

HB

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<TARGET><BILL>HB 121</BILL><SUBJECT>HB
121</SUBJECT><COMM>SFIN28</COMM></TARGET>

SENATE FINANCE COMMITTEE REPORT

DATE: 4/14/14

FURTHER:

DATE TURNED
IN TO OFFICE: _____

Finance Committee considered CS FOR HOUSE BILL NO. 121(FIN)

HB 121-COMMERCIAL FISHING & AGRICULTURE BANK

"An Act relating to the examinations, board, loans, and records of the Alaska Commercial Fishing and Agriculture Bank; and providing for an effective date."

and recommends:

- be replaced with SCS _____ (_____) Same Title Technical Title Change
 New Title/SCR No. _____
- adopt previous SCS _____ (_____) Same Title Technical Title Change
 New Title/SCR No. _____
- attached amendment(s)
- adopt _____ Letter of Intent
- further referral to _____ Committee

Dept Abbr.	
ADM	LWF
CED	LAW
COR	LEG
CRT	MVA
EED	DNR
DEC	DPS
DFG	REV
GOV	DOT
DHS	UA

NEW FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #

PREVIOUS FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #
CED	✓			2

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	PRINTED LAST NAME	DO PASS	DO NOT PASS	NO REC	AMEND
<i>Anna Fairclough</i>	FAIRCLOUGH	✓			
<i>Cliff Bishop</i>	BISHOP	✓			
<i>Michael J. ...</i>	DUNNEAVY	✓			
<i>...</i>	HUTTMAN	✓			
<i>...</i>	ORSON				
CO-CHAIR: <i>...</i>	Kelly	✓			
CO-CHAIR: <i>...</i>	Mayer	✓			

Fiscal Note

State of Alaska
2014 Legislative Session

Bill Version: CSHB 121(FIN)
Fiscal Note Number: 2
(H) Publish Date: 4/10/14

Identifier: HB121-DCCED-DBS-01-21-14
Title: COMMERCIAL FISHING & AGRICULTURE BANK
Sponsor: FEIGE
Requester: House Finance

Department: Department of Commerce, Community and
Economic Development
Appropriation: Banking and Securities
Allocation: Banking and Securities
OMB Component Number: 2808

Expenditures/Revenues

Note: Amounts do not include inflation unless otherwise noted below. (Thousands of Dollars)

	FY2015 Appropriation Requested	Included in Governor's FY2015 Request	Out-Year Cost Estimates					
			FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
OPERATING EXPENDITURES								
Personal Services								
Travel			5.7				5.7	
Services								
Commodities								
Capital Outlay								
Grants & Benefits								
Miscellaneous								
Total Operating	0.0	0.0	5.7	0.0	0.0	0.0	5.7	0.0

Fund Source (Operating Only)

1005 GF/Prgm			5.7				5.7	
Total	0.0	0.0	5.7	0.0	0.0	0.0	5.7	0.0

Positions

Full-time								
Part-time								
Temporary								

Change in Revenues			23.5				23.5	
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Estimated SUPPLEMENTAL (FY2014) cost: 0.0

Estimated CAPITAL (FY2015) cost: 0.0

ASSOCIATED REGULATIONS

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? No
If yes, by what date are the regulations to be adopted, amended or repealed? N/A

Why this fiscal note differs from previous version:

Initial version of bill with fiscal note updated for second session of Legislature.

Prepared By: Kevin Anselm, Director	Phone: (907)269-6586
Division: Banking and Securities	Date: 01/08/2014 02:00 PM
Approved By: Jeanne Mungle, Director	Date: 01/15/14
Agency: Administrative Services Division	

FISCAL NOTE ANALYSIS #2

STATE OF ALASKA
2014 LEGISLATIVE SESSION

BILL NO. CSHB 121(FIN)

Analysis

HB 121 makes changes to statutory provisions involving the Alaska Commercial Fishing and Agriculture Bank (CFAB) board, loans, records, and lobbying contracts. It also provides for the Division of Banking and Securities to conduct periodic examinations of CFAB.

Division examination staff will examine CFAB, located in Anchorage, approximately once every three years. The one week examination will include the evaluation of the bank's loan portfolio quality and the appropriateness and effectiveness of the bank's policies, practices, and management to carry out the bank's statutory purposes. Examiners prepare a written Report of Examination and distribute it to the bank and the legislative auditor.

CFAB reimburses the state for actual examination expenditures. The fiscal note estimates \$5.7 for examination travel every three years, beginning FY 2015. The bill provides that exams can begin no sooner than one year after the effective date of the law.

Revenue will increase every 3 years by approximately \$23.5, which is the estimated CFAB reimbursement of examination costs. The division will use existing staff to conduct these exams. The bill allows the division to collect all actual costs necessarily incurred to conduct the examination. Costs include the proportionate part of the salaries and benefits of the examiners (\$17.8) while conducting the examination and preparing the report, as well as travel costs.

ALASKA STATE LEGISLATURE

House District 6
Co-Chair House Resources Committee
Transportation Committee
Fisheries Committee
Joint Armed Services Committee



State Capitol Room 126
Juneau, Alaska 99801-1182
(907) 465-4859
Fax (907) 465-3799
1-888-465-4859

REPRESENTATIVE ERIC A. FEIGE

SPONSOR STATEMENT – HB 121

"An Act relating to the examinations, board, loans, records, and lobbying contracts of the Alaska Commercial Fishing and Agriculture Bank; and providing for an effective date."

House Bill 121 will strengthen the Alaska Commercial Fishing and Agriculture Bank's (CFAB) ability to serve its member-owners.

CFAB was created by the legislature in 1980 with \$32 million in seed money to fulfill a need for financing the commercial agricultural and fishing industries. For a variety of reasons, including the state's financial investment in CFAB, certain restrictions were put on the practices of the bank. They included limits on the size of loans and the prohibition of the hiring of a lobbyist. In accordance with the founding of the bank, CFAB has since paid back the state's investment and is now 100% privately owned. CFAB is financially healthy and has been operating independently for several years. It is now appropriate that these restrictions be reduced.

HB 121 seeks to improve the operating position of CFAB by expanding the types of loans given by the bank to commercial tourism and natural resource industries. The bill removes maximum loan amounts for loans made to individuals or businesses seeking tourism and natural resource loans. HB 121 also expands the category of borrower to include non-resident owned businesses whose facilities are located in Alaska and employ Alaskans.

HB 121 expands the eligibility of the small loan program to include loans made for commercial agriculture. The bill increases the maximum size of these small loans and increases the amount of total capital CFAB can allocate to this program. HB121 also deletes the provision relating to board compensation, given that CFAB is now a privately owned company, such activities should be addressed through the company bylaws.

To provide CFAB with additional resources to capitalize its ability to provide loans to its members and to assure proper operation of the bank, CFAB is requesting to be placed on the audit schedule of the Alaska Banking Commission. The cost of the audits will be borne by the bank.

ALASKA STATE LEGISLATURE

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Co-Chair House Resources Committee
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REPRESENTATIVE ERIC A. FEIGE

HB 121B 28-LS0491\Y – Sectional Analysis

"An Act relating to the examinations, board, loans, and records of the Alaska Commercial Fishing and Agriculture Bank; and providing for an effective date."

Section 1: Restricts board members to the requirements of AS 39.05.11. (Added by House Finance)

Section 2: Adjusts the lending power of the bank by eliminating the borrowing limits on certain types of loans. It also removes the residency requirement for certain types of capital loans if the facility is located within the state as well as expands the types of loans that may be given to nonmembers. It also makes loans available for certain tourism operations and for operations dedicated to the development or exploitation of natural resources.

