

ALASKA LEGISLATURE SPECIAL COMMITTEE / SUBJECT FILES 8672
1577 SCOMM 59: JNT. COMMITTEE ON ECONOMIC RECOVERY, 1988

1374

APPENDIX B

Each applicant must agree to comply with all applicable State and federal laws and regulations in implementing their proposed REDI project, if it is selected to submit a Final Application.

Projects that clearly will have little impact on the environment are either exempted or categorically excluded from most environmental requirements. If a project is selected to submit a Final Application, an Environmental Review Record must be prepared to document the applicant's determination, even for those projects that are exempt. If a project is determined to be exempt from all federal requirements, no further review is necessary. (The Environmental Review Record will be provided with the Final Application.)

The types of projects² and related costs which are exempt from federal laws and regulations are:

- ° environmental studies;
- ° planning or management studies (i.e., technical assistance grants);
- ° administrative costs;
- ° reasonable project and engineering studies and/or costs incurred for a proposed activity;
- ° interim assistance activity related to relief of imminent threats to health and safety, if the assisted activities do not alter environmental conditions and are for temporary or permanent improvements limited to protection, repair, or restoration actions necessary only to control or arrest the effects of imminent threats or physical deterioration;
- ° federal loan repayments under Section 108 of Title I, or;
- ° activities for public services, but only under the following circumstances:
 - a) funds would not result in the development of service facilities or physical improvements regardless of the source of funds, or;
 - b) the services funded affect only the social or economic environment.

There also are some projects which are categorically excluded from the National Environmental Protection Act (NEPA) requirements. A project that is categorically excluded from adhering to the NEPA requirements may or may not have to comply with other State and federal laws and requirements. Therefore, the Environmental Review Record must be completed to determine if other requirements need to be complied with.

Those types of projects which are categorically excluded from NEPA requirements are:

- ° facilities to be acquired are in place and will be retained in the same use;
- ° facilities will replace or upgrade existing ones with only a minimal change in use, size, capacity, or location;
- ° the project will not change the use, size, capacity, or character of the site;
- ° the project involves fire protection equipment;
- ° the project will reduce or eliminate material and architectural barriers (REDI funds can be used to fund this type of project in general government offices);
- ° proposed rehabilitation of a property that will not increase urban density by more than 20%, and will not change land use, zoning, or residential class, or;
- ° proposed rehabilitation of a property that will cost less than 75% of the estimated cost of replacement.

If a final applicant determines on the Environmental Review Record that either the proposed project is not categorically excluded from the NEPA requirements, or that some or all of the other federal requirements listed below must be complied with, then the following documents must be completed and submitted with the Final Application. Those documents are; Statement of Assurance, an Environmental Assessment, a Finding of No Significant Impact, and a Notice of Intent to Request Release of Funds. The Department will provide these documents to those Final Applicants whose Environmental Review Record indicates they are necessary.

The additional State and federal requirements which apply to projects using REDI funds cover a wide range of issues including environmental impacts, labor standards, employment practices, financial procedures, and civil rights. If the Environmental Review Record indicates the need to comply with these additional requirements, it can have an affect on the costs or complexity of project implementation. The additional requirements are:

- a. Wage Rate provisions of the Davis-Bacon Act, as amended.
- b. Copeland "Anti-Kickback" Act.
- c. Title IV of The Lead-Based Paint Poisoning Prevention Act (prohibiting the use of lead-based paint in residential structures constructed or rehabilitated with Federal (REDI) assistance).
- d. Contract Work Hours and Safety Standards Act (CWHSSA).
- e. Title VI of the Civil Rights Act of 1964, and HUD regulations.

Additional State and federal requirements, continued:

- f. Title VIII of the Civil Rights Act of 1968, as amended.
- g. Section 109 of the Housing and Community Development Act of 1974, as amended, which requires no person be denied benefits from any activity funded with REDI funds.
- h. The Age Discrimination Act of 1975, as amended.
- i. Section 504 of the Rehabilitation Act of 1973 (Section 109).
- j. Executive Order 11063 (as amended by Executive Order 12259), which prohibits any person from discriminating against any person when renting or selling housing funded with federal (REDI) funds.
- k. Section 3 of the Housing and Urban Development Act of 1968, as amended, which notes that to the greatest extent feasible, opportunities for training and employment be given to low- and moderate-income persons residing in the immediate area. Further, that to the greatest extent feasible, contracts for work in connection with a project be awarded to eligible business concerns either located in, or owned by persons living in the immediate area.
- l. National Historic Preservation Act of 1966, as amended.
- m. Executive Order 11593, Protection and Enhancement of the Cultural Environment.
- n. State Fire Marshal approval of all building plans for renovation or construction.
- o. Site control demonstrated, if applicable (i.e., having ownership or a legal right to use the land on which to use the land on which the project is to be located).
- p. Department of Environmental Conservation approval of water and sewer connections, upgrades or construction projects.

APPENDIX C Sample Resolutions for Submission
of Final Applications

REDI RESOLUTION FOR TRIBAL ENTITIES
(TRADITIONAL AND I.R.A. COUNCILS)

RESOLUTION NUMBER _____ 1

A RESOLUTION of the _____ 2 authorizing participation in the Rural Economic Development Initiative Grant (REDI) program and providing for waiver of sovereign immunity from legal prosecution by the State for claims which may arise from the utilization of said grant.

WHEREAS, the _____ 2 wishes to provide a _____ 3 for use in the community; and WHEREAS, this tribal council is an applicant for a grant in the amount of \$ _____ 4 from the Alaska Department of Community and Regional Affairs (hereinafter "Department"), under the REDI program; and WHEREAS, the Department requires as a condition of the grant that an Alaska Native Village Tribal or IRA governing body waive sovereign immunity from legal prosecution for claims by the State which may arise from its activities under the grant.

NOW THEREFORE BE IT RESOLVED THAT: The _____ 5 is authorized to negotiate and execute any and all documents required for granting and managing funds on behalf of this entity. The _____ 5 is also authorized to execute any subsequent amendments to said grant agreement to provide for adjustments to the project within the scope of services or tasks, based upon the needs of the project.

BE IT FURTHER RESOLVED THAT: This Alaska Native Village, acting through its _____ 2 hereby grants to the State of Alaska its irrevocable consent to be sued in the name of the Native Village for any unlawful act arising out of any contractual obligation from execution of judgments obtained pursuant to the above against any property whether real or personal, including money, provided that such execution of judgment not exceed \$ _____ 4.

PASSED AND APPROVED BY THE _____ 6
ON _____, 19____. 7

IN WITNESS THERETO:

BY: _____ 5
Signature and title

ATTEST: _____ 8
Signature and title

-
- 1 Number of the resolution
 - 2 Name of applicant
 - 3 Description of community project
 - 4 Amount of REDI funds requested
 - 5 Chief Administrative Officer (Chief, President)
 - 6 Governing body (Council, Board of Directors)
 - 7 Date resolution was adopted
 - 8 Clerk or secretary of the organization

REDI RESOLUTION FOR APPLICANTS THAT ARE A
BOROUGH, CITY OR NON-PROFIT CORPORATION

RESOLUTION NUMBER _____ 1

A RESOLUTION of the _____ 2 authorizing participation in the Rural Economic Development Initiative Grant (REDI) program.

WHEREAS, the _____ 2 wishes to provide a _____ 3 for use in the community; and WHEREAS, this organization is an applicant for a grant in the amount of \$ _____ 4 from the Alaska Department of Community and Regional Affairs (hereinafter "Department"), under the REDI program;

NOW THEREFORE BE IT RESOLVED THAT: the _____ 5 of the _____ 2 is hereby authorized to negotiate and execute any and all documents required for granting and managing funds on behalf of this organization.

The _____ 5 is also authorized to execute any subsequent amendments to said grant agreement to provide for adjustments to the project within the scope of services or tasks, based upon the needs of the project.

PASSED AND APPROVED BY THE _____ 6
on _____, 198__.

IN WITNESS THERETO:

BY: _____ 5
Signature and title

ATTEST: _____ 8
Signature and title

-
- 1 Number of the resolution
 - 2 Name of applicant organization
 - 3 Description of community project
 - 4 Amount of REDI funds requested
 - 5 Chief administrative officer (Mayor, Manager, President)
 - 6 Governing body of the organization (Council, Assembly, Board of Directors)
 - 7 Date resolution was adopted
 - 8 Secretary or Clerk of the organization

APPENDIX D State Audit Regulations

Register 95/
October, 1985

Administration

2AAC 45.010

2 AAC is amended by adding a new chapter to read:

CHAPTER 45. GRANT ADMINISTRATION.

Section

10. Audit Requirements

02 AAC 45.010. AUDIT REQUIREMENTS. (a) As part of the financial information required under AS 37.05.030, a state agency that enters into a financial assistance agreement to provide financial assistance to an entity shall, in coordination with any other state agencies providing financial assistance to that entity, submit to the Department of Administration through the state coordinating agency an audit of the recipient entity if that entity is subject to audit under (b) of this section. The audit must be conducted and submitted as described in this section. In order to ensure compliance with this subsection, the audit requirements of this section must be contained in any financial assistance agreement entered into by a state agency.

(b) An entity that enters into an financial assistance agreement, or agreements, with a cumulative total of

(1) \$300,000 or more during a state fiscal year shall submit to the state coordinating agency, within one year after the end of the audit period, an annual audit report covering the audit period; or

(2) at least \$100,000 but less than \$300,000 during each of two consecutive state fiscal years shall submit to the state coordinating agency

(A) a biennial audit report covering the audit period, due within one year after the end of the audit period; or

(B) if the recipient entity chooses, or the state requests, an annual audit report covering the audit period, due within one year after the end of the audit period.

(c) An audit required by this section must be conducted by an independent auditor, according to the following audit standards:

(1) Standards for Audit of Governmental Organizations, Programs, Activities and Functions, 1981 revision adopted by the comptroller general of the United States; or

(2) generally accepted auditing standards, as accepted by the American Institute of Certified Public Accountants on July 1, 1985, for the entity being audited.

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October, 1985

2AAC 45.010

(d) The audit report required under (b) of this section must address the following:

(1) the systems of internal control, and whether the recipient entity has effective control over, and proper accounting for, revenues, expenditures, assets, and liabilities;

(2) the systems established to ensure compliance with state statutes and regulations, and applicable financial assistance agreements, affecting the expenditure of state money, and whether the recipient entity has complied with those statutes, regulations, and agreements;

(3) the recipient entity's financial transactions, financial statements, and accounts; whether those financial statements are presented fairly in accordance with generally accepted accounting principles; and whether the financial statements contain reliable financial data presented in accordance with applicable financial assistance agreements.

(e) An audit report required under (b) of this section need not evaluate the effectiveness of a program funded by state financial assistance. However, a program evaluation may be conducted or requested by the state agency which entered into the financial assistance agreement.

(f) An audit required by this section must cover either the entire operations of the recipient entity, or at the option of that entity, only the departments, agencies, or establishments of that entity which received, expended, or otherwise administered state financial assistance during the audit period. The state coordinating agency may consider a series of audits of a recipient entity's individual departments, agencies, or establishments for the same fiscal year as a single audit.

(g) A recipient entity shall provide the state coordinating agency with sufficient copies of each audit report to allow submission of a copy to each state agency providing financial assistance to the entity. The state coordinating agency shall determine if auditing standards have been met and will forward a copy of the audit to the Department of Administration and other appropriate state agencies. The state coordinating agency shall coordinate resolution of audit exceptions and further audit work in accordance with (h) of this section.

(h) Unless additional audit requirements are imposed by state or federal law, a state agency that provides financial assistance to any entity shall accept the audit required by this section in satisfaction of any other audit requirement. If additional audit work is necessary to meet the needs of a state agency, the audit work must be based on the audit required by this section and be paid for by the state agency. Audit exceptions noted during an audit required by this section must be resolved by agreement between the

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recipient entity and the state agency responsible for the financial assistance award agreement involved.

(i) A third party that receives financial assistance through a recipient entity, in an amount described in (b) of this section, is subject to the applicable requirements of the section. A recipient entity that disburses \$100,000 or more in state financial assistance to a third party shall ensure that the third party complies with the requirements of this section. That recipient entity shall also ensure that appropriate corrective action is taken within six months after a third party's noncompliance with an applicable state statute or regulation, or financial assistance agreement, is disclosed.

(j) This section takes effect on August 1, 1985 for an entity subject to audit under (b) (1) of this section and whose fiscal year ends on or after June 30, 1986.

(k) This section takes effect on July 1, 1986 for an entity subject to audit under (b) (2) of this section and whose fiscal year ends on or after June 30, 1987.

(l) For purposes of this section, if an entity has not identified its fiscal year, that entity's fiscal year is July 1 through June 30.

