



Who or What is CFAB???

- A Private Member owned Cooperative
- Operates under Alaska Statute 44.81
- Opened its doors in March 1980
- Lends exclusively to the Commercial Fishing, Agriculture, Tourism, and Resourced based industries of Alaska
- Lends only to Alaskan Residents
- The ONLY PRIVATE institution that can use an Alaska Limited Entry Permit as collateral
- Interest Rates not tied to the Prime Rate
- Returns its profits to its members
- Has provided roughly one hundred million dollars (\$100,000,000) in loans to the Alaska's Commercial Fishing Industry since 1991
- Has paid over \$2,500,000 in Patronage to its Members since 1991
- Financing by Alaskans for Alaskans
- Decisions made locally right here in Alaska

What types of loans does CFAB make?

- All types of Quota, License, and Permit Loans (IFOQ/LLP/CQE/QSU)
- Vessel loans, whether for the purchase, upgrade or renovation of a vessel
- Engine and gear loans
- Limited Entry Permit loans
- Working Capital loans
- Lines of Credit loans
- Any loan where the proceeds will be used for a business related purpose
- Loans to refinance other lenders loans where the original purpose of the loan was for a business related purpose

Legal Stuff

- *During this presentation we will be focusing on Loan Participations. The following is an example meant only for the purpose of this discussion. Individual results may vary depending on the applicants/sellers individual financial strength, overall history as well as the needs of the seller.*



Financing Options for the Next Generation

Loan Participations

- Fisher/Seller
- Assets
- Fishing Experience and Knowledge
- Knowledge of buyer/community
- CFAB
- Documentation Expertise
- Loan Servicing
- Lien Perfection/Permits
- Arms length transaction
- Collection of loan payments

How does it work?

- ✓ Fisher decides to sell
- ✓ Fisher sets sales price
- ✓ Fisher locates buyer
- ✓ Buyer prepares loan application and submits it to CFAB for review
- ✓ CFAB reviews application and determines their risk threshold
- ✓ Seller and CFAB work out the terms of the new loan/participation taking into consideration the short/long term financial needs of seller/participant

- ✓ Buyer agrees to the terms offered by CFAB and Seller/Loan Participant
- ✓ CFAB Prepares loan documents, secures collateral and disburses funds to seller
- ✓ Buyer makes payments to CFAB, CFAB services loan and forwards payments to seller/participant
- ✓ Buyer makes payments until loan is paid in full at which time all collateral is released

And we all live happily ever after!!!

Well not always. What if?????

What happens if the buyer can't make his/her loan payment?

What happens if after a few years the seller/participant needs the money that is still owed on their share of the loan?

What happens if the buyer sells the IFQ (Collateral)?

What happens if the buyer or seller should pass away before the loan is paid in full?

Show me the money!!!!!!



Loan Terms and Payments

CFAB 30% Loan

\$135,000

CFAB Loan Terms 12 years @ 7.25% (Variable)

\$18,500 per year.

Seller/Loan Participant 70% Loan

\$315,000

Seller Loan Terms 20 years @ 6.00% Fixed

\$27,500 per year

Total Annual Payment for Initial 12 years

\$46,000

Application of Payments

9/15/07 \$46,000

CFAB Payment

| | |
|------------------|--------------------|
| Interest | \$11,137.50 |
| <u>Principal</u> | <u>\$ 7,362.50</u> |
| | \$18,500.00 |

Seller/Loan Participant Payment

| | |
|------------------|--------------------|
| Interest | \$18,900.00 |
| <u>Principal</u> | <u>\$ 8,600.00</u> |
| | \$27,500.00 |

Principal Balance owing
after payment:

\$127,637.50

Principal Balance owing after payment:

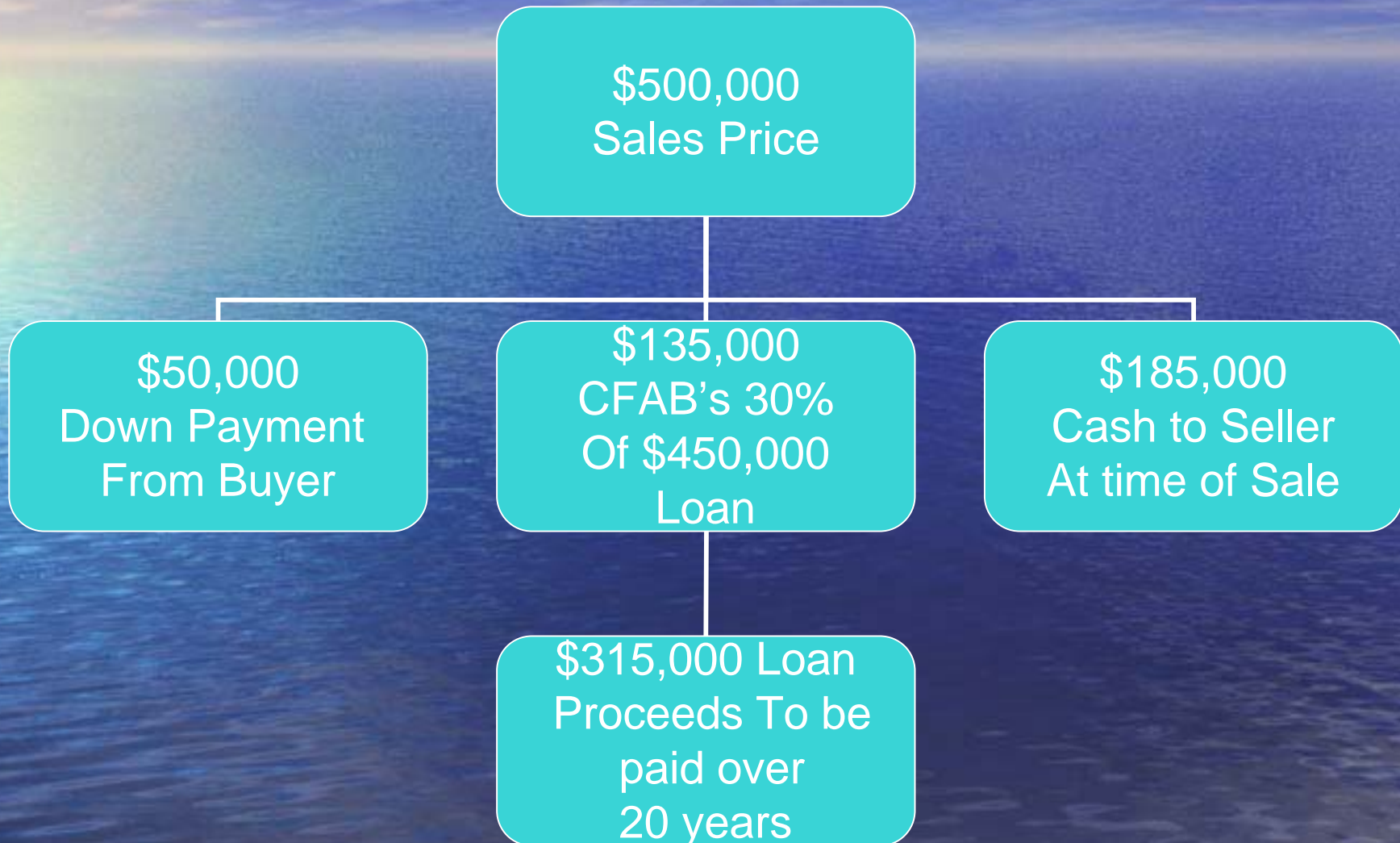
\$326,400.00

Loan Servicing Fee \$558.11

Check to Seller/Loan Participant

\$26,941.89

Cash to Seller at Closing



What can a crewmember do TODAY to prepare!!!!

- Start planning, it is never too early
- Start saving
- Take business classes
- Money management training, getting through 12 months on a 3 shot payday
- Research, analyze, ask questions
- Remember, the fisherman you see today did not get there overnight
- Talk to the fisher's in your community as to how they did it



A Unique Financing Institution
Providing Unique Financing To
Alaskans