Section 3: Requires the bank to consider whether the principles of conservation and sustained yield will limit the ability to repay a loan when the collateral will primarily be used in a salmon fishery. (Added by House Finance)

Section 4: Adds commercial agriculture to the current provision allowing loans to nonmembers for commercial fisheries in certain areas.

Section 5: Changes the dollar limitation on loans to nonmembers from \$25,000 to \$50,000.

Section 6: Increases the debt to capital ratio of loans to nonmembers from eight percent to 25% of bank assets.

Section 7: Confirming language containing to bank examinations added in section nine. Also corrects a typographical error in statute.

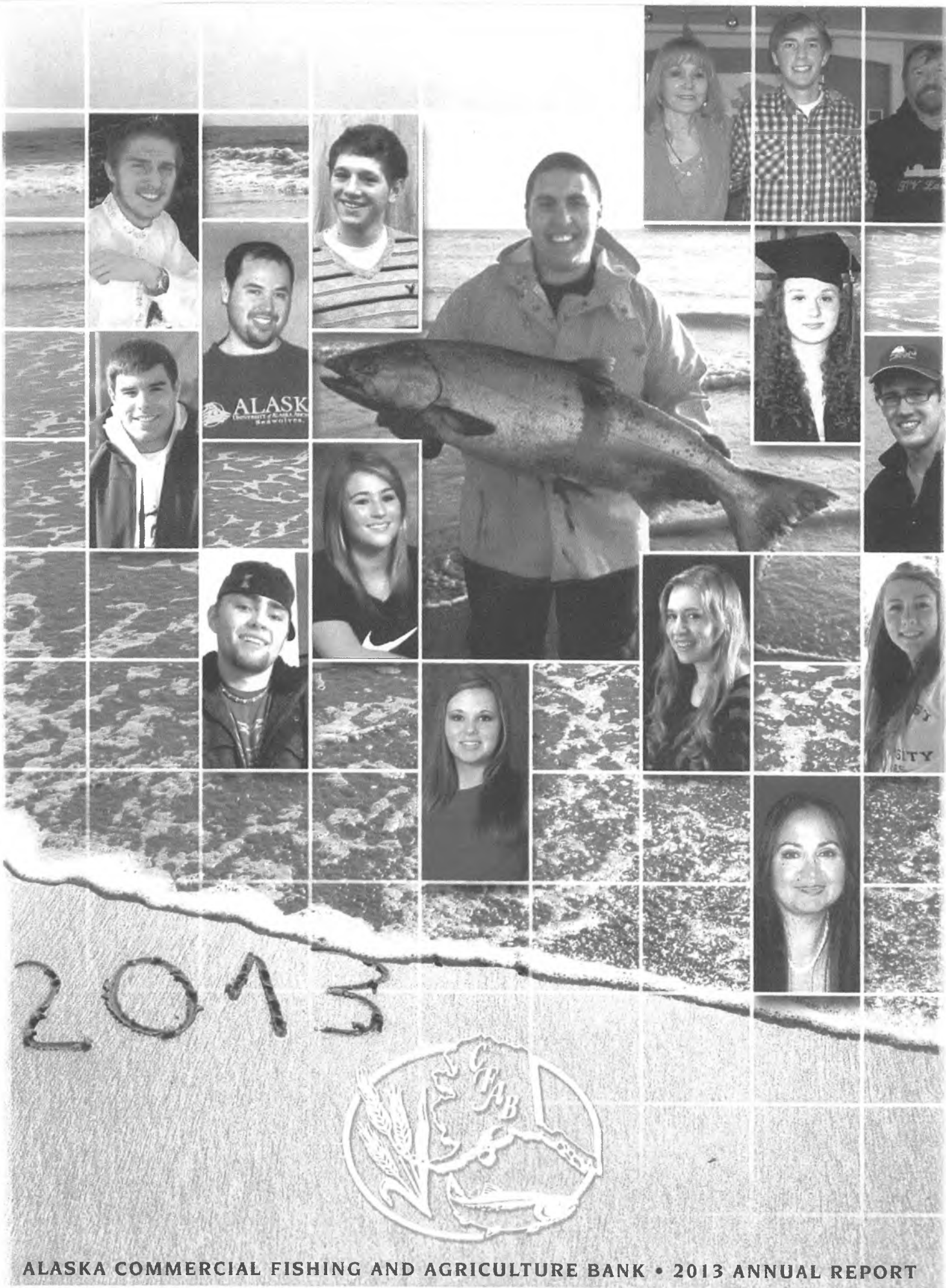
Section 8: Allows the bank to make available a list of those eligible to serve as director to those members eligible to vote.

Section 9: Provides that the Department of Commerce, Community, and Economic Development shall examine the bank at least once every thirty-six months.

Section 10: Repeals AS 44.81.020(f) setting director compensation. (Repeal of AS 44.99.030(a)(2) prohibiting lobbying by the bank removed by House Finance).

Section 11: Delays the examination required in section nine until one year after the effective date of the Act.

Section 10: Makes the Act effective immediate.



Meet the CFAB Scholarship Recipients

- | | | |
|--|--|---|
| <p>1
Jonah M. Yakunin, Anchor Point
University of Alaska, Fairbanks
Major: Fisheries
Minor: Russian and Accounting
Career Goal: Fisheries Management
Award: 2011, 2013</p> | <p>1 5</p> | <p>9</p> |
| <p>2
Anthony J. Craig, Petersburg
Montana State University
Major: Business Management
Career Goal: Own a limit seiner
Award: 2013</p> | <p>2 3 7 10</p> | <p>11</p> |
| <p>3
Kevin Mann, Juneau
University of Alaska, Anchorage
Major: Mechanical Engineering
Career Goal: Engineer, graduate school
Award: 2011</p> | <p>4 6</p> | <p>8</p> |
| <p>4
Cody Clark, Soldotna
University of Idaho
Major: Wildlife Resources
Career Goal: Resource
Management
Award: 2011, 2012</p> | <p>10</p> | <p>12 13</p> |
| <p>5
Eric J. Hill, Naknek
Fort Lewis College,
Durango, Colorado
Major: Nursing
Career Goal: Nurse
Award year: 2012</p> | <p>11</p> | <p>14</p> |
| <p>6
Kari Jean Gilman, Cordova
University of Alaska, Anchorage
Major: Science/Biology
Career Goal: Dentistry
Award: 2013</p> | <p>12</p> | <p>10 Shelsea R. Smith, Port Alexander
University of Alaska, Southeast
Major: Business
Career Goal: Entrepreneur
Award: 2013</p> |
| <p>7
Zackary R. Aspelund, Naknek
University of Alaska, Anchorage
Major: Mathematics,
Secondary Education
Career Goal: Teach and Coach
Award: 2011, 2012, 2013</p> | <p>13</p> | <p>11 Dylan Spargo, Wasilla
Seattle Pacific University
Major: Biology
Career Goal: Veterinarian
Award: 2012</p> |
| <p>8
Shannon Oliver, Wasilla
University of Alaska, MatSu Campus
Major: Nursing
Career Goal: Pediatric Nurse
Award: 2013</p> | <p>14</p> | <p>12 Elizabeth Himshoot, Dillingham
University of Alaska, Fairbanks
Major: Biological Sciences
Career Goal: Veterinarian
Award: 2013</p> |
| <p>9
Shane Hautanen, Anchorage
Colorado State University
Major: Wildlife Biology
Career Goal: Fish and Wildlife Management
Award: 2011, 2012, 2013</p> | <p>14</p> | <p>13 Katelyn Jane Reeves, Wrangell
Northwest University
Major: Pediatric Nursing
Career Goal: Nurse
Award: 2012</p> |

