

Jessie Gharrett - NMFS - RAM

Area	Number of Halibut QS Holders	Sum of QS Units	2007 IFQ Pounds (excluding carryover adjustments from prior year)	2007 Ratio (QS:IFQ)	Simple Average Number of 2007 IFQ Pounds/Holder (excluding carryover adjustments from prior year)
2C	1,359	59,552,039	8,510,000	6.9979	6,262
3A	1,787	184,911,315	26,200,000	7.0577	14,661

Kathy Hansen

From: jessica.gharrett@noaa.gov
Sent: Monday, March 19, 2007 3:54 PM
To: Kathy Hansen; Jay Ginter
Cc: Tracy Buck; Jane DiCosimo
Subject: Re: FW: Stakeholder subcommittee on funding mechanisms

Kathy, as we just discussed, I think the first annual allocation to the two sectors would be fairly simple whether the charter sector got a fixed pound amount annually, or a fixed percentage of the CEY for the combined sectors.

But, if transfers from the commercial sector were allowed, in an initial fixed pound amount, the transfers would change that amount annually as pounds moved to the charter sector. Similarly, you could start out with a fixed percentage of the combined CEY, but the amount of pounds in either sector would change annually with the CEY, and the percentage of CEY in either sector also would change throughout a year as transfers occurred.

As to who can hold QS in the current commercial program: first, you must be a U.S. citizen or U.S. corporation, partnership or other entity. Next:

1. Anyone can hold or purchase A ("freezer") shares.
2. For catcher vessel shares (halibut categories B, C, and D), you must be:
 - a. an initial issuee of quota (an individual or non-individual entity);
 - b. a solely-owned corporation formed by an individual initial issuee for liability purposes;
 - c. an individual who becomes transfer eligible (i.e., receives a Transfer Eligibility Certificate, TEC). An individual can receive a TEC if (s)he demonstrates in an application to NMFS' satisfaction that (s)he has at least 150 days of harvesting experience in any U.S. commercial fishery;
 - d. the individual person who is the heir of a deceased individual QS holder;
 - e. a non-profit formed on behalf of a specific named GOA community, under the community purchase program. Under this program, the non-profit can purchase/sell QS but it can only be leased to residents of the community on whose behalf it is held; or
 - f. any other person, (say, the State of AK) if transferred by "operation of law"; that is by order of a court of competent jurisdiction (Court Order) However, if a person (say a bank, or a divorced ex-spouse) comes in with a Court-ordered transfer, if the recipient is not eligible to receive the annual IFQ permit and fish (i.e., is a "restricted" person), NMFS will issue the QS but not the IFQ. That person would only gain benefit by selling the QS to one of the above persons who can receive it. We do not allow voluntary transfers to restricted persons.

Also, we do not allow voluntary transfers to persons if the transfer would put a person over the holdership caps. But, operation of law transfers do occur, even to persons who can receive and fish the annual IFQ. In that case, the person is not a restricted person, but the additional QS over the cap would be restricted and would not result in annual IFQ until that person's total holding are under the cap.

One final note: it isn't totally clear if the IRS can take QS. That Agency has never taken the QS in it's own name, rather, it has forced transfer to a third party under our program rules and taken proceeds).

Jessie

Kathy Hansen wrote:

THE CONSTITUTION OF THE STATE OF ALASKA
ARTICLE IX

Section 7. Dedicated Funds. The proceeds of any state tax or license shall not be dedicated to any special purpose, except as provided in section 15 of this article or when required by the federal government for state participation in federal programs. This provision shall not prohibit the continuance of any dedication for special purposes existing upon the date of ratification of this section by the people of Alaska.

