

ALASKA LEGISLATURE SPECIAL COMMITTEE/SUBJECT FILES 8672

2308 SCOMM 95: HOUSE SPEC. COMM. ON FISHERIES 1995-1996

Bob CLARK;

Hey Bob, glad to see spring,
I'll be stopping by later in
summer would like to refinance
my vessel. See you then
good fishing too you.



BAY TRADERS, INC.

dba THE FISH HOUSE
P.O. BOX 1209 SEWARD, ALASKA 99684
(907) 224-3674 1-800-257-7760

Rep. (Chairman)

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

Thank You
Michael A. Clemens

APR 10 1995

Am'd.....

Thomas Crandall
Box 210849
Anchorage, Ak. 99521

April 9, 1995

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

Sir:

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

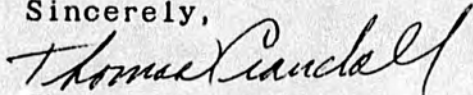
I am writing to you in regards to HB 284. I am in support of this
legislation and in support of the continued existence of CFAB.

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

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

Thank you for your consideration.

Sincerely,


Thomas Crandall

cc: CFAB

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

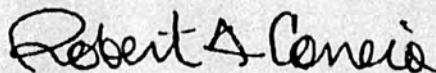
ROBERT A. CORREIA
P.O. BOX 729
KASILOF, AK 99610

APRIL 5, 1995

DEAR ALASKA LEGISLATURE,

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

SINCERELY

A handwritten signature in cursive script that reads "Robert A. Correia".

ROBERT A. CORREIA



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

May 1, 1995

Edward E. Crane
President

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

Dear Chairman Kott,

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

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

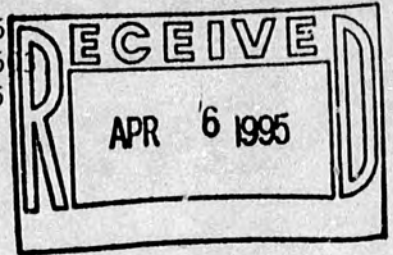
Very truly yours,

Edward E. Crane
President

bcc: Cheryl Sutton
Office of Representative Carl Moses

Alaska Commercial Fishing and Agriculture Bank

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



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

Representative Austerman,

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

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

Please pass HB 284.

Gratefully,

David Edens
EDENS FISHERIES, INC.



April 4, 1995

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

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

Sincerely,

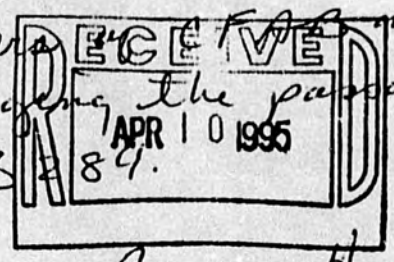
Bruce Foster Jr.
Bruce Foster Jr.

NO
ENCLOSURE
RECEIVED
?

4-5-95

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

My husband and I are
members of the Alaska
are urging the passage
of HR 84.



Barbara Heckman

APRIL 12, 1995

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

DEAR REPRESENTATIVE AUSTERMAN:

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

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

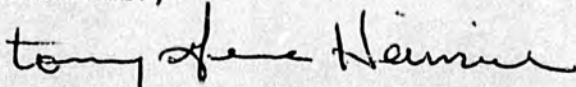
CFAB HAS BEEN PAYING ITS OWN WAY. ALSO, FOR YOUR INFORMATION,
I HAVE NOT BEEN GIVEN A FREE RIDE. AS AN ACTIVE CFAB MEMBER,
I HAVE PAID SEVERAL THOUSAND DOLLARS IN INTEREST, AND I HAVE
ALSO PURCHASED SEVERAL THOUSAND DOLLARS WORTH OF STOCK THAT
HAS BEEN USED TO PAY OFF THE STATE'S ORIGINAL LOAN TO CFAB.

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

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

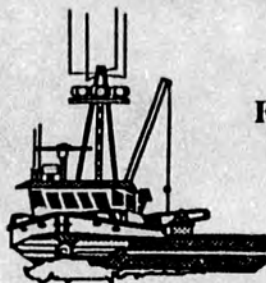
ALASKA NEEDS TO KEEP IT'S SECOND BIGGEST INDUSTRY HEALTHY!

SINCERELY,



TOMMY GENE HEINRICH

✓ CC: EDWARD E. CRANE, CFAB



F/V SEA DANCER

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

LIV:
APR 11 1995
P.O. Box 71

Note Sent to Alan Austermao -

Dear Sir:

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

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

We truly believe in
CFAB'S existence & purposes

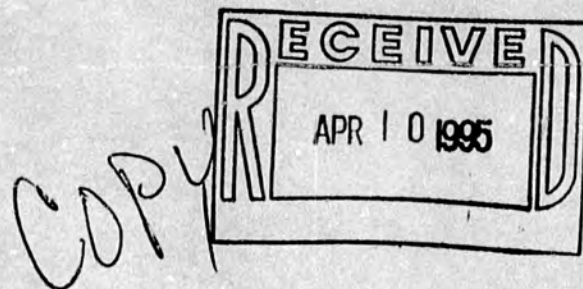
Please pass NB. 284.

Thank You

Alene & Carl Kerr
Box 71

Sitka Alaska
99835

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



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

Dear Rep. Austerman:

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

Sincerely,

Stephen Kurth

April 6, 1995

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

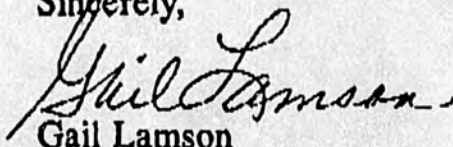
HB 284 is important to the fishing and farming industries. It corrects inconsistent language in AS 44.81 to prevent the unintended dissolution of the Alaska Commercial Fishing and Agriculture Bank (CFAB). HB 284 also clears up several other weaknesses in the statute so CFAB can function more effectively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

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

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

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

Sincerely,



Gail Lamson
16101 Genevieve
Anchorage, AK 99516

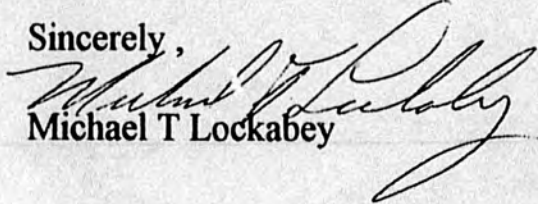
Lock's All Alaskan Seafoods
F/V Chelsea L
P.O. Box 1542
Wrangell , Alaska 99929

Dear Rep. Austerman ,

April 10 , 1995

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

Sincerely ,


Michael T Lockabey

4-5-95



TO:

Rep. Alan AUSTERMAN

MR. AUSTERMAN I have been a
PARTICIPATING member of CFAB since
1990. I feel it is ESSENTIAL THAT
House Bill 284 Passes.