Congratulating Shane Lela Klingert, CFAB
President, and his father, Nelson Hautanen

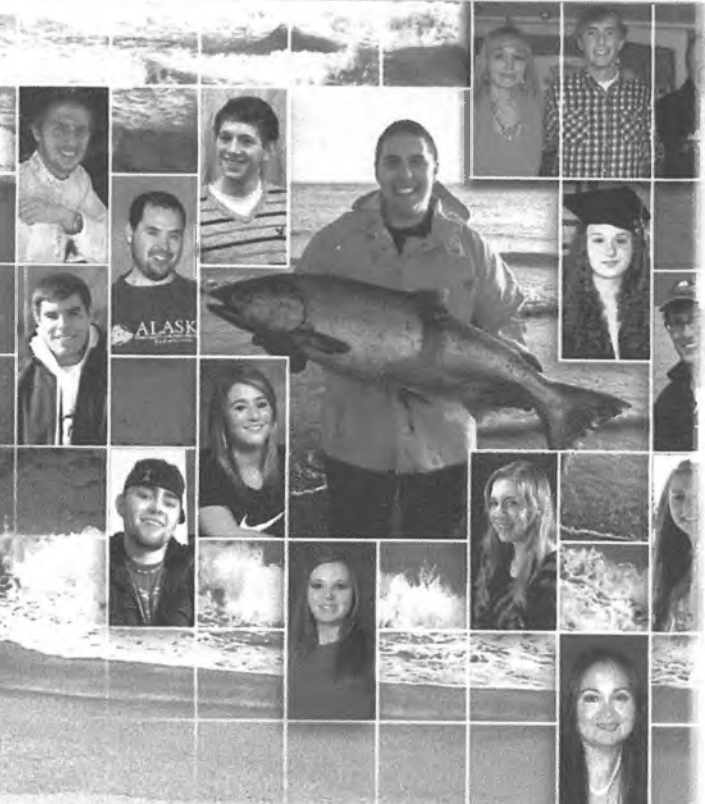
Picture Not Available
William Sanrandria, Dillingham
University of Alaska Southeast
Major: Master's Degree
Career Goal: Teach
Award: 2013

Amanda Israelson, Yakutat, 2012

Angela Johnson, Nelson Lagoon, 2012

*You must live in the present,
launch yourself on every wave,
find your eternity in each moment.*

— Henry David Thoreau



JANUARY

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NOVEMBER

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DECEMBER

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2014



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Board of Directors and Staff	Inside Back Cover

For more information contact:
Alaska Commercial Fishing and Agriculture Bank
3040 Lakeshore Drive
Anchorage, Alaska
(907) 276-2007 or (800) 544-2228

Executive Message to Members

CFAB MILEPOSTS--2013 RESULTS

Though it will be discussed further in the New Loan Activity section of the report, I am thrilled to report that CFAB's loan activity is again up from FY2012 and that we have seen a noticeable increase in new loan inquiries and requests for loan applications from new, as well as existing members. The inquiries and new loans are varied in their purpose and originate from all areas of the state.

As our loan portfolio continues to grow we continue to enjoy a lower delinquency and non-accrual rate amongst our loan portfolio. We believe this is symptomatic of a healthier fishing industry and our continued commitment to working with our borrowers, and in turn their commitment to working with us, when issues do arise.

Gross Loan Income

CFAB's gross loan income, which is generated by interest and fees, totaled \$1,973,430. This is down over 13% from FY2012 as a result of the 2% drop in CFAB's base interest rate in January 2012 and the exclusion of some nonrecurring interest income received in FY2012.

Operating Expenses

Operating Expenses totaled \$1,339,424. This represents a decrease of approximately 10% over FY2012. The decrease was due primarily to a reduction in staffing and the exclusion of several onetime expenses that were incurred in FY2012.

Overall Results

The net result was net proceeds totaling \$487,364 before taxes. While not at the level seen in FY2012, we feel very good about this given it was the first complete year of operations since the 2% reduction to CFAB's interest rate that the Board of Directors approved effective January 1, 2012.

Interest expense increased to \$135,292, more than double that of FY2012. This increase was the result of increased borrowings by CFAB from CoBank to fund the increase in CFAB's loan portfolio.

CFAB's state and federal combined 2013 income tax

liability was calculated at \$109,030.

DISPOSITION OF NET PROCEEDS

For its TWENTY FIRST (21st) consecutive year, CFAB's Board of Directors authorized payment of a dividend on the Class B Preferred Stock holdings to members whose loans were paid in full at the end of the fiscal year. The dividend totaled \$26,140, and was paid in late June.

The Board also approved the allocation of a \$322,857 patronage refund to all eligible FY2013 Member Patrons. 50% of that allocation will be paid in cash and be distributed late in 2013, while the remainder will be retained as Allocated Member Equity.

The \$29,337 of net proceeds remaining after the payments discussed above were transferred to the unallocated surplus account.

OTHER FINANCIAL MATTERS

Total members equity remains just under the \$19 million level, this is down slightly from FY2012 and is affected by a number of events, issuance of Class A Stock, and Class B Stock in connection with new memberships/and or loans; the retirement of \$270,100 of Class B Preferred Stock associated with loans that had been paid in full in past years; and the payment of the \$239,489 balance of 2006 retained patronage as well as other minor varied transactions.

The net effect of these payments, coupled with the dividend, retained patronage and FY2013 patronage is a distribution of \$697,158 in cash to CFAB members. This equates to approximately 35% of our FY2013 gross revenues.

NEW LOAN ACTIVITY

New loan volume in FY2013 shows an increase in the actual number and dollar amount of new loans issued by CFAB.

We are encouraged by this increase and by the continued support of our members, and the interest being shown by the next generation of borrowers.

The following three-year-schedule excludes both seasonal loans to processors and the refinancing of

Executive Message to Members

"old" CFAB loan balances.

Year	New Loans	Loan Totals
FY2011	58	\$7,375,734
FY2012	59	\$8,966,047
FY2013	72	\$10,836,040

OTHER MATTERS

Legislation

Many of you are probably not aware of the two bills that were introduced at the beginning of the 2012 Legislative Session. SB61 which was sponsored by Senator Coghill (Northpole), and its "sister" bill HB 121 that was introduced by Representative Feige (Chickaloon).

These bills contain language that will enhance CFAB's ability to serve the needs of its membership. We are very grateful to Senator Coghill and Representative Feige for their assistance with these matters and would urge each of you to take a moment and send them a note of support.

Patronage

You will note earlier in this report I mentioned that CFAB Board of Directors authorized the payment of \$322,857 in current year patronage, and \$239,489 of 2006 retained patronage. If you have been a member for a while it is possible you will receive both of these distributions. For our newer members this may be your first patronage payment.

Quite frequently we are asked by prospective borrowers "what is my interest rate"? Generally you will be quoted the rate that will be on your note.

However, the net rate that you will pay may actually be less depending on CFAB's profitability and the amount of patronage that is declared by CFAB's Board of Directors.

For example, the patronage paid for FY2013 equaled 16% of CFAB's gross income for the year. That might mean if the interest rate on your loan was 6.00%, and depending on the repayment history of your individual loan, the NET interest rate you paid on your loan after adjusting for the patronage declared,

could have been as low as 5.04%. A reduction of .96%.

Since patronage is paid based on the overall profitability of CFAB we cannot forecast or say with certainty each year that patronage will be paid, but how many other lenders even give the possibility of patronage?

CFAB is your cooperative, we are working for you!!!!

