

ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY

RESOLUTION NO. G20-10

**RESOLUTION OF THE ALASKA INDUSTRIAL DEVELOPMENT
AND EXPORT AUTHORITY CREATING THE SUSTAINING
ALASKA'S FUTURE ECONOMY GUARANTEE PROGRAM ("AK
SAFE") TO RESPOND TO THE COVID-19 EMERGENCY
DISASTER**

WHEREAS, the Alaska Industrial Development and Export Authority (the "Authority") has an existing statutory program, the Business and Export Assistance Program (AS 44.88.500 – 44.88.599), that enables the Authority to provide guarantees for business loans;

WHEREAS, Alaska is confronting an economic crisis as a result of the COVID-19 pandemic that threatens Alaska businesses and those working in Alaska businesses;

WHEREAS, the Authority has the ability under the Business and Export Assistance Program to provide guarantees to Alaska's banks and financial institutions for up to \$1 million per borrower that will enable the banks and financial institutions to advance additional loan funds to their borrowers to assist them in surviving and managing the COVID-19 economic crisis; and

WHEREAS, creating the Sustaining Alaska's Future Economy Guaranty Program ("AK SAFE") to provide guarantees to banks and financial institutions so as to assist Alaska's businesses is in furtherance of the Authority's statutory mission of advancing economic development and providing additional employment opportunities in the State of Alaska.

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

Section 1. The Authority hereby creates the Sustaining Alaska's Future Economy Guaranty Program ("AK SAFE"), which shall be a business loan guaranty program under AS 44.88.500 – 44.88.599. The AK SAFE Program shall be made available to Alaska's banks and

financial institutions for the duration of the COVID-19 emergency disaster as proclaimed by Alaska Governor Mike Dunleavy.

Section 2. The Authority shall make up to \$50 million available for loan guarantees under the AK SAFE Program. If the statutory limitation of AS 44.88.540(1) on guarantees under the Business and Export Program is hereafter increased, the Authority shall increase the amount available under the AK SAFE Program to the maximum amount permitted by law, but not in excess of \$100 million.

Section 3. The Executive Director is delegated the authority to determine the specific business loans the Authority will guarantee under the AK SAFE Program. The guarantees the Authority provides under the AK SAFE Program will be on terms and conditions the Executive Director determines to be necessary or appropriate. Consistent with emergency regulation 3 AAC 99.925, as adopted on this date, the Executive Director is authorized waive or modify any requirements set out in the Authority's regulations for the Business and Export Program in implementing the AK SAFE Program and making loan guarantees under it.

Section 4. The Authority shall make the guarantees of the AK SAFE Program available to banks and financial institutions that provide business loans anywhere in Alaska so that the AK SAFE Program shall be equitably available to benefit all regions of the State.

Dated at Anchorage, Alaska, this 27th day of March 2020.

Chair

ATTEST
[SEAL]

Secretary

**Sustaining Alaska’s Future Economy Guaranty Program
 (“AK SAFE Guaranty”)**

Program Summary:

In response to the COVID-19 economic emergency, a new loan guaranty program to provide Alaska based companies with access to additional capital in order to keep Alaskans employed and put those businesses in a position to recover. In collaboration with Alaska’s banks and financial institutions, AIDEA will provide a loan guarantee up to \$1,000,000 per Borrower to Alaska’s banks and financial institutions for an increased advance rate on the Borrower’s established credit facilities. The objective is to enable Alaska’s banks and financial institutions to immediately provide additional capital to Alaska’s businesses through their existing relationships as they continue to manage terms with those Borrowers.

Terms and Conditions:

Guarantor	The Alaska Industrial Development and Export Authority (“AIDEA” or “the Authority”)
Program Eligibility	<p>Lenders: All state chartered or federally chartered financial institutions doing business in the State of Alaska</p> <p>Borrowers: Alaska based businesses impacted by the COVID-19 economic emergency with an existing collateralized debt agreement with an eligible Lender. An Alaska based business is defined to be a business enterprise operating in the State of Alaska whose majority interest is held by state residents.</p> <p>The SAFE Guaranty Program is a stand alone program with Lenders and not currently available to supplement a Borrower’s debt agreement under any other AIDEA program, including but not limited to the Loan Participation Program, Rural Development Initiative Fund Loan Program, and the Small Business Economic Development Program</p>
Statutes	AS 44.88.500 through 44.88.599: Business and Export Assistance Program
Regulations	3 AAC 99.700 through 3 AAC 99.810
Program Cap	<p>As provided under AS 44.88.540:</p> <ol style="list-style-type: none"> 1. \$50,000,000 in total loan guarantees under the program 2. Sublimit of \$25,000,000 on the total of loan guarantees made in excess of \$500,000 per Borrower <p>Subject to authorization for a statutory change, the Authority will increase the program cap to \$100,000,000.</p>
Program Availability Period	AIDEA is authorized to issue guarantees under the program from the date of approval until the earlier of (i) December 31, 2020 or (ii) the Program Cap is reached.