(m) For purposes of this section,

(1) "audit period" means

(A) for an annual audit under (b)(1) of this section, the recipient entity's fiscal year in which the entity entered into the financial assistance agreement or agreements;

(B) for a biennial audit under (b)(2)(A) of this section, the recipient entity's two consecutive fiscal years in which the entity entered into the financial assistance agreement or agreements;

(C) for an annual audit under (b)(2)(B) of this section, the recipient entity's fiscal year in which the entity entered into the financial assistance agreement or agreements;

(2) "entity" does not include the University of Alaska or any other state agency;

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(3) "financial assistance" means state grants, contracts, provider agreements, cooperative agreements, and all forms of state financial assistance to an entity, and includes all forms of state financial assistance provided through an entity to a third party; "financial assistance" does not include public assistance provided under AS 47; nor does "financial assistance" include goods or services purchased for the direct administration or operation of state government; for a third party, "financial assistance" does not include goods purchased from the third party by a recipient entity for the direct administration or operation of the recipient entity;

(4) "state coordinating agency" means the Office of Management and Budget, (OMB), Office of the Governor, or OMB's designee. (Eff. 8/1/85, Register 95)

Authority: AS 37.05.020
AS 37.05.030
AS 37.05.190

APPENDIX E Low and Moderate Income Chart
For Communities

APPENDIX E

Low and Moderate Income Determination

(See comments on Page #4)

<u>INCORPORATED PLACES</u>	<u>Average Median Income Per Household</u>
[Unincorporated communities are to use the dollar amount from the nearest incorporated community located to the applicant's community.]	
Akhiok	\$ 9,063
Akiachak	21,071
Akiak	4,926
Akutan	5,833
Alakanuk	10,721
Aleknagik	33,282
Allakaket	10,536
Ambler	12,083
Anaktuvuk Pass	7,361
Anderson	34,532
Angoon	14,464
Aniak	14,750
Anvik	6,429
Atmautluak	6,094
Barrow	34,458
Bethel	22,468
Brevig Mission	9,844
Buckland	11,375
Chefornak	11,667
Chevak	14,375
Chuathbaluk	4,375
Clark's Point	25,000
Cordova	27,147
Craig	20,156
Deering	11,875
Delta Junction	16,458
Dillingham	27,292
Diomede	3,281
Eagle	6,154
Eek	11,250
Ekwok	9,792
Elim	9,583
Emmonak	6,375

<u>INCORPORATED PLACES</u>	<u>Average Median Income Per Household</u>
Fairbanks	21,184
Fortuna Ledge	13,839
Fort Yukon	11,406
Galena	20,500
Gambell	8,409
Golovin	9,063
Goodnews Bay	12,083
Grayling	9,821
Haines	21,307
Holy Cross	6,667
Homer	21,843
Hoonah	17,708
Hooper Bay	13,558
Houston	17,083
Hughes	8,750
Huslia	6,538
Hydaburg	15,208
Juneau	30,872
Kachemak	31,580
Kake	20,750
Kaktovik	42,265
Kaltag	6,648
Kasaan	26,250
Kenai	31,129
Ketchikan	24,825
Kiana	18,750
King Cove	21,518
Kivalina	8,304
Klawock	25,694
Kobuk	3,000
Kodiak	30,512
Kotlik	18,750
Kotzebue	23,371
Koyuk	12,500
Koyukuk	6,667
Kupreanof	18,438
Kwethluk	10,417
Larsen Bay	17,000
Lower Kalskag	5,673
McGrath	21,944
Manokotak	31,320
Mekoryuk	9,479
Mountain Village	18,750

INCORPORATED PLACESAverage Median
Income Per
Household

Napakiak	9,792
Napaskiak	11,094
Nenana	21,250
Newhalen	11,875
New Stuyahok	17,000
Newtok	25,000
Nightmute	8,750
Nikolai	5,000
Nome	23,500
Nondalton	18,000
Noorvik	15,000
North Pole	24,907
Nuiqsut	28,125
Nulato	12,813
Old Harbor	7,062
Ouzinkie	18,750
Palmer	19,960
Pelican	21,923
Petersburg	25,094
Pilot Station	8,482
Platinum	17,500
Point Hope	23,929
Port Alexander	13,958
Port Heiden	16,250
Port Lions	17,813
Quinhagak	10,375
Ruby	8,438
Russian Mission	25,000
St. Mary's	9,750
St. Michael	10,714
St. Paul	22,813
Sand Point	30,648
Savoonga	7,813
Saxman	31,119
Scammon Bay	12,344
Selawik	9,750
Seldovia	17,778
Seward	19,817
Shageluk	4,028
Shaktoolik	8,333
Sheldon Point	8,500

INCORPORATED PLACESAverage Median
Income Per
Household

Shismaref	11,563
Shungnak	18,750
Sitka	31,133
Skagway	33,929
Soldotna	25,176
Stebbins	13,036
Tanana	15,000
Teller	8,182
Tenakee Springs	9,583
Togiak	12,917
Toksook Bay	13,636
Tuluksak	7,159
Tununak	9,667
Unalakleet	12,083
Unalaska	24,375
Upper Kalskag	6,563
Valdez	40,778
Wainwright	35,000
Wales	3,854
Wasilla	22,439
White Mountain	9,107
Whittier	18,750
Wrangell	25,064
Yakutat	20,278

COMMENTS:

If the dollar amount stated for your community or area is BELOW \$30,400; then you have satisfied the Low and Moderate Income requirement. State this on the Preapplication and list the dollar amount specific to your community or area.

If the dollar amount stated for your community or area is ABOVE \$30,400; then the following justification will need to be completed by those individuals that will benefit from the proposed project:

"Is your total family income greater than \$30,400, check either YES ____, or NO ____."

APPENDIX F DCRA Regional Office Locations and
Contact Information

APPENDIX F

REGIONAL OFFICE CONTACTS

ANCHORAGE

Leslie Toombs 563-1955
DCRA
Rural Development Division
949 E. 36th Ave., Suite 400
Anchorage, AK 99508

BETHEL

Duane Wise 543-3864
P.O. Box 348
Bethel, AK 99559 B&C Complex, Room 210

DILLINGHAM

Bobby Andrew 842-2245
P.O. Box 10041
Dillingham AK 99576 New Choggiung Bldg.

FAIRBANKS

Jo Cooper 465-1505
DCRA
1001 Noble St. Suite 430
Fairbanks, AK 99701

JUNEAU

Brenda Knapp 465-4890
DCRA, RDD
P.O. Box BC
Juneau, AK 99811 190 E. 3rd St. Room 109

KODIAK

Tom Peterson 486-5736
710 Mill Bay Road
Kodiak, AK 99615

KOTZEBUE

Sophie Ferguson 442-3675
P.O. Box 350
Kotzebue, AK 99752 Drift Inn, 2nd floor

NOME

Bobby Walsh 443-2274
P.O. Box 41
Nome, AK 99762 Old Federal Bldg.
2nd floor

APPENDIX G Citizen Participation Plan Assurance

CITIZEN PARTICIPATION PLAN

ASSURANCE OF COMPLIANCE

REDI Grant applicants must provide citizens, especially low and moderate income residents, an adequate opportunity for meaningful involvement in the planning and development of REDI applications. The following Citizen Participation Plan requires that:

- 1.) The applicant must hold at least one public hearing, not more than three months prior to the original submission date of the preapplication. The purpose of the public hearing is to give citizens and potential beneficiaries of the proposed project adequate opportunity to review and comment on the community's REDI application, before it is submitted. The issues which should be considered include the proposed project location, activities, budget (including the estimated amount proposed to be used for activities that will benefit low- and moderate-income families), any costs to be imposed on residents as a result of the project (particularly those of low and moderate income), and, if appropriate, the plans of the applicant for minimizing displacement of persons, when applicable, as a result of activities funded with REDI funds;
- 2.) A record of the required hearings must be submitted with the Final Application for REDI funds, along with copies of the public notices for the hearings or affidavits of publication for the notices. A verbatim record is not necessary; the names of persons who attended and a summary of comments by local officials and citizens or a tape of the proceedings, is sufficient;
- 3.) Technical assistance must be provided to persons who request assistance in developing or understanding proposals presented;
- 4.) When requested and practicable, written response to written complaints and grievances regarding proposals must be given; and
- 5.) When a significant number of non-English speaking residents are expected to participate, they must be assisted in understanding the public hearing proceedings.

I, _____, _____, of the _____
Name Title Entity
do hereby certify compliance with the provisions of the Citizen Participation
Plan outlined above:

Signature

Date



Rural Economic Development Initiative
Grant Program
Preapplication Form



Name and Address of Sponsoring Entity:

Date Received By DCRA

Contact Person:

Phone Number:

Project Title and Description:

(attach additional sheets)

Type of Application:

Economic Development _____

Community Development _____

Technical Assistance _____

(A separate Preapplication must be submitted for each category)

Proposed Budget: (identify proposed funding source for each line item)

Line Item	Budget (\$)	Funding Source
Labor		
Materials		
Design		
Equipment Rental		
Contractual		
Administration		
Other		
Indirect		

Proposed Project Start Date: _____

Proposed Project Completion Date: _____

Signature of Authorized Official _____

Official's Title _____ Date _____

Note: Signing this Preapplication only indicates the entity's assurance of cooperation for and with this proposed project. If the Preapplication is approved, a formal resolution will need to be provided with the Final Application.

PREAPPLICATION REQUIREMENTS FOR ALL GRANT CATEGORIES

Each applicant must meet the following general requirements before being considered for funding. The requirements are:

- 1.) Each applicant must address the Alaska and National Objective of assisting low and moderate income persons. (This will be done by comparing your community's 1980 Census Median Income Level, which is provided, to the federally designated median income level for Alaska. If your overall community median income level does not meet low and moderate income levels, the Department of Community and Regional Affairs will work with you to verify low and moderate income levels of individuals to benefit from the proposed project.)
 - 2.) Each applicant must have, or demonstrate ability to secure, the administrative capacity necessary to undertake and complete the project. Experienced grantees can show past performance and existing mechanisms. If an applicant has unresolved audit findings from previous CDBG, RDA, or REDI grants, or if there is a record of poor performance in implementing other federal or state grants, the Department of Community and Regional Affairs reserves the right to deny application funding.
 - 3.) If applicable, the applicant must be prepared to provide documentation that other funds are available and sufficient to complete the project, if REDI funding is approved. Additional points will be awarded if documentation is provided indicating commitment of non-REDI funds.
-

If a Preapplication is approved, the Final Application will have to indicate the following:

- 1.) A schedule of project implementation and the applicant must commit to adhere to schedule.
- 2.) Detailed project description, if not done on the Preapplication.
- 3.) Budget and detailed narrative.
- 4.) If applicable, site control demonstrated.
- 5.) Resolution or an ordinance adopted or passed as an official act by the applicant's governing body.
- 6.) If applicable, a cooperative agreement when two or more communities apply, or a local government is applying with another agency or entity.
- 7.) All applicable regulatory agency approvals have been obtained, or are being processed.
- 8.) Community assessment, the community must show what resources were used to set priorities during the assessment and that the proposed project offers a solution to an identified community need.
- 9.) Citizen Participation must be indicated by providing minutes of the hearing or council meeting where decisions about the project were made.

A CONCEPT PAPER

Conversion of Institutionally Owned
Real Estate for Public Use

Glenda J. Straube
February 1988

There have been numerous public discussions recently relating to the conversion of institutionally owned real estate (REOs) for public purpose projects. Primarily, these conversions would be centered around a group home or clustered housing concept and would be used for low-income, student, senior or transitional housing.

These conversions would be used for public projects which would not normally have been created, offered, or supplied by the private sector. Homeowners and landlords will realize the benefits of removing these properties from the market through the eventual stabilization of the value of the remaining housing stock.

The execution of such a concept, however, is not feasible within present financial structures. Private lenders or investors cannot be expected to make these projects viable and federal funds for such projects are limited. Thus, it is state government which becomes the appropriate and, ultimately, the last resort for the source of funds.

With statutory and regulatory changes, the Alaska Housing Finance Corporation (AHFC) could become the conduit for such public use conversion of REOs.

EXECUTION

1. AHFC would purchase loans made to non-profit organizations and state entities for multi-unit projects which would be used for the public good. Multi-units would be described as any property consisting of three or more units. Entire condominium projects need to be included in this description, even though they are, presently, individually owned.

Consideration could be made to whether or not the state might include private developers as borrowers in this scenario.

2. Funds for these loans would be provided through the issuance of bonds. Direct appropriations from AHFC could be used to take any additional REO loss not agreed to by mortgage insurers, in order to make the purchase costs of the project feasible. The direct appropriation clause would be available only if AHFC felt that it was cost-effective in the long run to buy down the purchase price.
3. Owner occupied restrictions would be waived for these projects.

4. The costs of rehabilitation/renovation of these properties would be included in the loan. Many of these buildings would need some adaptations for their new use.
5. Loans would be available for only REO properties held by a state entity or, in the case of condominium projects, where the majority of the institutionally owned units are held by some combination of state entities. Again, the private sector will eventually benefit from the decreased supply and subsequent increase in value of multi-unit and condominium housing.
6. AHFC would establish the interest rate of these loans at 5% less than the cost of funds of any bond issue, with a 6% interest rate floor. If private developers were included in the description for borrower eligibility, this subsidy would need to be analyzed from a public policy standpoint.
7. AHFC would establish a lease/purchase program under the same restrictions and guidelines as those mentioned above.

THE FOCUS ON CONDOMINIUMS

In ISER's October 1987 report on Alaska's Economy and Housing Market, it was estimated that the holding costs of a typical condominium unit could equal \$7,000 per year. If you add to that the 20-25% decrease in value between 1987 and 1986, it becomes an expensive proposition for any investor or insurer to hold these properties.

Though AHFC has thus far suffered little financial loss on condominium loans, due to PMI and pool policies, they may face direct losses in the future if the condominium market is not stabilized. Mortgage insurance pool policies are not a bottomless pit.

Projections show that there is a 10 year excess supply of condos in Anchorage alone. Though this concept will not completely solve that problem, it is certainly a move in the right direction. ISER's abovementioned report clearly outlines the consequences of inaction.

CONCLUSION

With the largest residential portfolios being held by state entities, the State of Alaska has the ability to take steps to positively affect the housing market. The plan outlined in this paper affords the state an opportunity to provide its people with a better quality of life through social and economic policies aimed at stabilizing the market.

F.D.I.C. FINDS WAYS TO SELL AILING ASSETS
New York Times Article--2/22/88
By Nathaniel C. Nash

WASHINGTON, Feb 21 -- Federal regulators are employing novel ways to sell billions of dollars in troubled banking assets, including the sale of so-called dirty banks.

The Government has decided that if it can sell the entire operation of a failed bank--not just the healthy "clean" loans and other assets but also the delinquent loans and foreclosed properties--it can save the time, resources and headaches needed to liquidate the bad assets. In almost every sale, the Government actually pays investors to take these sick institutions off its hands.

"We prefer to call these whole-bank transactions," said L. William Seidman, chairman of the Federal Deposit Insurance Corporation, which insures deposits at the nation's commercial and savings banks.

A Savior for F.D.I.C.

No matter what the terminology, Mr. Seidman said, the savings from selling 19 failed banks last year, plus other innovative methods of disposing of bad assets, kept the F.D.I.C. from recording the first operating loss in its history.

The quick disposal of troubled assets is a departure for an agency that once tended to hold on to them in hopes that their value would increase in better times. Though many bankers applaud the new approach, some are concerned that the F.D.I.C. may be "dumping" these assets on the market. Some bankers worry that if the F.D.I.C. liquidates its loans at fire-sale prices, it will depress the value of troubled loans in other banks' portfolios. But F.D.I.C. officials reject the dumping charge and say that their policy is to sell the loans only at current market value.

As bank failures have soared from 10 in 1980 to almost 200 last year, the F.D.I.C. whose primary function is that of an insurance fund and regulator of small banks, has developed a gigantic new business--liquidating bad loans and selling foreclosed real estate and other assets inherited from the failed banks.