SCHOLARSHIP FUND

As shown on the front cover, we are pretty excited that for the third consecutive year, the CFAB Scholarship Fund awarded scholarships. This year there were nine and each was valued at \$2,800 in cash to several students-some whom have received scholarships in previous years. We are pleased at the quality of the applicants and the overwhelming interest by the industry in the program. The nine (9) 2013 recipients were:

Zackary Aspelund	Naknek
Anthony J. Craig	Petersburg
Lucy Goode	Chugiak
Shane Hautanen	Anchorage
Elizabeth Himschoot	Dillingham
Shannon Oliver	Wasilla
William Sarandria	Naknek
Shelsea R. Smith	Port Alexander
Jonah M. Yakunin	Anchor Point

Solicitation for applications for the fourth year of scholarship awards will be mailed in early 2014.

Board and Staff Developments

Characteristically CFAB does not see a lot of turnover in its staff, however FY 2013 seemed to be the exception to the rule. After careful review and analysis, CFAB restructured its operations slightly in 2013. The result of this was the elimination of the receptionist position at the end of May 2012. This meant that we had to bid farewell to Godlieve "Lieve" van Lint who had held that position since 1981. This was an extremely difficult decision. Those of you who have been CFAB members for a while will remember seeing Lieve at the front desk, and as the voice on the other end of the phone when you called in for over twenty years. It is hard to say goodbye in general but

Executive Message to Members

even harder when they have been an important part of your institution for as long as Lieve had. We will all miss her very much.

Further, at the end of May 2013 Becky Smith, who had been CFAB's Documentation Specialist for the last thirteen years, left to pursue a new career. Becky had managed in that time to become very adept at her position and served CFAB membership diligently. We wish Becky the very best in her new endeavor.

There was also a couple of changes to your Board of Directors in 2012. Bruce Gabrys of Eagle River, whom had been appointed by the board in June 2012 was elected to a two year term at the 2012 Annual meeting along with Jim Clark of Soldotna. Stosh Anderson of Kodiak was re-elected to a three year term. These changes meant that we bid farewell to Dan Farren of Homer. Dan had been on CFAB's board since 2000.

We were very fortunate to have had Dan's assistance, he served on CFAB's board during a period of multiple changes and transitions within the industry and CFAB. His unique insight and humor will be missed.

Upcoming Events

Once again the University's Marine Advisory Program will be putting on the Young Fisherman's Summit at the Marriott in Anchorage on December 10th, 11th and 12th. If you are a CFAB member who has not attended this event before and meet the attendance requirements and you are interested in attending please contact your CFAB loan officer for possible sponsorship of your travel and attendance costs.

By now you have received your call for nominations. We hope that each of you will consider serving on CFAB's Board of Directors. Your membership in CFAB is a unique opportunity in that you are our owners, and you can-by serving on CFAB's Board-help guide CFAB to assure its continued longevity so we may be here for generations of Alaskans to come.

We urge every member to consider service as a Director. Even more, we urge all members to participate by attending CFAB's Annual Meeting and by voting in the election of Directors.

Two Directors seats, one farmer and one at-large seat, will be subject to elections at CFAB's Annual Meeting, scheduled for Friday October 25, at the Marriott Hotel by the Airport in Anchorage.

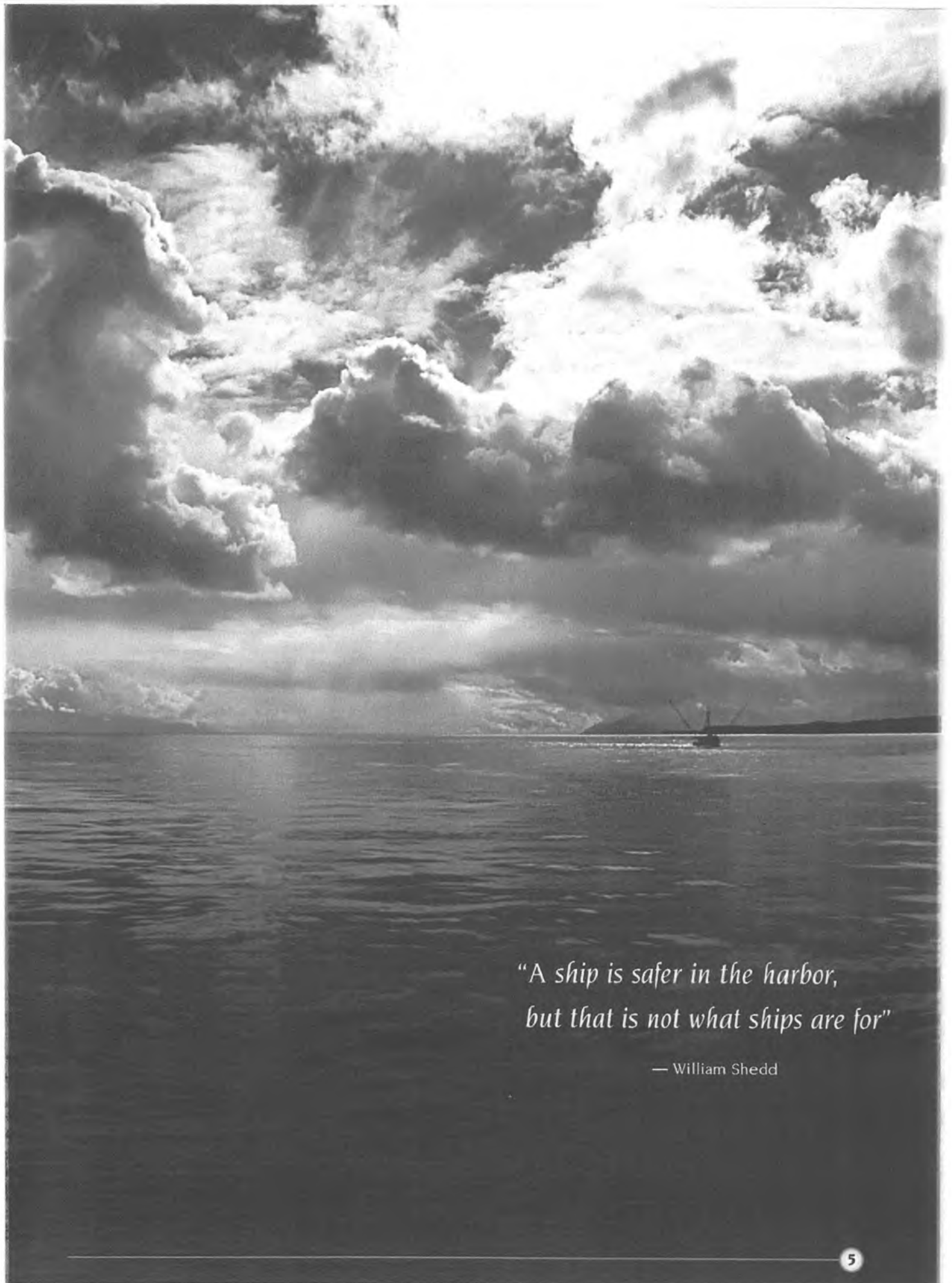
We look forward to seeing each of you at the meeting.



Alan D. Otness
Chairman, Board of Directors



Lela F. Klingert
President



*"A ship is safer in the harbor,
but that is not what ships are for"*

— William Shedd

Notes to Financial Statements



As an Independent Member
MCGGLADREY ALLIANCE |  McGladrey

Independent Auditor's Report

The Board of Directors
Alaska Commercial Fishing and Agriculture Bank
Anchorage, Alaska

Report on the Financial Statements

We have audited the accompanying financial statements of Alaska Commercial Fishing and Agriculture Bank which comprise the balance sheets as of May 31, 2013 and 2012, and the related statements of net proceeds, changes in capital and cash flows for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2013 and 2012, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Mikunda, Cottrell & Co.

