

ALASKA LEGISLATURE SPECIAL COMMITTEE / SUBJECT FILES 86 / 2

414 SCOMM10: LOCAL GOVERNMENT STUDY 1979

- 2) Collateral offered (must be at least 75% of amount requested);
- 3) Participation by other sources of money;
- 4) Credit;
- 5) Management capability and/or personal recommendations;
- 6) Potential that business will generate new jobs.

There is no application fee for participation in this program. However, the costs of preparation of feasibility studies, financial statements and projections, etc. for large loans can be substantial. These costs must be borne by the borrower. The number and complexity of these reports increase when a bank participates in the loan, since the bank, as well as the Division, must be satisfied that its portion of the loan is secure.

The application and approval process now takes from three weeks to four months.

SMALL BUSINESS LOANS

The intent of this program is to aid Alaskans in acquiring, refinancing or equipping small businesses in the State. Loans of up to \$300,000 are available to individuals, partnerships, or corporations. A small business is defined by law as a commercial enterprise with no more than 200

employees and not more than \$10,000,000 in annual gross sales.

Term of Loans - 15 years

Interest Rate - 8%

Applications are available by calling or writing either the Juneau or Anchorage offices of the Division.

Technical and management assistance in filling out applications and statements will be provided by a loan examiner, or by referral to the State Division of Economic Enterprise. No reports or audits are required of a business after a loan has been granted, unless payments are missed or if other problems are apparent.

When examining a loan application, the Division and the Loan Committee consider:

- 1) The statutory requirements (see application form);
- 2) Collateral offered, (must be at least 75% of amount requested).
- 3) Feasibility of the business;
- 4) Credit;
- 5) Management capability and/or personal recommendations.

REMARKS AND SUGGESTIONS

The Division of Business Loans will probably expand its operation and availability of loans in the future. When the staff increases, the Division will publicize its services more heavily. In 1975 and 1977, the Division had a "circuit rider" program which sent loan examiners out into selected villages and towns (most on the Kenai Peninsula). This program was successful, bringing more applicants into the program, and may be repeated in the future. The State encourages these loan programs, since they pay their own way and stimulate hiring as well.

Legislation proposed for the permanent fund will put huge amounts of money into state loans for small businesses. If this legislation becomes law, there will be much more money available in all categories.

OTHER SERVICES AND PROGRAMS

The Division offers loans to individuals in the following categories: Commercial Fishing; Child Care; Historical Sites (currently not funded); Hatcheries; and Water Resources (fund currently exhausted). Village corporations are not eligible to borrow from these funds, but may encourage

individual members to use the services and apply for loans from the programs.

The Division also participates in and administers two development corporations. The Alaska State Development Corporation is now limited to portfolio maintenance and no funds are now being loaned. The Small Business Development Corporation grants loans in participation with the Federal Small Business Administration under the "504" program. The SBA has no 502 funds available, and cannot predict when, or if, they will appear. If these funds again become available, the state is funded to contribute their share. The Small Business Development Corporation participates in 5% of the total loans granted under this program. Local Development Corporations also contribute 5% to an SBA 502 package.

DIVISION OF ECONOMIC ENTERPRISE

IS a division of the State Department of Commerce and
Economic Development

OFFERS o No financial assistance
 o Extremely limited technical and management
 counseling

TO Any Alaskan Business

COMMENT The function of this agency is to offer small
businesses a source of advice, technical assistance,
and financial counseling. Unfortunately, there
is, for the whole state, only one position for
this function. The job was located in Juneau up
until March of 1978, when it was moved to Fairbanks.

The amount of help that any one person might be
able to give is limited but if your business is
near Fairbanks, there is a possibility that some
help may be available.

BUREAU OF INDIAN AFFAIRS

IS A part of the United States Department of the Interior which provides educational, financial and other services to Native Americans. Offices, called agencies, are located in towns, villages, and on reservations, and are managed by superintendents. The office of the Alaska Area Director is in Juneau.

OFFERS o Loan Guarantees and Interest Subsidies
 o Indian Business Development Grants
 (currently inactive)
 o Direct Loans (currently limited)

TO Indians and Alaska Natives who are unable to obtain financing for business enterprises from other sources on reasonable terms. Any person recognized as an Indian by the BIA or as a Native under the Alaska Native Claims Settlement Act is eligible. Any organization in which at least 51% of the owners are Indians or Natives is also considered to be eligible for assistance. (see Definitions, Indian Financing Act of 1974, 25 USC at 1452)

PROGRAMS

LOAN GUARANTEES AND INTEREST SUBSIDIES

The BIA will guarantee up to 90% of a loan made to an eligible person or organization by any lender regularly making loans.

This guarantee makes a loan more attractive to a lender.

In some cases, an interest subsidy may also be granted. If, for instance, a loan guaranteed by the BIA requires payment of 8% interest, and the interest rate which the business would have paid for a direct government loan is $6\frac{1}{2}\%$, the BIA will pay the difference, or $1\frac{1}{2}\%$.

Applications for eligibility certificates are available at any Agency Office or by writing any Agency or the Area Office in Juneau.

To participate in this program, a business should first contact their bank as it would in applying for any loan. If the bank suggests a guarantee as a condition of the loan, the borrower may then go to the Agency or Area Office for a Certificate of Eligibility. The borrower complete all applications and financial statements required by the bank, and the bank then sends these statements to the BIA for a certificate of guarantee. A bank will usually provide the borrower with any assistance he needs in filling out the loan application and financial statements.

Generally, if a bank is willing to loan money for a business, the BIA will approve a guarantee. The borrower must have collateral for the loan. Final approval on guarantees and interest subsidies is made in Washington, D.C.

The application and approval process takes from 30 days to over a year.

The lending bank is responsible for servicing the loan, and after closing, the borrower has little or no further contact with the BIA.

INDIAN BUSINESS DEVELOPMENT GRANTS (Inactive)

The BIA may make grants of up to \$50,000 for profit-making ventures, including co-ops. The grant can be for no more than 40% of the amount needed for the business. Many banks and other lending institutions will accept the promise of a grant as all or part of the borrower's portion (equity) of the total financing. If the business fails, or is sold within three years after it receives a grant, the money must be repaid to the BIA.

Applications are available at any Agency Office or by writing any Agency or the Area Office in Juneau.

The credit officer at the Agency Office, or a representative of the BIA from the Area Office will assist in preparing the required forms and financial statements, if requested by the borrower. He will also advise an applicant on other possible sources of money.

When examining a grant application at the Area Office, the BIA considers:

- 1) the feasibility of the business (may request a feasibility study);
- 2) the background and experience of the managers of the business;
- 3) the amount of money currently available for grants.

Final approval of a grant is made at the Area Office.

The application and approval process takes from 30 days to over a year.

After receiving a grant, the business must submit semi-annual reports for the first two years of operation, and annual reports for the next three years to the BIA Area Office.

The BIA will provide accounting and other technical assistance to a business which has received a BIA grant if the business requests such assistance or is in financial trouble.

NOTE: DUE TO AN ERROR IN THE BIA APPROPRIATION FOR FISCAL YEAR 1978, THIS GRANT PROGRAM WAS NOT FUNDED. THE AREA CREDIT MANAGER SAID THAT A SUPPLEMENTAL APPROPRIATION FOR FY 1978 MAY REMEDY THE PROBLEM. FUNDING IS NOW BEING SOUGHT FOR FY 1979.

DIRECT LOANS - THE BIA REVOLVING LOAN FUND (currently limited) An \$85 million loan fund has been established for direct loans to eligible borrowers who have exhausted all other possibilities for securing funds. The maximum term of these loans is thirty years.

Interest rates are low, (approximately 6%) and are set by the Secretary of the Treasury. For permission to apply (see note), contact the nearest Agency Office or write the Area Office in Juneau.

When examining an application for a direct loan, the BIA considers:

- 1) the feasibility of the business;
- 2) collateral offered by the owners or the company;
- 3) the background and experience of the managers of the business;
- 4) the availability of money in the loan fund.

Final approval of a direct loan is made in Washington, D.C.

The application and approval process takes from 30 days to over a year.

During the application process and after a loan has been granted, the BIA will provide management and financial assistance to the borrower. Businesses will be required to file reports after receiving a BIA loan, as requested by the BIA (quarterly, annually, etc.)

NOTE: BECAUSE OF A CURRENT SHORTAGE IN DISBURSABLE FUNDS UNDER THIS PROGRAM, PERMISSION TO APPLY MUST BE GRANTED BY THE BIA IN WASHINGTON, D.C., BEFORE A POTENTIAL BORROWER MAY FILE A FORMAL APPLICATION FOR A LOAN.

OTHER SERVICES OFFERED

Federal Domestic Assistance Program Retrieval Systems (FAPRS): this computer system, now in use by the BIA, can tell an applicant which of the over 1000 federal grant and loan programs he is eligible for. This listing includes both business and personal types of assistance. An applicant may fill out an information sheet for this service (free) at any Agency or Area Office of the BIA.

