

ALASKA LEGISLATURE COMMITTEE BILL FILES - 1987 - 1988 8879

SB 340 cont. 105

SECTION 3 LOAN APPLICATION AND FUNDS REQUEST

Date _____

1. Personal Data

Name _____

Address _____

Birth Date _____

Telephone: Bus. _____

 Res. _____

Form of Business: Sole Proprietorship _____

 Partnership _____

 Joint Venture _____

 Corporation _____

If Partnership, List Partners

If Joint-Venture, List Those Involved

If Corporation, List Officers

Date Incorporated: _____ Location: _____

Social Security or
IRS Employer Identification Number:

Alaskan Resident: Yes _____ No _____ Years _____

Spouse Name _____ Birth Date _____

Children Names Birth Dates

2. Summary of Loan Requests

Type	Short Term	Chattel	Farm Development	Irrigation	Product Processing
------	---------------	---------	---------------------	------------	-----------------------

Purpose _____

Amount of Each _____

Total Time to Repay _____

SECTION 4 LETTER OF INTENT AND LOAN USE

Describe in detail how you plan to use the borrowed funds and the required timing for receipt of funds:

Use:

Timing of Use:

SECTION 5

LONG-TERM BORROWING PLAN

Provide a detailed plan of your long-term borrowing needs, indicating:

- Current borrowing request.

- Future borrowing needs.
 - * Type of Loan Request
 - * Projected Date Funds Needed
 - * Amount of Funds Required
 - * Purpose of Loan Funds

OBJECTIONS

a detailed projection of the
t for the following year using

must prepare an Income Statement
s for the total years of the loan.

CORRECTION

**THIS DOCUMENT
HAS BEEN REPHOTOGRAPHED
TO ASSURE LEGIBILITY**

SECTION 6

CASH FLOW PROJECTIONS

Each applicant must provide a detailed projection of the cash flow from the farm or project for the following year using the form supplied.

In addition, the applicant must prepare an Income Statement projecting income and expenses for the total years of the loan.

ANNUAL
OPERATING BUDGET
AND
CREDIT PLAN

Name_____

19____

SECTION I—FERTILIZER AND OTHER CROP COSTS

	Crop to be grown	Field		Yield	Total Production	Fertilizer			Seed		Chemicals		
		No.	Acres			Analysis	Rate/Acre	Total	Variety	Quantity	Kind	Rate/Acre	Total
1													
2													
3													
4													
5													
6													
7													
8													
9													
10													

Summary—Fertilizer and Other Crop Costs

Fertilizer				Seed			Chemicals			Power and Machinery	
Analysis	Requirement	When Needed	Cost	Requirement	When Needed	Cost	Requirement	When Needed	Cost	Requirement	Cost
11			\$			\$			\$		\$
12											
13											
14											
15											
16											
17											
18			Total \$			Total \$			Total \$		Total \$

COMMENTS:

SECTION II—CROP USAGE AND FEED REQUIREMENTS

	Crop	Beginning Inventory	Production	Purchases		Total	Farm Use (Feed and Seed)	Sales		Ending Inventory
				Quantity	Mo.			Quantity	Mo.	
1										
2										
3										
4										
5										
6										
7										
8										
	Livestock Kind	Livestock Inventory		Corn bu.			Supp. Tons	Hay Tons		
		Beginning	Ending	Old	New					
9										
10										
11										
12										
13										
14										
15										
16	Total Feed Requirements									

COMMENTS:

SECTION III—LIVESTOCK PLAN

Kind	Begin. Inventory		Purchases			Raised No.	Sales			Ending Inventory		
	No.	Value	Cap. or Op.	No.	Cost		Mo.	Cap. or Op.	No.	Value	Mo.	No.
1		\$			\$				\$			\$
2												
3												
4												
5												
6												
7												
8												
9												
10												
11												
12												
13												
14												
15												
16												
17												
18												
19												
20												

COMMENTS:

SECTION VII—PROJECTED PROFIT AND LOSS STATEMENT

Period Covered: _____ 19____ Through _____ 19____

Gross Income from Sale of Livestock and Livestock Products (Section IV, line 2)	\$ _____
Gross Income from Sale of Crops (Section IV, line 1)	\$ _____
Other Income from Farming (Section IV, line 3)	\$ _____
Total Gross Receipts from Farming (Section IV, line 4)	\$ _____
Total Cash Operating Expenses (Section IV, line 24, plus interest expense, Section VI, lines 52 and 58.)	\$ _____
Net Cash Income from Operation	\$ _____
Adjustment for Net Change in Inventory	±\$ _____
Net Operating Profit	\$ _____
Adjustment for Net Change in Capital Items	±\$ _____
Projected Profit (Loss) from Operation	\$ _____

DISTRIBUTION OF PROFITS (ESTIMATED)	
Family Living \$ _____	Income Tax \$ _____
Debt Reduction	
Business Reinvestment and Savings	\$ _____

SECTION 7

LOAN REPAYMENT PLAN

Each application must prepare a detailed plan showing repayment of loan funds from the projected farm or project cash flow.

Data for this form is from the cash flow projection in Section 7 using the same time frame as requested in the Repayment Plan and Total Time to Repay, Section 3.2.

FOR EXAMPLE: If Time to Repay is requested for 1 year, and Repayment Plan requests equal monthly payments, the Loan Repayment Plan should be based on monthly revenues, expenses, and payments. If the Repayment Plan requests equal quarterly payments, the Loan Repayment Plan would appear as follows:

	Qtr 1	Qtr 2	Qtr 3	Qtr 4
Net Cash Income Projected from Operations (Budget Summary lines 48-53)	\$ _____	_____	_____	_____
Less: Loan Payments	_____	_____	_____	_____
Cash Available from Operations	\$ _____	_____	_____	_____

SECTION 8 LIST OF COLLATERAL

All loans must be secured by adequate collateral; list property to be used to secure loan funds.

REAL ESTATE Is this property owned? Yes _____ No _____

Legal Description _____

Location _____

Acres _____ Appraised Value _____

Date Last Appraised _____

Liens _____

Equity Value _____

Mortgage Holder _____

BUILDINGS

Description _____

Location _____

Appraised Value _____ Date Last Appraised _____

Liens _____

Equity Value _____

Mortgage Holder _____

MACHINERY - EQUIPMENT

Description _____

Location _____

Condition - Age _____

Appraised Value _____ Date Last Appraised _____

Liens _____

Equity Value _____

Note Holder _____

OTHER SECURITY

Item

Equity Value

SECTION 10 PERSONAL RESUME AND PRODUCTION RECORDS

Each applicant must possess previous farm or business experience and provide a business history as evidence of the necessary skills and training. A business history must be provided for all persons owning 10 percent or more of the business entity.

PERSONAL RESUME

Outline your personal agricultural experience (total equal to years in Section 3.3).

CURRENT:

Years Current Farm/Facility Operated _____

Location _____

Acres Total _____

Tillable _____

Other (Specify) _____

Owned _____

Mortgage Holder _____

Annual Payments _____

Leased _____

Landlord: Name _____

Address _____

Lease Expires _____

Annual Rent _____

Major Projects Sold _____

Contracts for Sale of Products _____

Previous Other Farming or Agricultural Experience -

<u>Name</u>	<u>Years</u>	<u>Product</u>	<u>Size</u>
-------------	--------------	----------------	-------------

Briefly outline any other previous business experience.

REFERENCES

Trade _____
(Name)

(Address)

(Telephone)

Trade _____
(Name)

(Address)

(Telephone)

Personal (3) (other than relatives)

(Name)

(Address)

(Telephone)

(Relationship)

(Name)

(Address)

(Telephone)

(Relationship)

(Name)

(Address)

(Telephone)

(Relationship)

SECTION 11 CURRENT FINANCIAL STATEMENTS

Each applicant will provide financial statements, including balance sheet and profit and loss statement, for the preceding year of operation.

The following Financial Statement form is to be used for this purpose.

SECTION II—FINANCIAL STATEMENT

Financial Statement of:

Name _____
 Address _____

Major Enterprise(s) _____
 Statement Date _____ 19__

TO:

ASSETS

CURRENT

Cash on Hand \$ _____
 Cash on Deposit (Bank _____) _____
 Notes Receivable (Sched. A) _____
 Accounts Receivable (Sched. A) _____
 Livestock Held for Sale (Sched. B) _____
 Crops Held for Sale and Feed (Sched. C) _____
 Cash Investment in Growing Crops (Sched. C) _____
 Securities (Marketable) (Sched. D) _____
 Cash Surrender Value of Life Insurance (Sched. E) _____
 Other (Specify) _____
TOTAL CURRENT \$ _____

INTERMEDIATE

Autos and Trucks (Net) (Sched. F) \$ _____
 Machinery and Equipment (Net) (Sched. F) _____
 Breeding and Dairy Livestock (Sched. B) _____
 Securities (Not readily marketable) (Sched. D) _____
 Other (Specify) _____
TOTAL INTERMEDIATE \$ _____

FIXED

Farmland (Sched. G) \$ _____
 Farm Improvements (Net) (Sched. G) _____
 Nonfarm Real Estate (Sched. H) _____
 Household Furnishings _____
 Other (Specify) _____
TOTAL FIXED \$ _____

TOTAL ASSETS \$ _____

LIABILITIES

CURRENT

Notes Payable to Our Bank (Sched. I) \$ _____
 Notes Payable to Relatives (Sched. I) _____
 Notes Payable to Others (Sched. I) _____
 Accounts Payable (Sched. I) _____
 Portion of Intermediate-Term Debt Due Within 12 Months (Sched. J) _____
 Portion of Long-Term Debt Due Within 12 Months (Sched. K) _____
 Rent, Taxes, and Interest Due and Unpaid _____
 Loans Against Cash Surrender Value of Life Insurance _____
 Other Debt Due Within 12 Months _____
TOTAL CURRENT \$ _____

INTERMEDIATE-TERM

Notes Payable to Our Bank (Sched. J) \$ _____
 Notes Payable to Others (Sched. J) _____
 Maturities of over 1 but under 10 years for other than seasonal needs—less portion applied to current liabilities.
TOTAL INTERMEDIATE-TERM \$ _____

LONG-TERM

Mortgages on Farm Real Estate (Less portion applied to current liabilities) (Sched. K) \$ _____
 Mortgages on Other Real Estate (Less portion applied to current liabilities) (Sched. K) _____
 Other (Specify) _____
TOTAL LONG-TERM \$ _____

TOTAL LIABILITIES \$ _____

NET WORTH* \$ _____

TOTAL LIABILITIES & NET WORTH \$ _____

* Net worth resulting from upward revaluation of fixed assets (\$ _____)

GENERAL INFORMATION

1. Insurance

a. Real and Personal Property _____

 b. Liability _____

 c. Workmen's Compensation _____
 Other _____

2. Taxes

a. Personal Property _____
 b. Real Estate _____
 c. Income _____
 d. Other _____

For the purpose of procuring and maintaining credit from time to time in any form whatsoever with the above-named bank, the undersigned submit(s) the above Financial Statement as being a true, complete, and accurate statement of my (our) financial condition on the above date, and agree(s) that if any change occurs that materially reduces the means or ability of the undersigned to pay all claims or demands against me (us), the undersigned will immediately notify the bank in writing; and unless the bank is so notified, it may continue to rely upon the statement herein as a true, complete, and accurate statement of the financial condition of the undersigned.