Appropriation of taxes/assessments

- Because of constitutional prohibition against dedicated funds, taxes cannot be shared with associations without legislative approval through the appropriation process.
- DOR currently administers two tax programs in which the taxes are shared back to various state associations:
 - 1) Salmon enhancement tax (SET)¹ – imposed on all limited entry salmon permit holders harvesting salmon in one of six designated aquaculture regions
 - 2) Regional seafood development tax (RSDT)² – imposed on all salmon drift gillnet permit holders harvesting salmon in Bristol Bay and Prince William Sound
- Statute grants authority to impose, amend or terminate tax
- Statute defines the taxpayer
- Statute establishes tax rate(s)
- Statute establishes method for calculating tax
- Statute establishes reporting and tax payment requirements and due date(s)
- Statute directs legislature to appropriate taxes to the applicable association
- DOR provides tax collection information to Department of Commerce annually
- Department of Commerce submits request for appropriation to Legislature annually

¹ AS 43.76.001-040

² AS 43.76.350-399

Tim Collinson - Dept of Revenue

Alaska Division of Investments
Department of Commerce, Community and Economic Development

IFQ Loans as of March 19, 2007

	Halibut IFQ's		Sablefish IFQ's	
FY 95	10	869,364.00	5	225,170.00
FY 96	18	1,338,649.00	1	28,875.00
FY 97	14	1,073,105.00	5	605,625.00
FY 98	26	2,190,107.00	4	301,508.00
FY 99	11	395,797.00	1	156,250.00
FY 00	8	706,452.00	2	204,923.00
FY 01	22	2,699,373.94	9	705,640.00
FY 02	13	930,443.00	4	393,752.00
FY 03	28	2,201,275.50	8	627,307.00
FY 04	12	962,981.00	9	1,205,221.00
FY 05	22	2,899,684.00	3	497,773.00
FY 06	18	2,591,431.00	9	1,040,500.00
FY 07	6	649,386.00	1	61,000.00
TOTALS	<u>208</u>	<u>19,508,048.44</u>	<u>61</u>	<u>6,053,544.00</u>

IFQ's from FY 01 to present:

121	12,934,574.44	43	4,531,193.00
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Sec. 16.10.310. Powers of the department.

(a) The department may

(1) make loans

(A) to individual commercial fishermen who have been state residents for a continuous period of two years immediately preceding the date of application for a loan under AS 16.10.300 - 16.10.370, who have had an annual crewmember or commercial fishing license under AS 16.05.480 or a permit under AS 16.43 for the year immediately preceding the date of application and any other two of the past five years, and who actively participated in the fishery during those periods

(i) for the purchase of entry permits; or

(ii) to upgrade existing vessels and gear for the purpose of improving the quality of Alaska seafood products;

(B) to an individual for the repair, restoration, or upgrading of existing vessels and gear, for the purchase of entry permits and gear, and for the construction and purchase of vessels, if the individual has been a state resident for a continuous period of two years immediately preceding the date of application for a loan under AS 16.10.300 - 16.10.370, is not eligible for financing from a state financial institution as defined in AS 06.01.050, a federally chartered financial institution, or the Commercial Fishing and Agricultural Bank, and

(i) because of lack of training or lack of employment opportunities in the area of residence, does not have occupational opportunities available other than commercial fishing; or

(ii) is economically dependent on commercial fishing for a livelihood and for whom commercial fishing has been a traditional way of life in Alaska;

(C) for the purchase of quota shares for fisheries in or off the state by individual commercial fishermen who

(i) have been state residents for a continuous period of two years immediately preceding the date of application for a loan under AS 16.10.300 - 16.10.370;

(ii) for any two of the past five years, possessed an annual crewmember or commercial fishing license under AS 16.05.480 or a permit under AS 16.43 and actively participated in a fishery for which the license or permit was issued;

(iii) qualify as transferees for quota shares under applicable law; and

(iv) are not eligible for financing from other recognized commercial lending institutions to purchase quota shares;

(D) to an individual commercial fisherman to satisfy past due federal tax obligations, if the fisherman has been a state resident for a continuous period of two years immediately preceding the date of application for the loan, has filed past and current federal tax returns with the federal government, has executed an agreement with the federal government for repayment of past due federal tax obligations, and either

(i) because of lack of training or lack of employment opportunities in the area of residence, does not have occupational opportunities available other than commercial fishing; or

(ii) is economically dependent on commercial fishing for a livelihood and for whom commercial fishing has been a traditional way of life in Alaska;

(E) for the purchase of fishing quota shares by a community quota entity eligible under federal statute or regulation to purchase the fishing quota shares if the community quota entity is not eligible or qualified for financing from other recognized commercial lending institutions to purchase the fishing quota shares;