REMARKS AND SUGGESTIONS

The most useful program for village corporation businesses appears to be the Loan Guarantee -- Interest Subsidy program.

Loan, Grant, and Guarantee applicants should be aware that the application and approval process is long, and should not expect quick approval or denial of a request.

COMMUNITY ENTERPRISE DEVELOPMENT CORPORATION OF ALASKA

IS A private non-profit coporation funded by the
Federal Office of Economic Development, Community
Services Administration (CSA), which is an agency
of the President's Office.

OFFERS o long term loans
 o special short-term loans
 o loans from revolving fund
 o loans from fishery loan fund
 o technical and training assistance
 for managers and board, from application
 until the venture has become fully
 self-sufficient
 o accounting assistance and training as
 needed
 o expediting and ordering service
 o specialized development counseling
 o frequent visits by CEDC personnel
 to rural business locations

TO Rural communities. Both the community where the
venture is to be located, and the owners of the
proposed venture must meet CEDC standards:

Community: Must be rural, defined as outside of Anchorage, Fairbanks, Ketchikan, or Juneau.

Venture: Must be broadly owned with minimum of 15 members. (ANCSA village corporations are eligible.) Majority of owners (stockholders) must be below CSA defined poverty level.

Enterprise must "further the permanent economic and social benefits in the area. It must provide a needed service or product, employment and ownership opportunities, and management skill development."

The applicant must have attempted to obtain financing from other sources before CEDC may participate.

PROGRAM

CEDC offers a single program of rural enterprise development, including a large amount of specialized technical assistance, and financing available from a number of sources within the agency. Application is by an informal letter from the village enterprise to the director of CEDC. The letter is

referred to CEDC's development department, which requests that the following information be provided:

Village Board Resolution: stating what assistance the village wants CEDC to provide (financing and/or a feasibility study). The resolution must be signed by both the president and the secretary of the board of directors.

Project Information: type of venture; ownership; location of business; management and operation; and estimated funding.

Following the initial findings of the CEDC staff, the project is reviewed by the CEDC grant and loan review committee. This decision is examined by the CEDC executive committee. The final decision is made, based on CEDC recommendations and findings, by the Community Services Organization in Washington, D.C.

CEDC has four internal loan funds:

1. Long Term loans: term to 15 years, 7.5% simple interest, final approval by CSA in Washington.
2. Special Short Term Loan Fund: term to 6 months; for businesses with established relationship with CEDC; maximum of \$15,000 for each venture; approval by CEDC director; maximum total amount of loans from fund is \$90,000.

3. Revolving Fund: made up of money repaid on Long Term Loans. Conditions dependent on availability of these funds; decision may be made by Executive Committee or Board of Directors of CEDC.
4. Fishery Loan Fund: term to end of fishing season; 7½% simple interest rate; \$250,000 limit per venture per season; approval by CEDC Executive Committee or Board; total loans from fund to \$600,000.

CEDC offers an extensive program of technical assistance and training for all of its ventures. Depending on the management abilities of the venture's owners, the CEDC is prepared to provide: bookkeeping services; training for bookkeepers; retail specialists; training for managers; and an expediting service located in Anchorage to reduce costs and delays in getting merchandise into remote stores.

COMPREHENSIVE EMPLOYMENT AND TRAINING ACT (CETA)

IS Federal legislation designed to provide job training and employment opportunities to economically disadvantaged unemployed and under-employed persons. It is administered in Alaska by the State Division of Community & Regional Affairs.

OFFERS o payment of salary of employees while training on the job

 o job skill training

TO For-profit businesses

CETA offers to for-profit corporations the opportunity to have up to half of an employee's salary (but not benefits) paid while he is in "on the job training."

Depending on the job classification, CETA determines what percentage of the employee's time will be spent "training," and how long the training period should take. The employer must guarantee a job to the trained employee at the end of this period.

Another CETA benefit available to village for-profit corporations is classroom training outside of the village. If a potential or present employee is CETA eligible (this depends on how long he or she has been out of work) then the program can pay to have the person sent to a training center where up to six months of intensive training is given. All travel expenses, room, board and a stipend are paid.

ECONOMIC DEVELOPMENT ADMINISTRATION

The Economic Development Administration (EDA)
IS a division of the U. S. Department of Commerce.
This agency was established to aid areas with high
unemployment and low income families.

- OFFERS
- o Business Development Assistance (BDA)
 - o Grants or loans for Public Works and
Development Facilities
 - o Planning Grants for Economic Development
 - o Technical Assistance Services and Grants

1. Business Development Administration

The BDA offers direct loans and loan guarantees for both
fixed and working capital expenses, as well as guarantees on
rental payments for leases on equipment and buildings. BDA
has been leaning more towards loan guarantees than direct
loans, and prefers to fund expansions of existing businesses,
or co-ventures, since success here is more certain.

Eligibility requirements for the above state that the business
must be located within an EDA re-development area. This is
automatically met by a village corporation because the whole
state of Alaska has been designated as such an area.

BDA will not be granted if financial assistance is available from another source. In particular, this entails that a project to be considered at all by the EDA under this program must exceed \$500,000, since any figure below this may be taken up with the SBA.

As briefly noted above, one of the main criteria for EDA financial assistance is jobs. Such assistance is generally limited, however, to \$10,000 per job created or saved. Other limitations on money include the following. Fixed asset loans may not exceed 65% of the total costs. This, combined with SBA considerations, means that any project which needs loans for fixed capital must be above the one million dollar mark. In addition, BDA requires that the owner put in 15% equity, and will offer a bank or other lender first lien position on a loan for the additional 35%. (In other words, banks can get their money first, if the business fails.) But working capital loans and guarantees may be made up to 100% and 90% of total costs, respectively.

In all cases, it should be noted that loans are strictly limited by money available to BDA. At the present time, there is no direct loan money available nationally. Loan guarantee applications are also not being accepted. Moreover, program money is usually available only for three months after the beginning of the October 1st fiscal year.

2. Public Works

Projects eligible for grants or loans for public works must be consistent with the Overall Economic Development Program (OEDP). Applicants cannot be for-profit organizations. However, a village municipality may be eligible for a grant of this type for the construction of, say, a fire station. Since a fire station would make insurance on your village store reasonable, this would be a great help to your village corporation. Other examples are: dock and airport improvements, salmon hatcheries, water/sewage extensions, road construction, cultural centers, and snow machine garages. Note that grants or loans under this program cannot be provided for projects concerned with electric or gas energy, or for the relocation of industries or jobs.

3. Planning Grants

These are available, as funds permit, to non-profit development organizations and to local governments. Since most EDA program must be consistent with OEDP, and must have full information on an applicant before consideration for any grant or loan, this particular program can be tremendously valuable for villages when they are making an application for a loan from a bank or under some other EDA program.

Suppose, for instance, your community government or the non-profit arm of your corporation receives a grant of this type. The subsequent planning may show that a new business or the expansion of an old one is possible. In this case, if it decides it wants to go into such a business, your village corporation will have some of the important information necessary for a successful loan application.

4. Technical Assistance

This program is designed to deal with specific problems such as the feasibility of a fish processing plant at a certain location. It can offer either grants, where the maximum assistance is 75% of costs, or services, whereby the work is done under Federal contracts, and where assistance may be in full.

To repeat: as in all EDA program, projects which will benefit groups suffering from low income and high unemployment will be more likely to win approval. Technical assistance may be given to private corporations (in addition to local governments), on the condition that they agree to pay back the Federal Government if the program is a success. No repayment is necessary, however, if the program fails. In the case of public organizations, no repayment at all is required.

The program is emphasized as being extremely versatile, and you are encouraged to contact the EDA area representative for further information on Technical Assistance.

FARMERS HOME ADMINISTRATION

IS A division of the United States Department of Agriculture. Its mission is "to provide assistance to rural Americans by:

- 1) encouraging and supporting family farm ownership and operation to provide an economic and social base;
- 2) providing adequate housing;
- 3) installing needed community facilities;
- 4) providing economic support to farmers affected by disaster; and
- 5) fostering economic development with loans for rural business and industrial enterprises."

Supervision of the Alaska field office is by the regional office in Portland.

OFFERS A large number of direct loans, guaranteed or insured loans, and grants. The programs of interest to village corporations are:

- o Rural Rental and Cooperative Housing Loans
- o Business and Industrial Loans

There are a number of other loan programs (community facilities, land acquisitions, housing site development, self-help technical assistance, grazing associations, etc.) available to non-profit corporations, municipalities, cooperatives, or Indian groups organized under the Indian Reorganization Act. These programs will not be examined here, but more information may be had from the Alaska office.

TO for-profit corporations are eligible for the two programs noted above.

PROGRAMS

BUSINESS AND INDUSTRIAL LOANS

This is a loan guarantee program, with the borrower required to supply a 10% share as equity. The thrust of the program is to create or save jobs in rural areas, and the evaluation criteria for selection are the number of jobs affected and the soundness of the proposal. The Department of Labor evaluates each application, and the typical evaluation process takes from two to three months.

