ALASKA’S DEVELOPMENT FINANCE AUTHORITY

AIDEA Overview

John Springsteen, Executive Director
Mission and Overview

To advance economic growth and diversification in Alaska by providing various means of financing and investment

- AIDEA
  - Semi-independent public corporation
  - 7 member board
  - Self funded
  - Pays an annual dividend to the State of Alaska - $407 million declared since 1997

- Revolving Fund ≈ $1.32 billion in assets.
- S&P AA+ credit rating | independent of the State of Alaska
Role in Economic Development

• Objective vetting agent in the development of Alaska’s businesses and infrastructure
• Finances projects that have an economic benefit to the state and provide jobs for Alaskans
• Facilitates bringing interested parties together
• An equal partner in projects with private sector developers and their financial partners
AIDEA Governance

Shareholders
- Population of Alaska 735,000

Institutional Shareholders
- Governor & Legislature

AIDEA Board
- Commissioner - Dept. of Revenue
- Commissioner - DCCED
- 5 successful Alaska business leaders

AIDEA Staff
AIDEA – Funds and Special Projects

AIDEA Board
- Commissioner - Dept. of Revenue
- Commissioner - DCCED
- 5 successful Alaska business people

AIDEA Staff

Revolving Fund
- Economic Enterprise Account
- Economic Development Account

Fund 1
- Sets
- Energy Infrastructure

SETs
- Arctic Infrastructure Fund

Fund 2
- Conduit Revenue Bonds
  - External Capital Markets
  - External Energy for Interior Alaska
  - DCCED, AEA, DNR, EPA, & Local Governments

Fund 3
- Interior Energy Project
- Affordable Energy for Interior Alaska
- AMDIAR
  - Ambler Mining District Industrial Access
  - On hold in accordance with AO 271

Special Appropriated Projects

Investing in Alaskans
What Does AIDEA Do?

Secures and deploys capital for economic growth and job opportunities, without the use of grants or incentives

Across all commercial, industrial and infrastructure sectors

Debt
- Loan Participations
- Energy Loans
- Project Finance Loans
- Tax-Exempt Bonds
- Taxable Bonds

Equity
- 100% Ownership of project
- Partner in LLC or Subsidiary Corporation
- Secured and Collateralized
- Equity Equivalent Investments

Enhancements
- Loan Guarantees
- Bond Guarantees
Diverse Portfolio

Industry Diversity of Combined Capacity Projects and Loans (%)

As of June 30, 2018

Natural Resources
- Mining
- Oil & Gas
- O&G Support
- Office
- Retail
- Business Condos
- Maritime

Commercial Property
- Vessel
- Hangar
- Aircraft
- Warehouse/Office
- Warehouse/Shop
- Fuel Distribution
- Tourism

Air/Maritime
- Recreation
- Restaurants
- Healthcare
- Wasterwater
- Equipment
- Car Wash
- Manufacturing

Logistics

Tourism/Recreation

Other
Investments vs Impairments

Loans, Development Project Investments and Bonds vs. Impairments ($ thousands)
Funded Since July 1, 2000

- Loans and Loan Participations: 1,010,605
  - Investments: 1,010,605
  - Impairments: 1,851

- Projects: 302,271
  - Investments: 302,271
  - Impairments: 0

- Conduit Bonds: 809,789
  - Investments: 809,789

Investing in Alaskans
Loan Participation Program

Long-term commercial financing

• Participation may total up to 90% of a loan originated by an eligible commercial lender - not to exceed $25 million

• Terms up to:
  • 15 years for personal property
  • 25 years for real property

• 75% loan-to-value;

• Fixed or variable interest rates

• $1,000 application fee is credited towards 1% commitment fee
Loan Participation Program

• The advantage to the borrower is that AIDEA provides long-term fixed rates

• The advantage to the lender is that AIDEA shares in the risk while increasing the lender’s liquidity

• Since 1992
  – AIDEA has loaned $1.08 billion
  – 8,800 construction jobs created
  – 9,260 permanent jobs created /retained

• Loan Participation example

  Total Loan Amount - $2,000,000
  – Lender Portion: $ 200,000 (10%)
  – AIDEA Portion: $1,800,000 (90%)
  – Lender Term: 10 Years (associated variable rate)
  – AIDEA Term: 25 Years (associated fixed rate)
Huna Totem Corporation

$43 million partnership: HTC, City of Hoonah, SOA, Northrim, AIDEA and BIA

- State of Alaska - $14 million
- Huna Totem Corporation - $4 million

- Northrim - $5 million (20%): 20 years
- AIDEA - $20 million (80%): 25 years

BIA Loan Guarantee (90%)

- Cruise ship dock, new & renovated buildings, and refinancing
- 52 construction & 35 new jobs
Bonds

• Bonds are a common form of long-term debt
• Generally issued by a governmental entity
• Three types of bonds:
  – Governmental
  – Private Activity Bonds
  – Corporate (issued by the corporation)
• Bond rates determined by credit quality and duration
  – The higher the credit rating of the issuer or the strength of the project’s projected revenues, the lower the rates
  – Bond maturities can range from a day or less to more than 30 years, rates increase with time
Private Activity Bonds

- Tax-exempt bonds issued by a government entity for qualified projects – lots of conditions, few eligible activities

- Used for projects of a private developer, and the government generally does not pledge its credit.