(F) to an individual for the upgrade of existing tender vessels and gear to improve the quality of Alaska seafood products, if the individual has been a state resident for a continuous period of two years immediately preceding the date of application for a loan under AS 16.10.300 - 16.10.370;

(2) designate agents and delegate its powers to them as necessary;

(3) adopt regulations necessary to carry out the provisions of AS 16.10.300 - 16.10.370, including regulations to establish reasonable fees for services provided;

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

(5) enter into agreements with private lending institutions, other state agencies, or agencies of the federal government to carry out the purposes of AS 16.10.300 - 16.10.370;

(6) enter into agreements with other agencies or organizations to create an outreach program to make loans under AS 16.10.300 - 16.10.370 in rural areas of the state;

(7) allow an assumption of a loan if

(A) the applicant has been a state resident for a continuous period of two years immediately preceding the date of the request for an assumption; and

(B) approval of the assumption would be consistent with the purposes of AS 16.10.300; an applicant for a loan assumption may not be disqualified because the applicant does not meet the loan eligibility requirements of (1) of this subsection;

(8) prequalify loan applicants for a limited entry permit loan or a quota shares loan and charge a fee not to exceed \$200 for prequalification;

(9) charge and collect the fees established under this subsection;

(10) refinance a debt obligation incurred by a borrower or borrowers under this section if the borrower or borrowers otherwise qualify for a loan under AS 16.10.300 - 16.10.370;

(11) refinance debt obligations, not to exceed \$200,000, incurred by a borrower or borrowers for the purchase of a commercial fishing vessel or gear if the borrower or borrowers otherwise qualify for a loan under AS 16.10.300 - 16.10.370; the department may collect a refinancing loan origination charge as provided by regulation.

(b) *[Repealed, Sec. 34 ch 79 SLA 1985].*

(c) In determining whether an individual commercial fisherman is reasonably likely to be able to repay a loan made under AS 16.10.300 - 16.10.370, the commissioner shall consider the individual commercial fisherman's income from commercial fishing and from all other sources.

(d) *[Repealed, Sec. 9 ch 62 SLA 1994].*

(e) *[Repealed, Sec. 4 ch 12 SLA 2000].*

Sec. 16.10.315. Allocation of loans. [Repealed, Sec. 4 ch 100 SLA 2006].

Repealed or Renumbered

Sec. 16.10.320. Limitations on loans.

(a) Except as permitted in (h) of this section, a loan under AS 16.10.300 - 16.10.370

(1) may not exceed a term of 15 years, except for extensions under AS 16.10.310(a)(4);

(2) may not bear interest exceeding the prime rate, as defined by AS 44.88.599, plus two percentage points, but not more than 10 1/2 percent;

(3) must be secured by a first priority lien and appropriate security agreement;

(4) may not exceed 80 percent of the appraised value of the collateral used to secure the loan; and

(5) may not be made to a person who has a past due child support obligation established by court order or by the child support services agency under AS 25.27.160 - 25.27.220 at the time of application.

(b) A lien in favor of the state is not required for loans guaranteed fully by the federal government under 46 U.S.C. 1271 - 1279b (Federal Ship Financing Act of 1972), as amended. In the case of a security agreement given to secure a loan made under AS 16.10.300 - 16.10.370 and covering a vessel documented under the laws of the United States and so long as 46 U.S.C. 911-984 (Ship Mortgage Act, 1920) as amended, and 46 U.S.C. 801-842 (Shipping Act, 1916), as amended, remain ambiguous with respect to whether or not a state or state agency qualifies as a citizen of the United States for purposes of those Acts, the first lien requirement of this section may be satisfied by the recordation and endorsement of a first preferred ship mortgage under 46 U.S.C. 911-984, and by perfection of a security interest under AS 45.29 (Uniform Commercial Code - Secured Transactions), if the approval of the Secretary of Transportation is obtained under 46 U.S.C. 839 for the transfer to the department of the interest in a vessel documented under the laws of the United States. In the case of a security agreement given to secure a loan made under AS 16.10.300 - 16.10.370 and covering a vessel documented under the laws of the United States, the first lien requirement of this section may also be satisfied by use of a trust deed and bond issued under it, if the trustee is a citizen of the United States and obtains a first preferred ship mortgage on the vessel under 46 U.S.C. 911 - 984, and the approval of the Secretary of Transportation is obtained under 46 U.S.C. 839 and 961 for the transfer of the bond or bonds to the department if the trustee is not a trustee approved by the Secretary of Transportation under 46 U.S.C. 808, 835, and 961.