The initial contact is made with a bank which, after determining that it wishes to handle the loan, will contact FHA for a guarantee.

The guaranteed funds may be used for a broad range of commercial purposes. Examples include: facility construction or purchase, buying land, equipment or inventory, pollution control, or supplying working capital.

Collateral is required, at the discretion of the lending bank, and interest will be set by the bank at the normal market rate -- taking the guarantee into consideration. Terms may not exceed: 30 years for real estate, 15 years for machinery or equipment, or seven years for working capital.

There is a one-time 1% guarantee fee which must be paid to FHA. Any assistance given the borrower is done at the discretion of the lending bank. See the Bank section of this booklet for bank services available.

The FHA projects that the funds available for this program will rise from 1.8 million to 10-12 million dollars within three years.

RURAL RENTAL HOUSING

This is an extremely limited loan program which allows for-profit corporations (among others) to construct rental housing in rural areas.

The restrictions include:

- occupants must be "eligible", i.e., "low or moderate incomes, or senior citizens." Income levels are set by FHA.
- rent charges "must be within limits that eligible occupants can afford to pay."
- borrowers are required to deposit rental income in special accounts and establish reserve funds to meet long-term capital replacement needs.

In effect, profits are limited and the stringent regulations may limit the owners' options on building management.

This program may be of interest to village corporations interested in the construction business and may be especially appropriate should a village construction business need to fill a gap between contracts and wish to contribute to the village at the same time.

Note: There is an additional FHA grant program that village corporations should know about. There are grants available to public bodies, such as incorporated (second class) villages, to finance industrial sites that will result in the development of private business enterprise. This money may be used in conjunction with other funds to acquire land and construct buildings. Utility installation and equipment may

also be funded. This money may serve as equity for some other types of loans. The availability of this money may make possible the specific planning (no "comprehensive area type" planning is permitted) by your village government to allow your corporation to proceed with a business venture in the village.

NATIONAL MARINE FISHERIES SERVICE

IS A division of NOAA, the National Oceanographic and
 Atmospheric Administration, which is an agency of
 the United States Department of Commerce.

OFFERS o Obligation Guarantees for major capital investments
 in fishing boats or fishing facilities
 o Capital Construction Fund -- tax credit for
 fishing related boat construction

TO Any individual or corporation

OBLIGATION GUARANTEES

For Alaska fisherman, this program is actually being offered
by a combination of two agencies, one government and one
private.

The federal government, through the National Marine Fisheries
Service, is offering to guarantee loans for financing or
refinancing up to 75% of the cost of constructing, re-
constructing, or reconditioning U.S. commercial fishing
boats of at least five tons. Reconstructing and recon-
ditioning mean major improvements to used vessels costing at
least \$40,000 or 20% of the replacement value of the vessel.

Under this program it is possible to take a loan against a used vessel (re-finance) and use the guaranteed money to buy facilities or equipment for commercial fishing. Examples include: docks, processing facilities, and fishing gear.

The rates of interest on these loans will reflect the commercial market for no-risk loans. NMFS will also offer the following assistance: feasibility studies, preparation of closing documents, holding and servicing of collateral, and closing of the loan.

Processing time is between 30 and 60 days. There is a .75% annual guarantee fee to be paid on the unpaid principal balance. An application fee of .25% of the first \$300,000 (or portion thereof) must be paid upon application and is not refundable. If application is approved, a commitment fee equal to the investigation fee is due. There are additional restrictions on vessels for the Alaska salmon or king crab fleets.

This type of loan is very attractive to a lender: there is no risk and NMFS does much of the work.

In relation to this program, Merrill Lynch has become the NMFS "field office" for Alaska, and will not only help an applicant to apply for the Obligation Guarantee, but will

act as the direct lender and actually provide the money to the borrower. Thus it is not necessary to shop for a bank willing to provide the loan for this program.

The goals of this program closely match those of the State of Alaska Commerical Fishing loans. These state loans offer substantially lower interest rates and costs but, unfortunately, are not available to corporations. The NMFS Obligation Guarantee program is available to corporations, and village corporations may find it a good source of funding should a commerical fishing venture be contemplated.

CAPITAL CONSTRUCTION FUND

For owners or leasors of fishing boats rated at two net tons or over, this program allows keeping of all or portions of money which would have had to be paid for federal income taxes. This money may then be used to construct, reconstruct or (under limited circumstances) acquire a new fishing boat.

This program is entered into by agreement between the fisherman and the government, and application should be made to the regional NMFS office or the representative (Merrill Lynch) in Anchorage.

It is possible to combine the tax benefits of this program with a guaranteed loan from the Obligation Guarantee program for the construction of a new vessel.

THE SMALL BUSINESS ADMINISTRATION (SBA)

IS An independent Federal agency created by Congress in 1953 to assist and counsel American small businesses. The Agency provides prospective, new, and established members of the small business community with financial assistance, management training and counseling, and help in procuring government contracts.

The SBA administers 19 different types of financial assistance programs, but not all the programs are funded all of the time. Most are generally inactive.

OFFERS o Loan Guarantees
 o Direct Loans
 o Management and Technical Assistance

TO Most small businesses, except speculative firms, newspapers, radio and television stations, other forms of the media, and gambling enterprises. Generally, if a business can get a loan under reasonable terms from a bank, it is not eligible for a direct loan from the Small Business Administration.

PROGRAMS

LOAN GUARANTEES

The SBA will guarantee both long term loans and lines of credit (up to 18 months). These guarantees are available for up to 90% of the total amount needed by a small business, but are limited to loans of \$500,000.

The application process for an SBA loan guarantee begins at the bank where a borrower files the normal loan applications and business package information. Most frequently, the bank will recommend that a prospective borrower seek a guarantee from the SBA or other agency, sometimes as a condition of the loan agreement. A guarantee makes a loan proposal more attractive to the lending bank, and generally, if a bank is willing to make a loan to a borrower, the SBA will guarantee it. A guarantee reduces the bank's risk to 10% of the total amount borrowed for a business.

DIRECT LOANS

The Small Business Administration will make direct business loans of up to \$150,000 under several programs. The application process, eligibility requirements, and application evaluation criteria for all direct loan programs are the same, except as noted in the description of each program. The Small Business Administration emphasizes maximum private lender participation in each loan. A borrower may apply for a direct SBA loan at either the Anchorage or Fairbanks offices of the agency.

To be eligible for a direct loan, the business proposed must be legal, and cannot be an investment company which depends upon real estate, buildings, rental property, etc. for its profit. It must be a small business: for business loan purposes, SBA defines a small business as one that is independently owned and operated, not dominant in its field and meets employment or sales standards developed by the Agency. For most industries, these standards are as follows:

Manufacturing: Number of employees may range up to 1,500, depending on the industry in which the applicant is primarily engaged.

Wholesaling: Small if yearly sales are not over \$9.5 to \$22 million, depending on the industry.

Services: Annual receipts not exceeding \$2 million to \$8 million depending on the industry in which the applicant is primarily engaged.

Retailing: Small if annual sales or receipts are not over \$2 to \$7.5 million, depending on the industry.

Construction: General construction: average annual receipts not exceeding \$9.5 million for three most

recently completed fiscal years. Special trade construction: average annual receipts not exceeding \$1 to \$2 million for three most recently completed fiscal years, depending on the industry.

Agriculture: Annual receipts not exceeding \$275,000.

Ask the nearest SBA field office which standard applies to your type of business.

Loan requests will be evaluated on the following criteria:

- o eligibility
- o ability to repay loan
- o collateral offered, through the SBA may make direct loans without collateral for security. The SBA will not turn down a loan for lack of collateral.
- o feasibility of the planned business

(Note: Since one of the goals of the SBA is to encourage the development of small businesses, it recognizes that applicants may not be able to demonstrate a clear history of business success, or provide heavy equity in the business. Management and technical assistance are available to borrowers to offset deficiencies in those areas.)

After receiving a completed application, the SBA requires four to five days for internal action. Most loans can be

approved at the Anchorage Office. The time for review and approval or denial of an application increases significantly if the application is incomplete.

TERMS: Fixed capital loans - up to 20 years
 Circulating capital loans - up to 6
 years

Interest Rate - 6 5/8%

REGULAR BUSINESS LOANS (7a Program)

Interest rate: 5.5%

This program is open to any borrower eligible under the general standards of the SBA.

ECONOMIC OPPORTUNITY LOANS (maximum \$100,000)

Interest rate: 5%

The SBA grants these loans to help persons who are socially or economically disadvantaged and who own their own business. Both new and established firms are eligible for the program.

LOCAL DEVELOPMENT COMPANY (LC) LOANS (502 Program)

Interest rate: 5%

The SBA grants these loans to Local Development Companies made up of local citizens (25 or more) whose primary purpose is to improve their area's economy by assisting small businesses.