THANK YOU,

TERRY Mac Donald SR
Box 424
PETERSBURG, AK 99833

Terry Mac Donald SR

Attn: Van .. Berkshire

Ed

April 10, 1995

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

Dear Mr. Austerman:

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

Please consider the continued need of CFAB!

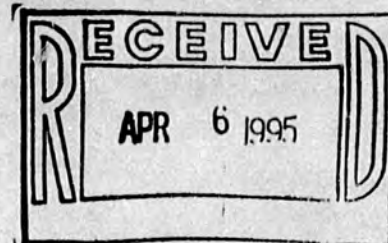
Sincerely Yours,

Roland Moody

Roland Moody

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

April 5, 1995



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

Dear Mr. Chairman:

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

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

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

Thank you for your consideration of my comments.

Sincerely,

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

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

Hello Mr. Austerman.

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

CFAB made it possible for
me to start a career in
fishing as a younger man.

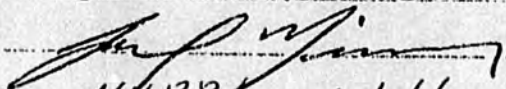
This is an extremely tough
field to break into these
days, and young people need
an institution to look to for
financial opportunity.

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

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

Thank you

Joel Nimmer



N4886 C+H V

Fond du Lac WI

54935

RECEIVED

APR 13 1995

Asst'd.....

April 12, 1994

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

Dear Sir,

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Respectfully,

Brad A. Resnick
President

APRIL 10, 1995

8 HOUSE SPECIAL COMMITTEE ON FISHERIES
8 ALASKA STATE LEGISLATURE

AS A COMMERCIAL FISHERMAN AND 18 YEAR
RESIDENT OF ALASKA, I URGE YOU TO SUPPORT
HB 284.

I'VE BEEN A MEMBER / BORROWER OF CFAB
SINCE 1986. I'VE HAD ONE PERMIT LOAN, ONE GEAR LOAN
AND THREE SEASONAL OPERATING LOANS. ALL LOANS
HAVE BEEN PAID IN FULL AND ON TIME.

CFAB HAS BEEN THE ONLY FINANCING OPTION
OPEN TO ME AT TIMES. CFAB PROVIDES
FLEXIBILITY THAT OTHER LENDERS WOULD NEVER
CONSIDER.

WE ARE A RESOURCE STATE, AND NEED LENDERS
THAT CAN RESPOND TO PEOPLE, THAT EARN THEIR
LIVING FROM THOSE RESOURCES.

IN ORDER TO HELP KEEP OUR FISHERIES IN
ALASKAN HANDS, WE NEED LENDING INSTITUTIONS
SUCH AS CFAB, THAT LOAN ONLY TO ALASKANS.

I THANK YOU

Peter

Royal

PETER ROYAL
205 E. DIAMOND BLVD. #334
ANCHORAGE, ALASKA 99515

SEWARD SHEA
PO BOX 1035
SEWARD, AK 99664-1035

April 1, 1975

Representative Alan Gustafson, Chair
House Spec Committee on Disburse
Alaska State Legislature
Juneau, Alaska 99801-1182

Dear Sir:

I am presently a member of CFAB and
have borrowed money from them in the past.
I am very sure they will be there for me
in the future if I have need of their services.
I urge the passage of H.B. 284.

Sincerely

Paul C. Shea

- P. C. CFAB

Fv Dolphin

Y
d
O
C



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

(907) 224-5563

MEMO

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

DATE	4/3/95
SUBJECT	HB 284

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

Thank you for your support.

Michael & Arlene Wiley
P.O. Box 618 - Seward
Commercial fishermen

Tax E.E.Care

☐ PLEASE REPLY ☐ NO REPLY NECESSARY

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

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

April 6, 1995



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

Dear Rep. Austerman,

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

Sincerely,

M/V BERING

Ron & Anne Winters

COPY

SECTIONAL REFERENCES TO HB

§ 44.81.010

ALASKA STATUTES

§ 44.81.010

Chapter 81. Commercial Fishing and Agriculture Bank.

Section

10. Alaska Commercial Fishing and Agriculture Bank
20. Board of directors
40. Bylaws
50. Membership meetings
60. Membership stock
70. President; officers and employees
90. Term of office and removal
100. Quorum
110. Compensation of board members
160. Pledge of the state
190. Conflicts of interest
200. Reports and publications
210. Powers of the bank

Section

220. Transition
225. Small loans to nonmembers
230. Loans for purchase of Alaska limited entry permits
235. Limitations on pledge of permits
240. Default and foreclosure of certain loans secured by limited entry permits
250. Deficiencies and transfer of entry permits after foreclosure
260. Confidentiality of records
270. Audit of bank
280. Prohibition on disclosure
350. Definitions

Cross references. — For legislative findings and purpose in connection with the enactment of this chapter, see § 1

and 2, ch. 159, SLA 1978 in the Temporary and Special Acts.

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

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

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

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

Cross references. — For legislative findings in connection with the 1981

amendments to this section, see § 9, ch. 109, SLA 1981 in the Temporary and Special Acts.

§ 44.81.020

STATE GOVERNMENT

§ 44.81.050

NOTES TO DECISIONS

Status for maritime foreclosure proceedings. — The Alaska Commercial Fishing and Agriculture Bank is not a state agency for purposes of maritime lien

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

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

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

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

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

13
27 Sec. 44.81.040. Bylaws. The board of directors shall adopt the initial bylaws of the bank. The power to alter, amend, or repeal the bylaws is vested in the board of directors. The bylaws may contain provisions for the regulation and management of the affairs of the bank not inconsistent with this chapter or other provisions of law. (§ 3 ch 159 SLA 1978)

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

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

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

12
e.
27
Sec. 44.81.060. Membership stock. (a) The board of directors shall issue shares of membership stock in the bank in the amounts and with the value determined by the board and stated in the articles of incorporation.

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

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

11
e.
27
Sec. 44.81.070. President; officers and employees. (a) The board of directors shall employ a president. The president may not be a member of the board of directors. The president serves at the pleasure of the board of directors. The president is the chief executive officer of the bank.