In a typical bank failure, the F.D.I.C. takes over the bank, removes management and eliminates stockholders equity. Once in control, it removes all the bad loans, which generally

caused the failure, and sells the remaining "clean bank" with its healthy loans and deposits, to the highest bidder.

The agency then must begin to liquidate the bad loans and other assets, one by one. This means trying to foreclose on properties, collect from bankrupt businesses and resposses automobiles. Not only does the process require thousands of Federal employees, it generates hundreds of lawsuits.

In the end, the agency often collects only 30 to 35 cents on the dollar.

Troubled Assets Soar

So high has the bank failure rate been that the F.D.I.C.'s assets under liquidation soared from \$2.2 billion in 1982 to more than \$11 billion last year, making the agency one of the largest liquidators in the country.

Such levels have pushed the Government to develop other techniques for selling large amounts of bad assets. Besides beginning the sale of "dirty" banks, Mr. Seidman instituted a bulk sale program, in which an investor can buy millions of dollars of loans at a time.

This was perhaps best illustrated in a sale this month by the F.D.I.C of the entire portfolio of its office in St. Joseph, Mo. From 21 bank failures in the state, the F.D.I.C. had amassed a portfolio of more than 2,500 loans and other assets with a book value of \$70 million. The buyer, Diversified Financial Planners, Inc. of Fort Wayne, Ind., agreed to pay \$21.1 million.

The F.D.I.C. is also looking for buyers for the entire portfolio of its Omaha office, which has 4,700 assets with a book value of \$128 million.

On a much grander scale, the agency also announced this month that it was preparing the bulk sale of some \$1.8 billion in bad loans and assets it inherited from its 1984 rescue of the Continental Illinois National Bank and Trust Company. The F.D.I.C. said it was breaking the portfolios into six loan groups--energy, international, maritime, real estate, commercial and personal--and would sell each separately. It would also entertain bids for the entire portfolio.

Something Instead of Nothing

While in one sense the sale of bulk-loan packages is meant to reduce the agency's liquidation operations, Mr. Seidman and bank experts noted that there was a much larger reason.

Because bad loans under liquidation often sit for years in court battles and other delays, the F.D.I.C. earns nothing from them. In fact, they represent a cash drain.

By receiving even a small amount of cash from the bulk-loan sale, the agency can put the money into Government securities to begin earning interest, Mr. Seidman said.

"If you've got cash, you're in business," said Mr. Seidman, a former accountant. "I keep telling my people that one of the criteria in deciding any transaction for this fund is whether it brings in cash."

Indeed, Mr. Seidman estimated that if the agency had not embarked on a bulk sales and dirty bank program, the assets under liquidation would have soared and the agency's current cash reserve of \$16 billion, which is the base of its financial strength, could have shrunk to around \$10 billion.

The Need for Cash

"There is always the concern that if you suck up too much cash, it reduces your ability to handle bank failures," said William M. Isaac, former chairman of the F.D.I.C. and now head of the Secura Group, a financial consulting firm. "You also run the risk of a public confidence crisis issue if your cash levels get too low."

Bankers also welcome the program because it allows troubled borrowers to continue their relationship with a bank instead of the Government. "When the F.D.I.C. picks up a bad loan, it has to liquidate it," an official of the American Bankers Association said. "It cannot extend additional credit. Borrowers have no way to refinance their loan. They may lose a long-term depository relationship."

In other words, at the time of the borrower's greatest stress, along comes the Government with a mandate to liquidate, the official said.

Though the F.D.I.C. cannot fund a buyer for every dirty bank it has already found some satisfied customers.

Philip Sandquist, a Montana banker, decided to buy a dirty bank last year--the Deer Lodge Bank and Trust Company in Deer Lodge, Mont.

The \$16.5 million bank had become insolvent, in good part, regulators said, because of poor management. Under the deal he struck with the F.D.I.C. Mr. Sandquist put up a little more than \$1 million and the F.D.I.C. injected almost \$2 million.

"But most of those assets--almost \$14 million--were really good paying assets," Mr. Sandquist said. Four days after he took over the bank, he said it was earning a profit. "After eight months, we had earned \$133,000," he said.

Mr. Sandquist noted that in the typical clean-bank transaction, in which the banker receives only the insured deposits but few if any loans offsetting those deposits, "it takes a long time to find borrowers and other places to put those funds to start earning money on them," he said.

With an F.D.I.C. dirty bank, "you can buy assets for 50 to 75 cents on the dollar and most of them are already earning money," he said, referring to the interest payments on the loans.

Steven A. Seilig, associate director in the F.D.I.C.'s liquidation division added that disposing of assets as soon as possible had become the new goal in an agency that once might have wanted to hold on to foreclosed real estate or loans, hoping that the market would soon turn around and the government would make a premium on the assets.

"While I might think that a piece of property is going to go up in value, it ain't necessarily so," he said. "Look at where oil and gas prices were in 1954 and where they are today. If I have \$100 tied up in these loans, I am not earning any money, I have holding costs and I run the risk that their value will go down even more. If I sell them and put \$100 in the bank, I know exactly how much I am earning on it."

MEMORANDUM

State of Alaska

DEPARTMENT OF NATURAL RESOURCES - Division of Land and Water Management

TO: Margaret J. Hayes
Director

DATE: February 24, 1988

FILE NO:

TELEPHONE NO: 762-2680

THRU:

SUBJECT: Federal Real Property
and Loan Assumptions

FROM: Gary Gustafson, Chief
Land Management

Gus

According to recent press accounts, the Federal Deposit Insurance Corporation (FDIC) assumed almost \$245 million in loans from the recent closure of First Interstate Bank of Alaska and Alaska National Bank of the North. Coupled with the increased pace of foreclosures initiated by the Federal Housing Administration (FHA), the Alaska real estate market is threatened by devaluation, should the FDIC and FHA proceed to sell these loans or property at liquidation prices over the near term.

I realize the Alaska State Legislature is currently exploring options which might alleviate the situation. Some members of the legislature apparently wrote the FDIC regional office in San Francisco, offering to help with any plan that might prevent large-scale sales of land and offered to work together to find an equitable solution as speedily as possible. The legislature is also debating whether or not to pay \$250,000 to complete an appraisal of some of these properties.

After reading these reports, I began to conceptualize a scenario which might help resolve this problem. It entails the conversion of one million acres (or less) of the state's remaining general grant land entitlement (Section 6(b) of the Alaska Statehood Act) to acre-equivalents which would then be convertible to dollar equivalents. These dollar-equivalents could then be used to acquire the federal loans or property from FDIC and FHA on a value for value basis. In other words, \$250,000,000 of dollar-equivalents could be exchanged for \$250,000,000 worth of federal loans or property in Alaska.

This proposal would require the approval of the U.S. Congress as it alters the provisions of the Alaska Statehood Act. However, there is already precedence for this type of legislation. In 1982, the Alaska Railroad Transfer Act was passed by Congress (PL 97-468). It included a provision to allow Cook Inlet Region, Inc. (CIRI), an Alaska Native regional corporation, to convert part of its land entitlement to acre-equivalents which could be used to bid on properties excessed by the General Services Administration (GSA) anywhere in the country. CIRI was able to convince Congress to allow it to receive \$500/acre for its

in-region entitlement lands and \$250/acre for its out-of-region lands. Using these acre-equivalents, CIRI has since obtained an impressive portfolio of federal surplus properties at GSA auctions across the United States. At this time, CIRI has used more than 130,000 acres of its out-of-region entitlement (acre-equivalents) to acquire more than \$70 million worth of surplus federal property in the lower 49 states.

There are several reasons why it makes sense to contemplate the conversion of some of the state's remaining general grant land entitlement to acre-equivalents. The state's total general grant land entitlement is about 102.5 million acres, of which the state has been conveyed about 81 million acres. Therefore, the state has more than 20 million acres yet to acquire. However, the available federal land from which we must chose this land is primarily remote and of low relative resource potential. Therefore, the chance to replace this marginal remote acreage with strategically situated (mostly urban) real estate throughout Alaska has considerable appeal.

As with most proposals, this one has some drawbacks. Although the proposal certainly would seem to adhere to the new federalism policy of U.S. government, I can imagine opposition from the federal OMB which is looking for opportunities to reduce the federal budget deficit.

Another potential problem is the state's ability to manage the loans and real estate, once acquired. It may be necessary to create a new corporation or authority (i.e. land bank) to manage the loans and improved properties or use existing state processes (i.e. Alaska Housing Finance Corporation). However, this end of the process has already received considerable attention in Juneau. The Anchorage Economic Development Corporation, Sealaska Corporation and Dave Rose have all recently proposed various means to manage these holdings. The unimproved properties could be simply transferred to the Department of Natural Resources for management.

There are also other variances on the main theme which may be attractive. For instance, the state might consider converting to dollar-equivalents the 75,000 acres of school land entitlement under subsection 906(b) of the Alaska National Interest Lands Conservation Act (ANILCA). The state has not yet selected any of these lands and it is very unlikely that we could now select land which would provide a future base for revenue production in association with the school trust. On the other hand, the conversion of this acreage to dollar-equivalents to acquire the FDIC and FHA loans and property would provide a unique opportunity to establish a solid revenue base for the school trust. This plan would also add an important and influential constituent support group to the conversion effort, while providing a new long-term revenue source for school programs.

Action Plan

There are a number of steps necessary to advance this proposal beyond the conceptual stage. First, it must be studied and approved by the legislature as well as other economic interests within the state. Second, the Alaska Congressional delegation must be brought on board and propose legislation in Congress. The Governor's Office in Washington, D.C. would be instrumental in this regard. Also, the state must devise a mechanism to manage these loans and properties once they are acquired. This is also an arena for the legislature to explore and resolve. I would imagine that this proposal could be accomplished in about six months, although that assumes that everything would fall into place (an unlikely scenario).

Please let me know if you think this proposal is viable.

cc: Judy Brady, CO
Tom Hawkins, CO
John Katz, Governor's Office - Washington, D.C.

RBY

FACT SHEET **SOUTHWEST PLAN**

OBJECTIVE: Achieve viability of Texas thrifts through consolidation. Reduce cost of funds in Texas and ultimately nationwide.

STRATEGY: Consolidate 143 ailing (104 insolvent) out of 281 thrifts currently operating in Texas, so that surviving viable institutions number between 160 and 180. Approximately 70 percent of troubled institutions have signed consent-to-merge agreements.

Reduce number of branches from more than 1800 to nearly 1400.

Divide Texas into 14 thrift regions and ensure that each region has appropriate service to meet needs of its people.

RESULTS: Potential size of surviving thrifts

Local.....Up to \$800 million
Regional.....\$800 million to \$2.5 billion
Multi-regional.....More than \$2.5 billion
Statewide.....None

Estimated Size of all Texas thrifts before and after consolidation

	<u>Pre-plan</u>	<u>Post-plan</u>
0-\$100 million	45%	53%
\$100-\$500 million	39%	29%
\$500 million-\$1 billion	8%	6%
More than \$1 billion	8%	12%

Eliminate 1987 loss of \$2.2 billion of all Texas thrifts at end of first year of consolidation.

COST TO FSLIC: Estimated for implementation of strategy, \$6 to \$7 billion, with funds derived from FSLIC recapitalization program, assessments of the thrift industry and other sources.

FSLIC will conserve cash and extend impact of its funds by issuing FSLIC notes and using assets as collateral. FSLIC expects to recoup part of its investment in troubled thrifts by sharing in profits of consolidated institutions and/or holding an equity position in them. FSLIC's equity position will not be used to control an institution.

OTHER CAPITAL: \$1 billion in new capital could be available from potential acquirers and/or institutions that could participate in consolidations. Additional capital will be available as the plan moves forward.

FEDERAL HOME LOAN BANK BOARD**Resolution No.****Dated:**

- Whereas** The Federal Home Loan Bank Board ("Board") is engaged in the development of a plan for solving the multibillion dollar problem of thrift institutions in the Board's Ninth District, comprised of the states of Texas, Mississippi, Louisiana, Arkansas and New Mexico, called the "Southwest Plan";
- Whereas** Representatives of the thrift industry in the Southwest, together with their trade associations, have urged consolidation as a means of reducing excessive operating costs and expenses;
- Whereas** The Board has placed a major priority on resolving thrift problems in Texas in recognition of the fact that thrift troubles in that state constitute a major fraction of all thrift problems nationwide;
- Whereas** The Board believes that a solution of the Texas problem will aid the Board's efforts to solve thrift problems throughout the nation and aid in the reduction of the cost of funds to all institutions;
- Whereas** Consolidation of the Federal Savings and Loan Insurance Corporation's ("FSLIC's") insolvent institutions together with some combination of healthy institutions and capital infusions to produce viable thrifts would achieve various benefits, including:
- Significant savings in operating expenses;
 - Management teams capable of providing the leadership and controls necessary to achieve viability;
 - The ability to permit higher cost deposits to be reduced by cash flow from investments supported by lower cost deposits;

- Merging within one institution complex financial investments that currently are located in several institutions, with attendant unnecessary costs;
- Attract capital to a market that currently has too many inefficiencies to produce a reasonable return on new capital;

Whereas The Board initiated an analysis of possible means to reduce operating and deposit costs in support of the Southwest Plan, thereby enhancing confidence in the thrift industry, with the following directions:

- Retain a competitive environment within the district, preserving the basic nature of its thrift industry, while delivering financial service to customers efficiently and effectively;
- Reduce or eliminate duplications and redundancies in the financial services industry, which currently are adding to operating costs;
- Identify the most capable management to implement the plan;
- Provide a mechanism for reducing the expenses and controlling losses in troubled assets;
- The efficient use of FSLIC resources in resolving problems;
- Shares of the future profits of assisted institutions for FSLIC;

Whereas The analysis has reported, in pertinent part, that:

- Consolidation would provide for an integrated approach to the existing insolvencies rather than resolving cases less effectively on a case-by-case basis;
- Fourteen geographical regions can be identified in Texas; consolidation should occur within the framework of those geographical market areas, some of which are local, some regional, and some multiregional (but not statewide);

- Consolidation could significantly reduce the number of savings and loans and deposit-gathering offices within those markets;
- Consolidation should provide immediate operational savings, exclusive of conversion costs, of several hundred million dollars per year;
- Additional, even greater, savings may be achieved through resulting reductions in the cost of funds to insured institutions throughout the Ninth District;
- Further savings are possible through the consolidation of shared complex financial assets in a single institution, eliminating or simplifying management costs and litigation;
- The key to these savings, as well as to reducing the long-run cost to the FSLIC, is the identification and selection of strong management;
- By retaining an interest in the future profits of assisted institutions and their assets, the FSLIC stands to share in the savings that result from the plan; and

Whereas The Board concludes that the resources of the FSLIC are sufficient to support a strategy of consolidation if pursued in accordance with the analysis considered by the Board.