An LDC may apply for an SBA 502 loan to help buy land, build new factories, shopping centers, etc., acquire machinery and equipment, and expand or convert existing facilities, provided that the project will assist at least one small business. Local Development Companies must provide a reasonable share of the cost of the project. usually 20%.

The State of Alaska participates jointly in this program by loaning up to 5% of the total amount of the loan as a participating lender.

STATE DEVELOPMENT COMPANY LOANS

This program is essentially the same as the Local Development Company program, but applies to companies formed to assist state-wide businesses. The money earned by an SDC is used to supply small businesses within the state with long term loans and equity capital.

SPECIAL TYPES OF LOANS

Terms and interest are very reasonable but not fixed.

DISPLACED BUSINESS LOANS

Small businesses suffering economic injury if they are forced to move because of federally aided renewal or other construction projects are eligible to apply for these loans. The money may be used to help relocate or re-establish the business.

PHYSICAL DAMAGE NATURAL DISASTER RECOVERY LOANS

When the President or the Administrator of the SBA declares a specific geographical area a disaster area as a result of a natural disaster such as a hurricane, fire, flood, or earthquake, homeowners, renters, and the owners of small and large businesses within the disaster area may apply for these loans to repair or replace their damaged or destroyed property.

ECONOMIC INJURY/NATURAL DISASTER LOANS

When the President, the Secretary of Agriculture, or the Administrator of the SBA declares a specific geographical area a disaster area as a result of a natural disaster, the owners of small businesses which have suffered economic losses as a result of the disaster may apply for these loans. The money may be used for working or circulating capital and to pay financial obligations which the owners could have met had the disaster not occurred.

PRODUCT DISASTER LOANS

The SBA makes these loans to small firms that have suffered substantial economic injury because they cannot process or market a product for human consumption because of disease or toxicity resulting from either natural or undetermined causes.

BASE CLOSING ECONOMIC INJURY LOANS

The loans are made to small businesses which have suffered or will suffer substantial economic injury as a result of the closing of a major federal military installation or a severe reduction in the scope and size of operations of a major installation. The money may be used to help a small business continue in business at its existing location, re-establish its business, purchase a new business, or establish a new business.

STRATEGIC ARMS ECONOMIC INJURY LOAN

The SBA is authorized to make these loans to assist or refinance the existing indebtedness of any small business directly or indirectly affected by a significant reduction in scope or amount of federal support for any project as a result of any international agreement limiting the development of strategic arms or the installation of strategic arms facilities.

EMERGENCY ENERGY SHORTAGE LOANS

These loans may be made to a business suffering economic injury as a result of shortages of fuel, electrical energy, or energy producing resources, or shortages of raw or processed materials resulting from shortages of energy.

REGULATORY ECONOMIC INJURY LOANS

If the federal government passes new regulations which cause a small business to change their facilities, operations, or equipment, the business is eligible for a loan under this program.

SMALL BUSINESS INVESTMENT COMPANIES

Another way in which SBA helps finance small businesses is through privately owned and operated Small Business Investment Companies (SBIC's). SBIC's are licensed, regulated and in certain cases, financed by the SBA. The SBIC's supply venture capital and long term financing to small firms for expansion, modernization, and sound financing for their operations. Some SBIC's also provide management and technical assistance to small businesses. A special section of the law (301-d) established special SBIC's for minority enterprises. These are called Minority Enterprise Small Business Investment Companies (MESBIC's). The MESBIC's are dedicated solely to assisting small businesses owned by socially or economically disadvantaged people. This includes, but is not limited to, Black Americans, American Indians, Spanish-Americans, Asian Americans, Aleuts, and Eskimos.

MANAGEMENT AND TECHNICAL ASSISTANCE

Most business failures happen because of lack of good management. For this reason, the SBA places special emphasis

on improving the management ability of small business owners and managers. The agency's Management and Technical Assistance Program is extensive and diversified. It includes free individual counseling by retired and active business executives, university students, and other professionals; business courses, workshops, problem clinics, and a wide range of publications.

The SBA requires participation in the Management and Technical Assistance program by all recipients of direct loans. Any small business may, however, request these services.

To enroll or learn more about the Management and Technical Assistance Program, contact either the Anchorage or Fairbanks offices of the SBA.

REMARKS AND SUGGESTIONS

In the future, the SBA expects to increase its activities in the area of loan guarantees and decrease its direct loan and loan participation services. Currently, the SBA is loaning \$4 - \$5 million directly, and guaranteeing approximately \$15 million in bank loans in Alaska.

The SBA requires quarterly reports from small businesses using its loan or guarantee services. According to the

Alaska District Director, these reports are "tools which a business should be using regardless of their financing, so we don't feel like we're placing an additional burden on our clients."

The SBA is currently loaning or guaranteeing money to many village corporations and rural enterprises. The SBA considers this area of service to be of major importance, since economic stability and employment increases in under-served areas are critical.

Frank Cox, District Director of the SBA, said that he has visited every city and village in the state, and encourages his employees (32 SBA employees in Alaska) to become familiar with the special needs of rural and bush Alaska.

VARIABLES AFFECTING THE SUPPLY OF CREDIT

We have elsewhere studied the importance of preparing the business package; putting the "best foot forward" when applying for a loan. Now let's assume your application for the loan has been submitted to the bank and examine what factors will influence the ability of the bank to make the loan.

Commercial banks are "financial intermediaries". That is to say they are "in-between" those people and organizations which have more money than they need, and those people and organizations which has less money than they need. Commercial banks, in other words, seek to match the supply of investable funds flowing from savers with the demand for investable funds flowing to borrowers. Commercial banks, and other financial intermediaries, serve as "buffers" to help balance the supply of money and credit with the demand for money and credit. At some times these "buffers" may fill to capacity, having large amounts of funds available, perhaps more than is demanded by borrowers. At other times these "buffers" may be nearly depleted of funds, having more demand for loans than they have funds available. At all times their function is to make savings readily available for borrowers.

Commercial banks are businesses for profit. Essentially, banks borrow money (or attract deposit funds) which they in turn

lend to businesses or individuals in need of a loan. In order to make a profit, commercial banks must earn more on loans than they must pay for their deposits. In other words, the cost of funds to the bank must be less than the bank earns on its loans and investments. The interest rate spread (the difference between cost and return) is consequently the focal point of the banker's attention. Bankers will watch the interest rate spread closely because it determines their profit opportunity. For example, if the average cost of funds to a bank is 5.50% and the average yield on its loans and investments is 10.50%, the interest rate spread is 5.00%. From this difference in interest rates, the banker must pay his operating costs, set aside reserves for losses on loans, pay taxes, and so on, just like most other businesses. When credit is tight, commercial banks will be scrambling for funds just as prospective borrowers do. Banks will bid against each other for private deposits and the deposits of state and local governments (public funds). In periods of tight markets, the cost of these funds will tend to rise. The banker will naturally seek to "pass along" his increased cost to those individuals and businesses seeking loans at the bank. If he did not, he would endure a profit squeeze or loss. Thus, the cost of bank loans increases when the demand for funds exceeds the supply (i.e. when credit markets are tight.)

When there is slack in the credit market, bankers may have deposits in excess of loan demand. In such times, the banker will be out "beating the bushes" for loan customers and may grant concessionary terms in order to make loans.

There are limitations imposed upon commercial banks by federal and state regulatory agencies. Banks are limited in the rate of interest they can charge on loans and there are ceilings on the interest rates they can pay depositors. Also, commercial banks must maintain a certain ratio between deposits and loans. They cannot loan out all the funds on deposit at the bank. Finally, banks are required to set aside reserves for losses on loans.

There are also competitive forces which influence bankers' behavior. The banker cannot continually charge more for loans, or pay less for deposits, than do competitor banks without suffering eventually from slower growth and poor performance. An aggressive bank will be alert to new loan markets and attentive to the needs of loan customers.

It should be remembered that the terms under which business loans are made are negotiated. The bank may seek to require minimum deposits at the bank during the life of the loan and guarantees are frequently sought as well. These terms

effectively increase the cost of the loan to the borrower, should be carefully considered, and a relaxation sought through negotiation and shopping at competitor banks.

THE BUSINESS PACKAGE

You spend a lot of time, and a good deal of thought, in planning your business venture. In order to get help in financing the idea to turn it into a reality, it is absolutely essential that you do your very best to communicate both your idea and your qualifications to the lender you are approaching for help. Remember that there are three key elements in any potentially successful business:

- 1) the business idea,
- 2) your ability to carry the idea through and,
- 3) the financial feasibility.

All of the sources of financial assistance listed in this inventory are primarily interested in the success of your future business. In order that these sources commit their money to your venture, they will need to be convinced that it is not merely possible for the business to be successful, but that you are capable of managing the business under many different circumstances.