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

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

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

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

10
e.
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Sec. 44.81.090. Term of office and removal. The members of the board shall serve for terms of three years, and they may serve successive terms. Terms shall be staggered. An elected member of the board who releases confidential information in violation of AS 44.81.260, commits serious ethical misconduct that relates to the member's fitness to serve as a member of the board, or maintains a chronically and irredeemably substandard borrowing relationship with the bank may be removed from the board by affirmative vote of a majority of the members of the board. (§ 3 ch 159 SLA 1978; am § 3 ch 53 SLA 1979; am § 3 ch 49 SLA 1987)

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

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

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

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

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

NOTES TO DECISIONS

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

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

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e.
27
Sec. 44.81.160. Pledge of the state. The state pledges to and agrees with any lender to the bank and with the federal agency or regional institution of the federal farm credit system that loans or contributes funds in respect of a project, that the state will not limit or alter the rights and powers vested in the bank by this chapter to fulfill the terms of any contract made by the bank with the lender to the

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

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

NOTES TO DECISIONS

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

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

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

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

16 Sec. 44.81.200. *Reports and publications.* The board of directors shall publish an annual report to the bank's members. The report shall be made available to the public and must include financial statements audited by independent outside auditors, a statement of the bank's investments, a description of the bank's loan activity during the period covered by the report, an analysis of economic and other effects of loan decisions on the state's commercial fishing and agriculture industries, and any other information that the board believes would be of interest to the governor, the legislature, and the public, or that the legislature requests the board to include. The board may also publish other reports it considers desirable to carry out its purposes. (§ 3 ch 159 SLA 1978; am § 5 ch 109 SLA 1981)

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

NOTES TO DECISIONS

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

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

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

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

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

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

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

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

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

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

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

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

- 17 (11) make contracts and execute instruments necessary or convenient in the exercise of its corporate powers;
- 17 (12) acquire by purchase, lease, bequest, devise, gift, the satisfaction of debts, or the foreclosure of mortgages, and hold, maintain, use, operate, and convey real or personal property;
- 17 (13) borrow money and issue secured and unsecured evidence of indebtedness for a corporate purpose or to fund, refund, pay, or discharge outstanding obligations, and enter agreements and contracts concerning these obligations;
- 17 (14) secure the payment of its obligations by pledge or mortgage or other lien on its contracts, revenues, income, or property;
- 17 (15) appoint officers, employees, trustees for certificate holders, and agents, and prescribe their powers and duties;
- 17 (16) provide technical services to members of the bank; for the purpose of this paragraph, "technical services" includes services that will enhance the ability of the member to obtain financial assistance from the bank;
- 18 (17) make loans, as provided in (1) of this subsection, secured by liens subordinate to valid first liens and security agreements granted to a private lending institution;
- 17 (18) participate with state departments and agencies in formulating policy and in planning for the development of commercial fishing and agriculture in the state;
- 17 (19) do what is necessary or desirable to carry out the corporate purposes and powers expressed or implied in this chapter;
- 18 (20) make loans to individual commercial fishermen for limited entry permits; a loan under this paragraph may be made only to an individual commercial fisherman who has been a state resident for a continuous period of two years immediately preceding the date of application for the loan; loans made under this paragraph are subject to AS 44.81.230;
- 14 (21) indemnify directors, officers, or employees of the bank and their heirs, executors, and administrators against all liabilities and related expenses including, but not limited to, court costs and attorney fees, judgments, and the cost of reasonable settlements, incurred by them in connection with or arising out of an action or proceeding brought against them because of an act or omission in the performance of their official duties as directors, officers, or employees of the bank regardless of whether they were directors, officers, or employees at the time the expenses or liabilities are incurred;
- 18 (22) accept the pledge of a limited entry permit as security for a loan made under this chapter subject to the conditions set out in AS 44.81.230 — 44.81.250 on pledges of limited entry permits;
- 18 (23) make a loan to a person, regardless of residency, if the board of directors of the bank determines that the loan is necessary to preserve

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

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

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

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

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

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

the enactment of (a)(24) of this section, see § 1, ch. 70, SLA 1989 in the Temporary and Special Acts.

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

NOTES TO DECISIONS

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

- 27 Sec. 44.81.220. Transition. Notwithstanding the provisions of AS 10.15.005, upon the repurchase of all the nonvoting, preferred shares initially issued by the bank and purchased by agencies of the state, the provisions of this chapter lapse and the bank may proceed to operate solely as a private cooperative corporation under the terms of its bylaws and the provisions of AS 10.15.010 — 10.15.600. (§ 3 ch 159 SLA 1978; am § 7 ch 109 SLA 1981)

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

NOTES TO DECISIONS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

NOTES TO DECISIONS

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

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

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

(2) construction of a commercial fishing vessel;

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

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

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

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

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

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

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

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

(2) the date upon which the default occurred;

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

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

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

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

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

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

(b) Upon the debtor's failure to reinstate or satisfy the note within the time specified in (a) of this section, the debtor's equitable interest is terminated by operation of law without further notice. Any entry permit cards issued to the debtor under the permit shall be canceled immediately upon receipt by the commission of a certificate of termination containing a copy of the notice required by (a) of this section issued by the bank. (§ 6 ch 53 SLA 1979; am § 14 ch 51 SLA 1980)

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

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

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

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

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

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

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

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

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

Effect of amendments. — The 1989 amendment, effective May 31, 1989, added "If the debtor has not previously nominated a qualified person to assume the note under AS 44.81.230(f) at the beginning of the second sentence in subsec-

tion (b); inserted the reference to "44.81.210(a)(20)" in the first sentence in subsection (d); and added subsection (e).

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

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

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

- (1) when required by a federal or state statute;
- (2) under AS 44.81.270;
- (3) under a search warrant issued under federal law or the law of this state;
- (4) under a subpoena or court order issued in a civil action under federal law or the law of this state;
- (5) under a subpoena or court order issued in connection with a proceeding before a federal grand jury or grand jury of this state;
- (6) under a summons or subpoena issued by an agency or a department of the United States or this state, or an officer, employee, or agent of the agency or department;
- (7) under a request by a financial institution, if the request is solely for the stated written purpose of determining the credit worthiness of a member or borrower as an applicant for credit, and if the information disclosed by the bank pertains only to the payment history of the member or borrower;
- (8) under a request by a lender that has extended or is considering extending credit to the bank if the credit is or may be secured by the pledge of a loan by the bank;
- (9) when disclosed to the attorney general of the United States or to a law enforcement agency of this state if the records may be relevant to a report or investigation of a possible violation of federal law or a law of this state.

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

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

(d) In this section,

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

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

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

Sec. 44.81.270. Audit of bank. (a) At the direction of the Legislative Budget and Audit Committee under AS 24.20.271, the legislative auditor may conduct an audit of the bank. The legislative audit division has free access to all books and papers of the bank that relate to its business and books and papers kept by a director, officer, or employee relating to or upon which a record of its business is kept, and may summon witnesses and administer oaths or affirmations in the examination of the directors, officers, or employees of the bank or any other person in relation to its affairs, transactions, and conditions, and may require and compel the production of records, books, papers, contracts, or other documents by court order if not voluntarily produced.

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

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

NOTES TO DECISIONS

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

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Sec. 44.81.280. Prohibition on disclosure. The legislative auditor and the auditor's employees may not disclose information acquired by them in the course of an audit of the bank concerning the particulars of the business or affairs of a borrower of the bank or another person, unless the information is required to be disclosed by law or under a court order. (§ 8 ch 109 SLA 1981)

Sec. 44.81.350. Definitions. In this chapter

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

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

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

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

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

Chapter 82. Alaska Gas Pipeline Financing Authority.