- Issued as municipal bonds because the project serves a public need or enhances the economy of the city, borough or state.

- PABs include:
  - Industrial Development Bonds
  - 501(c)(3)
  - Tax-Exempt Facility

319 Conduit Revenue Bonds

$1.54 Billion
Conduit Revenue Bonds

Access to capital markets for tax-exempt & taxable financing

- Neither the assets nor credit of AIDEA or the State of Alaska are at risk
- Project is underwritten based on the strength of its economic and financial feasibility
- Bonds are repaid from the project’s revenues
- Equipment, real estate, construction and rehabilitation
Infrastructure & Project Development

AIDEA works with project partners to finance industrial and infrastructure projects throughout the state.

Variety of financial tools available to support projects including loans, guarantees, preferred equity, bonds, and full ownership or as part of an LLC.

Industrial roads, ports, harbors, logistics and industrial facilities
Strategic Sectors

- Natural Resource Extraction
- Fisheries
- Agriculture & Forestry
- Health Care
- Aerospace
- Energy
- Communications
- Logistics/Transportation
- Federal Facilities
- Tourism Infrastructure
Analysis & Decision-Making

AIDEA Project Analysis and Decision-Making Process

**Phase 1: Project Suitability Assessment**
- **Project Sponsor Submittals**
  - Project description
  - Sponsor information
  - Estimated costs
  - Timing
  - Anticipated AIDEA participation
- **AIDEA Process**
  - Does project fit AIDEA mission?
  - Is it consistent with AIDEA strategic initiatives?
  - What is the total cost of the project?
  - What are the potential financing options?
  - How complete is the project proposal?
  - What is the proponent's experience and capability?
  - Does AIDEA have the capacity to implement the project?
  - Is AIDEA the right source of funds?
- **Output**
  - Project information form
  - Suitability report
- **AIDEA Decision Making**
  - Authorization to go to Feasibility Analysis
  - Technical Assistance Agreement

**Phase 2: Feasibility Analysis**
- **Feasibility Report**
  - Preliminary term sheet
  - Preliminary risk analysis
  - Reimbursement Agreement
- **Investment Committee**
  - Review business case, finance and operations plans, and feasibility report
- **AIDEA Board**
  - Review and authorize to go to Deal Structuring and Due Diligence
  - Approve Reimbursement Agreement

**Phase 3: Deal Structuring & Due Diligence**
- **Finalization and Close**
  - Final review with AIDEA to prepare contracts, financial and security agreements, and others as needed
  - Final review and refinement of all documents
  - Confirmation of assumptions regarding business plan, source and uses of funds, satisfaction of conditions precedent

**Phase 4: Project Proceeds to Funding, Final Design, Construction, and Operation**
- **Final Documents**
- **Investment Committee**
  - Final review and approval
- **AIDEA Executive Director**
  - Final review
  - Document execution
  - Closing

**Flowchart**
- **No Go**
- **Go**

Investing in Alaskans
AIDEA - Best Fit Projects

AIDEA Participation

- OPERATING EXPERIENCE
- CAPITAL CONTRIBUTION
- FINAL DESIGN
- COMPLETE PERMITS
- SIGNED PURCHASE AGREEMENTS
- SIGNED SALES AGREEMENTS

Investing in Alaskans
AIDEA Six Factor Model

1. Operating Experience: The developer has a demonstrated background and history in successfully building and operating the type of project for which they are seeking financing from AIDEA.

2. Capital Contribution: The developer will invest funds in tandem with AIDEA for the construction of the project.

3. Plans and Designs: The developer has complete plans, designs, and specifications for the project they wish to develop.

4. Permits: The developer has the necessary permits for the project.

5. Purchase Contracts: The developer has access to key materials and equipment.

6. Sales Contracts: The developer has revenues under contract from credible entities.
FY2018 HIGHLIGHTS

1501 PERMANENT JOBS
738 CONSTRUCTION JOBS

$161.98 MILLION CONDUIT BONDS ISSUED
$88.5 MILLION TOTAL GROSS LOAN PARTICIPATIONS

$1.32 BILLION NET POSITION
$12.88 million DIVIDEND PAID
$12.88 million DIVIDEND PAID

FUNDED
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