



Alaska Industrial Development and Export Authority
BOARD MEETING MINUTES
Thursday, May 10, 2012
Anchorage, Alaska

1. CALL TO ORDER

Chair Hugh Short called the meeting of the Alaska Industrial Development and Export Authority to order on May 10, 2012 at 1:45 pm. A quorum was established.

2. ROLL CALL: BOARD

Members present in Anchorage: Chair Hugh Short (Public Member); Curtis Thayer (Deputy Commissioner, Department of Commerce, Community, and Economic Development); Ron Arvin (Public Member); Wilson Hughes (Public Member); Robert Sheldon (Public Member); Gary Wilken (Public Member).

Members present via teleconference: Angela Rodell (Deputy Commissioner, Department of Revenue); Bryan Butcher (Commissioner, Department of Revenue) joined the meeting in the afternoon.

3. AGENDA APPROVAL

A motion was made to add an Executive Session as Item 7C. Project Update – Endeavour, to the agenda. The agenda was approved as amended.

4. ROLL CALL: STAFF, PUBLIC

Staff present in Anchorage: Ted Leonard (Executive Director); Chris Anderson (Deputy Director-Commercial Finance); Mark Davis (Deputy Director-Investment Finance and Analysis); Jim Hemsath (Deputy Director-Project Development and Asset Management); Valorie Walker (Deputy Director-Finance); Karsten Rodvik (Project Manager-External Affairs); Mark Schimscheimer (Project Manager); Leona Hakala (Loan Officer); Sherrie Siverson (Executive Assistant); Teri Webster (Administrative Assistant); May Clark (Administrative Assistant AEA).

Others present: Jerry Juday and Brian Bjorkquist (Department of Law); Mark Gardner and Pat Clancy (Western Financial Group); Paul D. Kendall (Public); Tom Saville (First National Bank, Alaska); Jan Sieberts (Washington Capital Management); Ray Baker (Accu-Type Depositions).

5. PUBLIC COMMENTS

Paul D. Kendall

Mr. Kendall stated Cold Fusion is coming online within the next 6 to 18 months. It is a low-energy nuclear reactor. Mr. Kendall said he has been tracking energy for many years. He stated Cold Fusion is getting 6 to 30 times the energy out that they put in. Mr. Kendall suggested scientists are saying Cold Fusion will replace oil, power lines and pipelines. Mr. Kendall

requested the Committee take this information to the public. He also requested this Committee send \$10,000 to each of the six companies that are about to launch with cold fusion technology and invite them to Alaska to speak on the subject.

6. PRIOR MINUTES

Minutes from the March 30, 2012 board meeting were approved as presented.

7. NEW BUSINESS

7A. Loan Resolution No. L12-04 – United Companies, Inc.

Mr. Leonard said Resolution No. L12-04 is an AIDEA loan participation request from First National Bank of Alaska in the amount of \$570,000. At 90% participation, AIDEA's portion would be \$513,000. AIDEA does have the capacity to fund this loan and Ms. Anderson is prepared to answer questions about the loan.

Ms. Anderson said United Companies, Inc. is the borrowing entity on this credit. The guarantor is Sea Lion Corporation, their parent company. This is an acquisition to provide a build-to-suit in Aniak and has been leased to the State of Alaska Court System. There will be approximately 20 construction jobs associated with this and three permanent jobs created. 100% of those positions will be filled by Alaska residents. United Companies, Inc. is a wholly-owned subsidiary of Sea Lion. It is an ANCSA village corporation for Hooper Bay. AIDEA has related debt on this entity consisting of 5.3 million dollars on three different credits. AIDEA would take a first lien position on the property. The property has been appraised by Stan Dunagan and was valued at \$760,000. The State of Alaska is the sole occupant of the facility. A lease has been created with UCI for 15 years with two five-year options. There are no known environmental issues. The strengths include having a very strong tenant occupying 100% of the project with a long-term lease in place with options and it is new construction. The perceived weaknesses include the tenant being the Court System, which will have yearly appropriations and a termination clause. What mitigates this is the strength of the tenant. FNBA is pursuing a Bureau of Indian Affairs guarantee, but it is not mandatory for this loan.

As of December 31, 2011, AIDEA had 16.09% of its total statewide portfolio in the office industry. This will increase to 16.19%. For participated loans within the Southwest region, 0% of AIDEA's total portfolio is attributed to office projects. This loan will increase penetration of the office industry to 11.35% in the Southwest region portfolio.