Guaranty Limit	<p>up to \$1,000,000 per Borrower (AS 44.88.545)</p> <p>Guarantees issued by AIDEA are for principal only and do not include the guarantee of payment of interest for any payment period.</p>												
Maximum Guaranty Term	Not to exceed the remaining term under the Loan Documentation, up to 20 years [AS 44.88.535(a)(3)]												
Applicant	<p>Lender</p> <p>For each loan guaranty under the program, Lender will provide with its application the following:</p> <ol style="list-style-type: none"> 1. A copy of the financial institution’s loan approval with modifications including the amount of the loan guaranty; 2. A current credit report of the Borrower and any other Guarantors and Co-Borrowers; 3. Copies of the Borrower’s financial statements for the preceding three fiscal years; 4. A detailed description of the use of proceeds from the loan guaranty; 5. The Lender’s most recent description and evaluation of the collateral securing the loan; 6. If the loan security includes real property, a copy of the most recent written appraisal report; 7. A copy of the Lender’s Loan Documents including UCC filings; and 8. An updated proforma report by Borrower on its projected financial performance and workforce retention with the availability of the loan guaranty funding 												
Program Fees & Transaction Costs	<p>Application Fee: \$200 [3 AAC 99.750(a)]</p> <p>Fees for guarantees issued under the program:¹</p> <table border="1" data-bbox="548 1276 1406 1423"> <thead> <tr> <th>Guarantee Amount</th> <th>Annual Service Fee</th> <th>Guaranty Fee</th> </tr> </thead> <tbody> <tr> <td>\$150,000 or less</td> <td>0.5%</td> <td>2.00%</td> </tr> <tr> <td>\$150,001 to \$500,000</td> <td>0.5%</td> <td>3.00%</td> </tr> <tr> <td>Greater than \$500,000</td> <td>0.5%</td> <td>3.50%</td> </tr> </tbody> </table> <p>The Guaranty Fee is payable by the Borrower from the proceeds of the loan.</p> <p>The Annual Service Fee is payable from the Borrower from the interest rate on the amount of the loan guaranteed by the Authority</p>	Guarantee Amount	Annual Service Fee	Guaranty Fee	\$150,000 or less	0.5%	2.00%	\$150,001 to \$500,000	0.5%	3.00%	Greater than \$500,000	0.5%	3.50%
Guarantee Amount	Annual Service Fee	Guaranty Fee											
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\$150,001 to \$500,000	0.5%	3.00%											
Greater than \$500,000	0.5%	3.50%											
Interest Rate on Loans Guaranteed by the Authority	Fixed or Variable as provided for in the Loan Documents, up to a maximum of Prime plus 275 basis points plus the Annual Service Fee with a floor of 3.75% p.a. plus the Annual Service Fee												

¹ AIDEA has not fully reviewed pricing for the program. The bracketed amounts represent the regulations for loans with a 1st priority perfected security interest at a maximum 75% LTV

Maximum Advance Rate	<p>Up to 100% of the loan advance to be guaranteed by AIDEA, provided the portion loans guaranteed by AIDEA do not exceed 80% of the total loans serviced by Lender under the Loan Documents [AS 44.88.535(b)]</p> <p>The ratio of the guarantee to the outstanding principal of the loan may not increase over the term of the loan [AS 44.88.535(b)]</p>
Maximum Loan To Value	The Loan to Value in aggregate may not exceed [75%] ² . Maximum advance rates to be determined per asset class.
Permitted Uses of Guaranteed Funds	<p>Subject to certification by Lender, guarantees for loans may be issued only if the loans:</p> <ol style="list-style-type: none"> 1. Are for commercially reasonable purposes; 2. Will help to stabilize the economic base of the area and create or maintain employment and/or allow the Borrower to create additional economic opportunity; 3. Are additional funding to the Borrower and not being used to refinance existing debt of the Lender; 4. Are for the Borrower's principal business use or to preserve it's workforce and not used to fund a distribution to owner(s) or used similarly with the effect of distributing the funds outside of the Borrower's principal business use
Administration and Loan Servicing	<p>As already provided by the Lender.</p> <p>Master Loan Agreement with a second Promissory Note in the amount of the funds guaranteed by AIDEA</p>
Financial Criteria & Covenants	<p>As provided for under the Loan Documents, as modified from time to time by the Lender</p> <p>The loan guaranteed by AIDEA will not be materially modified or AIDEA's security position materially changed without the prior approval of the Authority</p> <p>AIDEA required to be an additional insured under the Borrower's insurance provisions</p>
Security	A perfected second lien in the Lender's collateral position under the Loan Documents, inclusive of the Borrower's real and personal property
Waiver of Requirement(s)	If authorized by the Guarantor's statutes or regulations, Guarantor may waive any requirements in this term sheet to the extent the Guarantor considers it appropriate or prudent to do so.

² This would be calculated as the Lenders total advance (including the AIDEA guaranteed portion) to the total value of security including real and personal property of the Borrower

Disclosures	<p>This term sheet is solely for information purposes. It does not represent an offer or commitment to provide a guarantee and remains subject to the Guarantor's internal approvals.</p> <p>No guarantee will be effective until (i) the loan guarantee agreement is executed by the Lender and returned to AIDEA, and (ii) the terms of the guarantee authorization are met.</p>
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