

Letters of Support for

SB 321

"Business and Industrial  
Development Corporation Act"



## THREE BEARS ALASKA, INC.

Anchorage Office  
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January 30, 2007

To Whom It May Concern,

I am writing this letter to express my support for the idea of establishing a statute allowing Business and Industrial Development Corporations ("BIDCOs") in the state of Montana.

Our company, Three Bears Alaska, Inc., is currently working to open a new store in Butte, Montana. Once opened, we expect to staff the store with approximately 85 new employees that will earn above-average wages for our industry and the Butte market and will be eligible for benefits with full-time status. We expect to open for business in Butte sometime in late-Spring 2007. We are very excited about this expansion, as it is our first into the lower-48 states.

Without the support of Jeff Batton and Alaska Growth Capital, it is doubtful that we would have located our project in Butte or anywhere else in Montana. Jeff was helpful in suggesting potential locations for this project, while AGC's commitment for permanent financing has allowed us to move forward with the project.

With AGC's commitment for financing, we were able to arrange construction financing from US Bank. However, it was clear to us from our work in Butte that our project would not have received permanent financing from any of the local banks. And that is why I think that the creation of a Montana-based BIDCO would be good for overall economic development in Montana. In our case, without the ability to access higher-risk capital from a BIDCO, we would have been forced to go elsewhere with our project. And I have to believe that there are many other companies either in Montana or considering coming to Montana that would also benefit from access to this type of capital.

In addition to this first-hand experience in Montana, I can tell you that I have seen the BIDCO effort in Alaska turn into an unqualified success. I am familiar with several businesses in Alaska that have received financing from AGC, and I doubt they would have been financed any other way.

Once again, I urge you to do what you can to establish one or more BIDCOs in Montana. The existence of this type of capital would enable the growth of businesses that might otherwise fail to take root. And the economic benefits would be tangible and real and will make Montana an even better place for all.

Best regards,



Stephen D. Mierop  
Vice President/CFO



Butte Local  
Development  
Corporation

January 12, 2007

To Whom It May Concern:

I am writing this letter to express my support for the idea of establishing a statute allowing Business and Industrial Development Corporations (BIDCO's) in the state of Montana.

The Butte Local Development Corporation has been working with a BIDCO named Alaska Growth Capital in order to attract a significant new employer to our community. The company, Three Bears Alaska, expects to open a new store in early 2007 which will employ about 80 new employees at attractive wage rates. From what I understand, this project would not have occurred without the financial support of Alaska Growth Capital. Construction is already will underway, with construction financing from US Bank. However, without permanent financing from Alaska Growth Capital, I am not sure that Three Bears would have been able to expand to Butte.

I am also aware that Jeff Batton of Alaska Growth Capital has been working with a Butte-based software company that is in need of growth capital. My understanding is that Alaska Growth Capital was not able to finance this company directly, but Jeff did make a critical introduction to a strategic partner from Alaska. Again, it is doubtful that this partnership would have happened without the involvement of Alaska Growth Capital.

Overall, I can see that the creation of a Montana-based BIDCO would be good for the overall economic development in Montana. A profit-driven company with an economic development mission just makes good sense and would complement the efforts of organizations like the Butte Local Development Corporation all over the state.

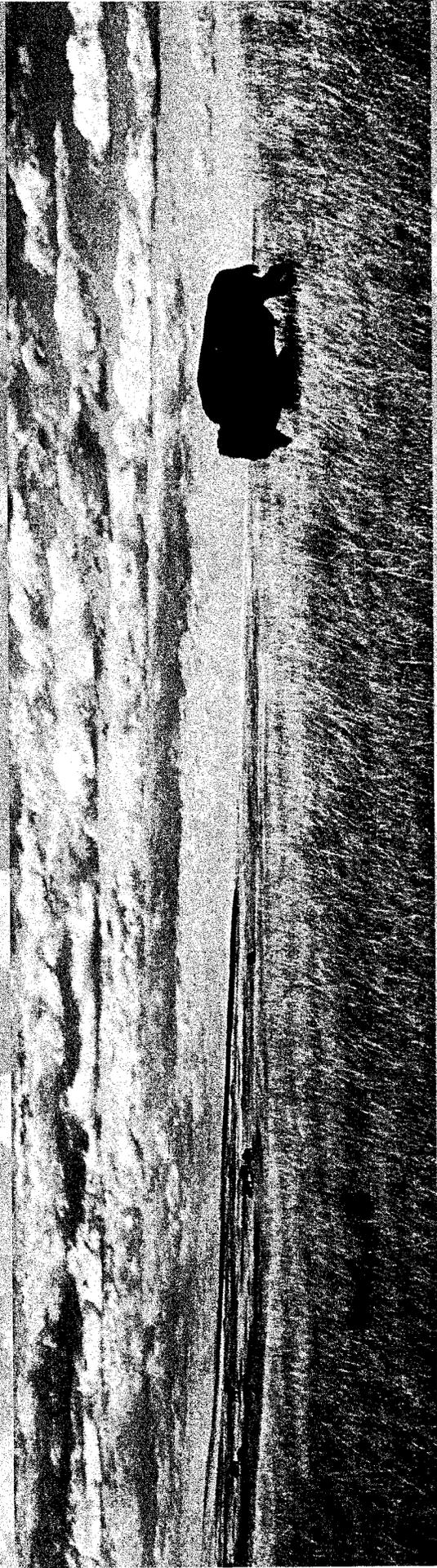
Best regards,

Jim Smitham  
Executive Director



SB 321

“Business and Industrial Development Corporation Act”



