

**ALASKA INDUSTRIAL DEVELOPMENT
AND EXPORT AUTHORITY**

RESOLUTION NO. G21-19

**RESOLUTION OF THE ALASKA INDUSTRIAL DEVELOPMENT
AND EXPORT AUTHORITY REGARDING MODIFICATION OF A
LOAN PARTICIPATION AND A PROJECT DEVELOPMENT LOAN
RELATED TO HUNA TOTEM CORPORATION**

WHEREAS, the Alaska Industrial Development and Export Authority (the “Authority”) has purchased a participation in Northrim Bank’s loan to X’una Kaawe Anne Corporation, a subsidiary of Huna Totem Corporation (the “Participation”) under the Authority’s loan participation program (AS 44.88.155 et seq.) for Huna Totem Corporation’s cruise ship dock and related operations near Hoonah, Alaska (the “Project”);

WHEREAS, the Alaska Industrial Development and Export Authority (the “Authority”) has provided financing to Duck Point Development II, LLC, a subsidiary of Huna Totem Corporation, (the “Loan”) under the Authority’s project development program (AS 44.88.172 et seq.) for the Project;

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

WHEREAS, staff of the Authority has recommended that the Authority should modify the Participation and Loan, subject to certain conditions, as described in the Memorandum, due to the major economic impact caused by COVID-19 to the Project;

WHEREAS, the Authority’s recommended modification to the Participation 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

99.390(c);

WHEREAS, the Authority's recommended modification to the Loan is consistent with all requirements for such loan provided in AS 44.88.172 et seq. and the applicable regulations of the Authority related to such loans provided in 3 AAC 99.580;

WHEREAS, it is currently the Authority's policy that the modifications of a loan participation be reviewed 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 modifications approved hereby would replace the modifications previously approved by the Authority pursuant to Resolution G21-12;

WHEREAS, it is in the best interest of the Authority that the Authority make these modifications to the Participation and the Loan in furtherance of the Project, subject to conditions recommended as described in the Memorandum.

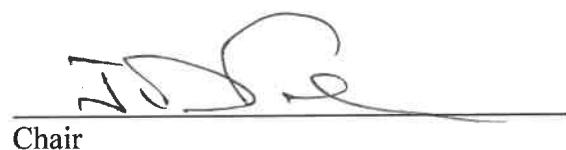
NOW, THEREFORE, BE IT RESOLVED BY THE ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY AS FOLLOWS:

Section 1. The Authority's modification of the Participation and Loan as described in the Memorandum is approved, subject to the conditions recommended 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 Participation as the Executive Director, in his discretion, determines appropriate.

Section 2. The Executive Director of the Authority is authorized to take such actions as may be necessary or convenient to consummate the modification of the Participation and Loan.

DATED at Anchorage, Alaska, this 23rd day of June, 2021.

ALASKA INDUSTRIAL DEVELOPMENT
AND EXPORT AUTHORITY



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Chair



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Secretary



MEMORANDUM

TO: Board Members
Alaska Industrial Development and Export Authority

FROM: Alan Weitzner
Executive Director

DATE: June 23, 2021

RE: Loan Participation and Project Financing Modification for X’una Kaawe Corporation/Huna Totem Corporation/Duck Point Development II, LLC Resolution No. G21-19

PROPOSAL

Participation Loan:

Lender/Participation%	Original Principal	Balance	Maturity	Interest Rate
AIDEA 80%*	\$ 20,000,000	\$ 18,476,073	12/1/2042	4.16%
Northrim 20%*	\$ 5,000,000	\$ 4,490,915	12/1/2036	5.00%
Total		\$ 22,966,988		

*90% BIA Guaranty

Project Development Loans

AIDEA- 100%

	Original Principal	Balance	Interest Rate
LOC	\$ 2,635,964.00	\$ 2,635,964.00	11/13/2023
Term Loan	\$ 9,670,585.00	\$ 9,670,585.00	7/1/2038
Total		\$ 12,306,549.00	
Total AIDEA Exposure		\$ 30,782,622.00	

X’una Kaawe Annee Corporation as Borrower and Icy Strait Point, LLC, Huna Totem Corporation, Duck Point Development II, LLC, and Alaska Department of Interior - BIA as Guarantor under the Alaska Industrial Development and Export Authority (AIDEA or Authority) Loan Participation Program, and Duck Point Development II, LLC as Borrower and Huna Totem Corporation and Icy Strait Point, LLC as Guarantor under AIDEA’s Project Development Program (collectively “Huna Totem”), has requested AIDEA to modify its loan modification previously approved by the Board under Resolution G21-12 on April 14, 2021.