Now therefore be it resolved that:

The strategy of consolidation should be pursued as part of the Board's Southwest Plan and its overall efforts to restore the financial health of the thrift industry and preserve the financial health of the FSLIC;

The FSLIC, in consultation with the Board's Office of Regulatory Policy, Oversight and Supervision, the Federal Home Loan Bank of Dallas, and other appropriate state and federal regulatory agencies shall:

- Within the limits of the Board's authority, identify and foster the retention of the most capable management in the consolidated institutions, with a view toward both satisfying the institutions' immediate needs for capable management and minimizing the long term costs of the FSLIC;
- Develop such a strategy that will consider the multiregional nature of the Ninth District in general and the State of Texas more specifically;
- Provide a procedure that will permit new capital to be introduced into consolidated local, regional, and multiregional institutions within Texas on a cost-effective basis;
- Promote fairness by providing potential investors and managers the opportunity to compete for the right to participate in the plan on an equitable basis, to the ultimate benefit of the FSLIC fund;
- Foster the consolidation of complex financial assets in which conflicts among participants are raising costs;
- Provide necessary procedures and staffing for continuing a strategy of consolidation; and
- Proceed with implementation in as expeditious a manner as possible.

By the Federal Home Loan Bank Board

KEY PARAMETERS

- **Preserve basic structure and competition of thrift industry.**
- **Eliminate duplication and over-branching**

GUIDELINES USED IN DEVELOPING SOUTHWEST PLAN

- **Retain competitive environment within district, preserving basic nature of thrift industry, while delivering financial service to customers efficiently and effectively.**
- **Reduce or eliminate duplications and redundancies in financial services industry, which currently are adding to operating costs.**
- **Identify most capable management to implement plan.**
- **Provide mechanism for reducing expenses and controlling losses in troubled assets.**
- **Minimize use of cash in resolving problems.**
- **Gain future share of profits from assisted institutions for FSLIC**

POTENTIAL RESULTING THRIFTS (ASSETS)

LOCAL	UP TO \$800 MILLION
REGIONAL	\$800 MILLION - \$2.5 BILLION
MULTI-REGIONAL	MORE THAN \$2.5 BILLION
STATEWIDE	NONE

SIZE OF THRIFTS

	<u>PRE-PLAN</u>	<u>POST-PLAN</u>
0 - \$100 MILLION	45%	53%
\$100 - \$500 MILION	39%	29%
\$500 MILLION - \$1 BILLION	8%	6%
OVER \$1 BILLION	8%	12%

TEXAS MAJOR METRO AREAS IN PROPOSED REGIONS



	MSA	IN REGION
A	ABILENE	14
B	AMARILLO	12
C	AUSTIN	8, 10
D	BEAUMONT- PORT ARTHUR	4, 5, 6
E	BROWNSVILLE- McALLEN	9, 11
F	CORPUS CHRISTIE	4, 7, 8, 9
G	DALLAS/ FORT WORTH	1, 2, 3 2, 3, 14
H	EL PASO	11
I	HOUSTON- GALVESTON	4, 5
J	KILLEEN-TEMPE	8
K	LAREDO	9, 11
L	LUBBOCK	12
M	MIDLAND- ODESSA	13
N	SAN ANGELO	13
O	SAN ANTONIO	8, 10
P	SHERMAN-DENTON	3
Q	TEXARKANA	3
R	TYLER- LONGVIEW	3
S	WACO	8, 14
T	WICHITA FALLS	14

TEXAS MAJOR METRO AREAS IN PROPOSED REGIONS

<u>REGION</u>	<u>ANCHOR AREA</u>	<u>GEOGRAPHIC DESCRIPTION</u>
1	DALLAS	DALLAS ONLY
2	DALLAS/FORT WORTH	THE METROPLEX
3	DALLAS TO TEXARKANA INCLUDING FT. WORTH, TYLER, LONGVIEW, SHERMAN DENTON, ETC.	(NORTH AND EAST TEXAS)
4	HOUSTON, GALVESTON, BEAUMONT, ORANGE, CORPUS CHRISTI	(TEXAS COAST)
5	HOUSTON, GALVESTON	(TEXAS COAST)
6	BEAUMONT, ORANGE	(TEXAS COAST)
7	CORPUS CHRISTI	(TEXAS COAST)
8	SAN ANTONIO, AUSTIN, CORPUS CHRISTI, KILLEEN, BRADY, WACO	(CENTRAL TEXAS AND THE HILL COUNTRY)
9	CORPUS CHRISTI, RIO GRANDE VALLEY, LAREDO	(SOUTHERN TIP OF TEXAS)
10	SAN ANTONIO, AUSTIN	(CENTRAL TEXAS)
11	EL PASO TO BROWNSVILLE	(ENTIRE RIO GRANDE BORDER)
12	LUBBOCK, AMARILLO	(PANHANDLE AND PLAINS)
13	MIDLAND, ODESSA, SAN ANGELO	(WEST TEXAS)
14	ABILENE, WICHITA FALLS, FT. WORTH, WACO	(NORTH AND WEST CENTRAL TEXAS)

**Non-viable thrifts should be
"packaged" with creative FSLIC
financial and regulatory assistance
to create marketable entities.**

CONCLUSION

- Consolidation Works
- FSLIC Can Afford
- Thrift Benefit Nationwide

REQUESTS FOR STATEMENTS OF INTEREST

The Federal Savings and Loan Insurance Corporation ("FSLIC"), an agency of the Federal Home Loan Bank Board, is considering a plan of action for the Southwest regional restructuring of savings institutions. The FSLIC may provide economic and non-economic assistance where it deems appropriate to assist in the restructuring of involved institutions. The purpose of the Southwest regional restructuring is to realize economies of scale, reduce operating expenses and eliminate redundancies in office locations while preserving adequate services, competition and basic structure in each locale.

The FSLIC is requesting statements of interest from parties desirous of participating in the Southwest regional restructuring. The FSLIC will consider responses from principals only. A Request for Proposal ("R.F.P.") may be requested from:

Coordinator
Southwest Regional Development
FSLIC
1700 G Street, N.W.
Washington, D.C. 20006

Indications of interest should clearly state the following:

1. The asset size of the savings institution(s) you are contemplating to acquire.
2. Preliminary estimates of the amount, type and source of capital you are willing to infuse into the acquired entity or entities.
3. The region(s) or local area(s) in which you may be interested, unless the party has no geographic constraints.
4. The general characteristics of the types of institutions in which you are most interested.

The FSLIC is seeking interest for three types of acquisitions:

1. Local institutions limiting service to their local communities and having an asset base of up to \$800 million.
2. Regional institutions serving the area of the state in which they are located and having assets of \$800 million to \$2.5 billion.
3. Multi-regionals serving more than one region and having assets in excess of \$2.5 billion.

Interested parties will be required to submit confidential biographical and financial information in order to be pre-screened to receive additional information regarding institutions that may be

involved in the restructuring. The required information for the pre-screening process will be provided to those who have indicated an interest.

The FSLIC, in consultation with the Office of Regulatory, Policy, Oversight and Supervision and the Federal Home Loan Bank of Dallas, will determine the acceptability of those seeking to be pre-screened. Such determinations will consider:

- o The financial strength, ability, amount and type of capital that the interested party will provide when pursuing consolidation within the targeted area;
- o The strength of proposed management;
- o Applications for acquisitions with the Southwest submitted within the last 12 months to either the Dallas Bank or FSLIC;
- o A key consideration in any of FSLIC negotiations for assisted acquisitions or mergers will be the preservation of as much of the basic structure and preservation of competition in each locale while restructuring these institutions to realize economies of scale, reduce operating expenses and eliminate redundancies in office locations.

FSLIC will provide to any interested party guidelines for equity sharing by FSLIC. Such guidelines will be subject to change without notice.

If requested, the R.F.P. will offer, on a confidential basis, financial summaries and projections of combinations available within market areas. Such information will also offer preliminary projections of potential branch closures, operating expenses reductions,...

Institutions not under a Consent to Merge Agreement will be notified if a proposal has been made affecting them. If they decline to be considered as a part of an approved plan of consolidation their Directors will be so notified by FSLIC, together with an estimate of increased costs to the plan and to their own operation.

FSLIC will approach some institutions that are not under a Consent to Merger Agreement and that appear to be good candidates and encourage them to submit proposals.

Questions regarding the R.F.P. should be directed to the coordinator listed above or to _____ at the Federal Home Loan Bank of Dallas.

Statements of interest should be submitted at your earliest convenience but no later than _____.

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ADDENDUM

PRE-SCREENING REQUIREMENTS

The following information must be submitted in order to ascertain the identity and legal form of a potential acquirer and to develop a basis for a preliminary financial evaluation:

FINANCIAL INSTITUTIONS

Financial Institutions that wish to be included on the National Marketing List are required to submit the following information:

On the institution's letterhead, a statement indicating their interest to be placed on the National Marketing List;

A statement detailing geographic and asset preferences; plus

Name, address and telephone number of the contact person to whom marketing information should be addressed.

Submission of this information will allow for inclusion on the FSLIC's National Marketing List. However, invitation(s) to submit a proposal is subject to supervisory clearance from an institution's primary regulator. The general parameter used to determine those financial institutions to be invited is twice the asset size of the target institution. Exceptions to the general parameter must be coordinated with the institution's primary regulator and the FSLIC.

INDIVIDUAL INVESTORS

A completed copy of the Investor's Information Form and the Confidential Biographical and Financial Report (FHLBB Form 1393) or a signed personal financial statement with supporting schedules detailing assets and liabilities.

Executed Affidavit that the information supplied is true and accurate.

Executed Certification regarding criminal and civil litigation.

A statement indicating business/financial background and/or management resources that will be made available for the acquired institution.

Additional information may be required in the course of the pre-screening process.

ADDENDUM: Page 2

COMPANIES (CORPORATIONS, PARTNERSHIPS, ETC.)

A copy of the company's annual report to shareholders for the last two years and the most recent quarterly statement (consolidated when appropriate).

1934 Act Reporting Corporations must also provide Forms 10-K, plus the recent 10-Q and proxy statements.

A statement that the financial information supplied is true and accurate.

A statement indicating the company's business/financial capabilities and management resources that will be made available for the acquired institution.

In addition, principals of non-publicly traded corporations must submit those items listed under the Individual Investors section for each principal involved in the transaction.

Note: All prospective acquirors are subject to credit and background checks. Once the pre-screening has been completed, you will be notified by the Marketing Section of the Mergers and Acquisitions Division/FSLIC.

REQUIREMENTS FOR CORPORATE AND PRIVATE INVESTORS TENDERING A PROPOSAL

In order for the FSLIC to proceed with an evaluation of a proposal tendered by a private or corporate investor, the offeror is required to submit the following additional information:

- 1) Statement as to the amount and source of capital to be provided.
- 2) Adequate evidence that the capital is available, e.g., letter of credit, commitment letter, subscription agreements, escrow verification, etc.

For those parties seeking to infuse non-cash capital, especially where no readily discernible market exists, please provide detailed information regarding the type of assets, the fair market value and the method of valuation used. Additional information may be required.

This information must be submitted no later than the submission deadline for receipt of proposals on this institution.

ADDENDUM: Page 3

The FHLBB/PSLIC reserves the right to reject an offeror's proposal based upon on inadequate demonstration of financial capability, inadequate management experience/depth or other factors which would impair the restoration of the savings institution to viability.

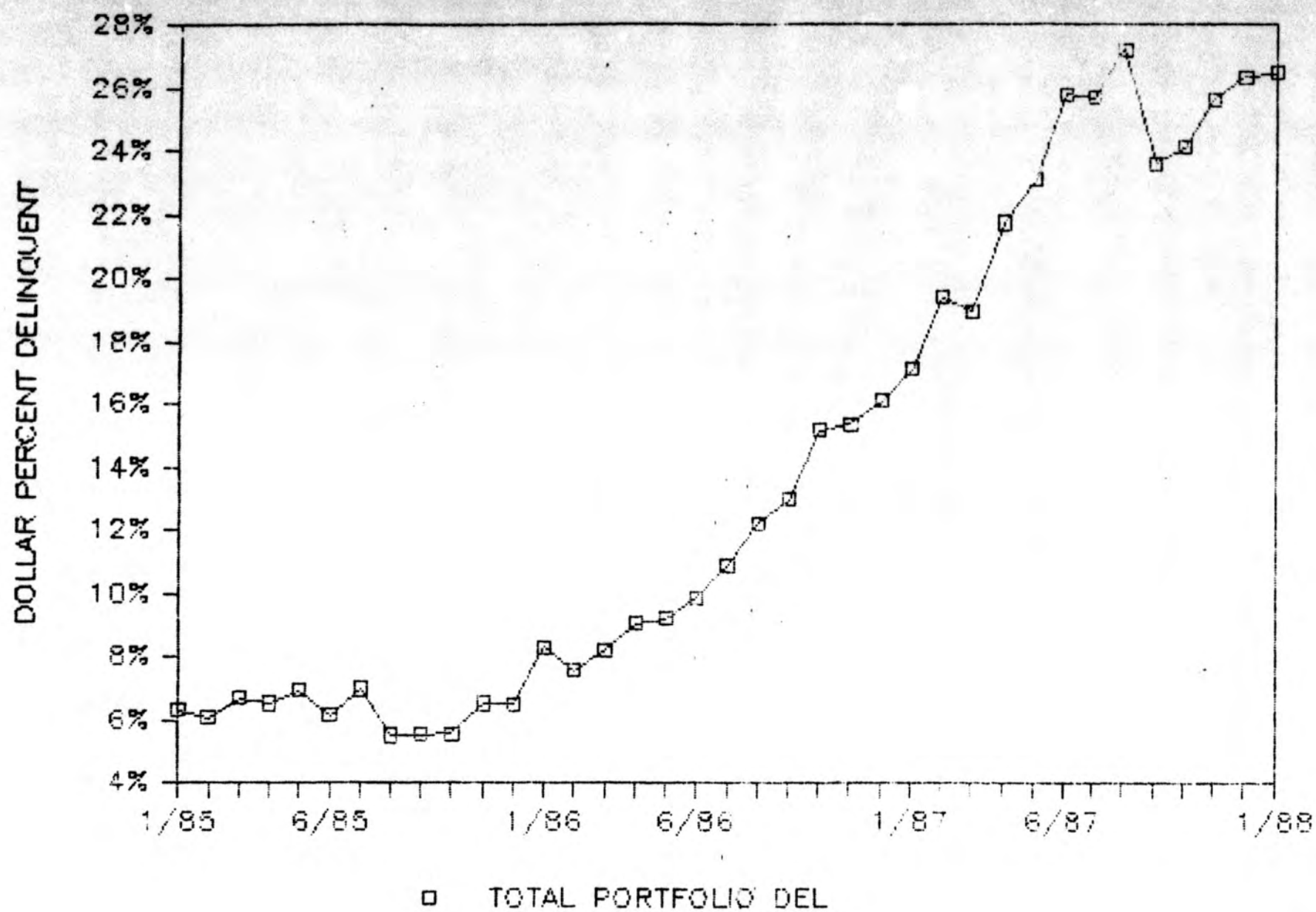
please direct Client Clearance Pre-Screening questions and information to:

Mr. Thomas L. Batties
Marketing Director
Mergers and Acquisitions Division
1700 G Street, N.W.
Washington, D.C. 20552
(202) 254-2593

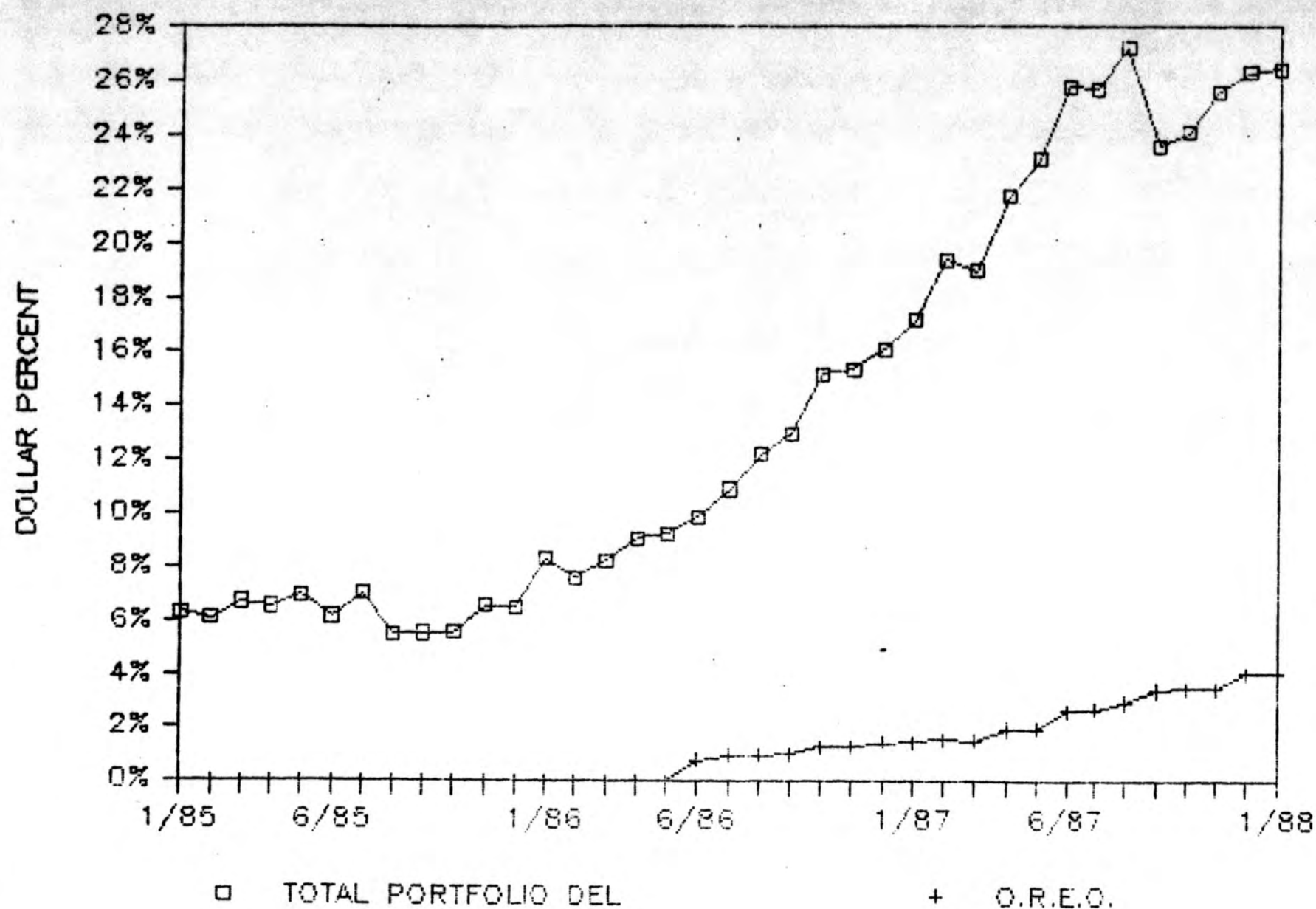
ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY**Income Statement Highlights**

	Six Months Ended December 31, 1987	Year Ended December 31,		
		1987	1986	1985
Total Revenues	24,472,880	48,359,225	54,959,810	51,812,352
Total Expenses	21,313,099	34,882,482	26,084,609	22,060,125
Net Earnings	3,159,781	13,476,743	28,875,201	29,752,227
Retained Earnings at End of Period	160,784,994	157,625,213	144,148,470	115,273,269

PORTFOLIO PERFORMANCE



PORTFOLIO PERFORMANCE



ALASKA INDUSTRIAL DEVELOPMENT AUTHORITY
GEOGRAPHIC SUMMARY
FUNDED PARTICIPATIONS - THROUGH 12/31/87

<u>Location</u>	<u># Loans/Percent</u>		<u>\$(000's Omitted)/Percent</u>	
Anchorage	249	50	161,525	54
South West	33	7	17,685	6
South East	56	10	29,415	10
South Central	81	16	33,000	11
North West	4	1	3,020	1
North Slope	13	3	10,545	3
Interior	<u>63</u>	<u>13</u>	<u>43,830</u>	<u>15</u>
TOTALS	499		299,020	

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Delinquent Bond Sale Loans by ^{AREA}~~Slope~~
 Distribution of Delinquency
 As of 12/31/87

Area	Number	%	Total Delinquent Dollars
North West	1	.26	\$ 134,151.96
North Slope	3	2.50	1,276,175.37
Interior	6	5.14	2,630,912.03
South West	1	.79	404,592.91
Anchorage	46	82.74	42,325,238.95
South Central	10	6.83	3,494,248.00
South East	<u>2</u>	<u>1.74</u>	<u>891,683.93</u>
	69	100%	\$51,157,003.15

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Delinquent Bond Sale Loans by Type

As of 12/31/87

Loan Type	Number	%	Total Delinquent Dollars
Office	19	26.65	\$13,634,717.01
Warehouse	16	18.97	9,706,755.34
Retail/Shopping Center	14	26.90	13,762,340.78
Hotel/Motel	3	1.76	898,687.23
Restaurant	6	6.87	3,511,729.54
Multi-Family	7	16.78	8,585,445.39
Industrial/Manufacturing	1	1.09	556,210.81
Equipment	2	.55	282,006.38
Vessel	<u>1</u>	<u>.43</u>	<u>219,110.67</u>
TOTAL	69	100%	\$51,157,003.15

**WORK OUT REPORT 12/31/87
BOND SALE LOANS**

Type of Property Location	AIDEA Balance	Estimated Value Date	Additional Collateral	Total Original Payment	Total Modified Payment	Term	Status 10/30
Shopping mall North Pole	\$5,943,671.93 80%	\$6,000,000 07/87	\$2,555,000	\$ 70,426	\$35,000	06/87 - 05/88	Current
16 unit apt. complex Juneau	\$ 386,755.75 90%	\$ 340,000 10/87	\$ 40,000	\$ 4,516	min \$ 3,000	10/87 - 03/89	Current
Warehouse Juneau	\$ 81,184.43 90%	\$ 110,000 03/87	N/A	\$ 1,184	\$ 850 int. only	05/87 - 11/87	Paid to 12/01/87
50 room motel Juneau	\$ 610,151.00 90%	\$1,000,000 07/87	N/A	\$ 8,853	\$10,600 \$ 6,500 int. only \$ 7,000 add'l pymt	06/87 - 10/87 11/87 - 05/88 06/87 - 05/88	Paid to 11/01/87 Catch up
Shopping mall & Pizza Hut North Pole	\$1,336,509.91 80%	\$1,650,000 06/87	N/A	\$ 15,108	\$13,400 int. only	07/87 - 06/89	Paid to 10/01/87
commercial retail condo's Fairbanks	\$1,591,369.13 80%	\$1,200,000 06/87	\$ 160,000	\$ 20,345	\$13,000	07/87 - 06/89	Paid to 11/01/87
Office/warehouse Anchorage	\$ 726,561.12 90%	\$ 510,000 05/87	\$ 90,000	\$ 8,180	\$ 3,000	11/87 - 10/89	Modification not in place yet. Paid to 02/01/87
Office/warehouse/ shop Anchorage	\$1,048,534.48 90%	\$ 680,000 10/87	N/A	\$ 10,500	\$ 1,500	11/86 - 10/87	Paid to 09/01/87 Bank negotiating to protect 2nd D of T ownership
12 unit apt. bldg. Anchorage	\$1,608,157.24 90%	\$1,050,000 11/87	*\$ 938,000	\$ 15,387.77	\$ 6,000 \$ 9,000 \$17,000 \$22,000	09/86 - 12/87 01/88 - 12/88 01/89 - 12/89 01/90 - mat.	Paid to 03/01/87 Borrowers defaulted

Type of Property Location	AIDEA Balance	Estimated Value Date	Additional Collateral	Total Original Payment	Total Modified Payment	Term	Status 10/30
72 unit apt. bldg. Anchorage	\$2,723,091.67 90%	\$1,800,000 11/87	* Shared	\$ 26,561	\$12,500 \$16,500 \$31,000 \$40,000	09/86 - 12/87 01/88 - 12/88 01/89 - 12/89 01/90 - mat.	Paid to 02/01/87 Borrowers defaulted
Office condo Juneau	\$ 71,749.00 90%	\$ 138,000 01/83	N/A	\$ 995	\$ 778 int. only	01/87 - 12/87	Paid to 12/01/87
Warehouse Wasilla	\$ 256,755.01 90%	\$ 170,000 07/87	N/A	\$ 3,857	\$ 2,495 int. only	04/87 - 03/88	Paid to 03/01/87 Borrowers defaulted
Wendys Eagle River	\$ 755,292.01 90%	\$1,180,000 09/84	N/A	\$ 10,202	\$ 7,271 int. only	04/87 - 03/88	Paid to 06/01/87 Borrowers defaulted
Wendys So. Anchorage	\$ 716,638.55 90%	\$1,220,000 10/84	N/A	\$ 9,393	\$ 6,871 int. only	04/87 - 03/88	Paid to 06/01/87 Borrowers defaulted
Wendys E. 5th Ave.	\$ 653,814.62 90%	\$1,300,000 05/82	N/A	\$ 7,788	\$ 6,970 int. only	04/87 - 03/88	Paid to 06/01/87 Borrowers defaulted
Wendys Jewell Lake	\$ 409,705.97 57%	\$1,160,000 05/82	N/A	\$ 8,222	\$ 7,742 int. only on AIDEA & FIAK portion	04/87 - 03/88	Paid to 06/01/87 Borrowers defaulted
Office/retail warehouse Eagle River	\$ 711,529.23 90%	\$ 707,800 03/87	\$ 310,000	\$ 9,386	\$ 5,000	10/86 - 03/88	Paid to 12/01/87
Office bldg Anchorage	\$ 588,763.16 90%	\$ 841,000 04/87	N/A	\$ 6,580	\$ 6,580	04/88 - 10/89 Repymnt of amt. capitalized	Paid to 10/01/87

Type of Property Location	AIDEA Balance	Estimated Value Date	Additional Collateral	Total Original Payment	Total Modified Payment	Term	Status 10/30
Furniture fixtures & equipment Anchorage	\$ 242,396.07 90%	\$ 25,000	N/A	\$ 6,621	\$ 2,000	12/87 - 02/88	Paid to 05/01/87 Business to close
Strip mall Anchorage	\$ 710,183.09 90%	\$ 415,000 10/87	N/A	\$ 9,340	100% NOI + \$2,000 min \$6,000	05/87 - 04/88	Paid to 08/01/87 Borrower defaulted Settlement being negotiated
Office/warehouse Anchorage	\$ 317,877.43 90%	\$ 400,000 03/87	N/A	\$ 3,700	\$ 3,268 int. only	08/87 - 07/88	Paid to 09/01/87 2nd lienholder considering deed-in-lieu
Office bldg. Anchorage	\$ 551,180.97 90%	\$1,150,000 06/81	N/A	\$ 7,342	\$ 6,680 int. only	02/87 - 08/88	Paid to 12/01/87
Wendy's Fairbanks	\$ 439,134.43 90%	\$ 368,640 07/87	N/A	\$ 6,074	\$ 4,689	07/87 - 11/88	Paid to 09/01/87 FDIC servicing
Office bldg. Anchorage	\$2,070,909.47 80%	\$1,800,000 02/87	\$ 421,521	\$ 24,957.96	\$10,000 min. pymt	11/86 - 12/88	Paid to 08/01/87 FDIC servicing
60 unit hotel Kenai	\$ 962,728.01 90%	\$1,200,000 07/87	\$ 396,700 \$ 59,960 D/S Reserve	\$ 11,180.91	\$ 6,000 \$ 3,500 \$ 6,000	06/87 - 10/87 11/87 - 05/88 06/88 - 10/89	Paid to 12/01/87
Mini storage warehouse Anchorage	\$2,442,194.69 80%	\$2,235,000 07/87	\$ 120,000 Cash Collateral	\$ 32,701.87	\$22,410 int. only	07/87 - 08/88	Paid to 12/01/87
Dental clinic office bldg. Bethel	\$ 303,374.27 90%	\$ 384,720 07/87	\$ 330,000	\$ 4,114.91	\$ 2,000	07/87 - 11/88	Paid to 12/01/87

