



Alaska Industrial Development and Export Authority
BOARD MEETING MINUTES
Monday, October 1, 2012
Anchorage and Juneau, Alaska

1. CALL TO ORDER

Chair Hugh Short called the meeting of the Alaska Industrial Development and Export Authority to order on October 1, 2012, at 11:47 a.m. A quorum was established.

2. ROLL CALL: BOARD

Members present in Anchorage: Chair Hugh Short (Public Member); Angela Rodell (Deputy Commissioner, Department of Revenue); Ron Arvin (Public Member); Robert Sheldon (Public Member); and Gary Wilken (Public Member).

Member participating via teleconference: Susan Bell (Commissioner Department of Commerce, Community and Economic Development), Juneau.

3. AGENDA APPROVAL

The agenda was approved as presented.

4. ROLL CALL: STAFF, PUBLIC

Staff present in Anchorage: Ted Leonard (Executive Director); Chris Anderson (Deputy Director-Commercial Finance); Jim Hemsath (Deputy Director-Project Development & Asset Management); Valorie Walker (Deputy Director-Finance); Jay Drewry (Chief Procurement Officer); Leona Hakala (Loan Officer); Karsten Rodvik (Project Manager); Mark Schimscheimer (Project Manager); Jim Strandberg (Energy Development Finance Officer); Sherrie Siverson (Executive Assistant); Teri Webster (Administrative Assistant); and Krin Kempainen (Administrative Assistant).

Others present in Anchorage: Mark Gardiner (Western Financial Group); Jerry Juday (Department of Law); Bill Nordmark (Golden Valley Electric Association); Tom Saville (First National Bank of Alaska); and Sunny Morrison and Donovan Walker (Accu-Type Depositions).

Others participating via teleconference: Cory Borgeson (Golden Valley Electric Association), Fairbanks.

5. PUBLIC COMMENTS

There were no public comments.

6. PRIOR MINUTES

The August 9, 2012 AIDEA Board meeting minutes were adopted as presented.

7. NEW BUSINESS

7A. Loan Resolution No. L12-06 – Sea Lion Corporation

Mr. Leonard said Resolution No. L12-06 is a request for AIDEA to participate with First National Bank of Alaska (FNBA) in a \$1,125,000 loan with the borrower, Sea Lion Corporation. Mr. Leonard requested Ms. Anderson provide background information and answer any questions.

Ms. Anderson said AIDEA would be fulfilling 90% participation on a gross loan of \$1,125,000 with a five-year variable starting at 5.07%. This 25-year term financing is for an existing building that was recently remodeled. The tenants are the United States Postal Service (USPS), GCI and the Alaska Court System (ACS). Approximately 15 construction jobs and five permanent jobs will be created with the project. Sea Lion Corporation is an ANCSA village corporation for Hooper Bay. They pursue various projects under numerous single purpose subsidiaries. There are no environmental issues noted.

The strengths of this credit include strong tenants, seasoned borrowers with a history of successful operations, new renovations, and debt-service coverage of 1.85. The perceived weaknesses are yearly appropriations and a termination clause for ACS. However, this is mitigated by the fact that ACS is a strong tenant and not likely to exercise the termination clause in the near future. AIDEA's statewide portfolio for the office industry would go from 16.48% to 16.67%.

Deputy Commissioner Rodell asked for an explanation of the five-year variable interest rate and how it changes at the end of five years. Ms. Anderson said it is tied to the Federal Home Loan Bank in Seattle and will be reset at five-year increments.

Deputy Commissioner Rodell asked how the FNBA rate is set. Ms. Anderson asked Mr. Saville from FNBA to address the question. Mr. Saville said FNBA would set a rate which is tied to the FNBA base rate; the rate has a floor and would adjust monthly with the prime.

Deputy Commissioner Rodell asked if there is a participation percentage maximum. Ms. Anderson said 90% is the maximum.