Signed _____ Date: _____ 19__

Certified by: _____

SECTION IV—PROFIT AND LOSS STATEMENT

Statement of: _____
 Address: _____
 Prepared for: _____

Period Covered: _____ 19____ through _____ 19____

RECEIPTS

Gross from Sale of Livestock and Livestock Products (describe):

	Units	
_____	(_____)	\$ _____
_____	(_____)	_____
_____	(_____)	_____
_____	(_____)	_____
Subtotal Livestock		\$ _____

Gross from Sale of Crops (describe):

_____	(_____)	\$ _____
_____	(_____)	_____
_____	(_____)	_____
_____	(_____)	_____
Subtotal Crops		\$ _____

Other from Farming (describe):

_____	\$ _____	
_____	_____	
_____	_____	
Subtotal Other		\$ _____

Gross Receipts From Farming \$ _____

OPERATING EXPENSES

Feeder Livestock Purchased	\$ _____
Feed Purchased	_____
Hired Labor	_____
Fertilizer and Lime	_____
Pesticides	_____
Seeds and Plants Purchased	_____
Machine Hire	_____
Machinery Maintenance and Repairs	_____
Fuel and Oil	_____
Livestock Expenses (breeding, veterinary, medicine)	_____
Maintenance and Repairs (other than machinery)	_____
Rent and Leases	_____
Utilities (farm share)	_____
Taxes and Insurance (farm share)	_____
Farm Interest	_____
Other Cash Expenses (specify):	_____
_____	_____
_____	_____
_____	_____
Total Cash Operating Expenses	\$ _____
Net Cash Income From Operation	\$ _____

Adjustments for Change in Inventory:

	Feed	Market Livestock	Supplies
Beginning Inventory	\$ _____	\$ _____	\$ _____
Ending Inventory	_____	_____	_____
Net Change (±)	\$ _____	\$ _____	\$ _____

(Plus if increased, minus if decreased)

Net Operating Profit \$ _____

Adjustments for Capital Items:

	Machinery and Equipment	Breeding Livestock	Improvements
Beginning Inventory	\$ _____	\$ _____	\$ _____
Plus: Purchases	_____	_____	_____
Less: Ending Inventory	_____	_____	_____
Sales	_____	_____	_____
Net Change (±)	\$ _____	\$ _____	\$ _____

Profit (Loss) From Operation \$ _____

Information Only

Depreciation taken this year:

Machinery and Equipment	\$ _____
Breeding Livestock	_____
Improvements	_____
Total	\$ _____
Annual Nonfarm Income:	\$ _____

I (we) hereby certify that the above is a complete and accurate statement of my (our) profit and loss record during the period shown to the best of my (our) knowledge and belief.

Signature(s) _____

Date _____ 19____

Section III—Supporting Schedules (continued)

F. MACHINERY AND EQUIPMENT (MAJOR ITEMS)

	Article	Year Purchased	Cost	Accumulated Depreciation	Present Value
			\$	\$	\$
Auto and Truck					
		Total	\$	\$	\$
			\$	\$	\$
All Other					
			Total	\$	\$

G. FARMLAND AND IMPROVEMENTS

	Date Purchased	Description	Purchase Cost	Present Value	Title
			\$	\$	
Land					
		Total	\$	\$	
Improvements (Farm Structures)			Cost of Improvements	Accumulated Depreciation	Present Value
			\$	\$	\$
			Total	\$	\$

H. NONFARM REAL ESTATE

Date Purchased	Description	Purchase Cost	Present Value	Title
		\$	\$	
		Total	\$	\$

I. NOTES AND ACCOUNTS PAYABLE

	Date Originated	Original Amount	Balance Due	Holder	Terms	
					Collateral	Repayment
Notes		\$	\$			
		Total	\$	\$		
Accounts	Amount Due	To Whom		Repayment Arrangements		
	\$					
		Total	\$	\$		

J. INTERMEDIATE-TERM LIABILITIES

Date Originated	Original Amount	Balance Due	Holder	Purpose
	\$	\$		
	Total	\$	\$	

K. LONG-TERM LIABILITIES

	Date Originated	Original Amount	Balance Due	Holder	Repayment Arrangements
Farm		\$	\$		
	Total	\$	\$		
Other					
		Total	\$	\$	

SECTION 12 INCOME TAX RETURNS

Each applicant will provide copies of all federal and state income tax returns for the three preceding fiscal years, including Schedule C.

SECTION 13 AUTHORIZATION FORMS TO VERIFY FINANCIAL
INFORMATION

Two authorization forms are provided in this package for ARLF verification of certain financial and banking information supplied by the applicant in the financial statement section.

Complete, sign, and date an authorization form for each major checking account, savings account, and loan shown on the financial statement. Include these forms with your completed loan application package.

AGRICULTURAL REVOLVING LOAN FUND
AUTHORIZATION TO VERIFY FINANCIAL INFORMATION
AND
VERIFICATION OF BANK FINANCIAL INFORMATION

Authorization to verify financial information:

Name of Applicant _____

Address _____

Name of Bank _____

Address _____

<u>Type of Account</u>	<u>Account Number</u>	<u>Date Opened</u>	<u>Balance</u>
Checking			
Savings			
Other			

Loans:

<u>Type</u>	<u>Original Date</u>	<u>Original Balance</u>	<u>Payments</u>	<u>Current Balance</u>	<u>Status</u>
-------------	----------------------	-------------------------	-----------------	------------------------	---------------

I have provided ARLF the financial information above in an application for funds. I authorize the above named bank to verify the accuracy of these statements directly to ARLF.

Signature of Applicant

Date

BANK VERIFICATION OF FINANCIAL INFORMATION

The information provided above is essentially correct as of this date and accurately reflects the applicant's financial position with this institution.

Signature

Title

Date

The information provided above is correct with the following exceptions:

Signature

Title

Date

SECTION 14

AUTHORIZATION FORMS TO VERIFY CREDIT BACKGROUND

Three authorization forms are provided in this package for ARLF verification of the credit standing of the applicant. Include a form for trade or business vendors, banks, or other institutions with which you now have or have had previous open accounts, loans, mortgages, or other credit relationships.

Provide a completed authorization form for each creditor with the completed loan application package.

One form is provided for ARLF to verify applicant credit history with the appropriate credit bureau(s). Complete the personal information requested and sign and date the form provided.

CREDIT AUTHORIZATION

I authorize the creditor named below to release information to the Agricultural Revolving Loans Fund concerning the nature of my credit transactions, including:

NATURE OF TRANSACTIONS

AMOUNT OF CREDIT EXTENDED

TERMS AND CONDITIONS OF CREDIT EXTENDED

CURRENT BALANCE

REPAYMENT RECORD

COMMENTS

Signature of Creditor

Title

Date

The information provided to ARLF by the above creditor is confidential and will be used by the agency for the sole purpose of evaluating a loan application.

Name of Creditor _____

Account Number _____

Address _____

Signature of Applicant

Date

CREDIT AUTHORIZATION

I authorize the creditor named below to release information to the Agricultural Revolving Loans Fund concerning the nature of my credit transactions, including:

NATURE OF TRANSACTIONS

AMOUNT OF CREDIT EXTENDED

TERMS AND CONDITIONS OF CREDIT EXTENDED

CURRENT BALANCE

REPAYMENT RECORD

COMMENTS

Signature of Creditor

Title

Date

The information provided to ARLF by the above creditor is confidential and will be used by the agency for the sole purpose of evaluating a loan application.

Name of Creditor _____

Account Number _____

Address _____

Signature of Applicant

Date

CREDIT AUTHORIZATION

I authorize the creditor named below to release information to the Agricultural Revolving Loans Fund concerning the nature of my credit transactions, including:

NATURE OF TRANSACTIONS

AMOUNT OF CREDIT EXTENDED

TERMS AND CONDITIONS OF CREDIT EXTENDED

CURRENT BALANCE

REPAYMENT RECORD

COMMENTS

Signature of Creditor Title Date

The information provided to ARLF by the above creditor is confidential and will be used by the agency for the sole purpose of evaluating a loan application.

Name of Creditor _____

Account Number _____

Address _____

Signature of Applicant

Date

CREDIT AUTHORIZATION

I authorize the creditor named below to release information to the Agricultural Revolving Loans Fund concerning the nature of my credit transactions, including:

NATURE OF TRANSACTIONS

AMOUNT OF CREDIT EXTENDED

TERMS AND CONDITIONS OF CREDIT EXTENDED

CURRENT BALANCE

REPAYMENT RECORD

COMMENTS

Signature of Creditor

Title

Date

The information provided to ARLF by the above creditor is confidential and will be used by the agency for the sole purpose of evaluating a loan application.

Name of Creditor _____

Account Number _____

Address _____

Signature of Applicant

Date

CREDIT BUREAU AUTHORIZATION

The undersigned authorizes the named credit bureau,

Name _____

Address _____

to release, in writing, such credit history as it may have in its files on the following individual(s):

Name _____

Date of Birth _____

Current Mailing Address _____

Previous Address(es) _____

Social Security Account Number _____

Marital Status _____

Spouse's Name _____

Please return information promptly to:

Agricultural Revolving Loan Fund (ARLF)
P.O. Box 1256
Wasilla, Alaska 99687
ATTN: Loan Examiner

The information provided to ARLF is confidential and will be used by the agency for the sole purpose of evaluating a loan application.

Printed Name of Applicant

Date

Signature of Applicant



STATE OF ALASKA
DEPARTMENT OF ADMINISTRATION
STANDARD AGREEMENT FORM
FOR PROFESSIONAL SERVICES CONTRACT

This contract, which is effective only if it is approved by the Department of Administration, is between the State of Alaska,

Department of Natural Resources - Division of Agriculture				<i>hereafter, The State, and</i>
Contractor Price Waterhouse & Co				<i>hereafter, the Contractor</i>
Mailing Address	Street or P. O. Box	City	State	Zip Code
	101 West Benson Blvd,	Anchorage	Alaska	99503
Alaska Business License Number 010942		Internal Revenue Service Number 13-5326270		

This is a contract for professional services. AS 44.37.020 authorizes the State to make this contract. The parties to the contract agree as follows:

ARTICLE 1. Appendices. Appendices referred to in this contract and attached to it are considered part of it.

ARTICLE 2. Performance of Services.

- 2.1 Appendix A, Articles 1 through 16, governs the performance of services under this contract.
- 2.2 Appendix B sets forth the services to be performed by the contractor.

ARTICLE 3. Period of Performance. The period of performance under this contract begins July 20, 1981 and ends September 30, 1981. Performance may be extended for additional periods by the written agreement of the parties.

ARTICLE 4. Consideration.

- 4.1 In full consideration of the Contractor's performance under this contract, the State shall pay the Contractor in accordance with the provisions of Appendix C.
- 4.2 When billing the State, the Contractor shall refer to the State Contract Number and send the billing to:

Department of Natural Resources	Attn: Division of Agriculture - Domonic Carney
Mailing Address Pouch A, Wasilla, AK 99687	
C CONTRACTOR	STATE
Name of Firm: Price Waterhouse & Co	Department or Agency Natural Resources
Signature of Authorized Representative	Signature of Certifying Officer
Typed or Printed Name of Authorized Representative William C. Smart	Typed or Printed Name of Certifying Officer Geoffrey Haynes
Title Partner-In-Charge	Title Deputy Commissioner

APPROVAL BY THE DEPARTMENT OF ADMINISTRATION

NOTICE! This contract has no effect except as an offer by the Contractor until it is approved by the Department of Administration.

Signature of Authorized Official of the Department of Administration	Date
Typed or Printed Name of Authorizing Official	Title

APPENDIX A

Article 1. Definitions.

- 1.1 In this contract and appendices, "Certifying Officer" means the person who signs this contract on behalf of the Department and includes a successor or authorized representative.
- 1.2 "Department" means the agency for which this contract is to be performed and for which the Certifying Officer acted in signing this contract.

Article 2. Inspection and Reports.