Type of Property Location	AIDEA Balance	Estimated Value Date	Additional Collateral	Total Original Payment	Total Modified Payment	Term	Status	10/30
8 unit hotel bldg. leasehold Chena Hot Springs	\$ 139,872.34 90%	\$ 242,000 07/81	N/A	\$ 1,762	\$ 881 1/2 pymnt	12/87 - 11/89	Waiting for documents from servicer	
2-8 unit hotel bldgs. leasehold Chena Hot Springs	\$ 358,814.89 90%	\$ 590,000 01/83	N/A	\$ 4,226	\$ 2,113 1/2 pymnt	12/87 - 11/89	Waiting for documents from servicer	
Tank manufacturing plant Fairbanks	\$1,095,171.06 81%	\$1,598,000 06/87	\$ 400,000	\$ 11,386	\$ 5,694	1 year	Waiting for documents from servicer	
6 plex apt. bldg. Anchorage	\$ 223,022.28 89%	\$ 400,000 03/84	N/A	\$ 2,254	\$ 2,016 int only	10/87 - 9/88	Current	
Office bldg. Anchorage	\$ 719,867.56 86%	\$1,180,000 02/82	N/A	\$ 9,165	\$ 8,086 int only reg.pymnt + \$1,000	01/87 - 12/88 01/89 - 12/91	Current	
Total	#32							
Total	\$30,796,960.77							

**WORK OUT REPORT 12/31/87
APPROPRIATED & RED DOG LOANS**

Type of Property Location	AIDEA Balance	Estimated Value Date	Additional Collateral	Total Original Payment	Total Modified Payment	Term	Status 10/30
A/R Inventory Rent A Wreck Anchorage	\$ 38,004.97	\$ 50,000 Personal guarantee	3rd D/T on Anch. residence	\$ 8,312	\$ 500	03/87 - 02/88	Current
Reed Bldg. Marx Bros. Bldg. Anchorage	\$ 341,935.94	\$ 680,000 1980	N/A	\$ 5,368	\$3,000 int. only	09/86 - 02/88	Work out broken Foreclosure pending
2 metal warehouses Bethel	\$ 152,651.47	\$ 475,000 1986	N/A	\$ 3,200	\$2,200	08/86 - 01/95	Work out broken Foreclosure pending
Fishing Vessel Cordova	\$ 39,176.92	\$ 125,000 1986	N/A	\$16,726 Annual	\$ 7,000 Annual	10/86 - 10/87	Completed as agreed
Retail/warehouse Wasilla	\$ 815,465.25	\$ 630,000 1987	N/A	\$ 6,728	\$ 1,000	06/87 - 10/87	Completed as agreed Deed-in-lieu accepted
Lumber yard Fairbanks	\$ 359,827.10	\$ 773,000 1987	N/A	\$ 5 981	\$ 3,468	07/87 - 06/88	Waiting for signatures on modification
2 vacant lots Anchorage	\$ 209,234.65	\$ 564,000 1986	N/A	\$ 6,310	\$ 3,000	03/87 - 02/89	Paid to 09/01/87. AIDEA has not received payments since closure of ANB by FDIC
Fishing vessel & tri-plex Ketchikan	\$ 31,424.27	\$ 154,000 1985	N/A	\$ 7,952 Annual	\$ 492 Month	12/86 - 05/87 Then back to annual payment	Pd '87 annual payment 09/29/87. Lacks 1 monthly payment of being current
Retail/warehouse Wasilla	\$ 153,541.33	\$ 141,380 1987	N/A	\$ 2,468	\$ 3,702 1 1/2 pymts	03/87 - 11/87	Work out broken Possible deed-in-lieu

Type of Property Location	AIDEA Balance	Estimated Value Date	Additional Collateral	Total Original Payment	Total Modified Payment	Term	Status 10/30
Vacant lot Anchorage	\$ 42,150.55	\$ 500,000 1987	N/A	\$ 4,476	\$ 689 int. only	10/87 - 10/88	Paid to 12/01/87
Office/retail Homer	\$ 109,862.47	\$ 375,000 1984	N/A	\$ 1,721	\$ 1,000	03/87 - 03/88	Paid to 12/01/87
Hotel Anchorage	\$ 304,172.64	\$1,200,000 1987	N/A	\$ 6,368	\$ 2,622 int. only	01/87 - 07/88	Original work out broken & negotiated new plan.
Hotel Anchorage	\$ 758,953.64	\$1,950,000 1987	N/A	\$10,910	\$ 6,867 int. only	01/87 - 07/88	Original work out broken & negotiated new plan.
3 parcels including lodge, restaurant, laundry & store Glenallen	\$ 305,190.52	\$ 1,350,000 1980	N/A	\$ 4,530	\$ 2,755	10/86 - 05/88	Paid to 12/01/87
Shop/warehouse Anchorage	\$ 137,695.56	\$ 151,235 1987	N/A	\$ 2,201	\$ 1,349 int. only	02/87 - 06/88	Original work out broken. Borrower paid current on eve of foreclosure.
Office condo Anchorage	\$ 183,984.01	\$ 104,957 1987	N/A	\$ 2,121	\$ 1,626 int. only	07/87 - 06/88	Paid to 12/01/87
Shop Bldg. Wasilla	\$ 47,797.27	\$ 99,600 1987	N/A	\$ 2,154	\$ 500 int. only	05/87 - 09/88	Paid to 09/01/87. AIDEA has not received payments since closure of ANB by FDIC.
AK State Fair Grounds Palmer	\$ 310,223.63	\$ 1,163,000 1976	N/A	\$33,311	\$24,000 semi-annual	05/87 - 05/88	Current

Type of Property Location	AIDEA Balance	Estimated Value Date	Additional Collateral	Total Original Payment	Total Modified Payment	Term	Status 10/30
264 acres Wasilla	\$ 166,675.16	\$ 710,000 1980	N/A	\$32,163 semi-annual	\$ 7,917 int. only	06/87 - 12/88	Paid to 06/01/87
Roller Rink Anchorage	\$ 393,548.02 (RD) \$ 276,625.59 (BS)	\$ 764,000 1987	\$ 140,450	\$10,811	\$ 6,532 int. only	10/87 - 09/88	Paid to 12/01/87
residence and lot in Unalaska	\$ 218,700.00	\$ 130,415 10/87		\$113,620 Annual	\$1,955 Monthly	12/87-11/92	Paid to 12/01/87
47' vessel with refrigeration	\$ 48,845.43	\$ 160,000 1984		\$ 18,652 Annual	\$38,500 Annual	03/87 - 11/87	Workout broken.
10 lots in Fairbanks 2nd on above and 2nd on additional lot	\$ 245,247.58 \$ 177,531.10	\$ 500,000(10 lots) 1987 \$ 67,500 (add. lot)		\$ 5,580 \$ 9,782	int only int only	8/87 - 7/88 8/87 - 7/88	Waiting for documents from servicer
3 vacant lots in Wasilla	\$ 28,304.67	\$ 310,000 1986		\$ 1,768	\$ 1,200	1/88 - 4/95	Paid to 12/01/87
16-plex on leasehold Chena Hot Springs	\$ 229,141.87	\$ 576,783 1978		\$ 3,265	\$ 1,632	12/87 -11/89	Waiting for documents from servicer

Type of Property Location	AIDEA Balance	Estimated Value Date	Additional Collateral	Total Original Payment	Total Modified Payment	Term	Status 10/30
444 acres Chena Hot Springs Fairbanks	\$ 589,805.95 Appro \$ 448,105.25 RD	\$2,500,000 1979		\$ 9,387 \$ 6,593	\$ 4,693 \$ 3,296	12/87 - 11/89	Waiting for documents from servicer
steel shop on leasehold Fairbanks	\$ 162,387.91	\$ 590,000 1987		\$ 4,970	\$ 2,500	9/87 -8/88	Paid to 12/20/87
32' gillnetter	\$ 28,549.82	\$ 60,000 1987		\$ 6,875 Annual	\$ 3,438 semi-annl	11/87 -8/88	Waiting for signatures
Grocery store Homer	\$ 183,935.95	\$1,200,000 1978		\$ 5,116.50	int only	11/86 -5/88	Paid to 10/01/87
Heady Hotel Homer	\$ 411,897.14	\$ 566,800 1987		\$ 38,746.52 semi-annual	\$ 5,016 monthly	10/87 -2/95	Paid to 01/01/88
Total #32	Total R. D. & Appro. \$7,673,968.04						
Total #1	Total B. S. \$ 276,625.59						
Total #33	\$7,950,593.63						

OREO foreclosed Property

Legal	Type of Property	Foreclosure Date	Appraised Value	Amt in OREO Account	Listing	Activity
2 Parcels: J. McCall, Inc. Yard - Mile 7 Richardson Hwy. Lakloey Hill Residence	Largely vacant property in Fairbanks	7/30/85	JMI Yard \$585,000 7/85	\$338,166.64 (\$715,645.73 charged down in 1984)	NBA is managing - Lost Supreme Court hearing regarding drag net clause on additional collateral Lost LPCC yard as a result	Residence sold 10/06/87 for \$101,000 total
Units 1-4, 7, 8A, 8B, 10, Building A of River Mall on L2, Alexander S/D - Fairbanks	Mall	5/27/86	\$1,976,400. 1984	\$897,742.61 (167,476.80)sale \$730,265.81	FNBF is marketing at \$160/s.f. thru Coldwell Bankers	3 units sold 3,700 sf to be leased to Fred Meyer
E 1/3 of S 1/2 of L1, B4, Mtn. View S/D - Anchorage 3243 Commercial Dr.	Retail Whse 4200 sq.ft.	6/26/86	\$275,500. 1986	\$165,743.08	Listed w/ Jack White for \$230,000 since 9/86. 6/1/87 lowered price to \$198,000.	1 offer in 8/87. Buyer wldn't acpt counter
Tract A, Spruce Acres S/D + 300' x 300' in the SW 1/4 SE 1/4, S34, T45, R15W, SM, Homer Recording District aka Keystone Center at Anchor Point, AK	Mall	7/29/86	\$800,000 3/86	\$576,195.87	FSLIC deeded property 100% to AIDA. Karabelnikoff & Assoc. acting as prop. managers.	2 tenants
Leasehold int. in L3 & 4, B900, Deadhorse Airport	Hangar & Equipment	8/21/86 (Deed- in-lieu)	\$1.4M 1981 \$726,650 Est Value 1986	\$661,343.91	FNBA to take over marketing.	
Leasehold int. in L6, B200, Iliamna Airport, Iliamna	Hangar	10/9/86	\$450,000 1983	\$111,112.50 (\$185,110.73 written off 06/30/87)	5/87 - Listed w/ Remote & Recreational Prop. for \$150,000.	
L1A, Forest Dr. S/D - Anchorage - 1,872 sft. 4228 Laurel St.	SFR, zoned R-0	1/5/87	\$125,500 (Assessed Value)	\$117,329.02	ERA/Bates has listing listed for \$175,000 5/11/87 lowered price to \$149,500	

Legal	Type of Property	Foreclosure Date	Appraised Value	Amt in OREO Account	Listing	Activity
L9, B5, Dimond Ind. Center #1, Anchorage 7900 & 7910 King St.	Retail Warehouse 5,172 sf 2 bay	12/16/86	\$377,300 (Assessed 1986)	\$274,239.92	FNBA marketing for \$310,000 1/2 rented to Fireguard for \$1,000/month	Offer rumored at \$260,000 w/ 20% down.
L2, B34, South Mineral Creek S/D & L3A, 4A & 6A, B34, Mineral Creek S/D - Valdez	Office/Retail	1/13/87	\$1,083,300 (1987 Est.)	\$967,411.20	AMB soliciting tenants	A number of units leased.
Tract 3A, Independence Park S/D, Anchorage 2121 Abbott Rd.	Office/Warehouse 12,000 sf NRA - 2 story	3/2/87 Deed-in-lieu	\$1,000,000 (1986 Est.)	\$728,000.00 (\$325,150.39 written off 06/30/87)	Property managed by Equity Market Group	2 tenants & upstairs to be leased in 10/87.
L33, S20, T4N, R2W, Copper River Meridian, Chitna R. D. Glenallen	Garage	3/12/87 Deed-in-lieu	\$86,000 (1986 Est.)	\$86,000		Offer received 12/3/87 for \$65,000
Leasehold int in L1, B41-B, East Add to Townsite of Anch. 1415 Spar	Warehouse/office	4/7/87	\$290,000 - \$300,000 (1987 Est.)	\$232,903.70	Listed w/ Jack White for \$350,000 nonexclusive	10% down
Unit A-2 of 101 9th Ave. Condo being L7A of B106, Anchorage Townsite	860 sf office/condo	4/30/87	\$117,500 (1981) \$55,000 (1987)	\$47,300.00 (\$19,837.69 written off 06/30/87)	ASB to market for 30 - 60 days. Listing Price \$65,000	Poss. 1 yr pur. optn wch would cvr costs.
L15A, & 17A, B6, City View S/D #3, Anchorage 2600 E. 16th Ave.	6,988 sf grocery store on E. 16th Ave.	6/3/87	\$250,000 (1987 est.)	\$220,000.00 (\$35,418.25 written off 06/30/87)	APB to market \$300,000 - \$325,000	
L1A, B1, Dimond D Devel. S/D, Anchorage R. D. 300 E. Dimond	27,620 sf shpg mall on Dimond		\$3,000,000	\$2,376,179 (\$393,758 charged to Loan Loss 6/30/87)	UBA/AIDEA are acquiring tenants	Rented space to Gary King
L34, B1, Shaw Tri-Lakes #2, Palmer R. D.	Vacant lot in Wasilla	5/31/87 Deed-in-lieu	\$35,000			
2/3 assignment of escrow			\$20,000			

Legal	Type of Property	Foreclosure Date	Appraised Value	Amt in OREO Account	Listing	Activity
L56, B2, Interair S/D Anchorage 5001 Eagle St.	10,550 sf office/shop	6/29/87	\$605,000	\$544,500 (\$40,353.94 charged to Loan Loss 6/30/87)		
Unit A-F, L9C, Interair S/D Anchorage 4841 Fairbanks St.	7,500 sf 6 bay warehouse/off. in So. Anchorage	6/30/87	\$319,800	\$207,795.01		
Unit 9, Jordan Creek Office Condo, Juneau	1,193 sf office/condo in Juneau	6/17/87 Deed-in-lieu	\$90,000	\$73,800 (\$10,963.42 charged to Loan Loss 6/30/87)		
L7, B3, Westgate Park S/D Anchorage 6235 Nielsen Way	1,225 sf off. & 12,169 sf. warehouse	7/23/87	\$469,000 (Assessed 1986)	\$236,217.94	Chris Anderson & KBA handling	
L3E, B2, "C" St. Industrial S/D Anchorage 6151 "B" St.	880 sf off & 6,320 sf wrhse w/2,400 sf mezzanine strge.	8/21/87	\$375,000	\$317,456.37		
USS 2729 Sitka	16 unit, 20,000 sf business park	8/17/87	\$1,150,000 (1987 est.)	\$837,200.00 (\$159,817.51 charged to Loan Loss 9/30/87)		
L1 & 2, Irvin S/D Homer NHN Katchemak Dr.	11,792 sq.ft. office	9/14/87	\$227,000 (1987 est.)	\$202,030.00 (\$139,924.82 charged to Loan Loss 10/23/87)		
L4 USS 3637, Central, AK	4,400 log lodge on 3.8 acres	9/30/87	\$55,000 (1987 est)	\$55,000	Listed with Remote & Recreational Prpty	
L11A, B39, Orig Twinst of Anch. 444 H Street	2 story, 4856sf office building	11/17/87	\$530,000 (1987 est)	\$477,000 (\$196,791.90 charged to loan loss 12/30/87)		
L1&2, B"B", Shanley Homestead S/D, Fairbanks	2 story grocery store/apartment building	10/16/87	\$278,000 (1987 est)	\$250,200 (\$2,940.26 charged to loan loss reserve 12/8/87)		

MR LOWE

PROPOSAL TO ECONOMIC RECOVERY COMMITTEE

MARCH 3, 1988

FDIC sells troubled loans to AIDA for 25¢ on the dollar - no recourse to FDIC. Fund assets until resold up to maximum of 12 months.