MOTION: Deputy Commissioner Thayer made a motion to approve Resolution No. L12-04. The motion was seconded by Mr. Wilken. The motion was approved with Board members Arvin, Hughes, Rodell, Sheldon, Short and Thayer voting yea.

MOTION: Mr. Wilken made a motion to go into Executive Session to discuss business and proprietary information regarding the status of the Healy Clean Coal Project. Motion seconded by Mr. Hughes. Motion Passed.

7B. Executive Session: 1:59 pm.

The Board reconvened its regular meeting at 3:16 pm. Topics covered in executive session were appropriate to the motion.

Department of Revenue (DOR) Commissioner, Bryan Butcher, joined the meeting and DOR Deputy Commissioner Angela Rodell left the meeting.

Mr. Wilken asked a question regarding updates on Escopeta Oil Company. Mr. Hemsath responded, Escopeta spun off two subsidiaries; Furie Operating Alaska and Cornucopia Oil and Gas. He stated Furie Operating Alaska is negotiating with DNR a four-year extension of their plan. Escopeta was back onsite on April 24, 2012.

Mr. Wilken asked what happened with the Jones Act issue. Mr. Hemsath said Escopeta was fined 16 million dollars and are still obligated to pay that.

MOTION: Mr. Wilken made a motion to go into Executive Session to discuss the status of the Endeavor Project. Motion seconded by Deputy Commissioner Thayer. Motion Passed.

7C. Executive Session: 3:19 pm.

The Board reconvened its regular meeting at 3:51 pm. Everything covered in executive session was appropriate to the motion.

8A. Director's Status Report of AIDEA Programs and Projects

Mr. Leonard said he sent an update to the Board yesterday on AIDEA divisions. During the Legislative session, SB 25 passed. This sets up a new fund in AIDEA to fund energy loans through direct financing, bond guarantees, or loan guarantees. It was capitalized with 125 million dollars and the Legislature will contribute another 125 million dollars next year to bring the fund to 250 million dollars. The bill is in the Governor's office awaiting signature.

Chair Short said AEA is going to have to be involved in the underwriting of those programs. He asked if there were any Board members interested in creating a work group to help navigate the relationship between AEA and AIDEA. Mr. Leonard said the bill has to be signed before that can happen. Chair Short agreed. Mr. Leonard said there has been constant communication with AEA regarding their involvement and said it would be appropriate to invite Senator McGuire to the June 28, 2012 Board meeting to discuss her vision of the bill with members.

Mr. Leonard said SB 66, the New Markets Tax Credit bill, passed. This allows AIDEA to be involved in the leverage loan side of new markets tax credits. The bill is awaiting the Governor's signature. Mr. Leonard said the Board can help create a regs package on that bill. Mr. Leonard said HB 316 passed and the Governor has already signed it. This allows the Commissioner of the Department of Military Veteran's Affairs to declare military zones and in those military zones AIDEA would have more latitude in funding projects. He said Alaska Housing Finance Corporation and AIDEA would work in partnership with a commission that would be set up in the zone and assist in financing facilities in the zone.

Mr. Leonard said the project with the Department of Military Veteran's Affairs is moving forward. It is on the Anchorage Assembly's agenda for introduction of their resolution of support on May 22, 2012. On June 5, 2012, they will take up the resolution for giving AIDEA approval to move forward with that project. The RFP is complete.

Mr. Hemsath said May 25, 2012 is the asking date for return of bids and if everything is approved on June 5, 2012, the contracts can be signed on June 6, 2012.

At the March 30, 2012 board meeting, Mr. Wilken asked for adjustments to the loan graphs. Mr. Leonard said this has been completed and hopes the graphs are more specific to provide better information. He stated loan projects met the 50-million-dollar target. The loan default rate is very low. The program is working. Mr. Leonard said he can answer any questions the Board may have.

Mr. Wilken asked for a report on investment finance regarding the access road for the mine site with Nova Copper. He asked about the status of DOT's decision on the road going to the east or to the west. Mr. Davis said scoping is still being done and there is not a final decision. Mr. Leonard said they have meetings with DOT on a weekly basis and an email will be sent to the Board members as soon as a final decision is made.

8B. Next regularly scheduled meeting Thursday, June 28, 2012.

9. BOARD COMMENTS

Mr. Butcher apologized for not having been able to attend recent meetings, but said Deputy Commissioner Rodell has done a great job.

Mr. Arvin stated it was good to be back in person.

8. ADJOURNMENT

There being no further business of the Board, the meeting adjourned at 4:00 pm.



Ted Leonard, Executive Director/Secretary
Alaska Industrial Development and Export Authority