(c) *[Repealed, Sec. 72 ch 113 SLA 1982].*

(d) The total of balances outstanding on loans made to a borrower under AS 16.10.310 (a)(1)(A) may not exceed \$300,000. The total of balances outstanding on loans made to a borrower under AS 16.10.310(a)(1)(B) may not exceed \$100,000. The total of balances outstanding on loans made to a borrower under AS 16.10.310 (a)(1)(C) may not exceed \$300,000. The total of balances outstanding on loans made to a borrower under AS 16.10.310 (a)(1)(D) to satisfy past due federal tax obligations may not exceed \$35,000. The total of balances outstanding on loans made under AS 16.10.310 (a)(1)(E) may not exceed \$2,000,000 for each community eligible under federal statute or regulation to establish or participate in the establishment of a community quota entity. The total of balances outstanding on loans made to a borrower under AS 16.10.310 (a)(1)(F) may not exceed \$300,000. Excluding loans made under AS 16.10.310 (a)(1)(E), the total of balances outstanding on all loans, including debt refinancing under AS 16.10.310 (a), made to a borrower under AS 16.10.300 - 16.10.370 may not exceed \$400,000.

(e) Two or more individual commercial fishermen who each satisfy the requirements specified in AS 16.10.310 (a)(1)(B) may jointly, whether operating as a corporation, partnership, joint venture, or otherwise, obtain a commercial fishing loan for the repair, restoration, or upgrading of an existing vessel

and gear, for the purchase of gear, and for the construction or the purchase of a fishing vessel. Loans granted under this subsection may not exceed the amount specified in (d) of this section multiplied by the number of qualified commercial fishermen applying for the loan.

(f) *[Repealed, Sec. 34 ch 79 SLA 1985].*

(g) *[Repealed, Sec. 72 ch 113 SLA 1982].*

(h) A loan for an entry permit under AS 16.10.310 (a)(1)(B) may be made for up to 100 percent of the appraised value of the collateral used to secure the loan if the borrower demonstrates that (1) the borrower has at least three years of experience as a commercial fisherman in the fishery to which the entry permit applies; and (2) the borrower has not owned an Alaska limited entry permit in the year immediately preceding the application for the loan. In this subsection "three years of experience as a commercial fisherman in the fishery" means that for an accumulated total of three fishing seasons in the same fishery the borrower has actively participated in the commercial harvest of fish under the direction of a limited entry permit holder.

(i) If a loan is made to a borrower under AS 16.10.310 (a)(1)(A), a subsequent loan may not be made to the borrower under AS 16.10.310(a)(1)(B). If a loan is made to a borrower under AS 16.10.310(a)(1)(B), a subsequent loan may be made to the borrower under AS 16.10.310 (a)(1)(A) if the total of the balance outstanding on loans received by the borrower under AS 16.10.310 (a)(1)(A) and (B) does not exceed \$300,000.

(j) All principal and interest payments, and any money chargeable to principal or interest that is collected through liquidation by foreclosure or other process on loans made under AS 16.10.300 - 16.10.370, shall be paid into the commercial fishing revolving loan fund.

(k) Two or more individuals who each satisfy the requirement specified in AS 16.10.310 (a)(1)(F) may jointly, whether operating as a corporation, partnership, joint venture, or otherwise, obtain a commercial fishing loan, not to exceed \$300,000, for the upgrade of existing tender vessels and gear to improve the quality of Alaska seafood products.

Sec. 16.10.325. Guarantors.