Anchorage, Alaska
August 1, 2013

3601 "C" Street, Suite 600 * Anchorage, Alaska 99503 * (907) 278-8878 * Fax (907) 278-5779 * www.mcc-cpa.com

Balance Sheets

	May 31, 2013 and 2012	
	2013	2012
Assets:		
Cash	\$ 74,243	30,901
Loans and other receivables, net (note 3)	31,326,110	26,187,520
Accrued interest receivable	908,690	772,936
Investment in CoBank	286,175	266,424
Assets acquired in liquidation of loans	6	6
Deferred tax asset (note 9)	444,278	517,222
Bank premises, furniture, and equipment, net (note 4)	1,473,572	1,550,489
Income taxes receivable	78,431	119,155
Other assets	21,442	22,017
Total assets	\$ 34,612,947	29,466,670
Liabilities:		
Accounts payable and accrued expenses	\$ 466,889	545,618
Member reserves	50,000	36,000
Accrued interest payable	26,915	17,929
Deferred tax liability	64,740	80,019
Notes payable (note 5)	13,107,670	7,922,684
Member notes payable (note 6)	1,259,691	1,011,611
Patronage refund distributable	161,429	200,000
Dividends payable - Class B preferred stock	26,140	30,359
Class B preferred stock retirement proceeds payable	256,400	454,600
Retained patronage distributable	239,489	-
Total liabilities	15,659,363	10,298,820
Capital:		
Share capital (note 7):		
Class B preferred stock, \$100 par value. Authorized 400,000 shares; outstanding 20,980 and 22,678 shares	2,098,000	2,267,800
Class A membership stock, \$10 par value. Authorized 10,000 shares; outstanding 606 and 748 shares	6,060	7,480
Total share capital	2,104,060	2,275,280
Unallocated surplus and other capital	14,977,165	14,938,037
Allocated undistributed patronage	1,872,359	1,954,533
Total capital	18,953,584	19,167,850
Total liabilities and capital	\$ 34,612,947	29,466,670

See accompanying notes to financial statements

Statements of Net Proceeds

	Years Ended May 31, 2013 and 2012	
	<u>2013</u>	<u>2012</u>
Operating income:		
Loan revenues -		
interest and fees on loans and other receivables	\$ 1,973,430	2,266,015
Interest expense	(135,292)	(57,916)
	<u>1,838,138</u>	<u>2,208,099</u>
Operating expenses:		
Salaries and benefits	1,014,582	1,052,847
Depreciation and amortization	76,916	76,434
Occupancy expense	58,951	75,924
Professional fees	30,041	79,133
Advertising and promotion	44,227	41,465
Travel, lodging, and meals	39,350	50,418
Directors' fees	18,889	17,000
Telephone and postage	15,968	16,969
Office operations	15,435	65,042
Miscellaneous	25,065	22,780
Total operating expenses	<u>1,339,424</u>	<u>1,498,012</u>
Non-operating expense - contribution	<u>(11,350)</u>	<u>(9,425)</u>
	487,364	700,662
Income from operations before income taxes		
Income tax expense (note 9)	<u>109,030</u>	<u>156,618</u>
Net proceeds	<u>\$ 378,334</u>	<u>544,044</u>

See accompanying notes to financial statements

Statements of Changes in Capital

Years Ended May 31, 2013 and 2012

	Share Capital	Unallocated Surplus and Other Capital	Allocated Undistributed Patronage	Net Proceeds	Total Capital
Balance at May 31, 2011	\$ 2,652,310	14,820,198	1,757,159	-	19,229,667
Issuance of stock during the year:					
Class B preferred stock, 851 shares issued	85,100	-	-	-	85,100
Class A stock, 36 shares	360	3,240	-	-	3,600
Retirement of stock during the year:					
Class B preferred stock, 4,621 shares	(462,100)	-	-	-	(462,100)
Class A membership stock, 39 shares	(390)	-	-	-	(390)
Revocation of outstanding distributions	-	914	-	-	914
Net proceeds	-	-	-	544,044	544,044
Dividends declared - Class B preferred stock	-	-	-	(30,359)	(30,359)
Patronage refund declared	-	-	400,000	(400,000)	-
Patronage refund distributable	-	-	(200,000)	-	(200,000)
Miscellaneous distributions	-	-	(2,626)	-	(2,626)
Unallocated surplus	-	113,685	-	(113,685)	-
Balance at May 31, 2012	2,275,280	14,938,037	1,954,533	-	19,167,850
Issuance of stock during the year:					
Class B preferred stock, 1,003 shares issued	100,300	-	-	-	100,300
Class A stock, 40 shares	400	3,600	-	-	4,000
Retirement of stock during the year:					
Class B preferred stock, 2,701 shares	(270,100)	5,800	-	-	(264,300)
Class A membership stock, 182 shares	(1,820)	40	-	-	(1,780)
Revocation of outstanding distributions	-	351	-	-	351
Net proceeds	-	-	-	378,334	378,334
Dividends declared - Class B preferred stock	-	-	-	(26,140)	(26,140)
Patronage refund declared	-	-	322,857	(322,857)	-
Patronage refund distributable	-	-	(161,429)	-	(161,429)
Miscellaneous distributions	-	-	(4,113)	-	(4,113)
Distribution declared - 2006 retained patronage	-	-	(239,489)	-	(239,489)
Unallocated surplus	-	29,337	-	(29,337)	-
Balance at May 31, 2013	\$ 2,104,060	14,977,165	1,872,359	-	18,953,584

See accompanying notes to financial statements

Statements of Cash Flows

	Years Ended May 31, 2013 and 2012	
	2013	2012
Cash flows from operating activities:		
Net proceeds	\$ 378,334	544,044
Adjustments to reconcile net proceeds to net cash provided by operating activities:		
Depreciation	76,916	76,434
Deferred taxes	57,665	-
Net change in:		
(Increase) decrease in accrued interest receivable	(135,754)	46,111
Decrease in income taxes receivable	40,724	111,913
Decrease in other assets	575	3,686
Decrease in accounts payable and accrued expenses	(78,729)	(18,951)
Increase in member reserves	14,000	18,000
Increase in accrued interest payable	8,986	5,701
Net cash provided by operating activities	362,717	796,938
Cash flows from investing activities:		
Loan principal repayments, net of originations	(5,138,590)	(2,258,742)
Investment originations, net of repayments	(19,751)	(17,233)
Purchases of bank premises, furniture, and equipment	-	(4,500)
Proceeds from sale of assets acquired in liquidation of loans	-	2
Net cash used by investing activities	(5,158,341)	(2,280,473)
Cash flows from financing activities:		
Proceeds from issuance of notes payable	7,859,987	9,897,653
Principal payments on notes payable	(2,675,000)	(8,270,000)
Net increase in member notes payable	248,080	338,770
Class A membership stock issued	4,000	3,600
Class A membership stock retired	(1,780)	(390)
Class B preferred stock issued	100,300	85,100
Class B preferred stock dividend paid	(30,359)	(40,012)
Class B stock retired	(462,500)	(131,100)
Patronage refund distributed	(200,000)	(214,888)
Retained patronage distributed	-	(202,659)
Payments made for miscellaneous patronage refund distributed	(4,113)	(2,626)
Revocation of outstanding distributions	351	914
Net cash provided by financing activities	4,838,966	1,464,362
Net decrease in cash	43,342	(19,173)
Cash at beginning of year	30,901	50,074
Cash at end of year	\$ 74,243	30,901
Supplemental schedule of noncash and other activities:		
Interest paid	\$ 163,506	89,415
Income taxes paid	\$ 10,641	44,705
Retained patronage distributable	\$ 239,489	-
Patronage refund distributable	\$ 161,429	200,000
Retirement - Class B preferred stock distributable	\$ 256,400	454,600
Dividends declared - Class B preferred stock	\$ 26,140	30,359

See accompanying notes to financial statements

Notes to Financial Statements

May 31, 2013 and 2012

(1) General

The Alaska Commercial Fishing and Agriculture Bank (CFAB) was incorporated May 4, 1979 to promote growth of the Alaska agriculture, timber, and commercial fishing industries by providing debt financing to resident-owned businesses engaged in harvesting, processing, or marketing of these industries and to promote its own growth as a strong user-oriented institution through cooperative ownership and self governance. Effective in August 2000, CFAB's lending authority was statutorily expanded to include tourism and other resource-based activities in addition to its original lending areas.

