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AIDEA Receives Upgraded Credit Rating and Signs New Operating Agreement for Ketchikan Shipyard

The Alaska Industrial Development and Export Authority (AIDEA) announced today that it recently received an upgraded rating from Standard & Poor (S&P) from an “A-” to an “A” rating. To add to the good news, yesterday its Board approved a new agreement with Alaska Ship and Drydock, Inc. (ASD) of Ketchikan for the operation of AIDEA’s Ketchikan Shipyard.

Governor Murkowski praised AIDEA and its Board of Directors saying both announcements are proof that they are working in the right direction to create jobs and provide better returns to Alaskans from the state’s asset agencies. “The higher rating is evidence that AIDEA has been doing a good job diversifying and increasing its portfolio for the health of AIDEA’s future investment-making potential,” said Murkowski. “When AIDEA makes good investments in quality economic development projects in the state, it translates into more jobs for Alaskans and the potential for future investments.”

AIDEA’s Executive Director Ron Miller said the Board’s decision to approve the agreement with ASD for operation of the AIDEA-owned Ketchikan Shipyard means jobs for Alaskans. “The shipyard currently employs more than 90 workers. With the planned shipyard expansion, it could one day employ 250-300 Alaskans,” said Miller.

CREDIT RATING UPGRADE

On October 7th, S&P upgraded AIDEA’s credit rating from “A-” to “A” commenting that the new rating reflects the following:

- Well established and conservative management policies and practices
- Strengths of AIDEA’s loan portfolio including-
 - Large size of portfolio
 - Excellent diversity - by sector, geography, loan size
 - Strong loan program policies

- Strong cash flows and debt coverage from loans, investments and projects
- Strong debt covenants

What Does the New Credit Rating Mean?

- This rating brings the S&P rating in line with AIDEA's rating from Moody's, which is A2. Both ratings now have AIDEA firmly planted in the middle of the "A" range
- AIDEA should benefit when it goes to the financial markets, for debt, for bond insurance or letters of credit
- Now that both ratings are the same, lenders won't be able to use the 'weakest link' theory and try and price AIDEA debt at "A-" levels

NEW OPERATING AGREEMENT FOR KETCHIKAN SHIPYARD

Features of the new shipyard operating agreement with Ketchikan's Alaska Ship and Drydock, Inc. include:

- 10-year initial term with options to extend for two 10-year terms
- Payment to AIDEA of 1% of Alaska Ship and Drydock's gross revenues for their use of the shipyard
- Windfall profits payments to AIDEA, the Ketchikan Gateway Borough and the City of Ketchikan as partial compensation for the support each provides to shipyard operations

Alaska Ship and Drydock has operated the shipyard under agreement with AIDEA since 1997 and looks forward to working under the new agreement. In his comments at the AIDEA Board meeting yesterday, ASD President Randy Johnson said, "In all the years I have been operating the shipyard, I have never seen the commitment from AIDEA Board and staff that I have in the last three years. AIDEA staff were hard negotiators, but we ended up with a solid operating agreement," said Johnson.

AIDEA Chairman Mike Barry said the good news does not mean AIDEA can rest on its laurels. "We have made good progress since the new Board and management started in January 2003, but we have much more to do in diversifying Alaska's economy," said Barry.

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