A person may act as guarantor if the borrower has insufficient collateral to secure a loan for the purposes described in AS 16.10.310(a)(1)(B) or (C). The loan agreement shall specifically describe the property of the guarantor to be used as collateral by the borrower and shall be signed by the guarantor and the borrower. The department shall provide the guarantor with a copy of all notices sent to the borrower by the department. If the loan is for the purchase of an entry permit or quota shares, the guaranty by the guarantor may not constitute a lien, mortgage, or encumbrance on or pledge of the entry permit or quota shares.

Sec. 16.10.330. Sale or transfer of mortgages, bonds and notes. [Repealed, Sec. 14 ch 122 SLA 1980]

Repealed or Renumbered

Sec. 16.10.333. Loans for purchase of Alaska limited entry permits.

(a) Loans under AS 16.10.310 (a) may be made to an individual commercial fisherman for the purchase of a limited entry permit 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 commissioner, the permit to be purchased may be pledged as security for a loan under (a) of this section, if

- (1) the certificate for the pledged permit lists the commissioner 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 department in administering the loan.

(c) The commissioner is not liable for any act or omission resulting from permit ownership nor will that act or omission affect the commissioner's title to the permit or the commissioner's rights under it.

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

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

(f) *[Repealed, Sec. 34 ch 79 SLA 1985].*

Sec. 16.10.335. Default and foreclosure.

(a) If the debtor defaults upon a note for which a limited entry permit has been pledged as security under AS 16.10.333 or 16.10.338, the commissioner shall provide the debtor, by both certified and first class mail sent to the debtor's last known address on file with the commissioner, 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 the debtor's outstanding principal and interest as of the date of the default 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 after the postmark date of the notice, request a hearing to submit evidence showing the debtor has not defaulted;

(5) a statement that the note may be reinstated if it is brought current within 120 days after the postmark date of the notice;

(6) a statement that, under AS 16.10.310 (a)(4), the debtor may reinstate the note by submitting to the commissioner a plan of repayment if the commissioner accepts the debtor's plan of repayment;

(7) the place where reinstatement of the note 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) In each case of a limited entry permit being pledged as security under AS 16.10.333 or 16.10.338, the debtor shall maintain on file with the department an address where notice of default is to be sent, if necessary, and where that notice will be timely received by the debtor.

(c) Upon presentation of evidence of mailing in accordance with (a) of this section, the receipt of the notice of default by the debtor will be presumed for all purposes. This presumption is rebuttable by presentation of evidence sufficient to demonstrate lack of receipt of notice through no fault of the debtor. Upon presentation of evidence sufficient to prove lack of receipt of notice through no fault of the debtor, the notice is a nullity.

(d) If requested by the debtor, the commissioner may waive any of the time limits in (a) of this section for a period not to exceed 60 days if

- (1) the debtor demonstrates good cause for the waiver; and
- (2) the commissioner sets out in writing the reasons for approving the waiver.

(e) Except as otherwise provided in (c) and (d) of this section, if the debtor fails to reinstate or satisfy the note within the time specified in (a)(5) of this section, the debtor's interest in the permit is terminated by operation of law without further notice.

(f) Notwithstanding (a) of this section, when a debtor files bankruptcy, the debtor's interest in the limited entry permit is terminated by operation of law without further notice as of the date that the automatic stay issued in the bankruptcy is no longer in effect, unless the debtor has reaffirmed the debt.

(g) If a limited entry permit that has been pledged as security under AS 16.10.333 or 16.10.338 is revoked under AS 16.43.970, the debtor's interest in the permit is terminated by operation of law without further notice as of the date that the revocation takes effect.

Sec. 16.10.337. Deficiencies and transfer of entry permits after foreclosure.

(a) Upon a foreclosure on an entry permit as provided in AS 16.10.335 or the termination of a debtor's interest in an entry permit under AS 16.10.335(g), the commissioner 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 department 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 department shall advertise and sell the permit. If the proceeds of the sale of a permit exceed the amount necessary to pay the note in full, plus penalties, costs of administration of the note, attorney fees, and child support liens of which the department has notice, the excess shall be transferred by the commissioner to the debtor. At any time until the permit has been sold under this subsection, the debtor may repurchase the permit by paying the department the amount necessary to pay the note in full, plus penalties, costs of administration of the note, and attorney fees, as determined by the commissioner.

