

**ANNUAL REPORT  
TO  
THE DENALI COMMISSION**

**Presented By**

**ALASKA GROWTH CAPITAL BIDCO, INC.**

**For the year Ended  
December 31, 2002**

## ALASKA GROWTH CAPITAL

With the support of the Denali Commission Alaska Growth Capital continues to achieve success in our mission to promote economic development throughout the state. This year our staff increased to support the continuing growth in leading activity. We exceeded our loan volume by three hundred percent over last year.

We serve people in rural and urban areas of the entire state of Alaska, which includes minority clients such as Alaska Natives, Korean Americans, and African Americans. We have been able to provide capital to start up and existing businesses and make one equity investment.

Our staff now includes:

David Hoffman, CEO  
Jason Evans, Vice President of Lending (Alaska Native)  
Darcy Carney, CFO  
Carrie Couey, Operations Manager  
Mark Underwood, Senior Loan Officer [Hired 5/06/2002]  
Patrick Williams, Loan Officer (Alaska Native)  
Kim Huitt, Commercial Loan Closer  
Jade Hill, Commercial Loan Servicer (Alaska Native)  
Heather Orr, Controller [Hired 6/26/02]  
Santee Woodard, Bookkeeper (Alaska Native) [Hired 5/02/2002]  
Lisa Harris, Commercial Loan Processor [Hired 12/18/02]  
Alice Glenn, Executive Assistant (Alaska Native)

Highlight on new hires:

- Mark Underwood joined our team as Senior Loan Officer in May of 2002. Mark worked for a local bank in commercial lending for nearly 17 years. The long time Alaskan owned institution was bought out by Wells Fargo in late 2001.
- Santee Woodard came on board in May of 2002 as our Staff Accountant. She replaced Cathy Millet-Buress who moved to Nome, Alaska after getting married. Santee has many years of experience in accounts payables and payroll. Her family is Yupik from Emmonak in northwestern Alaska.
- Heather Orr joined the accounting team as Controller in June of 2002. Heather is a life long Alaskan with an accounting degree from the University of Alaska Fairbanks. She recently passed the CPA exam in early 2003.
- Lisa Harris was hired at the end of 2002. Lisa brings 15 years of experience to the commercial loan processing position. A transplant from Texas, Lisa is new to Alaska.

## PERFORMANCE GOALS AND MEASURES

**Measure 1:** Total annual financing disbursements to businesses in communities defined as "distressed" by the Denali Commission. The list of "distressed" communities will include at a minimum the communities listed in the Commission's issue paper of September 1, 2000.

In 2002 Alaska Growth Capital provided total funding in the amount of \$1,607,000 to distressed communities. We fell short of the Outstanding benchmark by \$163,500.

**Measure 2:** Total annual financing disbursements to Alaskan - owned businesses in communities defined as "distressed" by the Denali Commission.

\$1,607,000 in loans was provided by the end of 2002 to Alaskan – owned businesses in communities defined by the Commission. The outstanding benchmark is \$1,574,100.

**Measure 3:** The total annual payroll at all Alaska Growth Capital financed companies in distressed communities.

Of the loans provided to businesses, payroll in distressed communities totaled \$1,278,814. This is income that may not have been available without funding provided by Alaska Growth Capital. The outstanding benchmark is \$1,141,225.

**Measure 4:** Number of technical assistance engagements provided to businesses that operate in "distressed" communities. A "technical assistance engagement" is defined as a minimum of 8 hours of assistance provided by Alaska Growth Capital. These engagements will cover a broad range of topics, as defined by the needs of the business.

Eight hours of technical assistance was provided to 23 businesses during 2002. This is 8 short of Satisfactory but 12 more than Minimally Acceptable.

## **FINANCING CONDITION**

At physical year-end, December 31, 2001, Alaska Growth Capital's net assets totaled \$7,777,630 with total assets at \$13,365,337. Total revenue equals \$5,139,166 with no restricted or accrued grant revenues resulting in net revenues of the same amount. Alaska Growth Capital's cash and cash equivalents totaled \$1,264,309. Current liabilities total \$2,785,908. Operating Liquidity is measured by the ratio available capital: operating expenses.

These numbers are based on our draft audit conducted January 20, 2003. As per the award agreement the final audit report will be forwarded.