- 2.1 The Department may inspect, in the manner and at reasonable times it considers appropriate, all the Contractor's facilities and activities under this contract.
- 2.2 The Contractor shall make progress and other reports in the manner and at the times the Department reasonably requires.

Article 3. State Saved Harmless.

The Contractor shall indemnify and hold and save the State, its officers, agents and employees harmless from liability of any nature or kind, including costs and expenses, for or on account of any and all legal actions or claims of any character whatsoever resulting from injuries or damages sustained by any person or persons or property arising from its performance of this contract in any way whatsoever.

(OVER)

Article 4. Disputes.

4.1. Any dispute concerning a question of fact arising under this contract which is not disposed of by mutual agreement shall be decided without bias by the Director of the Department's Division of Administrative Services (or, if none, the Department's Administrative Officer), who shall reduce his decision to writing and mail or otherwise furnish a copy of it to the Contractor. The decision of the Director is final and conclusive unless, within 30 days from the date of receipt of that copy, the Contractor mails or otherwise furnishes to the Certifying Officer a written appeal addressed to the Commissioner of the Department. The Commissioner shall appoint a three-person board from the Department to hear the appeal, none of whom may be from the Division of Administrative Services. The decision of the board is final and conclusive, unless it is fraudulent or not supported by substantial evidence. In any proceeding under this article, the Contractor has a right to be heard by an unbiased panel and to offer evidence in support of his appeal. Pending final decision of a dispute, the Contractor shall proceed diligently with the performance of the contract and in accordance with the Director of the Division of Administrative Services decision.

4.2 This disputes article does not preclude consideration of questions of law in connection with decisions provided for in paragraph 4.1 above. However, this article does not make the decision of any administrative official, representative or board on a question of law final or conclusive.

Article 5. Equal Employment Opportunity.

5.1. The Contractor may not discriminate against any employee or applicant for employment because of race, religion, color, national origin, or because of age, physical handicap, sex, or marital status, change in marital status, pregnancy or parenthood when the reasonable demands of the position do not require distinction on the basis of age, physical handicap, sex, or marital status, changes in marital status, pregnancy, or parenthood. The Contractor shall take affirmative action to insure that the applicants are employed and that employees are treated during employment without regard to their race, color, religion, national origin, ancestry, age, sex, or marital status. This action must include, but need not be limited to, the following: employment, upgrading, demotion, transfer, recruitment or recruitment advertising, layoff or termination, rates of pay or other forms of compensation, and selection for training including apprenticeship. The Contractor shall post in conspicuous places, available to employees and applicants for employment, notices setting out the provisions of this paragraph.

5.2. The Contractor shall state, in all solicitations or advertisements for employees to work on State of Alaska contract jobs, that it is an equal opportunity employer and that all qualified applicants will receive consideration for employment without regard to race, religion, color, national origin, age, physical handicap, sex, or marital status.

5.3 The Contractor shall send to each labor union or representative of workers with which the Contractor has a collective bargaining agreement or other contract or understanding a notice advising the labor union or workers' representative of the Contractor's commitments under this article and post copies of the notice in conspicuous places available to all employees and applicants for employment.

5.4. The Contractor shall include the provisions of this article in every contract, and shall require the inclusion of these provisions in every contract entered into by any of its subcontractors, so that those provisions will be binding upon each subcontractor. For the purpose of including those provisions in any construction, maintenance, or service contract or subcontract, as required by this contract, "contractor" and "subcontractor" may be changed to reflect appropriately the name or designation of the parties of the contract or subcontract.

5.5. The Contractor shall cooperate fully with the office or agency of the State of Alaska which seeks to deal with the problem of unlawful discrimination, and with all other State efforts to guarantee fair employment practices under this contract, and promptly comply with all requests and directions from the State Commission for Human Rights or any of its officers or agents relating to prevention of discriminatory employment practices.

5.6. Full cooperation in paragraph 5.5 includes, but is not limited to, being a witness in any proceeding involving questions of unlawful discrimination if that is requested by any official or agency of the State of Alaska; permitting employees of the Contractor to be witnesses or complainants in any proceeding involving questions of unlawful discrimination, if that is requested by any official or agency of the State of Alaska; participating in meetings; submitting periodic reports on the equal employment aspects of present and future employment; assisting in inspection of the Contractor's facilities; and promptly complying with all state directives considered essential by any office or agency of the State of Alaska to insure compliance with all federal and state laws, regulations, and policies pertaining to the prevention of discriminatory employment practices.

5.7 Failure to perform under this article constitutes a material breach of the contract.

Article 6. Termination.

The Certifying Officer, by written notice, may terminate this contract, in whole or in part, when it is in the best interest of the State. The State is liable only for payment in accordance with the payment provisions of this contract for services rendered before the effective date of termination.

Article 7. No Assignment or Delegation

This contract is personal and the Contractor may not assign or delegate this contract, or any part of it, or any right to any of the money to be paid under it, except with the written consent of the Certifying Officer.

Article 8. No Additional Work or Material

No claim for additional services, not specifically provided in this contract, performed or furnished by the Contractor, will be allowed, nor may the Contractor do any work or furnish any material covered by the contract unless the work or material is ordered in writing by the Certifying Officer and approved by the Department of Administration.

Article 9. Independent Contractor.

The Contractor and any agents and employees of the Contractor act in an independent capacity and are not officers or employees or agents of the State in the performance of this contract.

Article 10. Payment of Taxes.

As a condition of performance of this contract, the Contractor shall pay all federal, state, and local taxes incurred by the Contractor and shall require their payment by any subcontractor or any other persons in the performance of this contract. Satisfactory performance of this paragraph is a condition precedent to payment by the State under this contract.

Article 11. Workmen's Compensation Insurance.

During the life of this contract, the Contractor shall provide and maintain, for all employees of the Contractor engaged in work under this contract, workmen's compensation insurance as required by AS 23.30. The Contractor shall require any subcontractor to provide and maintain for its employees workmen's compensation insurance as required by AS 23.30. That coverage must remain in force from the day services begin under this contract and shall provide for written notice to the Certifying Officer at least 30 days before cancellation or non-renewal. Failure to furnish satisfactory evidence of insurance or lapse of the policy is a material breach and grounds for termination of the Contractor's services. Before performing under this contract, the Contractor shall furnish the Certifying Officer with certificates of insurance as proof of compliance with this article. The certificates of insurance must include an All States' Broad Form Endorsement.

Article 12. Insurance.

Before this contract may be approved, the Contractor shall furnish a certificate of liability insurance evidencing coverage satisfactory to the Risk Manager of the Department of Administration.

Article 13. Ownership of Documents.

All designs, drawings, specifications, notes, and other work developed in the performance of this agreement are and remain the sole property of the State of Alaska and may be used by the State for any other purpose without additional compensation to the Contractor. The Contractor agrees not to assert any rights and not to establish any claim under the design patent or copyright laws. The Contractor, for a period of three years after final payment under this contract, agrees to furnish and provide access to all retained materials at the request of the Certifying Officer. Unless otherwise directed by the Certifying Officer, the Contractor may retain copies of all the materials.

Article 14. Governing Law.

This contract is governed by the laws of the State of Alaska.

Article 15. Officials not to Benefit.*

No member of or delegate to Congress, United States Commissioner, or officials of the state or federal government may be admitted to any share or part of this contract or to any benefit to arise therefrom.

Article 16. Covenant Against Contingent Fees.

The Contractor warrants that no person or agency has been employed or retained to solicit or secure this contract upon an agreement or understanding for a commission, percentage, contingent fee, or brokerage except employees or agencies maintained by the Contractor for the purpose of securing business. For the breach or violation of this warranty, the State may terminate this contract without liability or in its discretion deduct from the contract price or consideration the full amount of the commission, percentage, brokerage, or contingent fee.

* Articles 15 and 16 are to be used only if the professional services contract is federally funded.

Appendix B

The Contractor shall develop a Policies and Procedure Manual for use in management of the Alaska Agricultural Revolving Loan Fund. Manual contents shall include definition of terms and detailed procedures for:

- 1) Providing information to interested parties and prospective borrowers.
- 2) Receiving loan applications.
- 3) Processing applications, including methods of review of materials submitted, staff analysis needed and assistance to potential applicants in providing needed materials.
- 4) Staff preparation for Loan Fund board meeting, including:
 - a) Method of presentation of loan applications.
 - b) Order of presentation of loan applications.
 - c) Materials other than applications to be presented.
 - d) Items to be included in Board agenda.
- 5) Conduct of Board Meetings, guidelines for ARLF board use in judging loan applications and the resulting record of board decisions.
- 6) Notification of applicants of board or staff action.
- 7) Completion of Loan requirements and request for warrants.
- 8) Distribution of Loan proceeds to borrowers.
- 9) Loan billing, collection and accounting.
- 10) Receiving, recording and depositing payments.
- 11) Formulation of Management reports.

PES/pb

COPY TO:	
Comm. For	_____
Audit W/P's	_____
Tax W/P's	_____
Audit PTR	_____
Audit Mgr	_____
Tax Mgr	_____
Others	_____

July 15, 1981

Mr. Nick Carney
Director, Agricultural Revolving
Loan Fund
Department of Natural Resources
Division of Agriculture
Box 1256
Wasilla, Alaska 99687

Dear Mr. Carney:

Thank you for the opportunity for Bob Shafer to meet with Ed Kramer, Doug and you concerning the development of an operating manual for the Agricultural Revolving Loan Fund. This letter defines the scope of the engagement and describes the approach we will use during the course of this engagement.

Background

Nick, based on our recent conversations, it is our understanding that the Agricultural Revolving Loan Fund (Fund) was established by the State of Alaska with the purpose of promoting a more rapid development of agriculture as an industry in the state. This was to be accomplished by making available long-term, low interest loans for development costs to certain qualifying individual farmers and farming groups. These loans were to be funded from appropriations approved by the state legislature, and to be administered by the Agricultural Revolving Loan Fund, as a part of the Department of Natural Resources.

As a result of the increasing responsibilities of loan administration and the authorization in Alaska statutes to promulgate rules and regulations necessary for carrying out its duties, the Loan Fund has determined the need for written policies and procedures. These are to be contained in a written operating manual which will be the formal, working guides for the daily and continuing conduct of Fund loan administration.

Scope of the Engagement

The scope of this engagement consists of preparing an operating manual with direct input from and assistance of Fund

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management personnel. The operating manual will contain detailed procedures where applicable or otherwise address the following areas as indicated:

Prepared by Price Waterhouse Staff -

1. Receipt of loan applications -
 - * defining a method for loan file initiation and tracking
 - * process loan applications
2. Verify the adequate, proper and timely submission of loan documents.
 - * identify areas of support to potential borrowers by Fund personnel in terms of information, assistance with materials and provision of necessary forms, documents or materials
 - * identify methods of review of materials submitted as required to support the loan application
 - * specify the level and frequency of staff analyses of documents required to be submitted with the loan application
3. Identify areas required for staff preparation for Loan Fund Board meetings, including:
 - * proper method of presentation of loan applications and documents to ensure an adequate information flow
 - * order of presentation of loan applications
 - * support documents, reports and other information to be presented as directly pertaining to applications
4. Identify appropriate and uniform methods for the notification of applicants of the action of the Board regarding loan applications or any prior or subsequent Fund staff action including the status of the loan application.
5. Specify the steps necessary subsequent to Board approval to complete the loan requirements,

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- including the request for funds (warrants) from the appropriate state body or authority.
6. Identify the method for distribution of loan proceeds to borrowers, including control procedures such as required authorizations and verifications, etc.
 7. Identify the steps and assign the responsibilities for loan billing, collection of loan payments and the proper accounting for loan payments and individual loan balances.
 8. Prepare proper procedures for the receiving, recording and depositing of loan payments to ensure proper accountability and internal control.
 9. Identify reporting requirements necessary to ensure that accurate, timely and appropriate information is provided to Fund management and Board members regarding, but not limited to:
 - * volume of outstanding loans
 - * status of outstanding loans
 - * types and mixes of loans
 - * fund balance

 - * items to be included on the Board agenda as pertains to loans, applications for loans or their direct administration
 10. Establish criteria to be used by the Fund Board and staff in evaluating applications and determining appropriate loan recipients:
 - * establish quantifiable guidelines and ranges, where appropriate, for the uniform and non-biased review and analysis of applicants and applications

 - * establish guidelines for Board members and staff personnel to identify and reduce potential conflicts of interest to applicants or specific loan applications.