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

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

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

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

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

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

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

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

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

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

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

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Ans'd.....

CFAB

**Alaska Commercial Fishing
and Agriculture Bank**

1995 Annual Report

Alaska Commercial Fishing and Agriculture Bank

1995 Annual Report

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Executive Message to Members

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

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

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

1995 Results

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

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

A year ago we advised that CFAB's 1994 operating expenses of \$1,676,000 were the lowest of any 12-month period in its history. We are happy to report that the 1995 operating expense total of \$1,617,000 is yet another "record low"! Although expense control and maintenance of a modest institutional lifestyle are major points of emphasis for CFAB, we are reluctant to promise a continuing reduction of operating expenses in today's economy. Another aspect of that point, though, is that CFAB is

positioned to accommodate significantly more loans — and loan volume — with very little, if any, increase in operating expenses. This would effectively translate into reduced costs for all borrowing members.

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

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

Disposition of Net Proceeds

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

Overall Financial Condition

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

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

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

Loan Portfolio and New Loan Activity

In this area, as in some others, the raw numbers demand some review and analysis. CFAB's gross loans and receivables declined by \$5.1 million in 1995, from \$35.4 million to \$30.3 million. Of that

decline, however, \$3.7 million was in nonaccrual loans. Those numbers, in light of the \$5.5 million reduction in debt mentioned earlier, not only suggest enhanced financial strength but point the way to improved results in the future.

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

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

The Challenge of CFAB

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

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

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

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

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

CFAB's Visibility

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

Pending Legislation

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

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

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

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

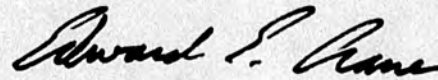
In the 1996 legislative session we will again attempt to move HB 284 from the House Finance Committee and through the remaining steps of the legislative process. We urge you, as members of CFAB, to express yourselves to your own legislators as to the role which CFAB plays.

Director Election

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



Alan D. Otness
Chairman, Board of Directors



Edward E. Crane
President

Balance Sheets

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

See accompanying notes to financial statements.

Statements of Net Proceeds

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

See accompanying notes to financial statements.

Statements of Changes in Capital and Patronage

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

See accompanying notes to financial statements.

Statements of Cash Flows

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

(Continued)

See accompanying notes to financial statements.

Statements of Cash Flows *continued*

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

See accompanying notes to financial statements.

Notes to Financial Statements

May 31, 1995 and 1994

Note (1) Summary of Significant Accounting Policies

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

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

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

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

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

Bank Premises, Furniture and Equipment: Bank premises, furniture and equipment are stated at cost less accumulated depreciation and amortization. Depreciation and amortization are charged to operations by use of the straight-line method over estimated useful lives of three to ten years. Expenditures for maintenance and repairs are charged to operating expenses as incurred. Expenditures for renewals or improvements which extend the life of an asset are capitalized at cost and depreciated as stated above. Upon sale, retirement or other disposition of property, the cost and accumulated depreciation are removed from the respective accounts and the resulting gain or loss recorded.

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

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

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

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

Note (2) Loans

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

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

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

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

Notes to Financial Statements *continued*

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

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

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

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

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

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

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

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

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

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

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

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

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

Note (3) Bank Premises, Furniture and Equipment

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

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

Notes to Financial Statements *continued***Note (4) Notes Payable**

Notes payable consist of the following at May 31:

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

Annual principal payments on notes payable are as follows:

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

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

The notes payable are secured by substantially all CFAB assets.

Note (5) Employee Benefit Plans

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

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

Note (6) Capital

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

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

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

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

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

Class C - No voting or dividend rights. May only be issued to the State of Alaska.

Notes to Financial Statements *continued*

Class B – No voting rights. However, at the discretion of the Board of Directors, a dividend may be paid to Class B stockholders whose loans are paid in full at year-end. Class B stock may only be held by members of CFAB. Prior to December 31, 1985, all loans required a purchase of Class B stock in an amount equal to 10% of the loan balance; however, this purchase was not funded but was evidenced by notes. On loans made subsequent to December 31, 1985, each borrower is required to make a cash purchase of Class B stock in an amount equal to 5% of the total loan. This investment remains in place until retired by the Board of Directors.

Class A – No dividend rights. Each member of CFAB must own one share of Class A stock. Each share of stock carries one vote. To vote, a member must be a current borrower or have borrowed from CFAB during the preceding two years or have minimum retained membership earnings and/or Class B stock with CFAB of \$2,500.

Note (7) Income Taxes

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

	<u>Current</u>	<u>Deferred</u>	<u>Total</u>
1995:			
Federal	\$ 572,906	-	572,906
State	-	-	-
	<u>\$ 572,906</u>	<u>-</u>	<u>572,906</u>
1994:			
Federal	(93,392)	-	(93,392)
State	-	-	-
	<u>\$ (93,392)</u>	<u>-</u>	<u>(93,392)</u>

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

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

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

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

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

Note (8) Commitments and Contingent Liabilities

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

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

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

Independent Auditors' Report

The Board of Directors
Alaska Commercial Fishing
and Agriculture Bank:

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

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

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

KPMG Peat Marwick LLP

July 11, 1995
Anchorage, Alaska

Board of Directors and Staff

Board of Directors

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Petersburg

Gilbert Gunderson, Vice Chairman
Juneau

Dean Paddock, Secretary-Treasurer
Juneau

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Executive Secretary

Office Address: 2550 Denali St., Suite 1201 (Denali Towers North), Anchorage

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CFAB SUMMARY - HB 284

Sec. 1

thru

Sec. 7

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

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

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

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

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

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

Sec. 11 AS 44.81.031(a)

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

Sec. 12 AS 44.81.041(a)

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

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

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

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

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

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

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

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

- (7) Existing Sec. 44.81.210(a)(11).
- (8) Existing Sec. 44.81.210(a)(17).
- (9) Existing Sec. 44.81.210(a)(13).
- (10) Existing Sec. 44.81.210(a)(14).
- (11) Existing Sec. 44.81.210(a)(9).
- (12) Existing Sec. 44.81.210(a)(12).
- (13) Existing Sec. 44.81.210(a)(8).
- (14) A new paragraph which will permit CFAB to accomplish necessary or desirable purposes through activities which may be burdened with inherent potential liabilities or other exposures which are inappropriate to its basic function as a lender or to the interests of its members. An example might be a situation in which CFAB has acquired a fish processing plant through foreclosure and cannot find a buyer but encounters an operator willing to lease and operate the plant for a season. Fear of jeopardizing CFAB's total assets through ownership of an operating facility has caused CFAB to consider transferring ownership to a subsidiary in the past; this paragraph clearly establishes the right to do so. Another application of this authority would be creation of an entity whereby CFAB might offer its expertise and capacity in vessel and marine mortgage documentation as a service to fishermen and other lenders.
- (15) A new paragraph which would permit CFAB to function as a venture capitalist in certain

situations related to commercial fishing or agriculture.