The accounting and reporting policies of CFAB conform to accounting principles generally accepted in the United States of America. CFAB follows the accrual method of accounting. In preparing the financial statements, management of CFAB is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and revenue and expenses for the period. Actual results could differ from those estimates. The more significant accounting and reporting policies and estimates applied in the preparation of the accompanying financial statements are discussed in Note 2.

(2) Summary of Significant Accounting Policies

Cash and Cash Equivalents

For purposes of reporting cash flows, cash includes cash on hand and demand deposits at other financial institutions. Cash flows from the loan investment in CoBank and member notes payable are reported net.

Loans and Interest on Loans

Loans are stated at the amount of unpaid principal, reduced by deferred loan fees and an allowance for loan losses. The accrual of interest income is suspended on loans for which the payment of interest is contractually past due more than 90 days and/or otherwise considered by management to be worthy of nonaccrual. Upon placing a loan into nonaccrual status, any fiscal year-to-date unpaid interest is reversed by a charge against interest income. Subsequent payments received on a nonaccrual loan are credited to the loan's principal balance until sufficient payments are received to bring the loan current. When the circumstances that led to a loan being placed in nonaccrual status have been favorably resolved or otherwise changed, the loan is considered for restoration to normal accrual status or written off. Nonaccrual loans are considered to be impaired under the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 310. CFAB evaluated credit quality based on the status of the loans and payment activity.

Allowance for Loan Losses

The allowance for loan losses is maintained at a level considered adequate by management to provide for probable and estimable losses inherent in the loan portfolio. The allowance is increased through provisions for loan losses and loan recoveries and is decreased through reversals of provisions for loan losses and loan charge-offs. The allowance is based on periodic evaluation of the loan portfolio by management in which numerous factors are considered, including economic conditions, loan composition, collateral value, credit quality, current production conditions, and prior loan loss experience. The allowance for loan losses encompasses various judgments, evaluations and appraisals with respect to the loans and their underlying security that, by their nature, contain elements of uncertainty and imprecision. Changes in the resource based industries and their impact on borrower repayment capacity will cause these various judgments, evaluations and appraisals to change over time as CFAB's single loan portfolio segment consists solely of loans for resource based industries. Accordingly, actual circumstances could vary significantly from CFAB's expectations and predictions of those circumstances. Management considers the following factors in determining and supporting the level of allowance for loan losses: the concentration of lending in resource based industries combined with uncertainties associated with collateral values, commodity prices, exports, regional economic effects and weather-related influences.

The allowance for loan losses includes components for loans individually evaluated for impairment and loans collectively evaluated for impairment. Generally, for loans individually evaluated the allowance for loan losses represents the difference between the recorded investment in the loan less the fair value of collateral if the loan is collateral dependent.

Notes to Financial Statements

Investment in CoBank

The Investment in CoBank is stated at initial cost plus non cash patronage notifications less patronage distributions.

Assets Acquired in Liquidation of Loans

Assets acquired through or in lieu of loan foreclosure are initially recorded at fair value less estimated selling costs at the date of foreclosure. Any writedown to fair value at the time of transfer is charged to the allowance for loan losses. Management periodically performs valuations, and an allowance for losses is established by means of a charge to operations if the carrying value of a property exceeds the lower of its carrying amount or its fair value less estimated costs to sell.

Fair Value of Financial Instruments

CFAB's financial assets carried at fair value have been classified based on a hierarchy defined by ASC 820. The hierarchy gives the highest ranking to fair values determined using unadjusted quoted prices in active markets for identical assets and liabilities (Level 1) and the lowest ranking to fair values determined using methodologies and models with unobservable inputs (Level 3). An asset's or a liability's classification is based on the lowest level input that is significant to its measurement. For example, a Level 3 fair value measurement may include inputs that are both observable (Levels 1 and 2) and unobservable (Level 3). The levels of the fair value hierarchy are as follows:

- **Level 1** - Values are unadjusted quoted prices for identical assets and liabilities in active markets accessible at the measurement date.
- **Level 2** - Inputs include quoted prices for similar assets or liabilities in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of the instrument. Such inputs include market interest rates and volatilities, spreads and yield curves.
- **Level 3** - Certain inputs are unobservable (supported by little or no market activity) and significant to the fair value measurement. Unobservable inputs reflect CFAB's best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.

Impaired loans are measured at fair value on a non-recurring basis. These assets are classified as Level 3 where significant value drivers are unobservable. The fair value of impaired loans are determined using the fair value of each loan's collateral for collateral-dependent loans as determined, when possible, by an appraisal of the property, less estimated costs related to liquidation of the collateral. The appraisal amount may also be adjusted for current market conditions.

Bank Premises, Furniture, and Equipment

Bank premises, furniture, and equipment are stated at cost less accumulated depreciation and amortization. Depreciation and amortization are charged to operations by use of the straight-line method over estimated useful lives of three to thirty-nine years. Expenditures for maintenance and repairs are charged to operating expenses as incurred. Expenditures for renewals or improvements that 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 is recorded.

Income Taxes

Under the asset and liability method of ASC No. 740, 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 ASC No. 740, the effect on deferred tax assets and liabilities of change in tax rates is recognized as income in the period that includes the enactment date. CFAB qualifies as a cooperative taxable under Subchapter T of the Internal Revenue Code.

CFAB adheres to the provisions of ASC No. 740 relating to accounting for uncertainty in income taxes. CFAB makes a comprehensive review of its portfolio of uncertain tax positions in accordance with recognition standards established by ASC No. 740. In this regard, an uncertain tax position represents CFAB's expected treatment of a tax position taken in a filed tax return, or planned to be taken in a future tax return, that has not been reflected in measuring income tax expense for financial reporting purposes. CFAB believes that it has appropriate support for the income tax positions taken and to be taken on its tax returns and that its accruals for tax liabilities are adequate for all open years based on an assessment of many factors, including past experience and interpretations of tax law applied to the facts of each matter. As a result of applying the provisions of ASC No. 740, there was no cumulative effect on capital.

Notes to Financial Statements

For the year ended May 31, 2013, there were no material changes to the total amount of unrecognized tax benefits. CFAB does not expect any significant increases or decreases for uncertain tax positions during the next 12 months.

CFAB files income tax returns in the U.S. and various state jurisdictions. The tax years 2008 through 2011 remain subject to examination by the tax jurisdictions.

CFAB's policy is to recognize interest and penalties accrued on any unrecognized tax benefits as a component of income tax expense. There is no interest or penalties accrued at May 31, 2013 and 2012. As a result of this review, CFAB concluded that at this time there are no uncertain tax positions as of May 31, 2013 and 2012.

Member Reserves

Certain loan agreements between CFAB and members require the member to maintain financial reserves to cover maintenance and improvements to the underlying collateral during the life of the loan. The reserves are held by CFAB in cash accounts until requested for maintenance or improvements by the members.