The previous approved modification request was as follows:

1. *Quarterly interest only payments from April 1, 2021 through April 1, 2022, reinstating both principal and interest at the quarterly payment due July 1, 2022; and*
2. *A maturity extension for each loan that matches the principal deferral period; and*
3. *Carbon offset prepayment covenant relief; and*
4. *Release of the reserve account for additional working capital liquidity; and*
5. *Continued availability of the undrawn portion of the AIDEA Expansion Loan; and*
6. *A monthly excess cash flow sweep above a 1.5x DSC that will be used to prepay the AIDEA Expansion Loan and any portion of the Expansion Loan that is converted to the Term Loan; and*
7. *The immediate transfer of all marketable securities into short duration US Treasury / T-Bills to protect the principal value of the cash balance.*

The Borrower has requested that the following new modifications be reviewed as a replacement to the modification that was approved under AIDEA Board Resolution G21-12.

1. Borrower will pay down all amounts outstanding in principal, including all accrued and unpaid interest of the Duck Point Development II, LLC Expansion Loan (LOC). The undrawn availability of the LOC will remain available for potential working capital requirements as previously modified for terms not to exceed the original Expansion Loan agreement (i.e., through July 1, 2022).
2. Quarterly interest only payments for the Loan Participation Note and Project Development Loans from April 1, 2021 through April 1, 2022, reinstating both principal and interest at the quarterly payment due July 1, 2022.
3. A maturity extension for each remaining loan that matches the principal deferral period.
4. During the modification period, Huna Totem agrees to allocate a minimum of 85% of all marketable securities within Huna Totem's custodial asset account into investments, or investment portfolios, that grant the Borrower the maximum advance rate (availability) for the Borrower's related UBS line of credit.
5. An authorized officer of the Borrower will provide, through email, a quarterly notice of compliance for all existing and new loan covenants.
6. If the Borrower draws down, in any amount, on the Expansion Loan during the modification period, a monthly cash flow sweep above 1.5X the debt service coverage (DSC) will be reestablished that will be used to prepay any drawn portion AIDEA Expansion Loan and any portion of the Expansion Loan that is converted to the Term Loan.

OVERVIEW

Huna Totem Corporation and its subsidiaries' primary operations consist of tourism with the operation of Icy Strait Point, LLC (ISP) cruise destination in Hoonah, Alaska, cultural interpretation in Glacier Bay National Park and Preserve, ownership and operation of commercial real estate, and government contracting. Tourism is the primary driver from the Company's revenue and net income stream. ISP is dependent on revenue generated from the headcount of the passengers arriving in Hoonah and the revenue generated from the sale of merchandise, food, and excursions. In 2019, 70% of the Company's revenue was derived from tourism in Hoonah. All of the scheduled cruise ship landings for 2020 were cancelled due to the COVID-19 pandemic, which severely impacted the Company's financials and continued into the 2021 season.

On May 24, 2021, President Joe Biden signed the Alaska Tourism Restoration Act that would temporarily allow foreign-flagged cruise ships to sail in the region without having to dock in Canada first. This law will provide a much needed boost for Southeast Alaska as the majority of cruise ships can now operate this summer. Huna Totem is expecting approximately 25 to 30 cruise ship landings from July to September 2021, which could bring in excess of 100k tourists through their destination.

LOAN PARTICIPATION LOAN HISTORY

On September 29, 2016 (Loan Resolution L15-05), AIDEA funded a \$20,000,000 loan to Huna Totem as an 80% participant under the Loan Participation Program. The collateral position for the loan is a secured Deed of Trust on the legal property described as Alaska Tidelands Survey No. 36 and US Survey 1472 and US Survey 3843, Sitka Recording District for the State of Alaska, including all furniture, fixtures, equipment, tangible, and intangible personal property owned by the Grantor used in the development, operation, maintenance, or management of the property. Additionally, the collateral includes all right, title, and interest in the 52% membership interest of Duck Point Development, LLC and an assignment and pledge of a \$1,000,000 collateral account held at a Tier 1 financial institution.