- (16) A slight broadening of the provisions of existing Sec. 44.81.210(a)(4).
- (17) Existing Sec. 44.81.210(a)(19).

Sec. 18 AS 44.81.215.

- (1) A revision to the first part of existing Sec. 44.81.210(a)(1); the inserted reference to married couples and the somewhat different approach to membership are to confirm CFAB's ability to deal with instances where, purely for credit purposes, CFAB requires a non-fishing spouse or other person to be a co-borrower on a loan.
- (2) The second part of existing Sec. 44.81.210(a)(1) with slight revision.
- (3) Existing Sec. 44.81.210(a)(20), except that a two-year residency requirement is removed in response to litigation which has occurred since enactment of the original statute.
- (4) Existing Sec. 44.81.210(c).
- (5) Existing Sec. 44.81.210(a)(23), except for removal of a limitation which can place CFAB in conflict with the Uniform Commercial Code and work to the disadvantage of the original borrower and CFAB's member-owners.
- (6) Existing Sec. 44.81.210(a)(17), except for a language change to permit CFAB to subordinate its position to other kinds of creditors than "a private lending institution."
- (7) Existing Sec. 44.81.210(a)(22).

- (8) A revision of existing Sec. 44.81.210(a)(10). The revision permits CFAB to participate in loans to qualified applicants for eligible purposes while eliminating the sometimes insurmountable complications of coordinating CFAB's cooperative features with the more basic requirements of other lenders. (The potential volume of such participations is limited by Federal tax law and IRS Code treatment of CFAB as a cooperative.)
- (9) A new subparagraph which extends CFAB's authority under the preceding subparagraph to situations where another lender has a loan in place and subsequently seeks a participant.
- (10) Existing Sec. 44.81.210(a)(24).

Sec. 19 AS 44.81.231

and

Sec. 20 AS 44.81.236.

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

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

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

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

The most significant substantive changes in Sec. 44.81.236 are:

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

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

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

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

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

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

Sec. 21 AS 44.81.241

thru

AS 44.81.249.

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

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

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

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

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

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

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

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

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

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

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

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

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

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FISCAL NOTE

STATE OF ALASKA
1995 LEGISLATIVE SESSION

BILL NO: HB 292

Revision Date: _____ Dept. Affected: Public Safety
Title: Fish and Game Enforcement BRU: Fish and Wildlife Protection
Component: Enforcement & I.S.U.
Sponsor: Representative Ogan
Requestor: (H) Special Committee of Fisheries COMPONENT SERIAL NO. 490 & 493

EXPENDITURES/REVENUES: (Thousands of Dollars) (inflation not included)

OPERATING	FY 96	FY 97	FY 98	FY 99	FY 00	FY 01
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	-0-	-0-	-0-	-0-	-0-	-0-
CAPITAL EXPENDITURES	-0-	-0-	-0-	-0-	-0-	-0-
CHANGE IN REVENUES ()	-0-	-0-	-0-	-0-	-0-	-0-
Revenue Code						

FUNDING: (Thousands of Dollars)

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

Estimate of current year (FY 95) impact: \$ -0-

POSITIONS:

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

ANALYSIS: (Attach a separate page if necessary.)

This bill will remove a particularly cumbersome requirement that a peace officer issue a statement of intent to search when conducting a warrantless search currently permitted by State law. State law now permits a consent search. Fish and Wildlife Troopers are uniquely required by AS 16.05.180 to issue a signed written statement to the person in control of the property even when the person has given consent. Failure to complete this required form may invalidate otherwise legal searches.

This housekeeping measure, if enacted, will help to achieve program efficiencies for the Division of Fish and Wildlife Protection. No fiscal impact is anticipated.

Prepared By: Captain Ted L. Ruddell Phone: (907) 269-5509
Division: Fish and Wildlife Protection Date: April 7, 1995
Approved by Commissioner: [Signature] Date: 4/11/95
Agency: Ron L. Otte, Dept. of Public Safety

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Sponsor Statement HB 292
Amendments to Title 16

This bill would clarify Title 16 and assist Alaska Fish & Wildlife protection officers with their enforcement responsibilities. These proposed changes would enable Fish & Wildlife protection to:

(A) more effectively enforce the residency requirements for licenses, tags, and permits, and to reduce court dismissals, by clarifying that false residency statements are strict liability violations that can result in a misdemeanor conviction and require a bail set by the bail schedule; and

(B) reduce the officers' paperwork burden so that they can devote more time to enforcement duties.

AS 16.05.180. The current requirement of issuing a statement of intent to search is unique to fish and game law enforcement. The modern day trooper enforcing fish and game law is not allowed to conduct a consent search without completing an "intent to search" form (12-504). This unnecessarily burdens the fish and wildlife officer. Failure to complete this required form may invalidate an otherwise legal search.

AS 16.05.420. Another area of concern when prosecuting residency cases deals with the culpable mental standard of "knowingly" currently used in AS 16.05.420 (b). HB 292 removes this requirement, as it is extremely difficult for a prosecutor to prove that an offender actually knew he or she provided false information. The offense of making a false residency statement for a license, tag, or permit would be a strict liability offense.

AS 16.05.430. Knowing falsification of residency information when applying for a license, tag, or permit is currently categorized under AS 16.05.020(b) as "unsworn

falsification". HB 292 updates the penalty to reflect the new strict liability nature of the offense. AS 16.05.430(a) classifies ordinary residency falsifications as criminal misdemeanors. (There are exceptions for falsification of the special guide affidavits required under AS 16.05.407 and 16.05.407, as these carry their own penalty.) However, a new subsection AS 16.05.430(c) is also added, stating that a falsification will be treated as a violation rather than a misdemeanor if the offender made a false residency statement with no culpable mental state. The result of these penalty provision refinements is that a prosecutor would no longer have to prove actual knowledge to obtain a criminal conviction for false residency statements made when obtaining most hunting and fishing licenses, permits and tags. However, a defendant could have the charges reduced to a violation if he could prove that he had no culpable or guilty mental state. This is to avoid possible constitutional challenges to the statute for imposing criminal punishment where there was no criminal mental state.

The changes made to Title 16 through HB 292 will greatly improve the ability of our Fish & Wildlife officers to enforce the residency requirements imposed by this legislature. This bill is long overdue, and with recent cuts in public safety appropriations it is needed now more than ever.

Your support for this bill would be greatly appreciated, both by myself and by the dedicated officers in the field who are working hard to enforce the laws passed by this body.