(c) *[Repealed, Sec. 72 ch 113 SLA 1982].*

(d) Nothing in this section affects the right of the commissioner to institute legal action for a deficiency resulting from a default on a note given under AS 16.10.333. In addition to any deficiency, the debtor is liable for the costs of administering the note and for costs and attorney fees.

Sec. 16.10.338. Entry permits as collateral.

(a) Alaska limited entry permits may be used as security for loans under AS 16.10.310 (a). The provisions of AS 16.10.335 and 16.10.337 apply to Alaska limited entry permits pledged as security for loans in accordance with this section.

(b) If a limited entry permit is pledged for security for a loan made under AS 16.10.310 (a)(1)(B) for the repair, restoration, upgrading, construction, or purchase of a vessel and the borrower thereafter fails to

make a payment or defaults, the commissioner shall, in addition to the notice provided under AS 16.10.335 (a), notify the borrower that subject to the commissioner's acceptance the borrower may sell the vessel, apply the sales proceeds to the debt, and renegotiate payment of the balance due on the loan to avoid the immediate loss of the limited entry permit that has been pledged for security for the loan.

(c) If a limited entry permit is pledged for security for a loan made under AS 16.10.310 (a)(1)(C) for the purchase of quota shares and the borrower thereafter fails to make a payment or defaults, the commissioner shall, in addition to the notice provided under AS 16.10.335(a), notify the borrower that subject to the commissioner's acceptance the borrower may sell the quota shares, apply the sales proceeds to the debt, and renegotiate payment of the balance due on the loan to avoid the immediate loss of the limited entry permit that has been pledged for security for the loan.

Sec. 16.10.339. Regulations.

The department shall adopt regulations to implement AS 16.10.333 - 16.10.337.

Sec. 16.10.340. Creation of fund.

(a) There is a commercial fishing revolving loan fund to carry out the purpose of AS 16.10.300 - 16.10.370.

(b) Money in the fund may be used by the legislature to make appropriations for costs of administering AS 16.10.300 - 16.10.370.

(c) If the commissioner determines that the fund contains money that is excess to that needed to carry out the purpose of AS 16.10.300 - 16.10.370, then the commissioner may use the excess money to carry out the purpose of AS 16.10.500 - 16.10.560.

Sec. 16.10.342. Special account established.

(a) There is established as a special account within the commercial fishing revolving loan fund the foreclosure expense account.

(b) *[Repealed, Sec. 72 ch 113 SLA 1982]*.

(c) The commissioner may expend money credited to the foreclosure expense account when necessary to protect the state's security interest in collateral on loans granted under AS 16.10.300 - 16.10.370 or to defray expenses incurred during foreclosure proceedings after a default by an obligor.

Sec. 16.10.350. Administration of fund.

(a) The commissioner shall administer the loan fund.

(b) The commissioner shall annually prepare a report detailing the number and nature of reinstatements authorized by AS 16.10.335 (a)(5) and notify the legislature that the report is available.

Sec. 16.10.353. Waiver of confidentiality.

(a) The commissioner may release information about a borrower's loan to any individual when release of the information has been authorized by the borrower.

(b) A person obtaining a loan under AS 16.10.300 - 16.10.370 after June 28, 1991 may, by signing a form prepared for the purpose, designate the names of persons and organizations to whom a copy of the notice required by AS 16.10.335 must be sent.

Sec. 16.10.355. Disposal of property acquired by default or foreclosure.

The department shall dispose of property acquired through default or foreclosure of a loan made under AS 16.10.300 - 16.10.370 or former AS 16.10.650 - 16.10.720. Disposal shall be made in a manner that serves the best interests of the state, and may include the amortization of payments over a period of years, but may not be by lease.

Sec. 16.10.360. Definitions.

In AS 16.10.300 - 16.10.370

(1) "commission" means the Alaska Commercial Fisheries Entry Commission;

(2) "commissioner" means the commissioner of commerce, community, and economic development;

(3) "debtor" means an individual commercial fisherman who either initially contracts for a loan under AS 16.10.333 - 16.10.337 or assumes a loan as provided in those sections;

(4) "department" means the Department of Commerce, Community, and Economic Development;

(5) "quota share" means a transferable license, permit, or right issued by the federal government that conveys a right to engage in a fishery in or off Alaska and to take a specified portion of the annual harvest quota for that fishery.