AIDA to sell to banks at 30¢ on dollar. AIDA to pay carrying costs, taxes repairs etc but not collection costs.

AIDA to buy back uncollectable loans up to 5 years. Could resell them at any price to anyone - no recourse.

Banks be allowed to buy loans up to a given per cent of capital if a branch in area of loan - on first go around. After that any bank could purchase.

If bank repackages and sells a loan that was purchased from AIDA, AIDA would receive a percentage of any profit generated from the sale.

AIDA or Teachers Retirement could keep or sell as they wished on any terms loans in which they had participated.

AIDA could pool consumer loans under \$25,000 & sell them in packages or could issue bonds that would be retired as loans pay off.

Banks could carry loans off balance sheet. They would not be subject to criticism from regulatory authorities.

This plan could be implemented using a TASK FORCE of bank representatives, FDIC and AIDA officials. The services of a consulting firm and legal counsel (such as SEAFIRST can provide) could bring the program into existence.

Review AIDA STATUTES

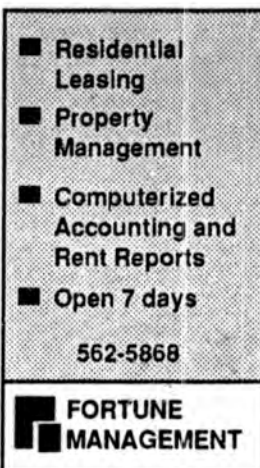
FORTUNE MANAGEMENT Created To Handle Residential Property Management

In the fourth quarter of 1988, FORTUNE PROPERTIES created a new corporation called FORTUNE MANAGEMENT to handle the residential property management needs of its clients, including major institutional sellers. The Municipality's Housing and Population study, which was released in September 1987, confirmed a need which Fortune had felt all during 1987. With over 14,000 vacant residential properties in An-

chorage, it was obvious there was a need for a new property management company.

FORTUNE MANAGEMENT already has accumulated an inventory of several hundred properties which it manages and makes available for lease. The new company's services include residential leasing, property management and computerized income and expense statements and rent reports for property owners. The corporation was

funded by HOME SAVINGS BANK. It is headquartered in the second floor of the CHUGACH ALASKA NATIVE BUILDING, 3000 A Street, Anchorage, Alaska and is open seven days a week. For competitive leasing and property management rates, call 562-5868.



From: *Connie Yoshimura*

FORTUNE PROPERTIES
3000 "A" Street, Suite 101
Anchorage, AK 99502



*Senator Arliss Stungulowski
P.O. Box V
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FORTUNE PROPERTIES MARKET NEWS

Volume 4, Issue 1, 1988

1988 Is The Year For a Turnaround in Residential Real Estate and Here Are The Reasons Why...

By *Connie Yoshimura*

The 1988 real estate market is going to be a buyer's market. Although the fear still exists amongst buyers that a home purchase today will be worth less in a few months, that fear will abate in the second quarter of 1988.

At that time, it will be apparent that there is a tremendous lack of quality inventory. Already in 1988, many foreclosed HUD properties which are sold by the bid process are receiving multiple offers at the first offering and, in some cases, are selling for more than the asking price by HUD.

The year end MLS statistics also substantiate that inventory is sinking. MLS reports that residential inventory was down by over 38% on the basis of number of properties listed for sale. At the same time inventory went down, the number of unit sales reported declined by only 13%. These two figures, measured by number of listings and reported sales, as opposed to dollar volume, indicate that there is a healthy absorption of residential inventory going on in the Anchorage marketplace. It's true that this absorption

has not yet helped prices but it will before the end of 1988. One of the reasons that prices will stabilize in 1988 is the fact that there will be very little new construction.

New building permits for houses didn't even reach the 200 mark for 1987 and, although it is anticipated that there will be between 200-225 building permits issued in 1988, most of that won't come until the third quarter. That's because banks aren't interested in lending for more house building when they are straddled with innumerable repossessed properties.

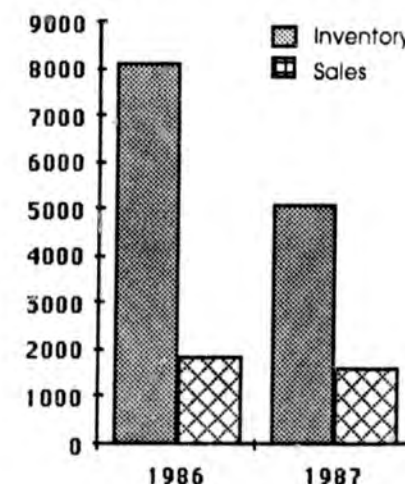
The repossessed inventory owned by institutional sellers such as Fannie Mae, AHFC, MGIC, FHA, and VA are mostly in the lower price ranges under \$100,000. The majority of it is in condos which will take many years to sell. However, the average priced single family home as reported sold by MLS is \$127,000.

The foreclosed inventory held by institutional sellers is therefore not going to fulfill the buying needs of the public. This will

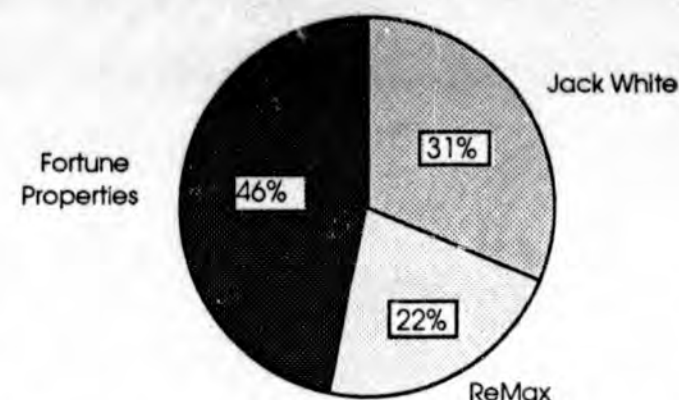
become apparent as buyers in the spring try to find quality housing to purchase.

For buyers, 1988 may be the last year that they are going to be able to purchase at non-escalating prices. All residential real estate statistics, as well as state economic projections, indicate that we are going to hit the bottom of the recession in 1988 and that things will begin to turn around in the third quarter. For residential real estate, it will happen a few months sooner.

**Residential Inventory
vs. Sales Activity--
January - November**



QUARTERLY ADVERTISING SUMMARY OCTOBER - DECEMBER, 1987



Combined Anchorage Daily News and Anchorage Times
Classified Advertising for the Anchorage Bowl Only

Fortune Out-Advertises All Other Brokerages

It's tradition in many cities across the country that residential real estate is advertised in the local newspapers. Pick up any paper from San Francisco to Boston and you can get a pretty good feel for what's going on in the residential real estate market by reading the classified advertising section of the paper. Anchorage is no different.

During the last quarter of 1987 FORTUNE PROPERTIES out-advertised its major competitors by 3 to 2, as indicated by the chart above. The chart was compiled by counting the number of classified ads which appeared in both the Anchorage Daily News and the Anchorage Times for residential real estate in Anchorage, Alaska. It did not include Alyeska or the Valley. Of the big three, only FORTUNE PROPERTIES consistently placed more advertising for the fourth quarter. The

figures do not include display advertising such as Fortune's weekly open house display, builder and institutional accounts.

In tough economic times, FORTUNE PROPERTIES is committed to meeting the advertising needs of its sellers. Institutions such as Fannie Mae, MGIC, and HUD pay for and promote their own properties. It is difficult for an individual seller to compete in the marketplace for buyers' attention. That's why FORTUNE PROPERTIES, a locally owned and operated brokerage, is committed to advertising the properties of individual sellers in the marketplace. While other companies have cut back on their advertising budgets, FORTUNE PROPERTIES believes that you can't sell a home without advertising it.

Fortune's Agent Directory

Carolyn Abney	345-5824
Bob Allen	274-8081
Nelda Anderson	563-7132
Dave Aquino	337-2264
Chip Baye	272-0500
Carole Bennett	278-9682
Jack Blair	345-1828
Dolores Bowman	345-3832
Dave Brock	694-6090
Sara Cheatham	345-5782
Bill Davis	338-2526
Dick Decker	562-5765
Sue Dvorak	243-0153
Darlene Eliason	346-2835
Barbara Garrouette	344-2272
Margaret Goche	276-0885
Barbara Granger	345-6462
Karen Griffin	248-9134
Katherine Herfindahl	243-4210
Barbara Huffsmith	562-6400
Virginia Johnson	272-6704
Ken Kaneshiro	694-8038
Sylvia Kobayashi	272-4718
April Lee	345-5055
Marty Margeson	278-9275
Johnie O'Nan	346-2390
Leon Reed	337-7967
Al Rowand	272-4176
Kathleen Rowand	272-4176
Ida Solomon	344-3282
Elouise Schmidt	562-7275
Suzanne Taplin	278-2358
Niel Thomas	345-1552
Dennis Tweeten	333-0379
Vivian Werth	345-2645
Connie Yoshimura	562-7653



FORTUNE PROPERTIES

Is an Authorized
AHFC Broker
MGIC Broker
Fannie Mae Broker
FHA and VA Broker

For more information on these
properties, please call

562-7653



\$110,000 Woodside East

Reduced \$25,000. The best buy in Woodside East located on Sorbus Way. This home has a special entry which sets it apart from the rest. Two bedrooms, two baths, double car garage. GAS HEAT.

\$114,500 Five Bedrooms

2,274 square foot East side home with great potential. Big lot with city and mountain views. Five bedrooms, three full baths, family room, deck, and BIG DOUBLE GARAGE.

\$183,000 Two-Story on Hillside

This 2,700 square foot two-story home is easily accessible just off Hillside Drive. Natural cedar siding exterior, loads of built ins...kitchen island, sunken family room...GIANT HOT TUB plus balcony sitting area upstairs and four large bedrooms. Master bedroom has its own private bath. Double gar garage and gas heat.



\$115,000 Wrangler's Way

Lower Hillside home off Birch Road on quiet dead-end street with city, mountain, and inlet views. Circular driveway, gigantic storage shed, and WELL LANDSCAPED YARD. Oversized double garage with workbench, 220 power, and sink. New carpet and large kitchen with extra cabinets.

\$225,000 Bring Offer Four Bedrooms

Four bedroom home with family room, fireplace, vaulted ceilings, formal living room, and BEAUTIFUL HARD-WOOD FLOORS. Private and spacious with a large formal dining room and a kitchen complete to the last gourmet detail. DOUBLE CAR GARAGE. Situated on a lovely wooded view lot.

Fannie Mae Lease Purchase

This zero-lot line home is available for lease purchase. Get up to six months of rent credited towards your down payment. Located near Lake Otis with an asking price of just \$59,900.



\$229,000 Kempton Hills

Beautiful home located in south Anchorage's best selling subdivision. This natural cedar sided home has a formal dining room and living room plus an exciting loft-study area and a family room. Don't miss this opportunity to live in Anchorage's finest southside subdivision.

\$169,500 John Hagmeier Company Homes in BROOKWOOD HILLS



Wide covered entries lead to wood and ceramic tile foyers, vaulted ceilings, and custom wallpaper accents. Homes now available from three to five bedrooms, 2 1/2 baths, JACUZZI TUBS, and family rooms off the kitchen.



\$109,500 Oceanview North

Immaculate three bedroom, two bath home with its own private bath off the master. Located on a large treed lot in south Anchorage. CATHEDRAL CEILINGS, fireplace, and well designed kitchen. Double car garage. Located not far from excellent elementary school. Surrounded by much more exclusive and expensive homes.

\$107,000 Double Garage Rock Fireplace

Lovely family home with view of the mountains. Family room and sliding glass door off the dining area. Two car garage, fenced yard. Seller will consider carrying paper.

\$135,000 Assumable East Side Location

Immaculate home convenient to bases, college, and hospitals. Quarry tile in entry, kitchen, and dining room. Rock fireplace in living room PLUS WOODSTOVE IN THE REC ROOM. Four bedrooms, two baths. Kitchen complete with Jenn Air and refrigerator...DOUBLE HEATED GARAGE...and a beautiful treed lot.

\$324,500 Retreat Southpark

Private family living above Potter's Marsh. 3,887 square foot home. FOUR BEDROOMS AND FOUR BATHROOMS. Two fireplaces, one in den and one in living room, complete kitchen with breakfast nook. Private guest area with full kitchen plus family room, six person jacuzzi. All this and more located on a quiet cul de sac in south Anchorage.