Mr. Sheldon said USPS defaulted on another installment to their retiree healthcare benefit package of almost \$6 billion dollars and they are in the red for \$14.5 billion dollars. He wanted to make the Board aware that one of the tenants for this facility is effectively in default on something that is extraordinarily serious. He is hopeful the USPS will continue to function in Alaska.

MOTION: A motion was made by Mr. Wilken to approve Resolution No. L12-06 – Sea Lion Corporation. Motion seconded by Commissioner Bell. The motion was approved with Board members Short, Bell, Wilken, Sheldon, Arvin and Rodell voting yea.

7B. Resolution No. G09-01C– Amendment to Resolution No. G09-01B Relating to Office Building Renovations and Major Repairs and Maintenance

Mr. Leonard said Resolution No. G09-01C amends Resolution No. G09-01B. Approval of this resolution authorizes an increase to the amount for building renovation and major repairs from

\$1 million dollars to \$1.5 million dollars. Since the original amendment, space became available next door to AIDEA's current building in which the Susitna office could be housed. It will be more efficient to bring all of the divisions into one area. Mr. Leonard said Mr. Drewry is available to answer any questions regarding the expenditures and the move.

Mr. Wilken asked if constructing a new building was no longer being considered. Mr. Leonard said this is temporary during the process of acquiring a new building.

Mr. Drewry said the advantage of moving the Susitna office to this new space is having all of the employees close together. Mr. Arvin said he thinks AEA needs some office space in the Valley. Mr. Wilken said staff needs office space in Fairbanks too. Chair Short said Bethel should be included as well.

MOTION: A motion was made by Deputy Commissioner Rodell to approve Resolution No. G09-01C. Motion seconded by Mr. Sheldon. Motion was approved with Board members Short, Bell, Wilken, Sheldon, Arvin and Rodell voting yea.

MOTION: Mr. Arvin made a motion to go into Executive Session to discuss proprietary and confidential information regarding AIDEA projects and the Healy Clean Coal Project. The motion seconded by Mr. Wilken. Motion passed unanimously.

7C. Executive Session: AIDEA Projects

7D. Executive Session: Healy Clean Coal Project

The Board entered an Executive Session at 12:04 p.m. The Board convened its regular meeting at 1:35 p.m. Everything covered in Executive Session was appropriate to the motion.

8. DIRECTOR COMMENTS

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

Mr. Leonard referred Board members to the Loan reports and Project Fact Sheets in their packets and said he is able to answer any questions.

Mr. Sheldon asked if the two-week shipping delay at Delong Mountain would affect this year's shipping. Mr. Hemsath said he doesn't know yet because it is not quite the end of the season. Currently there is no indication the shipping requirements will not be met.

Mr. Sheldon asked if anyone knew the power cost at Skagway in relation to the expansion. Mr. Hemsath said he estimates 15 cents per kilowatt hour. Mr. Sheldon asked if the new avalanche diverter hydroelectric project is delayed because of steel shipping. Mr. Hemsath said he would get back to Mr. Sheldon with an answer.

8B. Next regularly scheduled meeting Tuesday, October 30, 2012, at 1:00 p.m.

9. BOARD COMMENTS

Commissioner Bell said she is pleased with the loan in Southwest Alaska and appreciated the update on projects in the Executive Session. Mr. Sheldon noted, while AIDEA has the second

highest portfolio balance ever, it has the lowest delinquency level ever at .11%. He compared that number to all Alaska bank delinquencies as of March 31 running at 2.5%. He thanked the staff for the good packages. Mr. Wilken said he was the one who asked to move the meeting to Tuesday, October 30, 2012, and appreciates the Board's indulgence.

Chair Short informed everyone that AIDEA has a table with three or four seats available at the Arctic Slope Community Foundation Gala on October 4, 2012. He requested members let him know if they would like to attend.

10. ADJOURNMENT

There being no further business of the Board, the meeting adjourned at 1:40 p.m.



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