12-504

**STATE OF ALASKA
DEPARTMENT OF PUBLIC SAFETY
STATEMENT OF INTENTION TO SEARCH PROPERTY**

IN ACCORDANCE WITH PROVISIONS OF SEC. 16.05.130 ALASKA STATUTES, NOTICE IS HEREBY GIVEN OF INTENTION TO SEARCH THE FOLLOWING DESCRIBED PROPERTY:

WHICH AT THE TIME OF THE SEARCH WILL BE LOCATED AT

AND WILL AT THAT TIME BE UNDER THE CONTROL

OF _____
NAME

OF _____
WHO HAS STATED THAT (HE) (SHE) IS THE OWNER OR LESSEE OR LEGAL OPERATOR OF SUCH PROPERTY. SEARCH OF THE ABOVE DESCRIBED PROPERTY IS CONDUCTED FOR THE PURPOSE OF DISCOVERING OR ATTEMPTING TO DISCOVER,

WHICH MAY BE USED, POSSESSED OR MAINTAINED IN VIOLATION OF STATE LAW OR REGULATIONS OF THE ALASKA BOARD OF FISH AND GAME.

THE SEARCH WILL COMMENCE AT APPROXIMATELY _____
HOURS ON THE _____ DAY OF _____ 19____

NAME OF OFFICER

TITLE

WITNESSES

NAME

ADDRESS

NAME

ADDRESS

(3/80)

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FISCAL NOTE

STATE OF ALASKA
1995 LEGISLATIVE SESSION

BILL NO. HB 296

Revision Date:	Dept. Affected: Fish and Game
Title: State authority over fish and game	BRU: Administration and Support
	Component: Commissioner's Office
Sponsor: Representative Vezey	
Requester: House Fisheries	COMPONENT SERIAL NO. 477

Expenditures/Revenues

(Thousands of Dollars)

OPERATING EXPENDITURES	FY 96	FY 97	FY 98	FY 99	FY 00	FY 01
PERSONAL SERVICES	0.0	0.0	0.0	0.0	0.0	0.0
TRAVEL	0.0	0.0	0.0	0.0	0.0	0.0
CONTRACTUAL	0.0	0.0	0.0	0.0	0.0	0.0
SUPPLIES	0.0	0.0	0.0	0.0	0.0	0.0
EQUIPMENT	0.0	0.0	0.0	0.0	0.0	0.0
LAND & STRUCTURES	0.0	0.0	0.0	0.0	0.0	0.0
GRANTS, CLAIMS	0.0	0.0	0.0	0.0	0.0	0.0
MISCELLANEOUS	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
----------------------	--	--	--	--	--	--

CHANGE IN REVENUES ()						
------------------------	--	--	--	--	--	--

FUND SOURCE

(Thousands of Dollars)

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

Estimate of any current year (FY95) cost: \$ 0.0

POSITIONS

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

Prepared by: Geron Bruce <i>Geron Bruce</i>	Phone: 465-8143
Division: Commissioner's Office	Date: 4/10/95
Approved by Commissioner: Frank Rue <i>Frank Rue</i>	Date: 4/11/95
Agency: Fish and Game	

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Alaska State Legislature

House of Representatives

Official Business



State Capitol
Juneau, Alaska 99801-1182
(907) 465-3718

House Majority Leader

SPONSOR STATEMENT

HB-296, "An Act relating to the authority of the State of Alaska over fish and game", would codify the primacy of the State of Alaska over the federal government on matters concerning the management of fish and game resources. It is a State's right enjoyed by 49 other states.

The power to manage fish and game was given to the State of Alaska as a condition of our becoming a state and as a condition of entry into the union. This power cannot be abridged or altered, except by mutual agreement of the people of the State of Alaska and the federal government.

This bill will give the State of Alaska a tool with which it can enforce the right of the state to manage its fish and game resources. The bill also provides that state funds cannot be used to implement or enforce federal fish and game regulations.

This bill will send a message to the Congress and people of the United States that the State of Alaska or an agency created by the state, will be the only one permitted to manage fish and game within the borders of the state of Alaska.

following purposes or a combination thereof: A residence for the Governor, a State museum, or park and recreational use.

(d) Block 19, and the structures and improvements thereon, and the interests of the United States in blocks C and 7, and the structures and improvements thereon, in the city of Juneau, are hereby granted to the State of Alaska.

(e) All real and personal property of the United States situated in the Territory of Alaska which is specifically used for the sole purpose of conservation and protection of the fisheries and wildlife of Alaska, under the provisions of the Alaska game law of July 1, 1943 (57 Stat. 301; 48 U.S.C., secs. 192-211), as amended, and under the provisions of the Alaska commercial fisheries laws of June 26, 1906 (34 Stat. 478; 48 U.S.C., secs. 230-239 and 241-242), and June 6, 1924 (43 Stat. 465; 48 U.S.C., secs. 221-228), as supplemented and amended, shall be transferred and conveyed to the State of Alaska by the appropriate Federal agency: *Provided*, That the administration and management of the fish and wildlife resources of Alaska shall be retained by the Federal Government under existing laws until the first day of the first calendar year following the expiration of ninety calendar days after the Secretary of the Interior certifies to the Congress that the Alaska State Legislature has made adequate provision for the administration, management, and conservation of said resources in the broad national interest: *Provided*, That such transfer shall not include lands withdrawn or otherwise set apart as refuges or reservations for the protection of wildlife nor facilities utilized in connection therewith, or in connection with general research activities relating to fisheries or wildlife. Sums of money that are available for apportionment or which the Secretary of the Interior shall have apportioned, as of the date the State of Alaska shall be deemed to be admitted into the Union, for wildlife restoration in the Territory of Alaska, pursuant to section (8) (a) of the Act of September 2, 1937, as amended (16 U.S.C., sec. 669g-1), and for fish restoration and management in the Territory of Alaska, pursuant to section 12 of the Act of August 9, 1950 (16 U.S.C., sec. 777k), shall continue to be available for the period, and under the terms and conditions in effect at the time, the apportionments are made. Commencing with the year during which Alaska is admitted into the Union, the Secretary of the Treasury, at the close of each fiscal year, shall pay to the State of Alaska 70 per centum of the net proceeds, as determined by the Secretary of the Interior, derived during such fiscal year from all sales of sealskins or sea-otter skins made in accordance with the provisions of the Fur Seal Act of 1966. In arriving at the net proceeds, there shall be deducted from the receipts from all sales all costs to the United States in carrying out the provisions of the Fur Seal Act of 1966, including, but not limited to, the costs of handling and dressing the skins, the costs of making the sales, and all expenses incurred in the administration of the Pribilof Islands, and the

HOUSE COMMITTEE REPORT

(5)

Date Referred: April 5, 1995

FURTHER REFERRALS:

Resources

Date of Committee Action: 4/12/95

The HOUSE SPECIAL COMMITTEE ON FISHERIES Committee considered:

HB 296

HOUSE BILL NO. 296

STATE AUTHORITY OVER FISH AND GAME

"An Act relating to the authority of the State of Alaska over fish and game."