## **ACTIVITIES AND INITIATIVES**

Alaska Growth Capital continues to conduct strong community outreach through regional visits and participating in conferences on rural development. Vice President of Lending, Jason Evans, a Native Alaskan from Nome, continues to work with potential clients in the Nome and Kotzebue region of the state. This has resulted in three new loans in Kotzebue and one in Nome in 2002.

Loan Officer Patrick Williams, a Native Alaskan from Fairbanks, makes numerous trips to his hometown and the surrounding area. Patrick's network brought in two new loans from the Fairbanks region. In 2002 Patrick expanded his client base in Anchorage as well.

Mark Underwood joined us in May after many years in commercial lending at a long time Alaskan owned financial institution. Wells Fargo bought out National Bank of Alaska in 2001. The transition to out of state funding decisions and changes in business philosophy in rural development caused a large numbers of customers to leave Wells Fargo. Several followed Mark to Alaska Growth Capital. He closed two loans before year end, one to a pasts Wells Fargo customer from the southeast region of Alaska.

Our loan officers have established a working relationship with our local USDA Rural Development office. USDA will provide guarantees on loans off the road system (which is much of rural Alaska) and in distressed areas up to 90% of the principle balance. In 2001 Alaska Growth Capital was ranked as the number one USDA lender in the state and number 5 in the nation. We continue working with the Small Business Administration through its 7(a) guaranty and the LOWDOC programs. The guaranteed portion of USDA and SBA loans can be sold on the secondary market allowing Alaska Growth Capital to sustain capital to lend to others.

**PORTFOLIO DIVERSIFICATION**  
**New Loans in Distressed Areas**

	<b>Alaska Fisheries*</b>	<b>Asa' Carsarmiut Tribal</b>	<b>Country Store</b>	<b>Arctic Transportation Services, Inc.</b>
<b>Loans in 2002</b>	<b>\$150,000</b>	<b>\$105,000</b>	<b>\$265,000</b>	<b>\$1,087,000</b>
<b>Locations</b>	<b>Adak</b>	<b>Mt. Village</b>	<b>Nome</b>	<b>Bethel</b>
<b>Number of Jobs Created or Retained</b>	<b>61</b>	<b>20</b>	<b>7</b>	<b>74</b>

\* Paid in full in December 2002

**CONSULTING SERVICES**

Alaska Growth Capital conducted technical assistance engagements for 23 clients in distressed areas.

**Non-Fee technical assistance – new in 2002**

<b>Client</b>	<b>Key issues</b>	<b>Date ended</b>	<b>Location</b>
Alaska Checker Cab	Business expansion	On-going	Bethel
Bethel Packing & Delivery	Expansion	On-going	Bethel
Bettles Lodge	Refinance	On-going	Bettles
Coupchiak Aviation	Start up analysis	07/15/2002	Togiak
Eskimo Igloo 2000	Expansion	06/05/2002	Bethel
Executive Catering	Expansion	04/10/2002	Delta Junction
Gold Coast Cinema	Expansion	On-going	Nome
Gold Rush, LLC	Start up analysis	On-going	Nome
Gregory Lincoln	Purchase business	09/25/2002	Toksook Bay
Illiamna Investments	Business evaluation	07/01/2002	Illiamna
Jerue Grocery	Start up analysis	07/31/2002	Holy Cross
John Luke's Store	Expansion	09/05/2002	Mekoryuk
Kasilof Mercantile	Expansion	08/28/2002	Kasilof
Michels Business Ventures dba Nome Roadhouse	Expansion	On-going	Nome
Nunakaniak Yupik Corp.	Expansion	On-going	Toksook Bay

Popeye's	Purchase business	On-going	Bethel
The Arctic Lodge	Purchase business	07/23/2002	Nome
Thunderbird Motel	Purchase business	04/23/2002	Haines
Village Taxi	Business evaluation	05/21/2002	Nome
Country Store	Purchase business	On-going	Nome
Olson Air Service	Financial analysis	01/01/2002	Nome
Orutsaramuit Native Council	Business expansion	01/03/2002	Bethel
Pacifica House	Refinance existing debt / Business expansion	04/02/2002	Bethel
Subway of Bethel Inc.	Start up analysis	On-going	Bethel