Because every institution which lends or gives money to a business makes a commitment to the success of the business, they may be considered, and should be dealt with, as partners in the venture. Therefore, it is necessary to present to your potential "partner" (any lender) all the information that you have about your business. This information should be presented in a clear manner so that a decision can be made in light of all the facts.

This presentation of information is one of the most important initial steps for a new business. Through many years of experience, bankers and other lenders know what information they need to make their decisions, and this information, put together in one document, is called a "business package". (It is also called a "loan proposal", or "loan package", but we will call it a "business package": the terms all refer to the same thing).

There are some agencies and banks which do not require a formal business package to begin processing your application. There are also banks and agencies which will help you to prepare this package of information. Nevertheless, wherever you are seeking financial help, it is strongly advisable that you come into the situation with a business package in the best possible form. If large or very important sums of money are needed you might consider working with a professional financial consultant to get your business package into such a condition.

A tight business package is especially important for the village corporation looking for financial assistance. For a number of reasons, much of the Alaska business community feels that many native businesses are not well managed. (It is only the problems that get into the newspaper.) No banker or agency director wants to lend money that will not be repaid. In order then, to get money for your business, the easiest way to prove that your business is or will be well managed is to present a tight business package. A business package is

like an X-ray of your proposed venture: it should show everything.

Here is what you have to do to prepare a professional business package.

-
First: plan. Your planning must cover four key business areas, and it makes sense to separate this work into four distinct working plans. They are:

- 1) a market study,
- 2) a sales plan,
- 3) a technical and operational plan
(to implement the sales plan), and
- 4) a financial plan (to organize and
analyze the sales estimates and
cost data developed in other plans.)

Next, you must develop the package, drawing from plans (1) - (4). Following is a checklist of the elements which make up a typically thorough business package:

1) BUSINESS DESCRIPTION AND PRODUCT DEFINITION

- A. Specific goods, merchandise and/or services to be produced or sold.
- B. Mix of goods, merchandise and/or services to be produced or sold.
- C. Pricing policy, prices planned, plus the method and reasons for determining policy and prices.

2) MARKET DESCRIPTION AND ANALYSIS OF MARKET CAPTURE STRATEGY

- A. Primary and secondary trade areas.
- B. Current and potential trade area sales volume plus evidence supporting estimates.
- C. Current and potential trade area customer categories and individuals including numbers and purchasing power plus evidence supporting estimates.
- D. Major competitors including location, products, customers, market share, competitive advantages, sales and market percentage, growth potential and analysis of how they compete.
- E. Market capture strategy including competitive advantages, advertising policy, advertising planned, method and rationale for determining policy and advertising plus customer conveniences.
- F. Potential customer categories and individuals including method and rationale for determining categories and individuals plus any written purchasing commitments.

3) INVENTORY LIST

- A. Type, quality and quantity inventory on hand (if any).

- B. Type, quality and quantity inventory required.
- C. Narrative including method and rationale for determining requirements, source of supply, supplier services, proposed business/supplier legal relationship, delivery time and projected turnover.
- D. Cost of purchase as a figure and percentage of annual projected sales plus minimum orders, credit terms and freight or delivery costs (if any).

4) LOCATION DESCRIPTION

- A. Address, area characteristics, notable features and zoning.
- B. Proximity to: customers, competitors, complementary businesses, inventory suppliers, labor and personnel supply. Transportation routes for: customers, inventory, labor, personnel, and distribution or delivery.
- C. Explanation of expansion potential.

5) PHYSICAL FACILITY DESCRIPTION

- A. Land lot and building size.
- B. Space and/or suitability for:
 - 1. customer and vehicle access and/or entry, parking and loading;
 - 2. inventory storage and movement;
 - 3. fixtures, furniture, machinery and equipment;
 - 4. utilities;
 - 5. production sales and/or service functions, labor and supervisors;
 - 6. management and administrative functions and personnel;
 - 7. merchandise display (if any);

- 8. compliance with federal, state and local laws and codes;
 - 9. security;
 - 10. insurance; and
 - 11. expansion potential.
- C. Cost of purchase for use as a figure and percentage of total annual capital costs plus renovation costs (if any).

6) FIXTURES, FURNITURE, MACHINERY AND EQUIPMENT LIST

- A. New or used fixtures, furniture, machinery and equipment on hand (if any),
- B. New or used fixtures, furniture, machinery and equipment required (if any),
- C. Narrative including function, method and rationale for determining requirements, source of supply, supplier services, delivery time and expansion potential.
- D. Cost of purchase or use as a figure and percentage of total capital or annual costs plus credit terms and installation costs (if any).

7) LEGAL DOCUMENTS FOR PHYSICAL FACILITY: FIXTURES, FURNITURE, MACHINERY AND EQUIPMENT

- A. Purchase and sale agreements (if any),
- B. Leases (if any),
- C. Lease/purchase agreements (if any),
- D. Renovations estimates, bids and contracts (if any),
- E. Installation estimates, bids and contracts (if any).

NOTE: Summarize key terms for lengthy documents.

8) LAYOUT AND FLOOR PLAN

- A. Layout and floor plan copy.
- B. Layout and floor plan narrative including method and rationale for determining design and expansion potential explanation.

9) LABOR AND SUPERVISORY FORCE PLAN

- A. Production, sale and/or service labor and supervisory force schedule including functions, numbers, training necessary and compensation type and rate.
- B. Schedule narrative including method and rationale for determining requirements, recruitment strategy, training program planned (if any) and expansion potential explanation.
- C. Cost of payroll, payroll taxes and fringe benefits (if any) as a figure and percentage of total annual costs plus training costs (if any).

10) MANAGEMENT AND ADMINISTRATIVE PERSONNEL PLAN

- A. Management and administrative personnel schedule including functions, numbers, training necessary and compensation type and rate. Include business history of potential managers.
- B. Schedule narrative including method and rationale for determining requirements, brief resumes for key personnel, recruitment strategy for remaining personnel, training program planned (if any) and expansion potential explanation.

- C. Cost of payroll, payroll taxes and fringe benefits (if any) as a figure and percentage of total annual costs plus training costs (if any).

11) PROFESSIONAL SERVICES AND TECHNICAL ASSISTANCE PLAN

- A. Professional services and technical assistance schedule including functions and compensation type and rate.
- B. Schedule narrative including method and rationale for determining requirements and identity of professionals and/or technical assistance resources.
- C. Cost of professional services and technical assistance as a figure and percentage of total annual costs.

12) ORGANIZATION AND OWNERSHIP DESCRIPTION

- A. Legal structure--sole proprietorship, partnership or corporation.
- B. Identity of partners or corporate officers, board members and major (10% or more ownership) stockholders (if any), brief resumes of partners or key officers plus categories, number and par value of stock (if any).

13) ACQUISITION OR FRANCHISE DOCUMENTS

- A. Purchase and sale agreement (if any).
- B. Previous owner financing agreement (if any).
- C. Franchise agreement (if any).

Note: Summarize key terms of lengthy documents.

14) FINANCIAL STATEMENTS AND ANALYSES

- A. Statement of financial requirements, monthly and annual first

year, plus annual, second, and third year projected income statements and cash flow analyses and an opening balance sheet.

- B. Document narrative including method and rationale for determining key projected figures.

STEPS TOWARD GETTING FINANCIAL ASSISTANCE

The banker and other potential funding sources can be valuable "sounding boards" from the very beginning of most projects. Confidential conversations with an alert and seasoned banker, who is aware of economic conditions in the industry under study, can begin at the idea stage and certainly should occur during the preliminary review of project potential. These early discussions serve not only to submit the idea to critical evaluation but also may serve to stimulate initial interest in funding the project. Getting the funding sources involved at an early stage saves time by insuring that the business package is properly prepared, and minimizes surprises along the way.