NEW BUSINESS CAPITAL FOR MONTANA

Briefing to Montana Legislators

March 2007

Presented by:

MONTANA GROWTH  CAPITAL

Jeff Batton

[jeff@montanagrowth.com](mailto:jeff@montanagrowth.com)

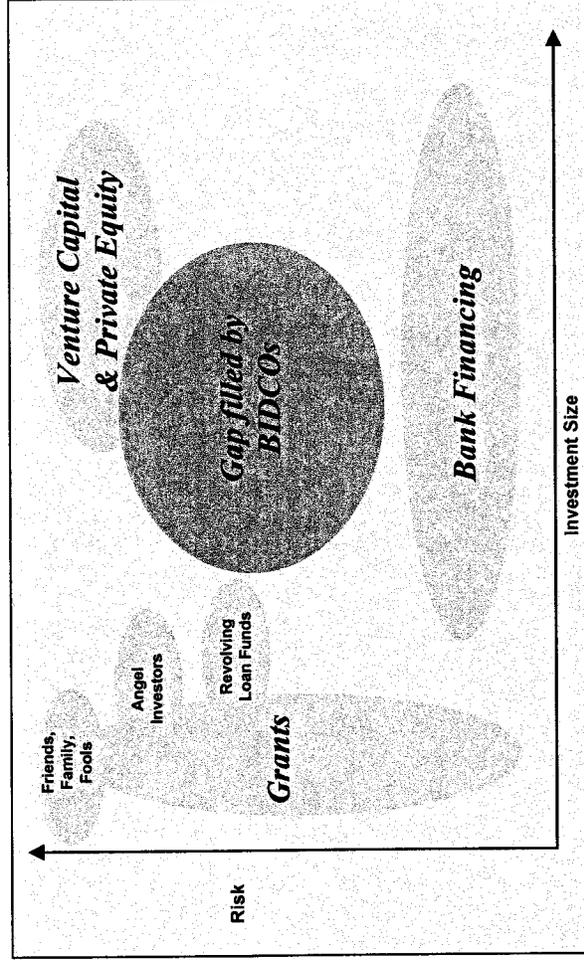
(907) 339-6784

# Overview of BIDCO Industry

- Legislated by 7 states as tool for economic development
- State-chartered private lending institutions
  - “Non-bank banks” - not competitive with banks; no deposits
  - For-profit orientation
  - Help businesses that conventional lenders consider too risky but do not exhibit the high-growth potential required by venture capitalists
- Formal BIDCO legislation utilized to prevent fraud, mismanagement, and conflicts of interest
- Regulation by state qualifies BIDCO as “regulated lender” for government guaranteed lending programs

# Montanans need access to “risk capital”

- General consensus: *new* outside capital has large impact
- CS First Boston study identified \$81.6mm shortfall
- Current MGC deal pipeline over \$40 million (and growing)
- MGC business model “imports” new capital from Wall Street



# Summary of Typical BIDCO Legislation

- Affirmation of economic development focus
- Minimum qualifications for BIDCO licensees
  - Adequate net worth
  - Management capability
- Assignment of oversight responsibility
- Definition of oversight requirements
- Restrictions on conflicts of interest
- Restrictions on allowable business practices

# Case Study: The Alaska Experience

- 1993:     • Legislature adopts BIDCO statute. No BIDCOs established
- 1996:     • Legislature appropriates \$3 million BIDCO incentive, to be  
          matched by private capital
- Competitive RFP issued
- 1997     • Alaska Growth Capital wins competition / begins operations

