

*NOTE: A complete set of documents for this item can be viewed at the
Municipal Clerk's Office – 100 Lincoln St. 3^d Floor*

POSSIBLE MOTION

I move to approve a short-term (interest only) loan to Baranof Island Brewing Company (BIBC) for \$75,000, with a maturity date of October 1, 2012 from the Southeast Alaska Economic Development Fund with the following conditions:

1. Personal guarantees by the owners of the business for repayment of the loan; and
2. Collateral – a subordinated lien on the property at 212 Smith Street; a senior lien on all accounts receivable, equipment, supplies and inventory; and
3. These loans proceeds are to be used as specified – deposits on kegs and bottling lines, purchase and installation of glycol chiller, and working capital; these loans proceeds cannot be used to repay investments or loans made by the owners to the business; and
4. BIBC needs to be current on all loan payments to the CBS before this note can be executed; and
5. BIBC will remain compliant with all municipal laws to include, but not limited to: building code compliance, timely payment of all taxes including sales taxes;
6. Contingent on the filing of a business plan and the receipt of updated financials within 6 months;
7. The ability to refinance this promissory note into a long-term loan, upon Assembly approval, if the business plan and financial analysis requested in 6. above supports the extension of additional credit.

March 20, 2012

Dear Mr. Sweeny, Mayor and City and Borough of Sitka Assembly Members,

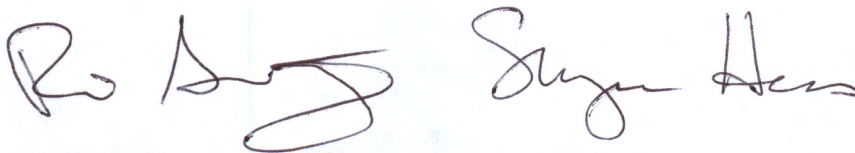
Baranof Island Brewing Company (BIBCO) is writing at the suggestion of Mr. Sweeny to ask for a bridge loan from the Southeast Economic Loan Fund. BIBCO is diligently working with our accountant, Shaffer and Company CPA's, along with Mr. Sweeny from the City and Borough of Sitka on a business plan with the requested financials that will help us with our continued growth and expansion.

Our busy summer season is coming upon us fast and we have been signing up new accounts as well as meeting with distributors. Additional capital is needed in order for BIBCO to go forward with state wide distribution. With additional funding BIBCO will be purchasing chilling equipment, more cooperage (kegs) and bottling equipment.

BIBCO is anticipating asking for a loan in the amount of \$150,000 but will not have the exact number until financials are put together from last year so that we can make an accurate projection. However, BIBCO would like to draw \$75,000 at this time to provide us with working capital and enable us to put down deposits on kegs and bottling equipment that will take over six weeks to manufacture and ship to Sitka.

We thank you for you continued support! Please call or come by the brewery anytime if you have any questions.

Thank you,

The image shows two handwritten signatures in black ink. The first signature on the left is 'Rick Armstrong' and the second signature on the right is 'Suzan Hess-Armstrong'. Both signatures are written in a cursive, flowing style.

Rick Armstrong and Suzan Hess-Armstrong