Prepared by Fund Personnel -

1. Define terms -

- * inclusion of a glossary of applicable speciality or trade terms requiring clarification, using

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Alaska statutes as reference where specified by management

2. Specify methods for information dissemination to interested parties and prospective borrowers.
3. Delineate the interpretation of Alaska State statutes and regulations by the Division of Agriculture.
 - * this step requires certain management decisions to be made regarding the legal status and position of the Division
 - * these decisions must be made by Division management
 - * Price Waterhouse involvement in this step will be limited to the documentation of decisions made regarding the status of the Division by Division management and the necessary statute interpretations made
4. Document policies required to meet the statutory and regulatory responsibilities required of the Fund.
 - * a closely coordinated effort between Price Waterhouse and Fund personnel will be necessary to identify proper and adequate guiding Fund policies from legal documents and requirements
5. Assist Fund management in identifying required or recommended statutory or regulatory changes to more clearly define program goals.

Description of Approach

The approach we will use has been developed by Price Waterhouse & Co. during several years of experience with design, implementation and documentation of financial and operational systems. It is a structured technique which can be tailored to the Fund's specific requirements. The Congressional Record recently cited our proprietary approach to documentation as the basis for awarding a major federal government consulting engagement on a sole source basis. The approach recognizes that to be successful, procedure documentation must be user-oriented. And, it must be easily updated, thus ensuring that the documentation remains current.

We document systems by emphasizing three major sections for each system. First, the Overview Section contains key facts

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about a system for management and supervisory personnel. The next section is the Functional Procedures Section. A function is defined as a combination of tasks comprising a major operation of a system, e.g. loan file preparation. Detailed instructions for each person involved with the system are contained in this section. The Exhibit Section includes copies of all the forms, reports, printouts and other documents used in the system. The exhibits are categorized as input, processing or output-related. Thus making it easy for Fund personnel to understand the system's operations. The sections are placed in a three-ring binder to permit easy systems procedure update. And, distribution of the procedures are controlled so that Fund employees have access only to the procedures necessary for their specific jobs. For example, loan officers have only the procedures related to their spheres of responsibility. Other Fund managers, such as the Fund Director and Fund Deputy Director, have a complete set of procedures. A sample of the documentation of an accounts receivable system is attached.

During the course of system documentation engagements we are in a unique position to objectively evaluate the effectiveness of systems operations. If we identify opportunities for improvement, we will suggest changing the procedures of the system accordingly. The changes can often result in cost savings or perhaps prevention of additional personnel required to operate the system.

Staffing

It is our usual practice to assure the highest quality of service by assigning ultimate engagement responsibility to a senior partner. Accordingly, Mr. Robert M. Mathis, audit partner, will review the program and the results of this engagement. As manager-in-charge of our Anchorage Management Advisory Services (MAS) staff, I will direct the engagement. Mr. Robert E. Shafer will complete much of the field work with other staff assigned as needed. Their resumes are enclosed.

Timing and Fees

Nick, based upon our scope of work, the availability of Fund personnel, and the timing requirements of the engagement, we estimate that the professional fees necessary to complete the engagement should not exceed \$15,000 plus minimal travel and other out-of-pocket expenses. Progress billings will be made monthly for the engagement, and travel and out-of-pocket expenses will be invoiced separately. If during the course of the engagement we determine that unforeseen circumstances will cause us to significantly exceed our estimate, we will discuss the matter

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with you before proceeding. Conversely, if our fees are less than anticipated, you will, of course, be invoiced only for the actual fees incurred.

We will be prepared to begin immediately on this engagement and will produce a working draft of the operating manual by the required August 15, 1981 deadline, including those sections defined in the Scope of the Engagement section. Due to the short time frame of this engagement, we have based our fee calculations on receipt of authorization to proceed by no later than July 20, 1981. Also in order to fulfill our task obligations by the date specified, we will require a ready access to certain Fund personnel and Loan Board members for interviewing and answering questions.

Why Price Waterhouse Should be Chosen

There are several reasons that Price Waterhouse should be chosen to assist the Fund in this important undertaking. Some of the major reasons are outlined below:

- * We have specific banking experience in Alaska directly related to this engagement, including assisting the Commercial Fishing and Agriculture Bank.
- * Our approach to this type of engagement is unique and proven in application to numerous similar clients.
- * We have an Anchorage based MAS staff consisting of several specialized disciplines, including Financial Planning and Control as well as Electronic Data Processing (EDP) specialists. We are therefore able to provide continuing support during any EDP subsequent automation process.
- * Price Waterhouse is currently engaged in a complete review, rewrite and automation effort of the accounting system for the State of Alaska.
- * The Anchorage based MAS staff is experienced and readily available on a continuing basis for support in public hearings, and with assistance in manual enhancement and up-date processes to ensure a current status.
- * Price Waterhouse has a staff of specialists in tax, audit and MAS areas and is able to provide a wide range of services, including assistance with any requirements for future financial audits. An ongoing relationship with Price Waterhouse reduces the amount of time spent in engagement start-up.

Mr. Nick Carney
Agricultural Revolving Loan Fund -7-

July 15, 1981

Our Firm

The Price Waterhouse organization is one of the world's largest, most widespread and deeply rooted professional organizations with the most comprehensive service record in the field of accountancy. Auditing, accounting and management advisory services are provided throughout the free world by personnel in some 300 offices, of which 70 are in the United States alone. To more fully describe our firm we have enclosed a copy of Prominent Professionally and Price Waterhouse in Anchorage, Alaska for your reference.

* * * * *

We appreciate the opportunity to assist the Fund in this matter. If you have any questions or comments, please contact me at 279-1424.

Yours very truly,

Dorrell 7/15/81

Darrell D. Dorrell



Appendix C

In full consideration of the Contractor's performance hereunder, the State shall pay the Contractor a fee not to exceed \$15,000 including any travel and out-of-pocket expenses.

Partial payments may be made on a monthly basis as work progresses. Final payment will be made upon acceptance by the ARLF of the manuals to be developed.

Appendix D.

STATE OF ALASKA
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF AGRICULTURE

BY: _____
Director
Division of Agriculture

DATE: _____

FISCAL DATE:

Amount of this Contract: \$15,000.00
Program Activity: Alaska Agricultural
Revolving Loan Fund
Account Code: 10-71-3-516

Budgeted funds are available for the period and purpose of this expenditure.

Certifying Officer

(If Contractor is a corporation, the following certificate shall be executed by the Secretary or assistant Secretary.)

I, _____, certify that I am the Secretary of the Corporation named as Contractor in the attached contract; that _____, who signed said contract on behalf of the Contractor, was then _____ of said Corporation; that said contract was duly signed for and in behalf of said Corporation by authority of its governing body, and is within the scope of its Corporate powers.

(Corporate Seal)

MEMORANDUM

State of Alaska
Attachment B

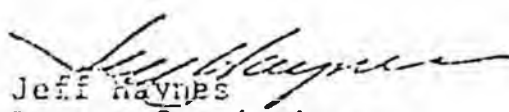
TO: John W. Katz
Commissioner

DATE: August 23, 1982

FILE NO. 1351

TELEPHONE NO. 465-2400

FROM:


Jeff Hayes
Deputy Commissioner

SUBJECT: Report/Agricultural
Revolving Loan Fund

The Agricultural Revolving Loan Fund (ARLF), established under the Territory of Alaska, served for many years as a source of modest loans for an equally modest agricultural industry. Authorized capitalization remained constant at \$5,000,000 through the 1970s.

In 1978, the State inaugurated the Delta agricultural project as the beginning of an attempt to elevate agriculture to a large scale, integrated Alaskan industry. Proponents of agricultural development contended that comprehensive State financial assistance was a prerequisite for agriculture to become a substantial and eventually self-sustaining industry in Alaska.

Direct financial and other assistance advanced by the State in support of agriculture commencing with the Delta Project has taken a number of forms, including (1) sale of agricultural land under limited title at approximately 15% of fee simple appraised value, (2) application of residency discounts to agricultural land sales, (3) special appraisal methodology for agricultural project sales, (4) favorable terms and conditions in sale contracts for agricultural land, (5) appropriations for capital improvements for agricultural infrastructure, (5) State funded research, data collection, test marketing, and field management studies, and (7) special loan programs with liberal terms for agricultural land clearing. The largest State contribution, however, has been through low interest loans from the ARLF; capitalization of the ARLF has increased 1000% since 1978 to a current level of over \$50,000,000.

Controversy over administration of the ARLF has risen in direct proportion to augmentation of the Fund's capitalization, as might be expected. Because of the persistence of this controversy, you requested that I conduct an inquiry into the operation of the ARLF and supply you with findings and recommendations. I have interviewed Loan Board members, the Division of Agriculture Director and staff, ARLF borrowers, opinionmakers in the agriculture community, legislative auditors, and legislators interested in the ARLF; examined file documents generated from ARLF transactions; and observed proceedings of the Agricultural Revolving Loan Fund Board. While this cannot qualify as a

full scale audit, I have reached a number of conclusions which are set out below.

1. The State has not developed detailed marketing information and assumptions upon which to base its agricultural development objectives, leaving uncertainty over the expected viability of particular agricultural industries as well as the direction and accomplishments expected of the AKLF.

The State has determined that it must provide front-end assistance if Alaskan agricultural industries are to reach the critical mass which will allow them to become self-sustaining. For that reason, development plans and schedules are required to determine the most promising targets for that assistance.

Long term planning by the State for agricultural development has improved over the last two years through initiatives by the Alaska Agricultural Action Council, the Department of Natural Resources, and the University of Alaska. Moreover, there has been extensive research on the necessary components of various potential and existing agricultural industries in the State and the opportunities which may exist for those industries. However, this research has not reached the level of detail constituting a genuine product market analysis such as would be performed by competent businesses in the private sector before committing to production.

Obviously, it is not sufficient to assume that assisting any given Alaskan agricultural industry to reach optimum scale and infrastructure development insures that products emanating from that industry may be sold profitably when State assistance ends. That assumption can only be made after careful comparison of anticipated production and transportation costs and price ranges at optimum scale against those for similar commodities in specific identified markets. Unless these factors are approximately equivalent or there are strategic market advantages not available to producers elsewhere, it is unlikely that Alaskan products can compete successfully without a continuous State subsidy.

A considerable volume of information on markets for various agricultural commodities has been collected by the State, the University, and other sources. However, that information has not been translated into a product-by-product breakdown containing cost and price assumptions determined by the State to be most probable under foreseeable market conditions. Without this level of information, it is extremely difficult for the Agricultural Revolving Loan Fund Board to (1) judge the long term viability of the operations of prospective borrowers, (2)

determine the types of operations and products it should be favoring with available credit, (3) calculate the amount of subsidized capital which will be required by particular agricultural industries until they become self-sustaining, and (4) identify appropriate terms and conditions under which loans should be issued. Moreover, until this market information is formulated and linked to the State's agricultural development objectives, there will not be an adequate mechanism to insure that ARLF lending policies are in consonance with those objectives. 1/

Understandably, this deficiency has created uncertainty among existing and prospective ARLF borrowers, since many do not clearly understand which agricultural pursuits will be financially assisted by the State, which will be expected to exist on their own as ancillary or spinoff industries, and what economic criteria will be applied in the adjudication of loan applications.