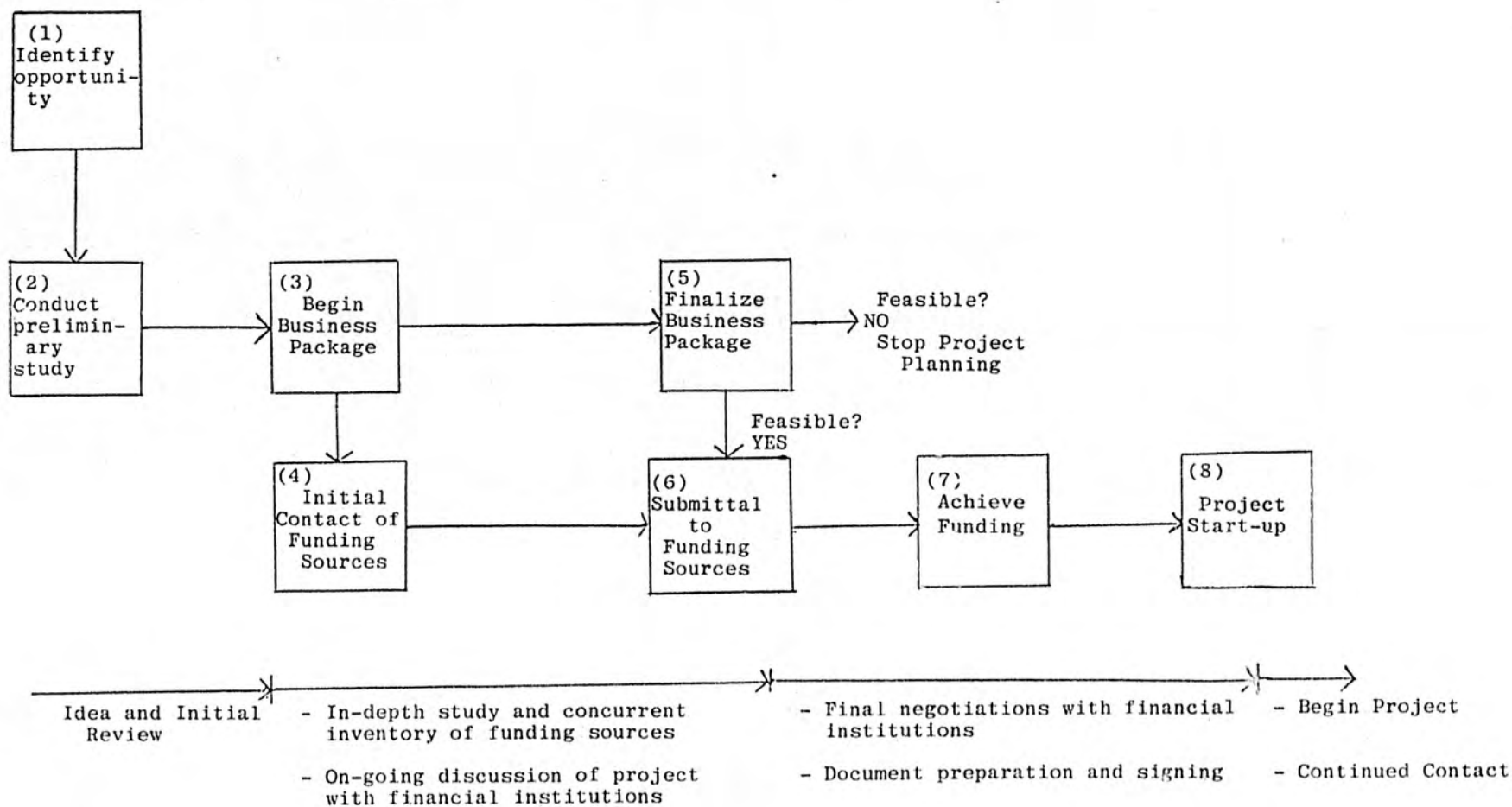
The chart below shows a simple eight step process which may help secure funding for a feasible project.

Steps

- (1) - (2) Feasibility studies are often time consuming and can be quite expensive. Before beginning the in-depth study, the "idea" should be tested on knowledgeable persons (banker, accountant, advisor) on a confidential basis. Existing studies of similar projects in similar environments can be reviewed and

persons involved in these projects can be interviewed as to their experiences.

- (3) - (4) If the idea survives the preliminary review, the feasibility study and business package should be commenced. At this point (if not before) make initial contact with potential funding sources. Contact should be kept current throughout the study phase.
- (5) - (6) If the project is feasible (if it meets the policy guidelines which govern investment decisions) the business package is submitted to the funding sources. Having kept these sources involved in the project since the beginning, the submittal should be the culmination of joint efforts.
- (7) - (8) If funded, the project begins. This does not mean that contact with the funding source is dropped. More probably such contact is more frequent and more organized. Progress reports, operations reports, newsletter, etc., should be furnished to funding sources and supplemented by personal contact. Future projects may be just around the corner.



MONEY LANGUAGE

Like any other profession or technical area, the field of lending or dealing with money has its own special words and language.

In order to talk with people involved with money whether they are bankers you are asking for a loan, or the bookkeeper of your own business, it is necessary to use and understand many of these special terms.

Here is a list of the technical words which appear in this text. We give an explanation of each term in everyday language, and give some examples typical of village corporation business.

GLOSSARY

AUDIT	A formal, financial examination of a company's books and records.
ASSETS	Property; all of the things, real property, chattels, inventory, material, accounts receivable, etc., belonging to a company or person.
CAPITALIZE	To supply capital (money).
CHATTEL	An item of property. Moveable; distinguished from real estate, or property which is attached to the ground and not moveable. A boat or a tool is chattel. A house, and its furnace, are not chattels but real property.
COLLATERAL	The things offered as security. See SECURITY.
CO-SIGNER	A person or corporation who joins the main borrower in signing a loan agreement. In effect a co-signer GUARANTEES the loan.
CREDIT	(1) An amount of money made available to a person or business by a bank or other financial institution; (2) financial or commercial trustworthiness.

DEFAULT	To fail to make payments on schedule on a loan. Can be used as a noun meaning such a failure.
DEPOSITOR	A person or business who places money (on deposit) in a financial institution.
DISCOUNT	A reduction in price. Usually expressed as a percentage.
ELIGIBILITY/ ELIGIBLE	Qualified to be chosen. Also refers to the conditions which must be met before one can be assisted by a program.
EQUITY	Ownership interest. For example, if you have borrowed \$1000 to buy a boat, and have paid back \$400, you have \$400 worth of equity, or a 40% equity in the boat. Also means the portion of the value of a business owned or to be owned. When a bank wants your corporation to put up 15% equity to start a new business, they mean that 15% of the cost must be paid from the corporation's own money.
GUARANTEE	To agree to pay for a loan if the borrower, for any reason, defaults or fails to pay. An example is when the SBA guarantees a loan. The lender (probably a bank) knows

that if the borrower cannot pay back the loan, the SBA will. It reduces the risk to the lender. Can also be used as a noun for such an agreement.

INTEREST

Money paid as rent for the use of other money. The amount of interest that you are going to have to pay depends on 1) the cost of the money to the lender; 2) who the customer is (how well trusted; how well it can afford to pay the loan back); 3) the type of loan; 4) how long the money is going to be borrowed for; 5) the amount of risk that the lender is taking; and 6) the amount and quality of the collateral offered.

INVENTORY

Items owned by a business for the purpose of sale. Inventory is different from MATERIAL. A business sells its inventory directly, but used its materials to make things, which then become inventory and are sold.

LIABILITY

A debt or responsibility which is owed or assumed. If you co-sign a loan for a friend, and he cannot pay, you are liable (responsible) in his place. Should you run over someone's sled with your truck through your own carelessness, you are legally

liable. Liability frequently refers to legal responsibility, as opposed to other kinds.

LOSS

To fail to make a profit on a business transaction, or series of transactions. The opposite of profit. Should your company order a boat for \$1000, then have to pay \$125 for shipping, and then only be able to sell it for \$1000, you will have lost \$125.

MORTGAGE INSURANCE

Usually a policy, sometimes insisted on by the bank concerned, which insures that in the event of the death of the person taking the mortgage, the mortgage will be paid off. As in any type of insurance contract, the terms may vary widely.

NET WORTH

The assets of an individual or a business less all of his or its liabilities.

POINTS

This term has various meanings in the financial community. In discussing shares of stock, an increase in price of a point is equal to an increase of one dollar, whereas if you were talking about bonds, a point would be ten dollars. It can also mean one percentage point (1.0%) in ownership contexts. Instead of saying that you own fifteen

percent of a company, you might say that you own "fifteen points." An additional definition involves extra costs associated with loans. You hear that getting a loan will cost you, say, "11% plus two points." This frequently refers to a one-time charge of either 2% or 0.2% for service fees. The meaning of the word in these situations varies from one business community to another, so it is wise to ask for it to be defined when you are seeking a loan.

PRIME RATE

The lowest possible interest rate that a business can pay when it borrows money. It is set by a combination of local conditions, and the cost of money at the main federal bank. A business must be very large to be able to borrow money at the prime rate. The main utility of the concept of prime rate to the businessman is to be able to gauge the loan market, or, in other words, to know the current cost of money. If your banker announces that the prime rate has gone up 0.2%, you know that any loan you get (which will be at a rate higher than the prime rate) will be that much more expensive.

REGULATIONS

The administrative rules of a government agency or program. They are written and approved according to law, and govern how an agency will act. They are published, and are always available for inspection at the agency. They must be found at many libraries.

REVOLVING FUND

This is a type of loan fund where a set amount of money is put in (CAPITALIZATION) and then loans are made out of the fund. As loans are repaid, the money goes back into the fund, and is loaned out again.

RISK

The possibility that a business will fail, and be unusable to repay either the loans that it has taken, or the investors who have put money into the business.

SECURITY

Something offered to a lender to pay back a loan if the borrower cannot pay it back as planned. For example, you want to buy a new truck. You borrow \$5000 from the bank, telling them that if you cannot pay back the loan first, they can take the truck back, and then, if that is not enough, they can take your boat and sell it to make up the difference. The bank does not want trucks or boats; what they want is

their money back. If you DEFAULT and cannot pay back the loan, they will take your COLLATERAL (the things put up as security) and have them sold to pay off the loan.