**Fee-based accounting services engagements**

<b>Client</b>	<b>Key issues</b>	<b>Date ended</b>	<b>Location</b>
Alaska Fisheries, LLC	Accounting, administrative and finance functions	On-going	Adak

**PORTFOLIO PERFORMANCE**

At year-end 2002 Alaska Growth Capital's outstanding portfolio consisted of 38 loans totaling \$26,954,960.26 to 27 borrowers. Eight of these loans have Small Business Administration guarantees. Thirteen are guaranteed by the US Department of Agriculture. The guaranteed portions of these loans have been sold on the secondary market. 17 new loans were closed totaling \$20,077,000. Geographically, these new loans range from the top of Alaska in Barrow, to the far western tip in Kotzebue, to Seward in the South Central region, to the southeast panhandle in Sitka. Our economic development goals are to reach the entire state something we have very successful at accomplishing. Of the 38 loans outstanding at year-end 50% are accessible from Anchorage only by air service.

**DETAILED PORTFOLIO INFORMATION**  
**As of 12/31/02**

**Company:** Alaska Environmental  
**Industry:** SIC – 4213 - Trucking  
**Location:** Fairbanks, AK  
**Annual Payroll:** \$197,934  
**Estimated Number of Jobs Created or Retained:** 3  
**Amount of Financing:** \$200,000  
**Type of Financing:** Term Loan  
**Is Business a minority business:** No  
**Is Business a woman owned business:** No

---

**Company:** Alaska Interior Properties  
**Industry:** SIC – 6719 – Holding Company  
**Location:** Fairbanks, AK  
**Annual Payroll:** \$0  
**Estimated Number of Jobs Created or Retained:**  
**Amount of Financing:** \$1,800,000  
**Type of Financing:** USDA Guaranteed Term Loan  
**Is Business a minority business:** No  
**Is Business a woman owned business:** No

---

**Company:** Alaska Rose Garnet  
**Industry:** SIC – 7011 – Mining  
**Location:** Fairbanks, AK  
**Annual Payroll:** \$1,760  
**Estimated Number of Jobs Created or Retained:** 1  
**Amount of Financing:** \$150,000  
**Type of Financing:** Term Note  
**Is Business a minority business:** No  
**Is Business a woman owned business:** No

---

**Company:** Alutiiq Manufacturing Contractors  
**Industry:** SIC – 3219 - Manufacturing  
**Location:** Wasilla, AK  
**Annual Payroll:** \$1,459,001  
**Estimated Number of Jobs Created or Retained:** 18  
**Amount of Financing:** \$3,300,000  
**Type of Financing:** Term Note  
**Is Business a minority business:** Yes  
**Is Business a woman owned business:** No

**Company:** Arctic Transportation Services  
**Industry:** SIC – 4783 – Cargo Service  
**Location:** Bethel, AK  
**Annual Payroll:**  
**Estimated Number of Jobs Created or Retained:** 74  
**Amount of Financing:** \$1,212,500  
**Type of Financing:** USDA Guaranteed Term Loan  
**Is Business a minority business:** Yes  
**Is Business a woman owned business:** No

---

**Company:** Asa' Carsarmiut Tribal Council  
**Industry:** SIC – 9531 – Tribal Government  
**Location:** Mountain Village, AK  
**Annual Payroll:** \$102,507  
**Estimated Number of Jobs Created or Retained:** 20  
**Amount of Financing:** \$105,000  
**Type of Financing:** Term Note  
**Is Business a minority business:** Yes  
**Is Business a woman owned business:** No

---

**Company:** Bayside Express  
**Industry:** SIC – 5411 - Retail  
**Location:** Kotzebue, AK  
**Annual Payroll:** \$0  
**Estimated Number of Jobs Created or Retained:** 5  
**Amount of Financing:** \$ 750,000  
**Type of Financing:** USDA Guaranteed Term Loan  
**Is Business a minority business:** Yes  
**Is Business a woman owned business:** No

---

**Company:** Bayside Restaurant & Inn  
**Industry:** SIC – 2009  
**Location:** Kotzebue, AK  
**Annual Payroll:** \$26,730  
**Estimated Number of Jobs Created or Retained:** 9  
**Amount of Financing:** \$ 425,000  
**Type of Financing:** SBA 7(a) guaranteed Term Loan  
**Is Business a minority business:** Yes  
**Is Business a woman owned business:** No