It is the recommendation of the Fisheries Committee that the House Judiciary Committee be added as an additional referral and that the Attorney General's Office have an attorney recommends it be replaced with the following committee substitute

[] the same title
[] a new title

☒ additional referral to JUDICIARY Committee
[] attached amendment(s)

ADOPTS: _____ Letter of Intent

ATTACHES NEW FISCAL NOTE(s): (Dept)

APPROVES PREVIOUS: (Dept/Date)

[] fiscal note(s) _____

[] fiscal note(s) _____

☒ zero fiscal note(s) ADEG

[] zero fiscal note(s) _____

SIGNING WITH RECOMMENDATIONS	DP	DNP	NR	AM
<u>[Signature]</u>			☒	
<u>[Signature]</u>			☒	
<u>[Signature]</u>	☒		☒	
<u>[Signature]</u>			☒	

CHAIR'S SIGNATURE

[Signature]

4/12/95

present at the House Resources Committee hearing.

SCOMM

95:31



Alaska State Legislature

Please enter into the record my testimony to the House Special Committee on Fisheries
committee name

committee on HB 390-King Salmon Tag, dated 1/5/96

^{I am a former resident of Sitka}
My name is Ben Mitchell from Sitka. I wish to give strong support
to passage of HB 390 King Salmon Tag Bill as proposed by ~~Rep. Mitchell~~ ^{Rep. [unclear]}
It's about time the issue of overcatch of King Salmon mostly by the
bureaucratic guided Sport fishing Charter industry ^{in the Sitka area} be brought up
I see ^{an awful lot of frozen} ~~lots of~~ fish moving through the Sitka airport each
day during the summer. I see massive amounts of fish brought to the
Sitka docks each evening by guided sports fishing charters.
~~At present there is no "ven fish tax" or similar royalty such as on commercial~~
~~caught fish that comes to the State and local communities on this fish~~
Conceivably it is possible that some of this fish that is
shipped south as Sport Caught ^{many} enters the commercial market elsewhere
the day and age of the philosophy of "Come one come all, ^{please} take all
you want and then hang back for more" is no longer valid in this
age of dwindling resources.

I urge swift passage of HB 390.

Signed: _____

Testifier

Representing (Optional)

103 Dewar

Address

Sitka

Phone No.

7-5909

F/V Dry Pass

Attention Amy

RECEIVED
MAR 06 1996
Ans'd.....

To: Representative Alan Austerman
From: Michael Ferguson - 907-735-2249
Date/Time: Wednesday, March 06, 1996 / 12:31AM
Subject: HB390
Pages: 1, including this

Sir, I have been a commercial fisherman in Southeast since 1972. I am in favor of HB390, but I think it is too lenient. Please consider the following:

The purpose and intent of the limited entry act is to conserve the fisheries resources and to prevent economic distress among the commercial fishermen. This action by the State of Alaska was effected by an amendment to the Constitution, and was upheld by a Supreme Court decision that turned on the fact the State proved that the salmon resources are fully utilized by the user groups that were in existence at that time.

Since then I have seen my career as a commercial fisherman eroded by the "sport fishery", the "guided sport fishery", the "charter fishery", the "Treaty", and ignorant Federal judges, all in contravention of the purpose and intention of the limited entry act.

If the purpose of the "sport fisherman" is recreational, his needs should not offset or null the limited entry act. "Sport fishing", to the extent that it conflicts with the State Constitution's limited entry amendment by inflicting economic distress on the commercial fishermen, is a blight, and needs to be severely curtailed.

As to the psychological value of the commercial fishery to me, I reckon it to be about thirty million dollars, the amount that I would have earned if my investment of time and assets in the fishing industry had been made in Microsoft or Intel or the bull stock market.

Please support the State's number one private employer by forming policy in accordance with the limited entry act. Please pass HB390.

Thanks for listening,

Michael Ferguson

Alaska State Legislature

Interim:

145 Main Street Loop #223
Kenai, Alaska 99611
(907) 283-7095
(907) 283-3075 (fax)
(907) 262-7574 (h)



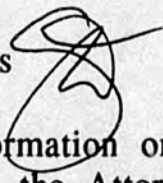
Session:

State Capitol
Juneau, Alaska 99801
(907) 465-2693
(fax) (907) 465-3835

Representative Gary L. Davis

MEMORANDUM

TO: Rep. Scott Ogan
Rep. Kim Elton

FROM: Rep. Gary Davis 

RE: Supporting information on HB 390 received from Steven Daugherty with the Attorney General's office during the House Special Committee on Fisheries Sub-committee meeting on Wednesday, March 6, 1996.

DATE: March 6, 1996

Differential fees for nonresidents are defensible if a good record is established showing legitimate purposes and a rational basis for discrimination such as;

- 1). allowing residents to harvest for consumption.
- 2). resident's needs are primarily for consumption while nonresidents fish primarily for experience and trophies.
- 3). encourage fishing by nonresidents while discouraging retention in order to expand the number of nonresidents that can fish for trophy purposes.
- 4). nonresidents need to pay their share of fishery management and enhancement costs. (state residents have opportunity costs for habitat protection, foregone development opportunities, hatchery programs, enforcement, etc.)
- 5). encouraging state residents to support fishery enhancement and habitat protection efforts.

Representing House District 8
Soldotna, Sterling, Funny River, Cooper Landing, Hope, Moose Pass, Seward

6). purpose of raising funds for habitat protection and enhancement of stocks should be stressed. Fees are weakest point - need an argument as to why other methods of discrimination such as direct allocations or shorter seasons would not accomplish purpose (this is a way to avoid a decrease in revenue for the tourist industry).

7). prevent violation of law against sale of sport caught fish. Prevent visitors from harvesting kings and selling them in their home state to pay for trip.

8) there is a limited supply of king salmon and therefore, there is a need to protect the resource. Examples for this would be; a) the cap on king salmon in the Southeast based on the Pacific Salmon Treaty and the Endangered Species Act and b) a high concentration of fisherman on certain waters in the state, like the Kenai River.

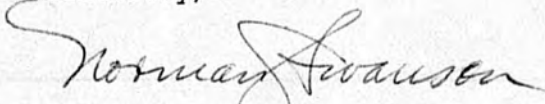
2 April 1996

Alaska Representative A. Austerman
Room 434 Capitol Building
Juneau, Alaska 99801

Dear Representative Austerman,

It has been brought to my attention that the Alaska Board of Fisheries has requested a change in the tag costs for king salmon taken by non-resident sports fisherman. I think the proposed change is preposterous. The costs for an ordinary person to enjoy sports fishing in Alaska are already significant. Additional costs for tags will make fishing trips to your beautiful state so exorbitant that the overall costs will become unreasonable. The rich people may continue to fish without much affect, but the ordinary person, especially retirees and those with young children, will be eliminated from the scene. If Alaska wishes to discourage tourism, then the change could be justified. Otherwise, I'd strongly recommend that your bill HB390 not be passed.

