan secured by the pledge of a permit.

Sec. 21 AS 44.81.241 thru AS 44.81.249. These sections address CFAB's formal response to a default on a loan secured by pledge of a permit as well as the foreclosure process which must be followed and constitute a revision to existing Sec. 44.81.240. Again the original legislative intents and philosophies have been maintained. The procedures have been restructured, however, to reflect changes in CFAB's status since the original statute was enacted; to

permit CFAB to proceed against other collateral prior to resorting to foreclosure of the permit pledge; to provide more time (120 days rather than 90 days) for the borrower to respond to initiation of the process; and to allow CFAB to suspend the foreclosure process in the event of promising "last-minute" actions by the borrower to develop an alternative. The revision does not change the circumstances under which CFAB may declare a default or proceed against a permit pledge.

The language of this part of CFAB's original statute paralleled that of the law governing the state's own commercial fishing loan program. Elsewhere in its statute, CFAB was then identified as "an instrumentality of the state." For reasons unrelated to this issue, CFAB s statute was almost immediataly amended to establish its current status as a private commercial lender.

Under applicable law, and as the issuer of a limited entry permit, the state may reserve to itself certain rights and privileges related to that permit; this principle effectively gives the state's commercial fishing loan program a "special" status with regard to foreclosure of a permit pledge. As a private commercial lender, however, CFAB is held to somewhat different standards under both case law and relevant statutes. As reflected in this section, CFAB must follow a more complex and more precise foreclosure procedure than is contemplated by existing Sec. 44.81.240.

Sec. 22 AS 44.81.250. This section deals primarily with the disposition of a limited entry permit following the foreclosure of its pledge. No aspect of the ultimate outcome, as it affects the original borrower, is changed by this revision, but some disordered or illogical steps in the process have been changed or eliminated.

The nomination feature, a somewhat odd concept (odd in the sense that it is almost impossible to imagine a commercial lender ignoring the potential for a viable assumption whether or not there is a statutory right of nomination), has been changed. Under the existing statute, it is only after a minimum of 30 days following foreclosure that the borrower is given a 30-day right of nomination. Furthermore, it is not clear that CFAB presently has the right to require creditworthiness on the part of a proposed assumptor in all cases.

This revised section establishes the borrower's right to propose an assumptor at any time prior to foreclosure and during a 30-day period immediately following foreclosure. It also establishes that CFAB may require a finding of the proposed assumptor's creditworthiness.

This revised section also eliminates the existing discussion of assumption of the loan by a person chosen by lottery from a list maintained by the entry commission. The commission does not maintain such a list. Moreover, this process could only work to the disadvantage of the (former) borrower. An aspiring

assumptor, chosen by lottery, would presumably assume the loan only if his or her perception were that the permit's value exceeded the total indebtedness. If that perception were valid, the excess value would accrue to the benefit of the assumptor rather than becoming excess proceeds to be paid to the original borrower upon sale of the permit, by the bank, for an amount equal to or close to the perceived value.

Sec. 23 AS 44.81.270. This incorporates the provisions of existing Secs. 44.81.270 and 44.81.280, and provides a more logical and structured treatment of the three kinds of audits and examinations to which CFAB is subject. It retains and confirms accountability to the state, primarily through reports to the legislature. A significant addition appears in the third sentence of paragraph (c), which statutorily memorializes an existing policy under which CFAB's auditors are responsible to the board of directors rather than to management.

Sec. 24 AS 44.81.300. This is a totally new subject and section, occasioned by CFAB's existence as a cooperative, and its language is taken from the Alaska Cooperative Corporation Act. It addresses unclaimed property which arises from a member's participation as a cooperative member, and provides for such property to revert to the benefit of all other existing and future members. All other forms of unclaimed property would remain subject to forfeiture to the state under the general unclaimed property statute.

Sec. 25 AS 44.81.350(3) This revises the definition of "member of the bank" and is intended to recognize that members and patrons may, and usually do, own residual interests in the bank other than retained patronage earnings.

Sec. 26 AS 44.81.350. This defines "commercial agriculture" to provide context within which CFAB can resolve questions which have repeatedly arisen throughout its history. There are also three new definitions, added for the purpose of clarity.