---

**Company:** Bettles Lodge  
**Industry:** SIC – 2099 - Lodge  
**Location:** Bettles, AK  
**Annual Payroll:** \$102,145  
**Estimated Number of Jobs Created or Retained:** 20  
**Amount of Financing:** \$ 590,000 & \$275,000  
**Type of Financing:** SBA 7(a) guaranteed Term Loans  
**Is Business a minority business:** No  
**Is Business a woman owned business:** No

---

**Company:** Boynton Printing, Inc.  
**Industry:** SIC – 2759 Printing & Book Publishing  
**Location:** Barrow, AK  
**Annual Payroll:** \$213,562  
**Estimated Number of Jobs Created or Retained:** 3  
**Amount of Financing:** \$300,000 & \$130,000  
**Type of Financing:** SBA 7(a) guaranteed Term Loan & Short Term note  
**Is Business a minority business:** No  
**Is Business a woman owned business:** No

---

**Company:** Country Store, LLC  
**Industry:** SIC – 5251 - Retail  
**Location:** Nome, AK  
**Annual Payroll:** \$161,762  
**Estimated Number of Jobs Created or Retained:** 3  
**Amount of Financing:** \$265,000  
**Type of Financing:** Term loan  
**Is Business a minority business:** Yes  
**Is Business a woman owned business:** No

---

**Company:** E2R, LLC  
**Industry:** SIC – 2492 –Aircraft  
**Location:** Bethel, AK  
**Annual Payroll:** \$0  
**Estimated Number of Jobs Created or Retained:** 3  
**Amount of Financing:** \$ 1,075,000  
**Type of Financing:** USDA Guaranteed Term Loan  
**Is Business a minority business:** Yes  
**Is Business a woman owned business:** No

---

**Company:** Fresh Ale Pubs  
**Industry:** SIC – 5813 – Brew Pub & Eatery  
**Location:** Anchorage, AK  
**Annual Payroll:** \$1,521,661  
**Estimated Number of Jobs Created or Retained:** 29  
**Amount of Financing:** \$150,000  
**Type of Financing:** Term loan  
**Is Business a minority business:** No  
**Is Business a woman owned business:** No

---

**Company:** Kikiktagruk Inupiat Corporation  
**Industry:** SIC – 6719 – Native Corporation  
**Location:** Kotzebue, AK  
**Annual Payroll:** \$1,381,153  
**Estimated Number of Jobs Created or Retained:** 3  
**Amount of Financing:** \$5,000,000  
**Type of Financing:** USDA Guaranteed Term Loan  
**Is Business a minority business:** Yes  
**Is Business a woman owned business:** No  
**Target Area:** Yes

---

**Company:** Laundry Depot  
**Industry:** SIC – 7215 - Laundromat  
**Location:** Wasilla, AK  
**Annual Payroll:** \$669  
**Estimated Number of Jobs Created or Retained:** 2  
**Amount of Financing:** \$330,000  
**Type of Financing:** USDA Guaranteed Term Loan  
**Is Business a minority business:** Yes  
**Is Business a woman owned business:** Yes

---

**Company:** MAK  
**Industry:** SIC – 6719 – Industrial Retail  
**Location:** Anchorage, AK  
**Annual Payroll:** \$0  
**Estimated Number of Jobs Created or Retained:** 3  
**Amount of Financing:** \$ 1,075,000  
**Type of Financing:** SBA 7(a) Guaranteed Term Loan  
**Is Business a minority business:** Yes  
**Is Business a woman owned business:** No

---

**Company:** OIT, Inc.  
**Industry:** SIC – 4900 Environmental Waste Processing  
**Location:** Fairbanks, AK  
**Annual Payroll:** \$676,240  
**Estimated Number of Jobs Created or Retained:** 4  
**Amount of Financing:** \$1,000,000 & \$103,000  
**Type of Financing:** SBA 7(a) Guaranteed Term Loan & Working Capital Loan  
**Is Business a minority business:** No  
**Is Business a woman owned business:** No

