MEMORANDUM

To: Board Members
Alaska Industrial Development and Export Authority

From: John Springsteen
CEO / Executive Director

Date: January 11, 2018

Subject: Loan Summary – Totem Inn, Inc.
Loan Resolution No. L18-01

Loan Request
First National Bank Alaska (FNBA) requests AIDEA’s participation of $8,200,000 (90%) in a $9,150,000 loan.

<table>
<thead>
<tr>
<th>Lender</th>
<th>Amount</th>
<th>Term</th>
<th>Structure</th>
</tr>
</thead>
<tbody>
<tr>
<td>AIDEA</td>
<td>$8,200,000</td>
<td>25 years</td>
<td>fixed rate</td>
</tr>
<tr>
<td>FNBA</td>
<td>$950,000</td>
<td>12.5 years</td>
<td>3 yr. variable rate</td>
</tr>
<tr>
<td>Total</td>
<td>$9,150,000</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Borrower
Totem Inn, Inc.

Guarantor
James Michael Williams, Connie Ballow, Richard Ballow

Use of Proceeds
Pay off FNBA construction financing as well as closing costs.

Project
Totem Inn located in Valdez, Alaska

Job Creation
75 construction jobs, 14 new jobs and 7 jobs retained.

Management
The subject hotel will be managed by the existing owners who have run their existing operations since 1986.
Collateral and Value

Deed of Trust; recorded first lien position on improvements located on the subject property. The physical location is 144 E. Egan Avenue; Valdez, Alaska.

Gregory S. Wing, MAI from North Pacific Advisors, LLC appraised the facility to have a $13,050,000 “As-Is Value,” which provides a 68% loan to value; this is within AIDEA guidelines. This projected net operating income (2018) is proposed to service debt 2.29:1, per the appraisal.

AIDEA will require a UCC-1 filing on all FF&E.

Related Debt

The borrower has no outstanding loans with AIDEA.

Financial Information

Specific confidential financial information will be provided to Board members under separate cover.

Environmental

No issues noted.

Market

Valdez has a seasonal economy with tourist, commercial fishing and construction, peaking in the summer months. Valdez also has a year around base with the Marine Terminal and Petro Star, as well as heli-skiing in the late winter and early spring. According to the appraiser, the Valdez visitor market has been limited by the quality of available rooms. These new, higher-quality rooms should attract more visitors to Valdez. The Totem Inn has been in operation for 45 years and has benefited from the destination quality of the Valdez market.

Strengths

- New Construction (65 room hotel); incremental increase to the market is 35 rooms.
- LTV 68%
- Well known construction company (Builder’s Choice)
- Seasoned operators with good operating history
- Underserviced location
Weaknesses

- Non-flagged hotel, however this is mitigated by a payment reserve requirement of $300,000; this will be in place until the project reaches a 1.40 DSC for two consecutive years.

Portfolio Diversification – As of September 30, 2017

Total dollars in the Gulf coast region, as a percentage of AIDEA’s total portfolio dollars statewide will increase from 3.38% to 5.32%. AIDEA had 13.95% of its total statewide portfolio in the Tourism industry. This will increase to 15.67%. For participated loans within the Gulf Coast region (a total of 16 loans), 29.36% of AIDEA’s total portfolio is attributed to Tourism projects. This loan will increase penetration of the Tourism industry to 56.05% in the Gulf Coast region.

Recommendation

Staff recommends approval as presented.
# AIDEA Credit Presentation

**BORROWER:** Totem Inn, Inc.  
**CO-BORROWER:**  
**ADDRESS:** 144 E. Egan Avenue  
Valdez, AK  
**Date:** January 11, 2018  
**Bank:** First National Bank Alaska

☐ C-Corp  ☑ S-Corp  ☐ LLC  ☐ General Partnership  ☐ Ltd Partnership  ☐ Sole Proprietorship  ☐ Individual  ☐ BOND SALE

**BUSINESS:** Hotelier  
**NAICS:** 721110

**GUARANTORS:** James Michael Williams, Connie Ballow, Richard Ballow

**LOAN PURPOSES:**  
☐ Refinance  ☑ New Construction  ☐ Acquisition  ☐ Assumption  ☐ Equity Extraction  ☐ Energy Development Project