An equally important matter receiving inadequate attention to date is the regulatory framework and philosophy which the State intends to employ as the Alaskan agricultural industry develops. Agriculture is one of the most heavily regulated industries in the lower 48 States, largely as an outgrowth of remedial measures instituted during the Great Depression; there is virtually no feature left in the production and marketing of agricultural products which has not been pervaded by government regulations and controls. While some of these regulations are restrictive, others are protective measures designed to insulate the farmer from destructive

1/ One of the best efforts to date is a document entitled Financing Agricultural Projects in Alaska, prepared by the House Research Agency in January 1982. It includes a comparison of production costs and transportation to tidewater under eight different levels of State assistance, and the expected level of profitability depending upon yield per acre and world grain prices (pp. 32-37).

Ideally, the ARLF should have a similar breakdown for each of the major agricultural commodities under production in Alaska (including projections for ranges of destination market prices in specific markets) which represents a consensus among State agricultural officials. The Board would then have a means of determining which agricultural enterprises are most likely to be successful, and a standard against which to compare the circumstances of individual borrowers. That same market information could be provided to farmers through extension agents to assist them in designing an optimum credit package which enhances their chances of Board approval and, concurrently, further Alaska's agricultural development objectives.

economic conditions. Most, however, have a considerable impact on the economic circumstances under which agricultural products are produced and marketed. By comparison, Alaskan agriculture is largely unregulated except for Federal and State standards on inspections and grading. As part of its agricultural development program, it is advisable for the State to decide to what extent it will follow the lower 48 example and in what instances agriculture will be left to the forces of free and unregulated competition. There appear to be opinions on both sides within the Alaskan agricultural community. Some view the State's involvement as declining once the industry and associated infrastructure reach optimum scale; others appear to believe that various levels of protective regulation and subsidization must become permanent features of the agricultural industry. Regardless of the approach which may best meet the public interest, it is advisable for the selection to be made early so that the State's development assistance programs and its regulatory philosophy are complimentary, and the relationship between them is well understood by entities such as the ARLF Board.

The State's marketing assumptions and its intended regulatory approach to agriculture are two of the most critical factors in its agriculture development program. The absence of a clear understanding on these factors means that Loan Board decisions on individual credit applications are often being made in a vacuum. This necessarily creates controversy when credit applications are turned down on grounds relating to the type of operation or the long term viability of the operation, since it is extremely difficult for the Board to give a truly comprehensive reason for its decision in the context of the State's overall agricultural development program. As the number of large project-size agricultural tracts increase and with them the size of loan applications and potential adverse financial consequences to the applicant, the level of controversy will increase accordingly if remedial action is not taken.

Recommendation: . The State must resolve differences of approach to agricultural development caused by divided authority and develop justifiable assumptions on the marketability of individual agricultural products, as well as determine the regulatory framework which the State intends to pursue over the long term. This will necessarily yield relatively specific objectives for the ARLF, which should be followed by the Board and the Department in the

administration of the fund and the adjudication of individual credit applications. 2/

2. There has been resistance to the imposition of formal administrative procedures necessitated by the elevation of ARLF to one of the State's largest professional lending institutions.

For most of its existence, the ARLF has operated in a climate of relative informality compared to many other state agency programs, a practice which could be afforded given the small volume and amounts of loans and the modest size of the agriculture industry. Since 1978, however, the character of Alaskan agriculture and of the mission of ARLF have expanded; ARLF now has about 570 loans outstanding in amounts up to \$2,800,000 apiece.

In early 1981, three events convinced the Commissioner and Director of Agriculture Carney that the procedures governing administration of the ARLF must be substantially upgraded. First, there were an increasing number of complaints from borrowers regarding inconsistent handling of credit applications, failure to adequately inform the borrower of the process by which the application would be adjudicated, and lack of proper documentation as to the actions taken by the loan staff and the Loan Board on credit applications; a number of these complaints were determined to be valid. Second, the steadily increasing capitalization of the ARLF (which appeared likely to continue) meant that operation of the Fund was becoming vastly more complex; absent more formalized administrative procedures, the Fund could not be managed properly and enjoy public confidence in the exercise of its functions. Third, the prequalifications process for the initial Pt. McKenzie sale (which included ARLF applications as part of the application package and resulted in more than 30 appeals to the Commissioner) made it evident that more specific standards and procedures were necessary if ARLF actions were to meet the requirements of procedural due process of law.

Director Carney selected the firm of Price, Waterhouse to draft a procedures manual for the ARLF, which was subse-

2/ There is not intended any suggestion here that agriculture in general or any specific type of agricultural enterprise is economically unsound. In fact, there appear to be a number of situations where strategic market advantages exist favoring Alaskan production. For example, one of the credit applications recently approved by the Board was for a vacuum cooling unit for lettuce; using proven technology, this unit would extend the shelf life of Alaskan lettuce from 4 to 25 days, and likely permit local lettuce producers to recapture interior markets now supplied by exports from California.

quently reviewed and adopted by the Director. [This manual deals with the handling and processing of ARLF credit applications, but does not contain grading standards for adjudication of the applications.] It is fair to say that the procedures manual has met with resistance from some Loan Board members, loan examiners, and ARLF borrowers who prefer the prior highly informal and flexible approach. A substantial amount of the friction emanating from the ARLF can be traced to the adoption of the procedures manual and actions taken by Director Carney to obtain compliance with the procedures.

Recommendation: While it is unfortunate that the size of the ARLF now requires that it become a more formalized institution, it is a necessity in order to protect both the borrower and the ARLF. The increase in the volume and complexity of credit applications between 1979 and 1981 was accompanied by a decline in the quality of handling applications to the point that some were done very poorly; most of the problems could be attributed to the absence of an administrative system geared to the workload being experienced by the ARLF. Therefore, while the manual may need to be revised from time to time to modify or eliminate those requirements not accomplishing their purpose, it is a reasonable document and must be enforced. The alternative would be a justifiable lack of public confidence in the ARLF which would in turn damage the State's agricultural development program.

3. The Loan Board and Department of Natural Resources Loan Examiners do not have a complete set of grading standards for the adjudication of ARLF credit applications.

Although the Board appears to be meeting minimum legal requirements in the adjudication of ARLF credit applications, there does not exist a detailed system of grading standards against which applications can be compared. There are two reasons why this is lacking.

The first is the absence of agreed upon marketing assumptions and regulatory approaches governing the State's agricultural development program, described in Paragraph 1 above.

Second, there has not been undertaken an analysis of the loan history of various types of credit packages granted by the ARLF to determine the relative success ratios of each and the factors contributing to success or failure. This has been virtually impossible to date because many components of Alaska's agricultural industry are in their earliest stages and their long term success is not yet proven.

The Loan Board and Director Carney have made an effort in the last several months to adopt formal policy statements on the types of agricultural loans which the ARLF will consider or not consider. In addition, Director Carney contracted with John Penson, a professor of agricultural economics with a number of major publications on agricultural financing, to evaluate the possibility of developing a credit scoring model to be used in the adjudication of agricultural loan applications. 3/

Recommendation: The Director and the Loan Board should continue to develop as many written policy statements and guidelines as necessary to fully express the Board's approach to agricultural financing. These policy statements should be adopted by the Director as Division Policies to properly reflect the consensus of the Board and the Department on this subject. In addition, the Board and the Division should have the benefit of continuous representation and advice from the Attorney General's Office on the development of policy statements, revision of regulations to contain standards and procedures used in ARLF adjudications, and to assist the Board in the handling of difficult applications, which to date has been lacking.

The Director correctly concluded (as did Mr. Penson) that an automated credit scoring model for judging ARLF applications would over-mechanize agricultural financing decisions to the detriment of the agricultural development program, particularly given the inadequate track record on many types of agricultural enterprises in Alaska. However, it was recommended that the ARLF organize its loan history data and develop an automated system for storing and retrieving that data to assist the Loan Board and loan staff in a more

3/ To place the situation in perspective, it is doubtful that many private lending institutions leave the outcome of determinations or credit applications entirely to a formal point system or other arithmetical grading system. All loan requests necessarily require a substantial amount of personal judgement, which is the reason for the creation of a Loan Board. However, some borrowers have expressed uncertainty over the policies of the Board on specific types of loans; greater specificity on loan policy and the factors deemed important to the Board and the Loan Examiners in evaluating loan applications would generally improve relations with prospective borrowers.

thorough comparison of loan types. DNR should begin this effort during FY 1983. 4/.

4. There does not exist a clear understanding of the respective roles and relationships of the Loan Board, Division of Agriculture Loan Examiners, the Director of Agriculture, and the Commissioner and Department of Natural Resources.

AS 03.10.050 states only the "[t]he commissioner shall administer the loan fund in conjunction with the agricultural revolving loan fund board;" no guidance is given as to the respective responsibilities of the Board and the Department. There are, in fact, four elements of the ARLF system: (a) the Loan Board, composed presently of five members from the private sector, (b) the Director of the Division of Agriculture, (c) the loan administrator and subordinate loan examiners, who handle credit applications before and after Board action and are employees of the Division, and (d) the Commissioner of the Department of Natural Resources, to whom the Director reports. Loan Board appointments are made by the Governor, but do not require legislative confirmation. 5/

The coexistence of these elements has not been entirely harmonious, particularly as the ARLF has grown and the credit application decisions have become more difficult. Some Loan Board members felt that the loan examiners should report directly to the Board without any interference or participation by the Director, and some loan examiners had a similar opinion. The friction reached a peak when the Director adopted the procedures manual, took disciplinary action to obtain compliance therewith by Division employees, requested the Board to place its policies in writing, overturned three Board actions granting loans on the grounds that they were inconsistent with governing regulations, and revised the ARLF application form.

4/ It should be noted that in past years the Board has financed operations at levels in excess of 90%, recently reduced to an average debt/equity ratio in the neighborhood of 75%-25%. Frequently, state land sale contracts constitute part of the collateral offered by the borrower. While relatively high debt/equity ratios are necessary in order to permit borrowers to meet development schedules for agricultural lands, this circumstance highlights the risk capital nature of the ARLF and the importance of developing accurate loan history data to aid the Board in its deliberations.

5/ It should be noted that Loan Board members receive no compensation other than travel and per diem, and their duties are demanding.

In retrospect, none of the parties are entirely faultless. The Board should have given more attention to written policies and procedures and recognized that they are being assisted by the Division of Agriculture, which consists of loan examiners and the Director. Loan examiners should have willingly participated in the development of the procedures manual for the sake of professionalism as well as their own protection, and recognized that they are employees of the Division rather than the Board. The Director, while his actions to upgrade ARLF policies and procedures were fully correct as were his efforts to obtain compliance therewith, should have worked more directly with the Board members during the development stages of the procedures manual and application form revision; nevertheless, his decisions in overturning the three loan actions were proper. Finally, the Commissioner's Office (within which I include myself) should have paid some attention to the Loan Board over the past several years instead of leaving the entire burden on the Director.

It should be emphasized that most of the impetus for upgrading the policies and procedures of the ARLF came from the Director, and he was therefore visited with substantial criticism from a number of quarters for what he did and how he handled it. From my standpoint, with a few minor exceptions, that criticism was unjustified.