Sec. 16.10.370. Short title.

AS 16.10.300 - 16.10.370 may be cited as the Commercial Fishing Loan Act.

Article 09. SALMON HATCHERIES

Sec. 16.10.375. Regional salmon plans.

The commissioner shall designate regions of the state for the purpose of salmon production and have developed and amend as necessary a comprehensive salmon plan for each region, including provisions for both public and private nonprofit hatchery systems. Subject to plan approval by the commissioner, comprehensive salmon plans shall be developed by regional planning teams consisting of department personnel and representatives of the appropriate qualified regional associations formed under AS 16.10.380.

Sec. 16.10.380. Regional associations.

(a) The commissioner shall assist in and encourage the formation of qualified regional associations for the purpose of enhancing salmon production. A regional association is qualified if the commissioner determines that it

(1) is comprised of associations representative of commercial fishermen in the region;

(2) includes representatives of other user groups interested in fisheries within the region who wish to belong; and

(3) possesses a board of directors that includes no less than one representative of each user group that belongs to the association.

(b) A qualified regional association, when it becomes a nonprofit corporation under AS 10.20, is established as a service area in the unorganized borough under AS 29.03.020 for the purpose of providing salmon enhancement services.

(c) In this section "user group" includes, but is not limited to, sport fishermen, processors, commercial fishermen, subsistence fishermen, and representatives of local communities.

Commercial Fishing Loan Program

Quota Shares



Alaska Division of Investments
Department of Commerce,
Community, and Economic
Development

1-800-478-LOAN
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www.commerce.state.ak.us/investments

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This publication is a summary of the Commercial Fishing Loan Program and is not intended to create any rights enforceable by law. For further clarification, please refer to Alaska Statutes and Alaska Administrative Code.

(REV 08/06)

Commercial Fishing Revolving Loan Fund

AS 16.10.300 - AS 16.10.370
3AAC 80.010 - 3AAC 80.900



Commercial Fishing - Quota Shares



Goal

To provide long-term, low interest loans to promote the development of predominantly resident fisheries and continued maintenance of commercial fishing vessels and gear.

General Requirements

- Alaska resident for past 2 years.
- No past due child support.

Definition of Resident

- Living in Alaska with intent to remain indefinitely.
- Primary and permanent home in Alaska.
- Present in Alaska except for brief intervals (generally less than 90 days) except for military service, education, or good cause.

Eligibility Section C

Held limited entry permit, commercial fishing or crew license for 2 of the past 5 years and fished in Alaskan waters during qualifying years.

Must qualify as transferee for quota share and not be

eligible for financing of quota share purchase from other commercial lending institutions.

Lending Limit

Maximum Section C Loan = \$300,000

Total balances outstanding on all loans, including vessel and gear refinances, made to a borrower under the Commercial Fishing Loan Program, may not exceed \$400,000.

Program Requirements

The loan program is for financing quota share **purchased less than one year** before application date.

Borrower must obtain a letter of denial from a recognized commercial lender that makes loans for the purchase of quota share.

Terms & Conditions

- Interest rate is 2% above the prime rate, not to exceed 10.5%.
- Interest rate will be fixed at the time of loan approval.
- Maximum loan term is 15 years.

Borrower is responsible to pay all direct costs incurred in processing an application.

Collateral Requirements

The quota share being financed will be collateral for the loan.

A priority lien must be obtained.

Maximum amount for a loan secured by quota share is 65% of the purchase price.

Additional collateral may be offered to increase the maximum loan amount.

Fees

- \$100 application fee.
- \$200 prequalification application fee.
- A 1% origination fee will be deducted from loan proceeds at closing.

Prequalification

Provides conditional approval before locating quota share to purchase.

Advantages

- You know your loan limit.
- Faster Loan processing after finding the quota share.
- Loan funds are committed.
- Prequalification approval is valid for 60 days.