Sincerely,

A handwritten signature in cursive script, reading "Norman J. Swanson". The signature is written in dark ink and is positioned above the printed name.

Norman J. Swanson

18319 NW 61st Ave.
Ridgefield, WA 98642

HB
390

VIRGINIA
MASON

Hospital

Director of Medical Education
James W. Benson, Jr., M.D.

Program Directors
Judith L. Bowen, M.D. - Medicine
Michael F. Mulroy, M.D. - Anesthesiology
Brian D. Owens, M.D. - Anesthesiology
Lucy Glenn, M.D. - Radiology
Ingrid M. Peterson, M.D. - Radiology
Norman Rosenthal, M.D. - Transitional
Lucy R. Sutphen, M.D. - Student Affairs
John A. Ryan, Jr., M.D. - Surgery
Richard C. Thirlby, M.D. - Surgery

Rep. Hustermon —

I was appalled to hear of the proposed
salmon tag fees that would essentially
make Alaskan fishing unaffordable, even for
affluent fans. I have come to Alaska
several times, bringing my son and father-in-law,
and enjoyed the trip despite the expense, and
especially enjoyed taking home some fish! It's
for cheaper to buy salmon at the Pike Place
Market, and your proposed legislation would
simply force me to stay home or visit
Canada.

I hope you reconsider!

Mike Mulroy

925 Seneca Street
P.O. Box 1930
Seattle, WA 98111
Telephone (206) 583-6079
Extension 6010

RECEIVED 24 Mar 96

MAR 29 1996

Ans'd.....

29 Dear sirs -

30
31 I spent a total of \$3500
32 on a 5-day Salmon-Halibut
33 fishing trip in Alaska last
34 July (1995). The prospects of
35 successful King SALMON fishing
36 was a large part of the
37 appeal, in terms of the original
38 motivation for booking the trip.
39 I caught 5 King salmon and
40 had so much fun doing it
41 (as did the other ~~3~~ members of
42 my party - all non-residents), I
43 (we) decided it would become
44 an annual event (we have
45 booked again w/ the same guide
46 for July '96).

47
48 I tell you without hesitation,
49 the current proposal i.e. HB390
50 is a real severe 'slap-in-the-
51 face' to your loyal tourist
52 sport fishing industry. It's
53 short-sighted, counter-productive,
54 and even 'smells' like a
55 'scam'.
56

at any rate, I can
guarantee that if this
ridiculous legislation becomes
reality, the next time (if
ever) I travel to Alaska it
will be for some reason
other than fishing.

Yours truly,

Kielhofer

36600 PALMDALE RD
RANCHO MIRAGE, CA.
92270

HB390

Honorable A Austerman
Room 434 Capitol Building
Juneau Alaska 99801-1182

Dear Representative Austerman

It has come to my attention that "HB 390"
will limit non resident fishermen regarding
King salmon.

I believe in limits however I feel that
HB 390 is too restrictive. I have visited
Alaska twice for the purpose of sport fishing,
investing several thousand dollars - and I feel
this bill as presented is a discouragement
to the sport fishing industry.

Please vote NO on HB 390

Thason Griffin
38 Court Lane
Old Lyme Ct 06371



Alaska State Legislature

Special

Please enter into the record my testimony to the House ~~Sub~~ Committee on Fisheries
committee name

committee on HB 390, dated 3-8-96
bill/subject

I strongly urge passage of HB 390. Over the past few years there has been an upward trend in the percentage of King salmon and halibut taken by non resident sport fishermen. This trend has been concurrent with an explosion in the charter fishing industry. In 1995 non resident anglers took over 70% of the sport catch of King salmon and halibut. If no remedial steps are taken, this trend will continue until our residents are shut out of recreational fishing opportunities, which is nearly the case in Sitka now.

H.B. 390 is a step in the right direction. However, it does not get at the root of the problem, which is the fact that there are no controls or restrictions on the number of persons in the charter industry. In Sitka, the number of charter fishing operators increased from about 36 in 1988 to about 200 in 1995. In addition to the 200 operators registered with the Dept of Fish & Game, there are a number of persons who provide fishing charters who operate with little regard for City, State or federal rules and/or regulations. Many of the new comers to the S.E. charter industry are from the Pacific Northwest, where fishing opportunities are declining. These operators increase annually and will continue to do so ~~until~~ so long as there are no restrictions. HELP!

Signed: Loyal J. Johnson
Testifier

Self

Representing (Optional)

4320 Vallhalla Drive, Sitka

Address

907-747-3664

Phone No.

The Honorable Kim Elton
Alaska State Legislature
Juneau, Alaska

March 7, 1996

Dear Mr. Elton,

I am quite a surprise to hear of your bill H.B.390. The effect of this legislation is stifling on the guided sportfishing industry. The words "nonresident" and "guided" are synonymous. By placing a prohibitive fee scale (\$100.00 to \$500.00) for all but one King Salmon caught by nonresidents you are punishing those of us who live here in Alaska and make our living in the in the guided sportfishing industry. The Bill will substantially curtail the industry as it exists today and not allow for growth in the future. Who would spend thousands to come to Alaska for a week to catch one fish, and then, be increasingly fined for catching more? A \$100.00 fine for the second offense--catch three and be fined \$300.00--at what point do you intend to impose a life sentence? Ironically, your bill will drive visitors away from a State that spends millions to attract visitors.

This issue is not about the local who fishes for his family's groceries as you might lead us to believe. There are more than enough fish to feed the locals, 260,000 or so under the treaty. The problem is that only 20% are allocated by the Board of Fisheries for all sport fishing while the remaining 80% are reserved for commercial fishing.

While you are quick to point out that a large percentage of sport caught King Salmon are taken by nonresidents, you neglect to say is that an even larger percentage of commercially caught King Salmon are exported and consumed by nonresidents also. The fact is Alaska produces more King Salmon than can be consumed by residents. It is only a matter of preference as to how the fish are exported. They can be exported by those who travel to Alaska spending thousands for a chance to catch a few fish or they can be shipped out by processors for the world markets. What this legislation proposes is an export tax on one industry and not the other.

Furthermore, the bill ignores the fact that the highest dollar return per King Salmon is guided sportfishing. Airline tickets, hotels, restaurants, gift shops, small local fish processors, tackle sales, fuel sales, taxis, local sales tax, wages from charter operators, lodges, deck hands, virtually every segment of the visitor industry will feel the effect of your legislation. When I compare the dollars pumped into the Juneau economy from one guided nonresident King Salmon to the dollars from one commercially exported King Salmon, I have to wonder why a Juneau legislator is proposing a bill that is so detrimental to his own community.

Sincerely,

Rick Bierman
P.O.Box 210166
Auke Bay, Ak. 99821

cc.

Senator Jim Dunkin

Representative Karen Robinson

Representative Allen Austerman