For a business, it is common to offer anything that the business owns as collateral for security. This can be CHATTELS like equipment, inventory or materials, or real property like land or buildings. Many banks will also accept the accounts receivable (debts owed to the company by other people or companies) as collateral.

Security is also called a "secondary source of repayment."

SERVICING A LOAN

After a bank makes a loan it must then service it. This means keeping track of whether loan payments are being made on schedule, (checking to be sure that the business is doing as well as it should so that it can repay the loan), and (working with the business if problems develop).

STATUTE

A law passed by a local government, a state government, or the federal government. To find statutes, the best place to start is your library. Alaska state laws are found

in the set of blue Alaska Statutes, which is available in almost every community. Local governments keep a set of local statutes in the government offices. Federal statutes are found in a large set of books called either the United States Code (USC) or the United States Code Annotated (USCA). You can find these in some libraries, and at some lawyer's offices.

An agency which is regulated by a specific statute will almost always have copies of the statute available.

SUBSIDIARY

A business or corporation which is formed and owned by another business or corporation.

Corporations formed under ANCSA frequently organize their business ventures as subsidiary corporations. This not only allows the stock of the new corporation to be sold, but often protects the main corporation from liability for acts of the new subsidiary corporation.

SUBSIDY

Money granted, usually in the form of reduced interest or reduced taxes, to a company which the government wants to support. The low interest rate charged by the State of

Alaska Fisheries Loan program is a subsidy for state fishermen.

TERM

The length of time agreed upon for a loan to be paid back.

USURY

Charging more than the legal interest rate on a loan. The usury rate is anything above the highest legal rate. This has recently changed from 11% to 11½% for loans under \$100,000. The practical effect of the usury law is to put an upper limit on the cost of loan money.

WORKING CAPITAL

That part of the ASSETS of a company which is not invested in fixed assets (machinery, buildings, etc.) but is kept liquid in order to care for day-to-day working needs. These needs can be things like buying new stock, paying salaries, or paying expenses.

ALASKA BANK OF COMMERCE

IS A full-service, commercial bank, established in Alaska in 1947. Its main offices are in Anchorage, with branches located in Anchorage and Homer. Branch offices are expected to be operating in Soldotna and Naknek in the near future. In addition the bank will soon begin operating a mobile bank to serve people from Wasilla to Talkeetna. Possible expansion plans of the bank include branches in the more remote areas of the state. The bank does not offer trust services.

OFFICES

Main office
712 W. 4th Avenue
Anchorage
phone: 279-5641
R.W. Hoyet, Manager

Airport Office
Anchorage International Airport
Anchorage
phone: 279-5641
LaVerne B. Wilson, Supervisor

Boniface Office
Boniface Shopping Center
Anchorage
phone: 279-5641
Len Yutzy, Manager

C Street Office
3320 C Street
Anchorage
phone: 279-5641
Homer Mills, Manager

Eagle River Office
Eagle River
phone: 694-2021
Bob Culbreath, Manager

O'Malley Office
1000 O'Malley Road
Anchorage
phone: 279-5641
Carol Seedorf, Supervisor

Dimond Office
800 W. Dimond Blvd.
Anchorage
phone: 279-5641
James W. Bird, Manager

Homer Office
Lakeside Shopping Mall
Homer
phone: 235-8146
Paul K. Bowen, Manager

Palmer Office
Palmer
phone: 745-3281
James H. Reaves, Manager

7th and G Street Office
7th and G Streets
Anchorage
phone: 279-5641
Lois Barnhardt, Manager

Tudor Office
Tudor Road
Anchorage
phone: 279-5641
Perry Dowd, Manager

Wasilla Office
Wasilla
phone: 376-5338
L. Michael Kammermeyer, Manager

BOARD OF DIRECTORS

Roger Blackmar
Mae Rene Bordwell
A. Douglas Hulen
Earl H. Jones
Keith M. Lesh
Asa L. Martin, M.D.
R.J. Miller, Jr.
Lloyd V. Owen
Frank M. Reed, Sr.
Kenneth A. Sheppard
A.C. Swalling
Dale Teel
Walter Teeland

OFFICERS

A.C. Swalling
Chairman and Chief Executive Officer

R.J. Miller, Jr.
President and Chief Operating Officer

Douglas A. Dicken
Executive Vice President
Operations and Administration

Steven J. Johnson
Executive Vice President
Loan Administration and Business Development

Frank M. Reed
Senior Vice President
Community Affairs

Jack C. Worledge
Senior Vice President
Branch Liaison

Mae Rene Bordwell
Community Affairs Officer

REMARKS AND SUGGESTIONS

A bank officer interviewed said: "If an initial request for a business loan is sound, we will suggest methods for preparing an application in the best form for the bank." The bank has demonstrated interest in loans to businesses in rural areas. It is currently servicing a major loan to the CEDC which helped

finance the acquisition of eleven bush grocery stores. A bank officer reports that this loan is "doing well." A bank officer said the major disadvantages village corporations have in borrowing for small businesses are a lack of management stability, and a history of high failure rates. The officer suggested that village corporations, "Obtain more (financial) counseling, learn more about the business world, and prepare their loan packages and business proposals more carefully before seeking the financial participation of a bank."

THE ALASKA NATIONAL BANK OF THE NORTH

IS A full-service, national bank, founded in 1940.
The main offices of the bank are in Fairbanks,
with branches in all other Alaskan communities.
With the exception of the branch at the Fairbanks
Airport, all banking services, including loans,
are available at each location.

OFFICES

FAIRBANKS

Alaska National Bank Building Office
Fairbanks, 99701
phone: 452-6301
Ronald G. Robertson, Manager

Airport Road Office
620 Gaffney Road
Fairbanks, 99701
phone: 452-6301
Stephen W. Puryear, Manager

College Office
794 University Avenue
Fairbanks, 99701
phone: 479-2281
Nick J. Noel
Vice President and Manager

North Star Office
715 Old Richardson Highway
Fairbanks, 99701
phone: 452-6301
James H. Kirsch, Manager

International Airport Office
Fairbanks, 99701
phone: 452-6301
Debbie K. Kimmell, Manager

ANCHORAGE

Metropolitan Office
4th and "E", Pouch 7010
Anchorage, 99510
phone: 278-4581
Scott A. Santee,
Assistant Vice President, Manager

Captain Cook Office
P.O. Box 459
Anchorage, 99510
phone: 278-4581
Marianne Holliday,
Assistant Vice President and Manager

Calais Office
3301 "C" Street
Anchorage, 99503
phone: 278-4581
Alvin H. Fleetwood,
Executive Vice President
and Manager
William M. Vogt, Vice President
Carol L. Ferguson,
Assistant Vice President and
Assistant Manager

University Center Office
3901 Seward Highway
Anchorage, 99503
phone: 278-4581
Keith F. Welborn, Manager

OTHER CITIES

Juneau Office
One Sealaska Plaza
Juneau, 99801
phone: 596-2565
John R. Holmquist,
Vice President and Manager
Terry B. Fanning,
Assistant Vice President and Assistant
Manager

Barrow Office
Point Barrow, 99723
phone: 825-6200
Tom D. Oldefendt, Manager

Kotzebue Office
Kotzebue, 99752
phone: 442-3258
John W. Palmer, Manager

Deadhorse Office at Prudhoe Bay
c/o Administrative Center
P.O. Box 60730
Fairbanks, 99701
phone: 659-2417

Nenana Office
Nenana, 99760
phone: 832-5424
Patricia T. Cavaghan, Manager

Nome Office
Miners and Merchants Office
Nome, 99762
phone: 443-2223
John A. Tongen,
Assistant Vice President and Manager
Peggy A. Crawford, Assistant Manager

Eielson Facility
Baker Field House
Eielson Air Force Base, 99702
phone: 372-4166
Carol S. Duey, Manager

Delta Office
Delta Junction, 99737
phone: 895-4509
Mary K. Zachgo, Manager

Tok Office
Tok, 99730
phone: 883-2871
Harley G. Olberg, Manager

Valdez Office
Valdez, 99686
phone: 835-4721
Edward G. Pascu, Manager

BOARD OF DIRECTORS

Don C. Chandler, Chairman of the Board

Frank H. Murkowski, President, Chief
Executive Officer

George Bell, Vice President

Frank Chapados

John Contento, Jr.

Charles Fagerstrom

P.B. Haggland, M.D.