Recommendation: A Department Order on the respective responsibilities of the parties involved in the ARLF (a draft of which as been prepared) should be adopted by the Commissioner. General policies on the objectives of the ARLF and the types of loans which will be granted should be agreed upon between the Board and the Department. The loan examiners, under the supervision of the Director, should evaluate credit applications in the context of applicable policies and procedures and make recommendations to the Board. The Board should adjudicate individual credit applications in accordance with their policies.

The Director should not overturn a Board decision unless he believes that it violates state policy or applicable laws and regulations; before formally overturning a loan decision by the Board, he should check with the Commissioner and review the matter with the Board. The Commissioner should entertain appeals of Board actions only in the context of alleged violations of stated policy or applicable laws and regulations. Board decisions should be faithfully carried out by the loan staff recognizing fully the intent behind them. In addition, the Department should develop the best possible working relationship with the Board.

5. The State does not have an adequate extension services system for agriculture which includes assistance to

prospective borrowers in the preparation of their application.

Much of agricultural development in Alaska is at an early stage, and a number of persons who have elected to engage in agriculture do not have extensive experience, particularly with the unique soils, climate, and marketing conditions in Alaska. Moreover, many prospective borrowers from the ARLF are uncertain as to the extent the State will guide and support particular agricultural industries as opposed to letting them exist entirely on their own.

While some extension services are provided by the University of Alaska and by the U.S. Department of Agriculture, they have not risen to the level of the county extension agent concept which is an important and familiar element in lower 48 agricultural communities. Furthermore, because of the relative absence of Production Credit Associations and other financing infrastructure in Alaska, an Alaskan extension service should fully incorporate assistance in obtaining ARLF financing as part of its program.

Recommendation: DNR should include a project in its FY 1984 budget submission for a county agent extension service system for both agriculture and forestry, including assistance in the preparation of ARLF financing requests. This service should be oriented towards maximizing exchange of information within the agricultural community, assisting the farmer in developing optimum types of operations and products (with advice from the Experiment Station and Plant Materials Centers), and aiding the farmer in developing the best possible loan package for consideration by the ARLF Board based on marketing information described in Paragraph one above. This approach should minimize misunderstandings between the Board and ARLF applicants and maximize the success rate of ARLF loans.

6. The Board and the Department do not have a regular program of inspections of operations financed by the ARLF.

Presently, the Board and the Department do not have a comprehensive system for inspecting operations financed by ARLF loans to determine compliance with loan conditions or the relative success of the operation. Inspections conducted to date have revealed important information on the types of farming enterprises which are succeeding and failing as well as borrowers who have not fully complied with the conditions imposed in conjunction with their ARLF loans.

Recommendation: The FY 1984 budget submission by DNR should include increased funding for loan inspections. Inspections should increase to the extent possible in FY 1983.

7. Consideration should be given to altering the structure of the Loan Board or the types of appointments made to the Board to minimize occasions of actual or perceived conflicts of interest.

Traditional practice has been for at least four of the five members of the Loan Board to be from the agricultural business community. As the relatively small agricultural community becomes more integrated, members of the Board are experiencing increasing instances where borrowers are persons with whom they have done business or are otherwise economically related to their own interests. The Board has recently adopted detailed policy guidelines on conflicts of interest; nevertheless, the Board may soon face a situation where enough of the members have excused themselves that a quorum cannot be obtained to act on an application.

Several suggestions have been made to rectify this situation, including moving the ARLF function to the Department of Commerce & Economic Development and integrating it with their business loans program, altering the structure of the Board, and changing the types of appointments made to the Board.

Recommendation: Moving the ARLF to the Department of Commerce would not solve the problem, but merely remove it to another arm of the bureaucracy. Given the size of the ARLF, which is larger than the existing business loans program, it would likely cause a major disruption in the Department of Commerce as well. Moreover, the Department would be abdicating its responsibility over this important area of agricultural development, and it is extremely important that agricultural lending benefit from specialized knowledge and understanding of the agricultural development situation in Alaska.

Another suggestion proffered was to have credit applications adjudicated by a committee of government officials, with the Agricultural Revolving Loan Fund Board acting in an advisory capacity. This would require a statutory change, and it is doubtful if it would be received with enthusiasm by the agricultural community.

A third possibility would be to increase the membership of the Board and/or make additional appointments from the financial and business community or from other government agencies, providing for an assured quorum of persons unlikely to have any conflicts while retaining the agricultural expertise to insure that ARLF remains a practical service to farmers. Appointments from the financial community might be especially desirable; that community has been reluctant to date to engage in financing agricultural ventures, and a greater understanding of the risks and opportunities characteristic in various Alaskan

agricultural enterprises among its members might advance the date at which larger volumes of private financing might be made available. This approach also would require statutory change.

The fourth, and perhaps most promising option, would involve using a concept similar to that presently employed in State government for the approval of contracts. Under this system, the Loan Board would operate as it does now, but all credit applications approved by the Board would have to receive final approval from a committee of state officials reviewing each application for any procedural irregularities, deviation from customary agricultural lending practice, problems with conflicts of interest, and similar matters. The committee would not be empowered to finally disapprove a loan, but only to remand the application to the Loan Board with instructions for further action if they did not believe they could approve it. Procedural problems with loans disapproved by the Board or special questions referred to the committee, which would then direct the Board as to the proper procedural course of action. Under this approach, the Board would continue to perform its intended role and apply agricultural expertise to ARLF loans, while the committee would provide a safeguard against procedural improprieties or serious deviations from acceptable business practices.

8. The ARLF must develop a system for charging of interest rates which avoids permanent dependency by individual enterprises on the Fund and the attraction of applicants whose businesses are predicated on low interest ARLF loans.

For many years, the statutory interest rate for ARLF loans was 6%. As of this legislative session, the interest rate is now a minimum of 8%, and the Board is currently using the 8% figure for its loans.

It must be understood that the ARLF in fact provides two financial advantages to borrowers. First, it offers what amounts to venture capital in that the private financial community has not been inclined to underwrite many Alaskan agricultural enterprises even at market rates of interest (and certainly not in the volume loaned out by the ARLF). Second, the ARLF offers venture capital at substantially less than market rates.

The gap between ARLF interest rates and market interest rates has increased considerably in the past few years. As a result, there is evidence that some enterprises are becoming increasingly dependent on the ARLF and, further that the ARLF has become an extremely attractive source of money upon which businesses may themselves be predicated.

Recommendation: The ARLF statutes now provide that interest rates on Fund loans be at a minimum of 8%; consequently, it is possible for the ARLF to charge greater rates where warranted. It is advisable for the ARLF to develop an interest rate system which preserves the advantages of favorable financing while avoiding the problems described above.

Suggestions have been made that the interest rate for all loans be increased steadily until market rates are reached, or that the rate for individual borrowers increase over time until it equals the market rate. The problem with the first approach is that it does not reflect the differing viability of different types of agricultural enterprises. The second approach risks financing competitors at different interest rates, giving one a government created advantage.

Perhaps the most practical concept would be to establish different interest rates according to the estimated viability of various products or enterprises. For example, loans for operations for a product just getting started in Alaska might be at 8%; as the general efficiency and economies of scale for that product improve, interest rates could be increased accordingly until they reach market rates (coinciding with that product becoming a self-sustaining industry).

In any event, a firm policy on interest rates for ARLF loans must be developed in FY 1983.

9. The ARLF Board has not been regularly consulted by the Department during the planning stages for State agricultural land disposals.

The State has sold well in excess of 100,000 acres of agricultural land in the past four years in the form of both major agricultural project sales and through DNR's annual land disposal program. These lands have been sold under agricultural title to encourage purchasers to commit the land to agricultural pursuits, and some sales have included a development plan as a condition of sale.

Obviously, a substantial percentage of purchasers of State agricultural land will eventually become applicants for ARLF credit. Presently, however, the ARLF board is often not formally consulted in the course of developing agricultural lands sales policy. As a result, their expertise in assisting in the design of such sales to maximize the viability of potential operations (and therefore the likelihood of ARLF financing) is not available.

Recommendation: The Agricultural Revolving Loan Fund Board should be formally consulted by DNR in conjunction with formulation of agricultural land disposal policy.

MEMORANDUM

Attachment
State of Alaska

DEPARTMENT OF LAW

RECEIVED
DEC 09 1987

TO: Mark Weaver
Director
Division of Agriculture

DATE: December 7, 1987

FILE NO: 661-87-0376

TELEPHONE NO: 276-3550

THRU:

SUBJECT:

ARLF Board
lines

RECEIVED
DEC 09 1987
Agriculture - ARLF

FROM:

Joan Travostino
Joan Travostino
Assistant Attorney General
Commercial Section-Anchorage

You have inquired whether ARLF can institute debt restructuring as contained in ARLF Board Guidelines for Restructuring, June 25, 1987, without revision of AS 3.10.

Specifically, you inquire whether ARLF has the authority to expend funds to maintain assets and investment which have been acquired through loan servicing, to expend funds for other loan servicing expense, and to change the terms and conditions of current loans. Changing the terms and conditions of current loans would involve an exchange of assets in return for forgiveness of accrued interest and penalties, obtaining additional collateral, setting aside a portion of the loan to accrue no interest for a certain time, and consolidating different types of loans into one repayment schedule. In addition, you inquire whether ARLF may suspend the requirement for repayment of clearing loans, provided the land to which the clearing loan attaches is used only for agricultural purposes.

You indicate a number of reasons for the June 25, 1987 guidelines including:

1. an average delinquency rate as of December 31, 1986 of 58 percent;
2. an average delinquency rate as of December 31, 1986 of 75 percent if current loan payment moratoriums did not exist;
3. high debt loads of ARLF borrowers, in many cases debt/asset ratios exceeding 75%; and
4. depressed agricultural economics in Alaska and in the nation.

The types of questions you raise fall into the category of loan servicing, and are commonly understood in the banking industry as loan servicing functions, except for the treatment of clearing loans. A review of the federal regulations covering the Farmer's Home Administration (hereafter FmHA) and the Farm Credit System confirm this. Chapter XVIII of 7 C.F.R. covers the Farmer's Home Administration. Part 1951 covers loan servicing. 7 C.F.R. 1951.25 covers servicing actions "such as consolidation, rescheduling, reamortization or deferral . . ." for loans. 7 C.F.R. 1951.33 covers consolidation and rescheduling for "existing loans." Rescheduling is defined as "rewriting rates and/or terms". 7 C.F.R. 1951.40 covers reamortization, which is defined as rearranging "the installments of a loan which may include changing the interest rate and terms of the loan." 7 C.F.R. § 1951.41 covers set asides, which is postponing a portion of principal repayment for a number of years at zero percent rate of interest. 7 C.F.R. 1951.44 covers payment deferrals. There is an understanding by the FmHA that consolidation, rescheduling, reamortization, set asides, and deferrals are loan servicing functions.

Subpart N of Chapter VI of Title 12 covers Loan Servicing Requirements for the Farm Credit Administration. Subpart N, beginning with 12 C.F.R. § 614.4510 considers extensions, deferments, reamortization, and forbearance as loan servicing functions.

The FmHA also considers expending funds for collection litigation, taxes, appraisals, and similar expenses as part of loan servicing. The payment of delinquent taxes is covered by 7 C.F.R. § 1863. 7 C.F.R. § 1872 covers servicing for real estate loans. Section 1872.4 covers the cost of appraisals when needed to make servicing decisions. Section 1872.2 covers the ability of the FmHA to manage, care for, and maintain real estate which is security for FmHA loans. A review of the Farm Home Administration and the Farm Credit Administration indicate that expending funds to collect loans, locate and gather collateral, keep assets in good working order, and operate businesses (if necessary to preserve asset value) are considered part of the loan servicing function.

ARLF has implied powers from AS 3.10 to perform loan servicing functions.

