

**CLOSE-OUT REPORT
TO
THE DENALI COMMISSION**

From

ALASKA GROWTH CAPITAL BIDCO, INC.

For Award No. 0016-DC-2000

ALASKA GROWTH  CAPITAL

**Close-Out Report – 0016-DC-2000-E3
DENALI COMMISSION**

Alaska Growth Capital made significant progress during the term of this grant. Total financing for the grant period was \$139,223,595.

Background

Alaska Growth Capital (AGC) received a grant from the Denali Commission in the amount of \$3,824,000 for the purposes of providing financial assistance in the form of loans to borrowers in distressed communities, as identified by the Denali Commission. Alaska Growth Capital promoted rural economic growth in low income communities through these loans.

Activities

Under the terms of the grant agreement with the Denali Commission, AGC became responsible for delivering investment capital and technical assistance to businesses located in communities defined as distressed by the Denali Commission.

Project Outcomes

The unique nature of AGC's business model has allowed it to leverage the Denali Commission's grant funds many times over, as can be seen in the following data points. With the availability of \$3,824,000 in Denali Commission grants, Alaska Growth Capital was able to provide a total of \$35,861,106 in loans to 43 businesses in "distressed communities", as defined by the Denali Commission. These loans allowed for a significant increase in the number of jobs in these rural areas. In addition, rural businesses (located off of the road system) have received \$69,368,093 in loans, while minority owned businesses received \$46,129,767 in loans during the grant period.

During the same period, AGC delivered technical assistance to 294 businesses located in distressed communities. A technical assistance engagement was defined as 8 hours of client contact.

Problems Encountered

It was difficult to find borrowing clients in the smaller villages. Most of the "distressed area" loans went to businesses in regional hub communities.

A second problem was that the demand for loans outstripped AGC's permanent capital base. If AGC had more capital, it could have made more loans.

Conclusions and Recommendations

AGC would not have been able to increase its loan volume during the grant period without its federal partners, the Denali Commission, the Small Business Administration, and the USDA Rural Development program. The \$3,824,000 in grants from the Denali Commission has provided a major portion of the capital needed to support rural lending.

The ability of AGC to originate loans guaranteed by the USDA Rural Development program and by the Small Business Administration (SBA) 7 (a) programs allowed for a high volume of loans relative to AGC's total capital and the amount of capital invested by the Denali Commission. AGC was able to sell off the federally-guaranteed portions of loans and thus maintain the liquidity needed to increase its loan volume. In effect, this model has been able to move investment capital "from Wall Street to Main Street", meaning that Alaskan businesses have benefited from an infusion of new investment capital to the State. As this type of capital flow is a main goal of many economic development programs, the Denali Commission should be commended for its vision and success in this area.

The quality of AGC's relationships with the Denali Commission, SBA and with USDA continued to be a key factor in AGC's success. In addition to providing capital and loan guarantees, these agencies continue to provide numerous referrals and invaluable information and advice.

Attachments

Photographs are attached for the following businesses:

- Airport Pizza
- Anvik River Lodge
- Arctic Transportation Services
- Azachorok Mt. Village Store
- Bald Mountain Air Service
- Cape Smythe Air Service, Inc.
- Frontier Flying Service
- Selawik Fuel IRA
- Subway of Bethel
- Sweetsirs
- Tyonek Native Corporation
- Ulmer's Drug and Hardware
- Unalakleet Native Corporation