**LOAN PROGRAM:**  
☑ Loan Participation  ☐ Business Assistance Program  ☐ OREO Sale  ☐ AIDEA 100% Owned

**COMMITMENT TERM:** 12 Months  
**ANTICIPATED FUNDING DATE:** July 31, 2018

**ESTIMATED JOBS SUPPORTED:** 96 jobs supported (75 construction, 14 new and 7 retained)

<table>
<thead>
<tr>
<th>PARTICIPATION</th>
<th>Loan Amount</th>
<th>Percentage</th>
<th>Rate</th>
<th>Payment Payment</th>
<th>Term</th>
</tr>
</thead>
<tbody>
<tr>
<td>FNBA</td>
<td>$950,000</td>
<td>10%</td>
<td>Variable(^1)</td>
<td>$8,427.10</td>
<td>$101,125.20</td>
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<tr>
<td>AIDEA</td>
<td>$8,200,000</td>
<td>90%</td>
<td>Fixed(^2)</td>
<td>$42,673.87</td>
<td>$412,086.44</td>
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<tr>
<td>TOTAL</td>
<td>$9,150,000</td>
<td></td>
<td></td>
<td>$51,100.97</td>
<td>$613,211.64</td>
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</tbody>
</table>

Related debt

<table>
<thead>
<tr>
<th>GUARANTEE</th>
<th>Loan Amount</th>
<th>Guarantee Percentage</th>
<th>Guarantee Amount</th>
<th>Rate</th>
<th>Payment Payment</th>
<th>Term</th>
</tr>
</thead>
</table>

**COLLATERAL DESCRIPTION AND VALUE**

<table>
<thead>
<tr>
<th>Description</th>
<th>Appraisal Date</th>
<th>Source</th>
<th>Appraised Value</th>
<th>Loan to Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Totem Inn &amp; Suites located at 144 Egan Avenue; Valdez, Alaska</td>
<td>6/1/17 and updated 11/11/17</td>
<td>Michael Mohn, MAI Hotel Realty NW</td>
<td>$13,050,000 “At Completion”</td>
<td>68%</td>
</tr>
</tbody>
</table>

**Comments:**

Loan Committee approved this participation request on November 22, 2017.

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\(^1\) Bank’s 3 year variable rate; initially 4.75%  
\(^2\) AIDEA’s 20 year fixed rate of 3.85%
WHEREAS, First National Bank Alaska has filed an application with the Alaska Industrial Development and Export Authority (the “Authority”) requesting that the Authority purchase a participation in a loan to Totem Inn, Inc., (the “Loan”) under the Authority’s loan participation program (AS 44.88.155 et seq.);

WHEREAS, the nature, purpose and terms of the Loan and the Authority’s participation are described in the attached Memorandum (the “Memorandum”) from Authority staff;

WHEREAS, staff of the Authority has recommended that the Authority purchase the participation in the Loan, subject to certain conditions, as described in the Memorandum;

WHEREAS, the Authority’s participation in the Loan is consistent with all requirements for such participation provided in AS 44.88.155 et seq. and the applicable regulations of the Authority related to such participations provided in 3 AAC 99.200 - .390;

WHEREAS, it is the Authority’s policy that the purchase of a loan participation be approved by the Authority’s board if the Authority’s participation in the loan will equal or exceed $3,000,000, or if the aggregate amount of the Authority’s participation in loans to any borrower or guarantor will exceed $5,000,000;

WHEREAS, the dollar amount of the subject participation is $8,200,000.
WHEREAS, First National Bank Alaska requests the Authority to purchase $8,200,000 (90%) of the $9,150,000 Loan; and

WHEREAS, it is in the best interest of the Authority that the Authority purchase the participation in the Loan, subject to conditions recommended by staff as described in the Memorandum.

NOW, THEREFORE, BE IT RESOLVED BY THE ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY AS FOLLOWS:

Section 1. The Authority’s purchase of the participation in the Loan as described in the Memorandum is approved, subject to the conditions recommended by staff as set forth in the Memorandum. The Executive Director is authorized to approve such non-material changes in the terms and conditions of the Loan and the Authority’s participation as the Executive Director, in his discretion, determines appropriate.

Section 2. The Executive Director of the Authority and the Director-Commercial Finance of the Authority are authorized to take such actions as may be necessary or convenient to consummate the purchase of the participation in the Loan including, without limitation, issuing a commitment with respect to the Authority’s participation in the Loan.

DATED at Anchorage, Alaska on this 11th day of January 2018.

Chair

Secretary