The next question is whether ARLF has authority to use the June 25 loan servicing options. Generally, state agencies have the authority to perform those functions that are necessary and helpful to carrying out specific legislative program, even

though the legislation may not specifically provide specific authority for these functions. Dickey v. Raisin Production Zone, 151 P.2d 305, 313 (Cal. 1944); Crawford v. Imperial Irrigation Dist., 253 P. 726, (Cal. 1927); Island-Gentry Joint Venture v. State, 554 P.2d 761, 765 (Hawaii 1976); State v. Fin & Feather Club, 316 A.2d 351, 355 (Ma. 1974); Adams County Golf, Inc. v. Colorado Dept. of Rev., 610 P.2d 97,99 (Colo. 1980).

AS 3.10.010 states that it is the

policy of this chapter to promote the more rapid development of agriculture as an industry throughout the state by means of long-term low-interest loans.

AS 03.10.020 provides three methods for carrying out the policy in AS 3.10.010. The methods are to make loans, establish amortization plans, and enter into agreements with private lenders, state agencies, and federal agencies.

AS 3.10 sets out some terms and conditions for the initial loan transaction, for example, farm development loans cannot exceed 30 years and have specific interest rates. AS 3.10.030(a)(1), (4). AS 3.10 covers no form of loan servicing, except for a reference to a three-year extension of a short term loan. AS 3.10.030(c). The ability to perform loan servicing functions is essential to a loan program, because loan servicing provides modifications to improve the potential for loan repayment. Under some circumstances, changing loan terms and conditions allow the lender to obtain a greater income stream than selling the collateral after enforcing loan terms as they were written originally. In addition, loan servicing allows the lender to realize the full value of collateral through programs for upkeep and maintenance of assets.

For example, the loan servicing program contained in the ARLF Board Guidelines allows a portion of past due loans to accrue no interest but allows recovery of all principal. ARLF will realize some recovery on the defaulted loan through reduced borrower payments. The alternative for ARLF would be foreclosure and repossession. ARLF would have equipment, livestock or land to sell before receiving income. Because the Alaska agricultural industry is small, the market for equipment, livestock and agricultural land is limited, thereby significantly reducing the potential income from assets. This is particularly true in the current economic climate in Alaska which exacerbates the limited market. In conclusion, without loan servicing functions, a loan program would be limited to collection and asset maintenance

Mark Weaver

December 7, 1987

Page 4

options that would not necessarily be in the best interest of the State of Alaska.

As a revolving loan fund, money received on loans and through loan servicing efforts is returned to the fund. Loan servicing options can provide a greater income stream, thereby enhancing the revolving nature of the fund. ~~The financial integrity of the fund can be improved by the use of the full range of loan servicing options. A financially sound revolving fund is in a better position to make long term loans as required by AS 3.10.010.~~

The loan servicing program that was outlined in the June 25, 1987 memo, including expanding ARLF money to maintain assets, and changing terms and conditions of current loans is within the implied powers of AS 3.10.010.

The need for farm-oriented banks and government agencies across the nation to devise new loan servicing programs for farms became critical in 1985. The guidelines contained in the June 25, 1987 memorandum are based on a proposal by the American Farm Bureau dated March 6, 1986 and the standards for troubled debt restructuring as affected by Financial Accounting Standard Board Rule 15 approved by the Comptroller of Currency for the United States Treasury in March 1986. The Comptroller of currency issued banking circular on March 23, 1986 allowing significant modification of interest rates and other loan terms when the modifications allowed improvement of the overall portfolio performance. (Comptroller of the Currency, Banking Circular: Capital Forbearance Policies, Mar. 28, 1986, pp. 1, 7). These programs and their justifications were not available when John A. McDonagh wrote his January 31, 1986 memorandum to Jerry Brossia. Therefore, this memorandum supersedes the January 31, 1986 memorandum because of the changes in national accounting rules and banking procedures regarding loan servicing through work outs.

The June 25, 1987 memo also includes a suspension of clearing payments, provided the land is devoted to agricultural use. The suspension, as stated, does not enhance the repayment possibility of the clearing loan.

The suspension significantly alters the clearing loan transaction between ARLF and the borrower. A loan of money is defined as a contract by which one delivers money to another and the latter agrees to repay the money at a later date. United States v. Neifert-White Co., 247 F. Supp. 573 (1965), affirmed 372- F.2d 372 (9th Cir. 1967), reversed and remanded on other

grounds, 390 U.S. 229 (1968). Because payment is suspended indefinitely, the transaction is not longer a loan. The question becomes whether ARLF has the authority to alter a loan transaction to another type of transaction.

The June 25, 1987 guidelines identify two types of clearing loans, those funded directly from ARLF and those funded by the Agricultural Action Council and administered by ARLF. ARLF has the authority to make clearing loans under AS 03.10.030(g). However, there is no legislative authority for a transaction other than a loan. Therefore, ARLF generally lacks authority to institute a program that changes a loan into another type of transaction. The exception is ARLF funded clearing loans on the Delta Projects, which can be forgiven under the provisions of SLA 1986, Chap. 109.

The legislation for the AAC clearing loans provided more flexibility. SLA 1979, Ch. 80, sec. 25, p. 67, l. 34 to p. 68 l. 7 appropriated \$4.736 million to "final clearing" for the Delta I project. SLA 1981, ch. 82, sec. 30, p. 156, l. 24 to p. 157, l. 10 appropriate \$4 million for Delta II project "clearing loans". SLA 1982, ch. 25, sec. 4, p. 11, ll 7-11 appropriated \$402,000 for Delta I "clearing loans". The legislative authority was for some funds for loans, for other funds, the legislation does not specify the type of clearing transaction. SLA 1986 chap. 109, requires that the commissioner of natural resources forgive clearing loans on the Delta Projects if forgiveness is requested as part of relinquishment.

If a Delta clearing loan is involved as a part of a restructuring request under the June 25, 19887 guidelines that does not include a relinquishment request, then the source of funds must be determined. For those loans made with funds which were appropriated for loans, there is no legislative authority for suspension. For those loans made with funds which were appropriated for clearing, a suspension program is within the intention of the legislation.

SLA 1980, chap. 70, . sec. 1, grants \$3.6 million to the AAC for Point MacKenzie "land clearing". The AAC chose to use the money for clearing loans. DNR assumed the administration of the AAC loans in 1984. SLA 1984, Chap. 171, sec. 49. By the June 25 guidelines, DNR, through ARLF, has chosen to change the clearing loans to a conditional grant. Since grants are one way of accomplishing land clearing, the change is permissible under the legislation.

Mark Weaver

December 7, 1987
Page 6

In summary, if the clearing loan is attached to land that is part of the Delta projects, the loan must be forgiven of part of a relinquishment request. If the loan is not part of a relinquishment request, the source of funds must be discovered to determine whether the changing a loan to a conditional grant program by payment suspension is permitted by legislation.

JMT:cmh
memo.jmt

B-Rule \$122,007/399,714

attempting to cure.
Repurchased opted for eligible to repurchase @ \$92,439.

C-Bannun \$163,007/422,183

Applied; has not selected options.

D-Giese \$104,000/335,845

Applied; has opted to repurchase

E-Whight \$175,159/219,916

Did not apply; development default; Bankruptcy.

F-Green \$128,093/590,971

Repurchased for \$107,039 - DONE.

G-Olson \$142,244/407,983

Applied/development default; attempting to cure.

H-Engellant \$159,778/412,153

Applied, has not selected option.

I-Karr \$144,177/436,089

Repurchased for \$108,388

J-Emery \$131,756/517,963

Applied; has not selected option.

K-Kelley \$144,303/452,354

Applied/development default/has appealed.

L-Fett \$160,954/446,599

Applied/Eligibility uncertain.

M-Mitchell \$168,253/535,530

Applied; has not selected option.

N-Brehmer \$103,867/370,910

Applied; Contract amendment sent, repurchase @ \$97,765.

O-Hollenbaek/
Buck \$139,552/429,703

Applied; have not selected option.

P-Carlyle, Inc \$135,674/390,150

Repurchased for \$97,348.83 DONE.

Q-Strung \$132,535/363,773

Repurchased for \$101,500.11 DONE.

R-Helken \$128,487/406,710

Applied; has not selected option.

S-Green \$177,425/574,828

Applied; has not selected option.

T-Rutt \$144,629/389,883

Applied; has not selected option.

U-Dodson \$142,434/346,138

Applied, has not selected option.

V-Nelson \$117,871/246,858

Repurchased for \$77,811 DONE.

1-Magee \$252,000/198,128

Relinquished in total.

2-Brown \$226,000/142,610

Applied/Development default, foreclosure initiated.

3-Magee \$234,000/280,958

Relinquished in total.

4-Trowbridge \$266,000/245,649

Applied; has not selected option.

5-Schultz \$300,000/309,860

Repurchased for \$88,015 DONE.

6-Nelson \$287,000/294,295

Repurchased for \$74,248 DONE.

7-Holcomb \$216,000/162,625

Has selected option to repurchase. Relinquished in total. \$31,

8-Cho \$394,000/70,182

Relinquished in total.

9-Kim \$398,000/51,116

Relinquished in total.

10-Chu \$390,000/132,860

Relinquished in total.

11-Kraus \$273,000/222,162

Applied, documents being prepared, repurchase for \$61,543.

12-Orcutt \$410,000/312,161

Applied, ineligible, Bankruptcy.

13-Kraus \$286,000/268,272

Documents being prepared to r. for \$82,214

14-Rouse \$213,000/32,460

Has not applied; ineligible development, foreclosure.

15-Green \$268,000/158,031

Relinquished in total.

P. Nelson \$43,691/89,820

Repurchased for \$15,780 DONE.

Attachment D

Attachment E

RESTRUCTURE LOAN UPDATE As of February 10, 1988

DATE	BORROWERS	LOANS	DOLLAR AMOUNT
7/87 - 10/31/87	8	34	\$ 2,351,468.96
11/1/87 - 2/10/88	<u>30</u>	<u>112</u>	<u>\$ 9,546,930.87</u>
TOTAL	<u>38</u>	<u>146</u>	<u>\$ 11,898,399.83</u>

ABOVE INFORMATION BROKEN DOWN AS FOLLOWS:

RESTRUCTURES CLOSED:	BORROWERS	LOANS	DOLLAR AMOUNT
Approved PRIOR to 11/87	3	25	\$ 924,620.00
Approved AFTER 11/87	<u>1</u>	<u>4</u>	<u>\$ 434,679.00</u>
TOTAL	<u>4</u>	<u>29</u>	<u>\$ 1,359,299.00</u>

APPLICATIONS APPROVED:	BORROWERS	LOANS	DOLLAR AMOUNT
Approved PRIOR to 11/87	3	9	\$ 1,426,848.96
Approved AFTER 11/87	<u>14</u>	<u>67</u>	<u>\$ 4,265,418.52</u>
TOTAL	<u>17</u>	<u>76</u>	<u>\$ 5,692,267.48</u>

APPLICATIONS DECLINED:	BORROWERS	LOANS	DOLLAR AMOUNT
Approved PRIOR to 11/87	0	0	-0-
Approved AFTER 11/87	<u>15</u>	<u>41</u>	<u>\$ 4,846,833.35</u>
TOTAL	<u>15</u>	<u>41</u>	<u>\$ 4,846,833.35</u>

TOTAL	38	146	\$ 11,898,399.83
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**DIVISION OF LAND AND
WATER MANAGEMENT
AGRICULTURAL CONTRACT
PRESENTATION**

AGREEMENT STATUS REPORT
SUMMARY From REVENUE and BILLING PRINTOUT 3-21-88
Number of Case Files

Agricultural Sale Contracts

Executed	176	
In Process of Execution	6	
Bankruptcy	6	
On Appeal	1	
In Default	9	
Moratorium in Effect	60	
Closed - relinquished	6	
Closed - Terminated	4	
Total	268	268
 Paid Off	 39	

Land Sale Contracts

Executed	5,629	
Bankruptcy	18	
In Default	56	
Relinquished	167	
Closed - Expired	8	
Closed - Terminated	113	
Closed - Foreclosed	69	
Total	6,060	6,060
 Paid Off	 39	

Land Leases

Executed	5,182	
In Default	7	
Relinquished	168	
Closed - Expired	493	
Closed - Terminated	532	
Transferred	52	
Total	6,434	6,434
 Converted to Sale	 284	
 Paid Off	 5	

Tideland Leases

Executed	204	
In Default	1	
Relinquished	1	
Closed - Expired	44	
Closed - Terminated	1	
Total	261	261

Grand Total 13,023

Agricultural Sale Contracts represent approximately 2% of the total number of case files.