Subsequent Events

CFAB has evaluated subsequent events through August 1, 2013 the date on which the financial statements were issued.

(3) Loans and Other Receivables

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

	<u>2013</u>	<u>2012</u>
Seafood harvesters	\$ 29,430,416	23,692,826
Agriculture	2,781,779	508,068
Fish processors	1,385,722	1,691,458
Tourism	471,948	3,034,885
Other receivables	16,597	24,198
	<u>34,086,462</u>	<u>28,951,435</u>
Less allowance for loan losses	(2,760,352)	(2,763,915)
	<u>\$ 31,326,110</u>	<u>26,187,520</u>

In accordance with its statutory mandate and authority, CFAB's financing activity is limited to Alaska commercial fishing, agriculture, timber, tourism, and natural resource exploitation industries. This concentration of loans in resource-based industries results in an unusual level of risk exposure. At May 31, 2013 and 2012, respectively, approximately 90% and 89% of CFAB's loan portfolio was concentrated in the fishing industry.

The following represents the aging of past due loan receivables for the years ended May 31:

	<u>2013</u>	<u>2012</u>
1-30 days past due	\$ 61,656	64,475
91+ days past due	601,804	315,768
Total past due receivables	<u>\$ 663,460</u>	<u>380,243</u>

Of these amounts \$51,064 and \$130,704 were past due 90 days or more and still accruing at May 31, 2013 and 2012 respectively.

Notes to Financial Statements

During 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 \$3,084,045 and \$4,752,219 in loans during the years ended May 31, 2013 and 2012, respectively. No interest was forgiven on modified loans in the years ended May 31, 2013 and 2012. Of the loans modified by CFAB:

Loans totaling \$1,790,034 and \$4,263,115 for the years ended May 31, 2013 and 2012, respectively, involved payment of interest in full. The principal re-amortized within the original loan terms.

Loans totaling \$1,204,529 and \$358,751 for the years ended May 31, 2013 and 2012, respectively, involved payment of interest in full. However, the principal reamortizations resulted in new and later final payment dates.

Loans totaling \$89,482 and \$0 for the years ended May 31, 2013 and 2012, respectively, involved no payment, or partial payment, of interest due. Principal reamortizations resulted in new and later final payment dates.

Loans totaling \$0 and \$130,353 for the year ended May 31, 2013 and 2012, respectively involved no payment, or partial payment, of interest due. The principal and interest re-amortized within the original loan terms.

Of the loans modified during 2012 and 2011, \$89,483 and \$146,400 was delinquent as of May 31, 2013 and 2012 respectively.

The loan portfolio includes \$550,740 and \$249,541 in loans classified as nonaccrual at May 31, 2013 and 2012, respectively.

CFAB recognizes no interest income on nonaccrual loans during the time the loans are maintained in nonaccrual status. Had CFAB's nonaccrual loans performed in accordance with their original terms, approximately \$25,000 and \$21,000 in additional interest income would have been recorded in the years ended May 31, 2013 and 2012, respectively.

For the years ended May 31, 2013 and 2012, the average balance of nonaccrual loans was approximately \$420,200 and \$559,600, respectively.

Activity in the allowance for loan losses is as follows during the years ended May 31:

	2013	2012
Balance at beginning of the year	\$ 2,763,915	2,723,599
Recoveries on loans previously charged off	9,297	43,136
Less loan amounts charged off	(12,860)	(2,820)
Balance at end of the year	<u>\$ 2,760,352</u>	<u>2,763,915</u>

Management periodically evaluates the allowance for loan losses and changes are recorded through adjustment to 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 member of CFAB. A member of CFAB may be an individual who is a principal of a partnership that is a member of CFAB or an officer of a corporation, limited liability company, or other legal entity that is a member of CFAB. Loans to these directors or their interests totaled \$2,877,154 and \$1,221,442 at May 31, 2013 and 2012, respectively. During 2013 and 2012, respectively, loan advances totaled \$1,776,126 and \$634,735, and loan repayments totaled \$120,414 and \$1,721,094 on these loans.

At May 31, 2013, there were no unrecorded commitments to lend additional funds to borrowers whose loans have been modified.

There have been no purchases or sales of loan receivables for the years ended December 31, 2013 and 2012.

(4) Bank Premises, Furniture, and Equipment

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

	2013	2012
Land and building	\$ 1,765,067	1,765,067
Furniture, fixtures, and equipment	175,392	187,919
	1,940,459	1,952,986
Less accumulated depreciation and amortization	(466,887)	(402,497)
	<u>\$ 1,473,572</u>	<u>1,550,489</u>

Notes to Financial Statements

Depreciation expense for the years ended May 31, 2013 and 2012 was \$76,916 and \$76,434, respectively.

(5) Notes Payable

Line of Credit consists of the following at May 31:

	<u>2013</u>	<u>2012</u>
Line of credit of \$20,000,000, with variable interest (2.16% at May 31, 2013) due January 1, 2014 collateralized by all CFAB assets	\$ 13,107,670	7,922,684

Interest expense reported is net of a patronage refund of \$79,004 in 2013 and \$49,238 in 2012. Interest expense amounting to \$37,200 and \$37,200 relates to the Bank's office building for 2013 and 2012, respectively. This interest is reported as occupancy expense in order to differentiate the expense associated with the office building.

(6) Member Notes Payable

Member notes payable are unsecured loans made to CFAB by CFAB members at fixed rates for periods ranging from 30 to 90 days. At May 31, 2013 and 2012, respectively, member notes were \$1,259,691 and \$1,011,611 and paid interest at 1.5% and 2.25%, respectively. Interest expense related to these notes amounted to \$15,989 and \$25,253 in 2013 and 2012, respectively.

(7) Capital

Preferential shareholders rights on dissolution follow in the order of Class B and Class A. The following rights apply to the two categories of stock:

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 fiscal year-end. Class B preferred stock may only be held by members of CFAB. Each borrower is required to make a purchase of Class B preferred stock in an amount equal to 2% of the total loan or \$2,500, whichever is less. 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 membership stock. Each share of stock carries one vote. To vote, a member must be a current patron or have been a CFAB patron during the preceding two years or have minimum retained membership earnings and/or Class B preferred stock with CFAB of \$5,000.

(8) Employee Benefit Plan

CFAB has an employee benefit plan as defined under Section 401(k) of the Internal Revenue Code (IRC) covering substantially all employees. An employee is allowed to contribute his or her earnings to the maximum limit allowed by the IRC. Contributions by CFAB to the plan are at the discretion of the board of directors. Contributions by CFAB for the years ended May 31, 2013 and 2012 were \$53,811 and \$50,471, respectively.

(9) Income Taxes

The components of income tax expense are as follows:

	<u>Current</u>	<u>Deferred</u>	<u>Total</u>
2013:			
Federal	\$ 39,612	57,665	97,277
State	11,753	-	11,753
	<u>\$ 51,365</u>	<u>57,665</u>	<u>109,030</u>
2012:			
Federal	\$ 123,679	-	123,679
State	32,939	-	32,939
	<u>\$ 156,618</u>	<u>-</u>	<u>156,618</u>

The actual tax expense differs from the "expected" tax expense for those years (computed by applying the U.S. Federal corporate tax rate of 34% to proceeds before income taxes) as follows:

Notes to Financial Statements

	2013	2012
Computed "expected" income tax expense	\$ 165,704	238,2260
State tax expense	7,757	21,740
Change in valuation allowance	59,249	38,059
Patronage refunds and dividends declared	(109,771)	(136,000)
Nondeductible expenses	986	890
Other	(14,895)	(6,297)
	<hr/>	<hr/>
Tax expense	\$ 109,030	156,618

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

	2011	Deferred (expense) benefit	2012	Deferred (expense) benefit	2013
Allowance for loan loss	\$ 1,089,439	16,127	1,105,566	(1,425)	1,104,141
Other	271,444	4,408	275,852	(12,271)	263,581
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	1,360,883	20,535	1,381,418	(13,696)	1,367,722
Valuation allowance	(826,137)	(38,059)	(864,196)	(59,249)	(923,445)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	\$ 534,746	(17,524)	517,222	(72,945)	444,278

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. CFAB has established a valuation allowance that reflects its expected taxable income and tax planning strategies.