The original terms of the loan required quarterly principal and interest payments through the original October 1, 2041 maturity date. Due to the economic impact of the COVID-19 pandemic on Huna Totem's operations, the loan was modified on April 21, 2020, under emergency regulations 3 AAC 99.925. The modification deferred quarterly principal and interest payments due April and July 2020 and extended the maturity to April 1, 2042. Due to the cancellation of the 2021 cruise season, the loan was modified again on November 12, 2020, under emergency regulations 3 AAC 99.925. The modification required quarterly interest only payments due October 1, 2020, January 1, 2021, and April 1, 2021, with regular scheduled payments to resume July 1, 2021. The maturity date was extended to December 1, 2042. To date, the Borrower has made \$1,523,926 in principal payments and \$3,017,111 in interest payments on this loan.

PROJECT DEVELOPMENT LOAN HISTORY

On July 1, 2019 (Resolution G19-14), AIDEA funded a \$9,000,000 Construction Loan and committed to a draw down facility not to exceed a \$6,000,000 Expansion Loan to Huna Totem under the Project Development Program to fund part of the cost of design, development, and construction of the Duck Point Phase II Project. The funding of this loan required a simultaneous

\$2,830,000 investment by Huna Totem and \$26,000,000 by Norwegian Cruise Lines. The collateral position for the loan is the assignment of the leasehold deed of trust of the property including all fixtures used for the development, operation, maintenance, or management of the property. The original terms of the loan required quarterly interest payments until the loan's original maturity date of July 1, 2038, of upon the conversion to a Term Loan. Due to the economic impact of the COVID-19 pandemic on Huna Totem's operations, the loan was modified on May 14, 2020, under emergency regulations 3 AAC 99.925. The modification deferred the April 1, 2020, and the July 1, 2020, interest payments until the end of the construction period. Once the loan converts into the Term Loan, the deferred interest payment shall be carried forward as accrued interest and amortized as part of the principal amount of the Term Loan. The maturity date was amended to the earlier date of July 1, 2038, and the date upon which all unpaid principal and accrued interest shall be due and payable to the Authority.

Due to the continued strain on Huna Totem's operations created by the pandemic, the loan was modified again on November 9, 2020, under emergency regulations 3 AAC 99.925. The Term Loan required quarterly interest only payments through July 1, 2021, where both quarterly principal and interest payments will be reinstated on October 1, 2021. The expansion loan required quarterly interest payments due on January 1, April 1, July 1, and October 1, 2021. Additionally, Huna Totem was required to make a mandatory prepayment of the advance made under the Expansion Loan during the modification period and any portion of the Expansion Loan that was converted to the Term Loan immediately upon receipt of proceeds by Huna Totem from the sale of California Carbon Offset payments. AIDEA also modified the permitted Use of Funds covenant to allow loan proceeds to be used for Borrower's administrative and operational expenses and to make payments to ISP under the O&M agreements, or to advance funds to the Guarantors to sustain business operations due to impacts of COVID-19.

AIDEA MISSION

AIDEA's purpose is to promote, develop, and advance the general prosperity and economic welfare of the people of Alaska. Under the Authority's Commercial Finance Programs through the Enterprise Development Account (also referred to as the Loan Participation or Credit Program), AIDEA accomplishes its mission by acting as a secondary market for financial institutions by purchasing loan participations and by providing guarantees on bank originated loans. The Loan Participation Program provides the benefit of long-term fixed or variable rate financing on the portion of the loan purchased by AIDEA, which provides long-term certainty in terms and reduces the business enterprise's debt service enabling new investment, expansion, and the retention of employment. Since 1992, AIDEA's Commercial Finance Program has funded over \$1.2 billion under this program supporting 9,644 construction and 9,819 permanent jobs within Alaska's economy across all sectors and regions of the state.

The Project Development Program under AS 44.88.172 provides financing to develop, own (in whole or in part), and operate basic installations and facilities within the state, especially those which advance the prosperity of a region. Roads, ports, airports, infrastructure for tourism destination facilities, and other public use facilities are considered eligible projects.

RECOMMENDATION

In keeping with our mission, AIDEA staff recommends to provide the revised modification request that will allow Huna Totem the ability to utilize its liquidity for critical working capital needs as the Company ramps up operations to address the newly announced 2021 cruise season. The revised modification will also allow the Company reasonable flexibility in managing its liquidity and support through the continued impact of the pandemic while preparing their operations for a more favorable and full 2022 cruise season.