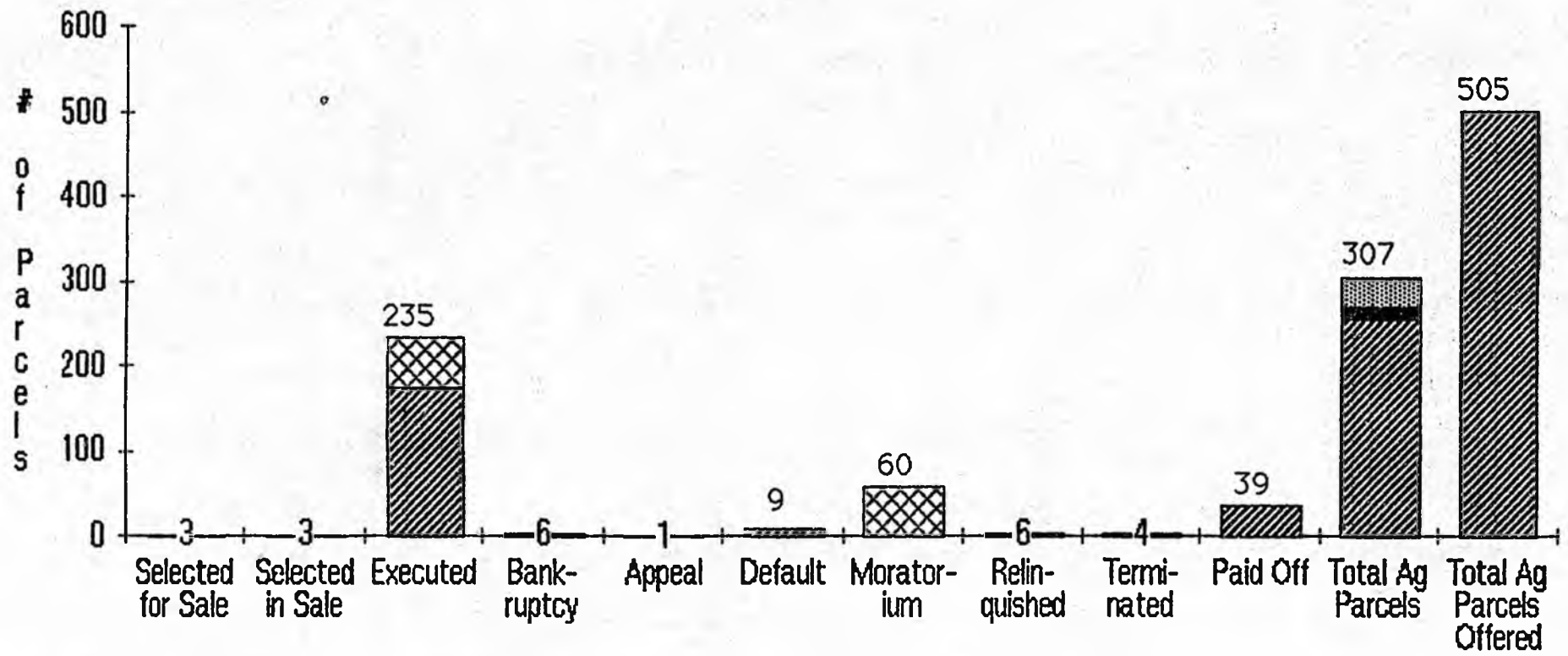
DNR AGRICULTURAL OFFERINGS

<u>Sale</u>	<u>Date</u>	<u>No. of Parcels</u>
Tanana Loop (Delta)	4/29/78	60
Homer	7/15/78	14
Delta Ag. Project I	8/5/78	22
Buffalo (Delta)	12/15/79	6
Bartlett Hills (Talkeetna)	12/15/79	27
Six Creeks (Delta)	12/15/79	12
Gustavus (SE)	12/15/79	6
Warren (Delta)	12/15/79	3
Two Rivers	7/19/80	29
Four Mile Hill (Delta)	11/3/80	36
Copper Center	6/80	2
Potlach Ponds (Fairbanks)	12/19/80	61
Pt. MacKenzie (Wasilla)	3/6/81	29
Rosie Creek (Fairbanks)	6/29/81	3
Talkeetna	6/29/81	1
Scotty Lake (Talkeetna)	6/29/81	4
Salcha	6/29/81	16
Delta II	3/82	15
Eielson (Fairbanks)	6/82	14
Buffalo (Delta)	6/82	3
Pt. MacKenzie (Wasilla)	9/82	29
23 Mile Slough (Fairbanks)	12/82	17
Two Mile Lake I (Nenana)	12/82	17
Little Susitna (Houston)	12/82	3
Nancy Lake (Willow)	12/82	2
Goose Creek (Willow)	12/82	4
Delta Island (Willow)	6/83	4
Moose Creek (Talkeetna)	6/83	4
Browns Court (Nenana)	6/83	9
Clearwater (Delta)	11/83	10
Radieux (Talkeetna)	6/84	7
Two Mile Lake II (Nenana)	6/85	8
Homer	5/86	5
Kobe (Fairbanks)	5/86	23
	Total	505

CURRENT EXISTING LEGISLATION APPLICABLE TO
AGRICULTURAL SALES

Agricultural Sales	AS 38.05.065(h) Payment Moratorium	Ch. 109, SLA 1986 Delta Debt Relief	AS 03.05.015 Production Credits
Tanana Loop (Delta)			X
Homer			X
Delta Ag. Project I		X	X
Buffalo (Delta)	X		X
Bartlett Hills (Talkeetna)	X		X
Six Creeks (Delta)	X		X
Gustavus (SE)	X		X
Warren (Delta)	X		X
Two Rivers	X		X
Four Mile Hill (Delta)	X		X
Copper Center	X		X
Potlach Ponds (Fairbanks)	X		X
Pt. MacKenzie (Wasilla)	X		X
Rosie Creek (Fairbanks)	X		X
Talkeetna	X		X
Scotty Lake (Talkeetna)	X		X
Salcha	X		X
Delta II		X	X
Eielson (Fairbanks)	X		X
Buffalo (Delta)	X		X
Pt. MacKenzie (Wasilla)	X		X
23 Mile Slough (Fairbanks)	X		X
Two Mile Lake I (Nenana)	X		X
Little Susitna (Houston)	X		X
Nancy Lake (Willow)	X		X
Goose Creek (Willow)	X		X
Delta Island (Willow)	X		X
Moose Creek (Talkeetna)	X		X
Browns Court (Nenana)	X		X
Clearwater (Delta)	X		X
Radieux (Talkeetna)	X		X
Two Mile Lake II (Nenana)	X		X
Homer	X		X
Kobe (Fairbanks)	X		X

Agricultural Contracts

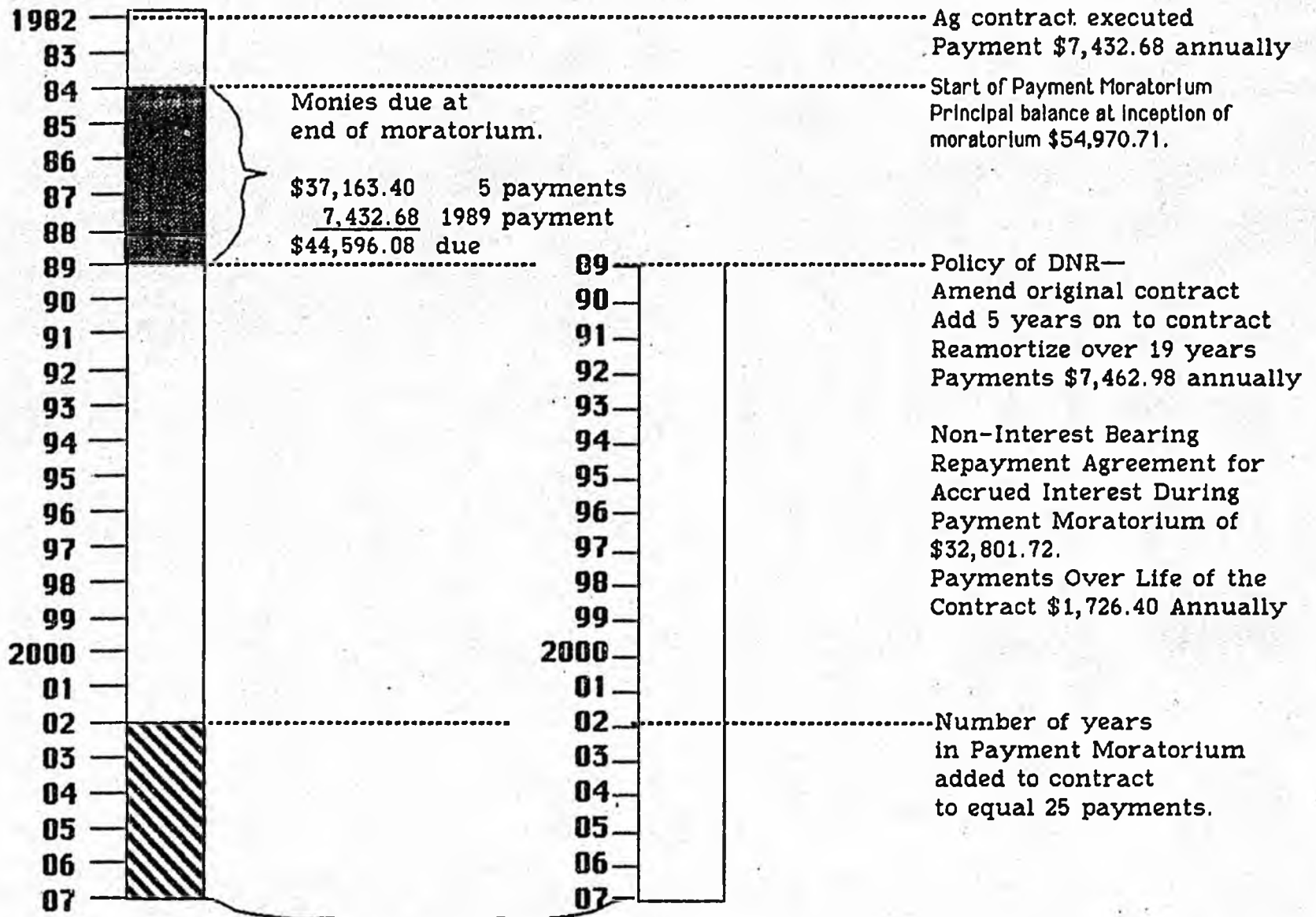


Delta Debt Relief 36	Production Credits 14	Moratorium 60	Ag Parcels
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Lifecycle Of an Agricultural Contract

No Payments Made During Moratorium

Normal
Agricultural
Contract



Total Payment
\$174,598.41

Total Payment w/o
Moratorium \$104,057.52