Temporary differences that give rise to the significant portions of the deferred tax liability consist of depreciation and the basis differences in assets. The deferred tax benefit related to the deferred tax liability amounted to \$15,280 and \$17,524 at May 31, 2013 and 2012, respectively.

(10) Commitments and Contingent Liabilities

Contingencies

CFAB is a litigant in several legal actions arising from normal business activities, related to delinquent loans and foreclosures. CFAB reserves for potential losses on delinquent loans as described in Note 2. There is no litigation unrelated to loan delinquencies and foreclosures.

Unused Lines of Credit

At May 31, 2013 and 2012, respectively, CFAB had commitments to members for unused credit lines of approximately \$95,000 and \$90,000.

Board of Directors and Staff

Board of Directors

Alan Otness, Chairman
Petersburg

Bruce Gabrys, Vice Chairman
Eagle River

Adam Galindo, Secretary-
Treasurer
Eagle River

Stosh Anderson, Director
Kodiak

Jim Clark, Director
Soldotna

Paula Giauque, Director
Palmer

Roseleen Moore, Director
Homer

Staff

Charlotte Calhoun
Credit Operations Assistant

Robert H. Clark
Vice President

Deborah Griesmer
Assistant Vice President

Lela F. Klingert
President

JoAnn Rodamaker
Senior Vice President

Karen Taggart
Administrative Technical Assistant

Karla VanderBie
Karla VanderBie

Steven Worley
Bookkeeper

Alaska Commercial Fishing and Agriculture Bank

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Mailing Address:
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E mail: cfabanch@gci.net

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Anchorage, Alaska 99509-2070
(907) 276-2007 Fax (907) 279-7913
cfabalaska.com

February 27, 2013

Labor and Commerce Committee
Alaska House of Representatives
Juneau, Alaska 99801

RE: HB121

Dear Representatives:

I am writing on behalf of the Alaska member-owners, the Board of Directors, and the management and staff of the Alaska Commercial Fishing and Agriculture Bank (CFAB). CFAB is a privately-owned and -operated institution, and privately financed, it is incorporated under a specific state statute rather than under a general business statute. This means, among other things, that many basic policy, strategic, or operational changes that most businesses could effect by the stroke of a pen, for us it requires the support of the Alaska State Legislature and new legislation. Hence, you have HB121 before you.

The provisions of HB121 reflect intense internal research, study and discussion - in some particulars, over several years. As has been true on many earlier occasions of CFAB-requested legislation, they reflect lessons learned over 30+ years of operations, changes that have occurred within the industries/markets served by CFAB, and cumulative indications of evolving needs among the resident participants in those industries and markets.

CFAB does not strive for, and has never strived for, "headline-worthy" accomplishments. It is committed and structured to serve resident individuals and smaller companies, one-by-one and in a highly-focused manner, who in many cases would not otherwise have access to borrowed capital on reasonable and constructive terms. We would welcome the opportunity to provide you with more details of CFAB's history, and in particular urge that you spend a few moments with CFAB's 2012 Annual Report which was recently provided to your office.

If you have specific questions about the provisions of HB121, or would like more information about CFAB, please direct your inquiries to President Lela (Lea) F. Klingert. She may be reached by mail or by telephone as shown on this letterhead, or by e-mail at lea@cfabalaska.com.

Thank you for your interest and for your consideration. We earnestly ask for your support of HB121.

Very truly yours,

Alan D. Otness
Chairman, Board of Directors

Alaska Commercial Fishing and Agriculture Bank

From: Jim <echolake@acsalaska.net>
Sent: Tuesday, February 26, 2013 3:40 PM
To: Rep. Charisse Millett
Cc: Rep. Eric Feige; Lea Klingert
Subject: HB121

Representative Millett,

As a member of CFAB for 12 years, we are always looking for opportunities to strengthen the usefulness of our cooperative in a manner that will not only benefit the current and future membership but the Alaska industries and related small businesses in fishing, agriculture and tourism.

HB121 is important to CFAB and we would appreciate your support of this bill. Thank you.

Jim Clark
Echo Lake Meat & Processing-Soldotna

From: gabryscpa@mtaonline.net
Sent: Monday, March 04, 2013 10:37 AM
To: Rep. Charisse Millett
Cc: Rep. Eric Feige; Lea@cfabalaska.com
Subject: Support for HB 121 and SB 61

Dear Representative Millett,

I am a member of the Alaska Commercial Fishing and Agricultural Bank (CFAB) and want to express my support for HB 121 (and SB 61). The provisions of this legislation will help CFAB to serve the customers for which it was created to support. Thank you.

Bruce J Gabrys
10229 Baffin Street
Eagle River, AK 99577
907-694-3874

From: Adam Galindo <adamgalindo@hotmail.com>

Sent: Sunday, February 17, 2013 5:49 PM

To: Rep. Eric Feige; Rep. Dan Saddler; Rep. Mike Chenault; Rep. Andy Josephson;
Rep. Charisse Millett; Rep. Bob Herron; Rep. Kurt Olson; Rep. Lora Reinbold

Subject: HB 121

Categories: Mike

My mistake I was just informed by senator Coghill office that the portion pertaining the language was removed from the HB 121 however I am still in favor of House Bill 121

Sorry about the confusion

Sincerely

Adam Galindo

Taco Loco Products

CFAB Board of Director

Sent from my iPad

From: Adam Galindo <adamgalindo@hotmail.com>
Sent: Sunday, February 17, 2013 11:15 AM
To: Rep. Eric Feige; Sen. John Coghill
Cc: Rep. Dan Saddler; Rep. Lora Reinbold; Rep. Mike Chenault; Rep. Kurt Olson;
Rep. Bob Herron; Rep. Andy Josephson; Rep. Charisse Millett
Subject: HB 121

To Whom It May Concern

I am in favor of passage of House Bill 121 pertaining to a change in the statute by laws for Commercial Fisheries and Agriculture Bank or CFAB.

As a Governor appointed board member I can see the benefit of the proposed change. As the current statute reads we are required to have a seat on the board of directors that only a farmer can fill. Currently this seat has been vacant for several year and cannot be filled if the applicant is not a farmer. By not being able to fill the seat. This limits the CFAB board from time to time in its function due in part of not having a quorum it also excludes someone from becoming a board member if they are not a farmer.

There is no monetary issues with this statute and by law change it is purely an amendment to CFAB charter and farmers are still allowed to be on the board it's only removing the mandatory language.

Thank You For Consideration on HB 121

Best Regards

Adam Galindo
Taco Loco Products/
CFAB Director

Sent from my iPad

From: Paula Giauque <pgiauque@mtaonline.net>
Sent: Monday, March 04, 2013 1:07 PM
To: Rep. Eric Feige
Subject: HB 121

Representative Feige:

I am requesting your support of HB 121.

I have farmed in the Matanuska Valley for 36 years and been a CFAB member since 1996. The changes being requested by CFAB are in the best interest of its members and will allow the bank to continue serving its members in a way that most benefits them.

Thank you
Paula J. Giauque
Gold Nugget Farms, Inc.