Vernon W. Hickel

Thomas E. Kelly

Langhorne A. Motley

Marion Nussbaumer

John Sackett

Leo Schlotfeldt

Richard Sykes

M. J. Burford, Sr. Vice President

OFFICERS

Administrative Center
794 University Avenue
P. O. Box 60730
Fairbanks, 99701
phone: 479-2281

Frank H. Murkowski, President and
Chief Executive Officer

M. J. Burford, Senior Vice President
and Cashier

William J. Green, Senior Vice President
and Comptroller

George E. Bell, Vice President
and Director, Native Affairs

John Contento, Jr., Vice President
and Director

Christopher A. Stephens, Vice President,
Director of Planning

Clifton E. Fodge, Vice President,
Operations

W. M. Cartwright, Executive Vice President,
Loan Administration

Donald L. Norton, Vice President,
Loan Administration

Ronald L. Ricketts, Senior Vice President
and Trust Officer

ADMINISTRATION -- SOUTHERN REGION
4th and "E"
Pouch 7010
Anchorage, 99510
phone: 278-4581

Harold C. Olson, Vice President,
So. Region Loan Administration

Gregory J. Lee, Assistant Vice President,
So. Region Operations

THE LOAN PROCESS

Loan applications are available and may be submitted at any branch of the Alaska National Bank of the North, with the exception of the Fairbanks Airport Branch.

REMARKS AND SUGGESTIONS

The Alaska Bank of the North is a rapidly growing bank with more branch offices in the rural areas of Alaska than any other bank. Because many people in rural areas are depositors, the bank is able to loan significant amounts of money in the rural areas of the state.

A bank officer interviewed suggested that the village corporations encourage their members to "take the time to learn and understand banking relationships. It is a disadvantage for a village corporation to throw all of its faith and trust in a small group or one or two people."

According to a bank officer, rural loans tend to present more problems and delinquencies in servicing. One reason for this may be the fact that areas with small populations are affected much more by slight variations in the overall economy.

The Alaska Bank of the North is currently servicing loans to regional and village corporations.

ALASKA PACIFIC BANK

IS A full-service, commercial bank. Alaska Pacific is the newest bank in Alaska, incorporated in 1974. The bank's primary interests lie in business and commercial services, although it has also expanded its consumer services. The bank currently operates one office in downtown Anchorage, with an office on Northern Lights Boulevard scheduled to open in July of 1978.

OFFICES

MAIN OFFICE
The Financial Plaza
601 West 5th Avenue
P.O. Box 420
Anchorage, 99510
phone: 276-3110

BOARD OF DIRECTORS

Ben W. Agee
Urgel G. Bell
Carl F. Brady
John O. Daly
Arnold G. Espe
James J. Flood
Robert J. Hickel
George A. Lagerquist
Herbert C. Lang
Brooke Marston
James F. Nordstrom
Vance W. Phillips
William P. Pargeter
Julian C. Rice
Robert R. Richards
Robert J. Shimek
Howard A. Slack
Leo A. Walsh
Ray M. Waters

OFFICERS

Arnold G. Espe, President
Robert R. Richards, Executive
Vice President
Frank L. Lentfer, Senior
Vice President
Thomas D. Allen, Vice President
Gregory S. Ball, Vice President
Thomas C. Behan, Vice President
John C. Bennett, Vice President
Grant F. Giesler, Vice President
Kenneth D. Hippe, Vice President
and Controller
Joseph C. Miller, Vice President
Sandra L. Ruppert, Vice President
John C. Shackelford, Vice President
Rosella Parks, Assistant Vice President
William A. Greene, Corporate Secretary and
Counsel

THE LOAN PROCESS

Loan applications are available at the Main Office of the Alaska Pacific Bank, or you can call the bank collect and they will mail you an application.

One of the officers with whom we spoke said that Alaska Pacific will help prospective loan applicants with cash flow projections, etc.

REMARKS AND SUGGESTIONS

Alaska Pacific Bank is the fastest growing bank in the state. Although in the past it has limited its area of operation to the Anchorage area, it has more than doubled its rural operations during the last year. Its rural

activities currently include loans, account servicing, and financial advice. According to one of its officers, these services will increase as the bank's new "bushbanking" program gains momentum.

THE B. M. BEHREND'S BANKS

IS A full-service, commercial bank. B. M. Behrends Bank was founded in 1891, and is the oldest bank in Alaska. The bank's main offices are in Juneau, with branches in two other southeastern communities. All banking services, including loans, are available at all locations.

OFFICES

Main Office
Seward Street
P.O. Box 1367
Juneau, 99802
phone: 586-6800

Mendenhall Branch:
R.R. 5, Box 5131
Juneau, Alaska 99803
phone: 789-0101
Jerry Wilson, Manager

Hoonah Branch P. O. Box 198 Hoonah, 99829
phone: 945-3297
Jackie Dick, Operations Manager

Yakutat Branch
P. O. Box 334
Yakutat, Alaska 99689
phone: 784-3204
Neva Ogle, Operations Manager

BOARD OF DIRECTORS

Remington Low, Chairman
William G. Brock
William A. Corbus
Beatrice M. Fox

Larry D. Cox
Elton Engstrom
Clarence E. Jacobsen
Byron Mallott

OFFICERS

William G. Brock, President
Craig Dahl, Assistant Vice President
Assistant Manager, Juneau Main Branch
Myrna McDougal, Vice President
Martyn McDowell, Loan Officer
Angela Mitchell, Loan Officer

THE LOAN PROCESS

Loan applications are available and may be submitted at any branch of B. M. Behrends Bank.

REMARKS AND SUGGESTIONS

B. M. Behrends Bank limits most of its activity at this time to Southeast Alaska. The bank has a demonstrated history of encouraging and servicing loans in the small communities surrounding Juneau and Ketchikan. The bank is not heavily loaned up as a matter of policy, though recently the percentage of loans to deposit dollars has increased. If approved, B. M. Behrends will open a branch office in Sitka before the end summer of 1978. Officers from the bank's main office travel to the branch offices and to other communities on banking business as a matter of bank policy. Officers have traveled to outlying communities to assist a prospective borrower in preparation of a loan package. The bank is currently servicing loans to Native corporations.

NATIONAL BANK OF ALASKA

IS Alaska's largest bank, offering full banking
services from 34 branches throughout the state of
Alaska. National Bank of Alaska was founded in
Skagway 62 years ago.

OFFICES

Airport Branch
Box 6-168
Anchorage
phone: 243-3309
Billye, Durham, Manager
Anna Wood, Operations

Bentley Branch
Pouch 1200
Fairbanks, 99707
phone: 452-8218
Jim Ross, Manager
Gloria Craig, Operations

Cordova Branch
Box 1250
Cordova, 99674
phor . 424-3258
Jerry Siedschlag, Manager
Patricia Rohweder, Operations

Dimond Branch
Box 6127
Anchorage, 99502
phone: 344-9642
Bill Owings, Manager
Margaret Vaughn, Operations

Dillingham Branch
Box 206
Dillingham, 99576
phone: 842-5285
Jim McConnell, Manager
Olaf Brown, Operations

Fairbanks Branch
Pouch 1000
Fairbanks, 99701
phone: 452-4733
Terry Kipp, Manager
Sandra Burns, Operations

Fifth Avenue Branch
Box 3-3859
Anchorage, 99501
phone: 274-1621
John Carman, Manager
Doris Greenhaw, Operations

510 L Street Branch
510 L Street
Anchorage, 99501
phone: 278-4626
Samantha Delay, Manager

Ft. Richardson Facility
Box 5329
Ft. Richardson, 99505
phone: 863-7154, 862-3121. 862-3221
Edith Tedder, Manager
Doris Tucker, Operations

Glacier Valley Branch
RR#3, Box 3522
Juneau, 99801
phone: 789-9550
Pete Crandall, Manager
Deborah Cogswell, Operations

Glennallen Branch
Box 67
Glennallen, 99588
phone: 822-3215
Steve Taylor, Manager
Betty Wilson, Operations

Government Hill Branch
Box 6127
Anchorage, 99502
phone: 274-4525
Margurite Schaeffer, Manager

Homer Branch
Box 135
Homer, 99603
phone: 235-8151
Don Thornlow, Manager

Kenai Branch
Drawer H
Kenai, 99611
phone: 283-7581
Manager --
Norma Fox, Operations

Ketchikan Branch
Box 6538
Ketchikan, 99901
phone: 225-2184
Max Henry, Manager
Jacquelyn Robb, Operations

Kodiak Branch
Box 1067
Kodiak 99615
phone: 486-3126
Jim Payne, Manager
Shirley Monroe, Operations

4th and E Branch
Box 2540
Anchorage, 99510
phone: 276-1132
Jessie Thompson, Manager
Edith Burkevich, Operations

Mall Branch
Box 6127
Anchorage, 99502
phone: 272-8547
Darrel Jelsma, Manager
Karen Wonnell, Operations

Metlakatla Branch
Box 236
Metlakatla, 99926
phone: 886-6363
Bonnie Hayward, Manager

Nikiskka Branch
P.O. Box 7193
NRB, Kenai, 99611
phone: 776-8118
William Angvik, Manager

Petersburg Branch
P.O. Box 229
Petersburg, 99833
phone: 772-3833
Scott Roth, Manager
Owen Olson, Operations