Peter McDowell

STRATEGIC DEVELOPMENT SERVICES

A DEVELOPMENT VENTURE COMPANY
AN APPROPRIATE FINANCIAL INSTITUTION FOR ALASKA

Background

Rural Alaska (Alaska excluding the boroughs of Anchorage, Fairbanks, Juneau, the Kenai Peninsula, Ketchikan, and Mat-Su) is the source of much of Alaska's economic wealth (60-80 percent depending on the export value of crude oil). It only contains about 10-15 percent of Alaska's population and about 12-15 percent of the nonseasonal jobs. Those people and jobs, however, produce most of the wealth enjoyed by the other 85-90 percent who live and work in urban Alaska. With the exception of Kenai and Ketchikan, most urban Alaskans do not live near any basic economic activity other than tourism and national defense installations at Anchorage and Fairbanks. Future expansion and diversification of the Alaskan economy's basic sectors will also take place in rural areas, because much of it will depend on the locational, fish, timber, subsurface and scenic and recreational resource values which are concentrated there.

Moreover, any vision of the future of Alaska's economic growth should be solidly grounded in "fundamental economics", i.e., that economic activity in a specific geographic place will be limited to subsistence unless exports to nations, regions, and states outside its boundaries are produced. This also means that a secondary (service) economy cannot exist in the absence of a primary (export) economy. Since contact with the Russians, Alaska has always been an exporter - furs, whalebone, whale oil, gold, salmon, walrus ivory, other minerals, oil and gas, other fish, crab and forest products. Alaska also exports geopolitical location (to the U.S. military), public domain (to federal civilian agencies) and scenic and recreational resource values (to tourists). Alaskan exports of manufactured goods are principally LNG and urea from the Kenai, and pulp, cants, and heavy timbers from Southeast. The fundamental insight is no basic, no secondary.

The concentration of basic economic activity does not appear to have led to any concentration of financial assets or services in rural Alaska. In fact, the opposite seems to be true. Most financial assets and services are in urban areas, particularly Anchorage. Rural financial services appear to consist mainly of gathering deposits, some of which are in turn used to create financial assets (loans, leases and securities) in urban places.

Most Alaskan economic activity controlled by residents is secondary (service) by nature. That is also the principal kind of economic activity financed by Alaskan financial institutions, particularly those which have failed, or are in danger of failing in 1987. It is likely that the successful Alaskan financial institutions of the future will not specialize in the financing of speculative secondary (service) businesses. They will probably specialize in either:

- investing deposits gathered from Alaska in a blend of Federal government and other investment-grade securities, and loans to conservatively-managed Alaskan businesses in urban places, or
- facilitating the development and/or expansion of export-based economic development projects in rural Alaskan places that involve the export of one or more of Alaska's natural resource values:
 - fish products
 - timber products
 - hard rock minerals
 - coal
 - geopolitical location
 - public domain
 - oil and gas
 - scenic tourism
 - recreational tourism

This function is currently carried out principally by investment groups and private corporations from Canada, Japan, and the United States and some ANCSA corporations, for both resident and nonresident businesses engaged in basic (export) sector activities. There is also some involvement of Canadian, Japanese, and U.S. banks and investment banks.

An Appropriate Financial Institution

Central to any "Alaskan economic strategy" is a vision of Alaska's economic future where a vital, market-driven basic export sector provides opportunity for individuals and businesses to take risks and to use their imagination, knowledge, skills, energy, capital and technology - the basic stocks of wealth-creating capability - to create new products or services that markets want, or improve on those already being provided. In other words, to compete. One potential State economic strategy might be to: Go forth and do the right thing - create jobs by building private businesses.

There is an investment opportunity to seize the lead role in development of the kind of private financial institution appropriate to the strategies inherent in this vision. The development of an appropriate financial institution to help enhance the wealth-creating capability of Alaskan businesses is a compelling necessity, not a redundant luxury.

Such an institution would need to be substantially different from all existing Alaskan financial services agencies, if it were to concentrate its efforts on expansion of basic export sector economic activities. It could be structured as a blend of the venture capital fund model successfully operating elsewhere in North America, and the "development finance company" model successfully implemented in other countries by the International Finance Corporation, the private sector affiliate of the World Bank. This blend could be called a "development venture company" (DVC). The key factors for success of a DVC include, in priority order:

1. A viable expanding market for its services, consisting of individuals and entities with entrepreneurial will, financial capital, and export resources.

2. Personnel with the training and temperament to add value by nurturing and counseling those persons who are willing to engage in rural, export sector entrepreneurship, including the ability to:
 - identify business opportunities,
 - assess entrepreneurial skills and commitment,
 - develop pragmatic business plans with adequate data about critical success factors including skills, markets, equity, and other financing,
 - evaluate economic development project viability, and
 - restructure or reject nonviable proposals early.
3. A financial capital structure based on a high proportion of equity and stable, low-cost, long-term debt.

This model includes several features which are distinctly unlike any existing Alaskan financial institutions, including:

- Close linkage with State government agencies and programs that have a mandate to help promote and develop export base industries - e.g., the Alaska Industrial Development and Export Authority (AIDEA), as recently strengthened, Trade Alaska, and the Departments of Commerce and Economic Development and Community and Regional Affairs.
- Predominant emphasis on active lending and investment in development projects, i.e., asset management, rather than the current liability management (deposit-gathering) emphasis of most Alaskan financial institutions.
- Provision of regular and substantial management assistance to borrowers/investees, much like the nurturing activities of venture capitalists and investment bankers.
- Unprecedented use of technology in computing and communications. All day-to-day communications between project locations and the financial institution must be conducted with maximum facility and power. This is only obtainable through leveraging human resources with communication and information technology.
- Strategic alliances with customers, federal, State and local governments and other leading economic institutions involved with export base industries.
- Strategic alliances with Japanese and other foreign private financial institutions with the wherewithal to participate in the financing of, and technical assistance to, basic export sector economic development projects.

- Recruitment, and investment, of a pool of financial capital from a variety of sources depending on the organizational form selected.
- Profits from fees for services and risk-sharing, dividends, interest, and capital gains.
- Employment of personnel distinctly different from the typical Alaskan bank management staff of the 1980s. The new personnel need to be recruited and trained to emphasize:
 - ° Advocacy for the ideas and business plans of their customers,
 - ° Export base development project design and technical assistance skills,
 - ° Shared Alaskan values - the "corporate culture" of our state,
 - ° Rural Alaskan factors for success, and
 - ° Alaska Native background, with special emphasis on ANCSA corporations.
 - ° Service and management assistance skills in:
 - Application of technology
 - Export financing
 - Foreign financial markets and institutions
 - Acquisitions, mergers, and divestitures
 - Seafood harvesting and processing
 - Timber harvesting and processing
 - Mineral exploration, extraction, and processing
 - Tourism attractions, accommodations and access
 - Rural construction
 - Rural real estate development
 - Rural governance
 - Energy
 - Transportation
 - Other infrastructure

This people component represents a commitment to strive for modernization and would open a clear opportunity for Alaskans to grow into the present and future business world of knowledge-based employment and technology-driven services that are already reshaping Alaska's economic opportunities.

Financial Structure

The contemplated institution must have extreme stability of equity and debt capital. It should rely on:

- Equity capital from investors.

- Long-term bond debt - perhaps issued by AIDEA - to help capitalize the institution in as stable a fashion as possible.
- Core deposits from rural areas (at present only six or seven percent of total Alaskan bank deposits), depending on the entity selected.
- Core deposits from urban places, to the extent available (likely to be limited to public funds), depending on the entity selected.

The Market for Regional Services

A principal mission of such a financial institution would be regional services - development project services including financing and management assistance which add value - to regional and village ANCSA corporations and other entrepreneurs who are actively developing resource export projects in rural places. The institution could, for example, specialize in regional services for companies that do business in rural Alaska - whether the Interior, North Slope, Northwest Arctic, Bering Sea, Southwest, Gulf Coast, or Southeast regions. Regional service functions would consist primarily of:

- Information and education about rural, state, and worldwide economics, markets and technology.
- Management assistance for designing the financial infrastructure of development projects.
- Recruitment of equity and long-term debt capital sources.
- Provision of debt for exploration, development, working capital for operations, and other shorter-term purposes.

These services can, and must, be rendered with quality and excellence as the foremost values of the institution and its people.

Leveraging Existing Financial Institutions

As stated, there are no private Alaskan financial institutions currently operating on the development venture company model. In the public sector, AIDEA now has statutory authority to assist in this field, but limited prior experience.

Certain banks do operate (principally as deposit-gatherers) in rural Alaskan places. These include UBA, UBASE, NBA, FNBA, First Bank and B.M. Behrends. It is possible to conceive that an existing bank could form the core of an export-oriented rural Alaskan DVC. They would, however, require major management, skill, and technology transfusions to become successful in development project finance activities.

Beyond these, there do not appear to be any existing domestic financial institutions designed for, or in pursuit of, Alaskan development project finance activities. There do, however, appear to be numerous offshore institutions that are so engaged.

These offshore institutions may represent an opportunity for reverse leverage, by capitalizing on their interest in expansion of their DVC activities in association with Alaskan partners. Such partnerships could represent significant access to the human, financial, and technological resources necessary to this proposed expansion of the domestic Alaskan financial infrastructure.

Alternative Entity Forms

An Alaskan "development venture company" could be structured in several ways - from a unit within an existing company, a subsidiary thereof, a joint venture corporation, an investment bank, to a State-chartered commercial bank. Each organizational form has advantages and disadvantages. These include control, economies of scale, financial risk, capital requirements, complexity, and government regulation as shown below:

<u>Entity</u>	<u>Corporation Unit</u>	<u>Corporation Subsidiary</u>	<u>Joint Venture</u>	<u>Investment Bank</u>	<u>Commercial Bank</u>
Control	<u>Most</u>				<u>Least</u>
Economies of Scale	<u>Least</u>				<u>Greatest</u>
Financial Risk - Spreading	<u>Least</u>				<u>Greatest</u>
Capital Requirements	<u>Low</u>				<u>High</u>
Complexity and Cost of Implementation	<u>Least</u>				<u>Most</u>
Degree of Government Regulation	<u>Least</u>				<u>Greatest</u>

Peter McDowell
June 1987

Sealaska eyes FDIC properties

By Robert Lewis

JUNEAU—The Sealaska native corporation has taken the lead in forming an investor group to buy real estate taken over by the Federal Deposit Insurance Corporation in the failure of two Alaska banks.

Sealaska president and chief operating officer Bill Howe confirmed Monday the corporation has hired Juneau consultant Peter McDowell to research whether a private group could profitably buy and hold properties until the market improves.

The FDIC holds more than 600 properties worth an estimated \$28 million from the failures of the Alaska National Bank of the North and First Interstate Bank. It also owns another 3,000 troubled

commercial and consumer loans valued at about \$320 million. Commerce and Economic Development Commissioner Tony Smith began the process several weeks ago by talking with several native corporations and "major investors."

Smith said he is seeking to prevent an outside investor from picking up the properties from the FDIC for a fraction of their value, then dumping them on the market, forcing other property values down.

Smith said he could "facilitate" the formation of a Real Estate Investment Trust by making the initial contacts, but said a private entity would have to lead the group.

"It's time for someone to get this thing focused," said Sealaska's Howe, "so we're picking up the ball."

Howe said the corporation is putting up about \$30,000 to explore the idea.

McDowell is meeting with other potential investors to measure interest in the concept.

"It's bigger than Sealaska, there has to be a lot of other players, too," Howe said.

McDowell also touched base with the FDIC to get an accurate accounting of the properties in its hands.

FDIC official Herbert Chin said it will take the agency another couple of weeks to inventory and value the property it holds.

Chin said the FDIC is interested in selling the assets and would "look at any offer that comes in to us."

Howe said McDowell will add experienced real estate professionals,

including an appraiser to his study team.

Howe said he expects the results of McDowell's study in about six weeks. "If it's possible to structure a REIT on an economically sound basis, we would have some fairly significant dollars to invest," said Howe.

But Howe said the native corporation doesn't plan to lead the group once it's formed.

"We aspire to be an investor, not necessarily the manager," said Howe.

Sealaska is familiar with the state's real estate and banking industries. It was a major owner of United Bank Alaska before its consolidation with Alaska Mutual Bank into to form Alliance Bank.

See Properties, page D-8

Properties: 'We're picking up the ball'

Continued from page D-4

"If Sealaska is successful in its efforts, it could pre-empt a Senate proposal to form a 'bridge bank.'"

Sen. Tim Kelly, R-Anchorage, is drafting a measure that would set up a corporation to buy and hold commercial real estate until the market improves.

As initially proposed by permanent fund Corporation Execu-

tive Director Dave Rose, the state would put up about \$15 million dollars from the state's general fund as seed money.

Testifying before the Joint Economic Recovery Committee Monday afternoon, commissioner Smith questioned the state's role in such a plan.

"How does a public official determine who are the winners and losers?" he asked.

Smith said it was better left to the private sector.

Smith said there are no plans for the state to invest in the Sea-

laska venture, but "I suspect it will be put on our platter."

He cautioned it was a very high-risk venture.

"Every single one of these assets is something someone looked at and determined was substandard (a poor risk)," Smith said.

Nevertheless, Smith told the committee the Sealaska effort could work out.

"If the people doing it are successful, I assure you we'll be accused of giving away the store," said Smith.

Anchorage Times
c. 1/28/85

Senator Rick Halford



Senate District 1
Chugiak, Eagle River, East Anchorage, Fort Richardson

Senate Finance Committee
Co-Chairman

February 28, 1988

MEMORANDUM

TO: Senator Lloyd Jones, Co-Chairman
✓ Senator Arliss Sturgulewski, Co-Chairman
Senate Joint Economic Recovery Committee

Representative Max Gruenberg, Chairman
House Joint Economic Recovery Committee

FROM: Senator Rick Halford, Co-Chairman
Senate Finance Committee

SUBJECT: Visit to Juneau by Economist Ryan Amacher

Last session Dr. Ryan Amacher, an economist with Clemson University, visited Juneau as part of his work with the University of Alaska. The emphasis of Dr. Amacher's excellent presentation was the role of economics in public policy. As you know, this topic continues to be a subject extremely relevant to the discussions currently underway in the Legislature.

Dr. Amacher will be the Senate Finance Committee's guest next week while in Juneau March 7th and 8th. He will be making a presentation to the Senate Finance Committee on Monday morning, and if possible, I also believe it would be beneficial for him to speak to the Economic Recovery Committee, either jointly or individually, whichever you prefer.

In order to plan his schedule, Cheryl Frasca of my staff will be contacting your office by Wednesday to learn your pleasure.

Thank you.

cc: Senator John Binkley, Co-Chairman, Senate Finance Committee