# Alaska Growth Capital: Matching Non-traditional Borrowers with “New” Capital

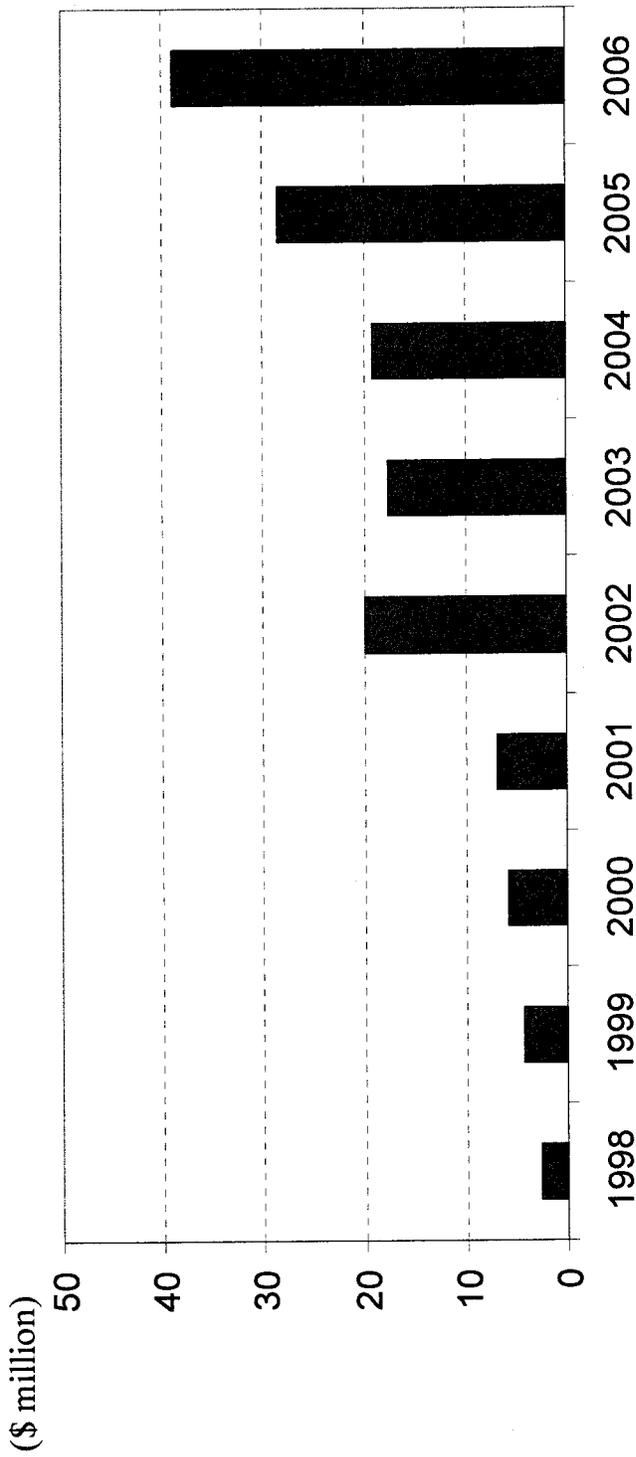
## Niche:

- Products – business loans, venture capital, consulting
- Markets – rural, “distressed”, minority-owned, start-ups, etc.

## Results:

- \$100mm “imported” to Alaska from outside sources
  - Bond market investors, insurance companies, hedge funds
- More than \$140mm invested in 120+ companies
  - 54% in remote rural areas
  - 34% in minority-owned businesses
  - 33% in “most economically distressed” areas
  - 12% in start-ups

# Alaska Growth Capital Investments-to-Date



# Public-Private Partnership

## AGC Capitalization History

	1997	1998	2000	2001	2002	2003	2004	TOTAL	
State of Alaska	3,000,000							3,000,000	16%
ASRC equity	1,041,745	2,017,028			1,352,488	975,000		5,386,261	30%
U. S. Treasury		1,000,000		2,000,000	1,526,000			4,526,000	25%
Denali Commission			824,000	1,500,000	1,500,000	1,000,000	500,000	5,324,000	29%
<b>TOTAL</b>	<b>1,041,745</b>	<b>3,017,028</b>	<b>824,000</b>	<b>3,500,000</b>	<b>4,378,488</b>	<b>1,975,000</b>	<b>500,000</b>	<b>18,236,261</b>	<b>100%</b>

# Montana Growth Capital: Successes to-date

- Four-year partnerships with TechRanch and TechLink
  - Alaska-based client buying from S&K Technologies
  - Alaska-based client partnering with Synesis7 (Butte)
- Strong Advisory Board
- Warm welcome from bankers, economic developers
- Active investments
  - \$7.5 million to AK grocer expanding to Butte (85 new jobs, low income area)
  - \$1.0 million to Browning non-profit (low income area, minority owners)
  - \$1.0 million to Yaak start-up (low income area)
  - \$900,000 for Plentywood/Scobey buy-out
  - \$800,000 to Superior start-up (low income area, minority owners)
- Seed capital
  - Northwest Area Foundation – \$500,000
  - Calvert Foundation – \$400,000
  - Alaska Growth Capital – “warehouse” credit facility

# States with BIDCO Legislation

## State

Idaho

Louisiana

Tennessee

Delaware

California

Alaska

Michigan (noactive licensees)

## Web Site for Statute

<http://finance.idaho.gov/Statutes.aspx>

<http://www.lided.state.la.us/economic-development-allies/business-resources/financial-incentives-/bidco-program-rules.aspx>

<http://www.state.tn.us/sos/rules/0180/0180.htm>

<http://www.delcode.state.de.us/title5/c033/sc01/index.htm>

<http://www.leginfo.ca.gov/cgi-bin/displaycode?section=fin&group=30001-31000&file=31000-31006>

<http://touchngo.com/legltr/akstats/Statutes/Title10/Chapter13.htm>

[http://www.legislature.mi.gov/\(S\(4zthx55x3ivm4umpg5ofu55\)\)/mileg.aspx?page=getobject&objectname=mcl-act-89-of-1986](http://www.legislature.mi.gov/(S(4zthx55x3ivm4umpg5ofu55))/mileg.aspx?page=getobject&objectname=mcl-act-89-of-1986)