---

**Company:** OmegaSea, LTD.  
**Industry:** SIC – 2000 Manufacturer of food for pet fish  
**Location:** Sitka, AK  
**Annual Payroll:** \$298,048  
**Estimated Number of Jobs Created or Retained:** 6  
**Amount of Financing:** \$660,000 & \$425,000  
**Type of Financing:** Term Loans  
**Is Business a minority business:** No  
**Is Business a woman owned business:** No

---

**Company:** Pacific Log & Lumber  
**Industry:** SIC – 2421 - Timber  
**Location:** Ketchikan, AK  
**Annual Payroll:** \$202,588  
**Estimated Number of Jobs Created or Retained:** 48  
**Amount of Financing:** \$5,000,000  
**Type of Financing:** USDA Guaranteed Term Loan  
**Is Business a minority business:** No  
**Is Business a woman owned business:** No

---

**Company:** Peking Restaurant  
**Industry:** SIC – 5813 – Eatery  
**Location:** Anchorage, AK  
**Annual Payroll:** \$22,400  
**Estimated Number of Jobs Created or Retained:** 5  
**Amount of Financing:** \$ 350,000  
**Type of Financing:** USDA Guaranteed Term Loan  
**Is Business a minority business:** Yes  
**Is Business a woman owned business:** No

---

**Company:** Phil Haws Auto Outlet  
**Industry:** SIC – 5521 – Auto Sales  
**Location:** Anchorage, AK  
**Annual Payroll:** \$0  
**Estimated Number of Jobs Created or Retained:** 3  
**Amount of Financing:** \$ 1,075,000  
**Type of Financing:** SBA 7(a) Guaranteed Term Loan  
**Is Business a minority business:** No  
**Is Business a woman owned business:** No

---

**Company:** Pioneer Peak Brewing, LLC  
**Industry:** SIC – 5813 – Brew Pub & Eatery  
**Location:** Wasilla, AK  
**Annual Payroll:** \$193,275  
**Estimated Number of Jobs Created or Retained:** 15  
**Amount of Financing:** \$200,000 & \$120,000  
**Type of Financing:** SBA 7(a) Guaranteed Term Loan & Term Note  
**Is Business a minority business:** No  
**Is Business a woman owned business:** No

---

**Company:** Polar Wire  
**Industry:** SIC – 5063 Retail Supply  
**Location:** Anchorage, AK  
**Annual Payroll:** \$34,483  
**Estimated Number of Jobs Created or Retained:** 2  
**Amount of Financing:** \$410,000 & \$75,000  
**Type of Financing:** Term Loan & Short Term Note  
**Is Business a minority business:** No  
**Is Business a woman owned business:** No

---

**Company:** Scientific Fishery Systems, Inc.  
**Industry:** SIC – 0919 Computer Software and Hardware Development  
**Location:** Anchorage, AK  
**Annual Payroll:** \$715,425  
**Estimated Number of Jobs Created or Retained:** 2  
**Amount of Financing:** \$150,000  
**Type of Financing:** Term Loans  
**Is Business a minority business:** No  
**Is Business a woman owned business:** No

---

**Company:** Subway of Bethel  
**Industry:** SIC – 7221 Franchise Restaurant  
**Location:** Bethel, AK  
**Annual Payroll:** \$31,211  
**Estimated Number of Jobs Created or Retained:** 8  
**Amount of Financing:** \$275,000  
**Type of Financing:** USDA Guaranteed Term Loan  
**Is Business a minority business:** Yes  
**Is Business a woman owned business:** No

---

**Company:** Trailboss Enterprises  
**Industry:** SIC – 5063 Retail Supply  
**Location:** Anchorage, AK  
**Annual Payroll:** \$267,850  
**Estimated Number of Jobs Created or Retained:** 2  
**Amount of Financing:** \$410,000 & \$75,000  
**Type of Financing:** Term Loan & short term note  
**Is Business a minority business:** Yes  
**Is Business a woman owned business:** No

---

**Company:** Ulmer Burgess, Inc.  
**Industry:** SIC – 5251 Retail  
**Location:** Homer, AK  
**Annual Payroll:** \$491,201  
**Estimated Number of Jobs Created or Retained:** 15  
**Amount of Financing:** \$1,575,700 & \$425,000  
**Type of Financing:** USDA Guaranteed Term Loan & Working Capital Loan  
**Is Business a minority business:** No  
**Is Business a woman owned business:** No