
Alaska Industrial Development and Export Authority
BOARD MEETING MINUTES
January 13, 2011
Anchorage, Alaska; and Koh Lanta, Thailand

1. CALL TO ORDER

Vice-Chair Mike Felix called the meeting of the Alaska Industrial Development and Export Authority to order on January 13, 2011 at 10:37 a.m.

2. ROLL CALL: BOARD

A quorum was established.

Members Present: Mike Felix, Vice Chair (Public Member); Susan Bell (Commissioner, Department of Commerce, Community, and Economic Development); Jerry Burnett (Deputy Commissioner, Department of Revenue); and Gary Wilken (Public Member).

Participating via teleconference from Koh Lanta, Thailand: Robert Sheldon (Public Member).

3. AGENDA APPROVAL

Mr. Leonard requested the board enter into an executive session under new business Item D to discuss confidential legislative matters.

The agenda was approved as amended.

4. ROLL CALL: STAFF, PUBLIC

Staff present in Anchorage: Ted Leonard (AIDEA Executive Director); Mike Harper (Acting AEA Executive Director); Chris Anderson (Deputy Director-Commercial Finance); Sara Fisher-Goad (Deputy Director-Operations); James Hemsath (Deputy Director-Development Finance); Valorie Walker (Deputy Director-Finance); Mike Catsi (Business Development Officer); Leona Hakala (Loan Officer); Bill Phelan (Loan Officer); Karsten Rodvik (External Affairs Project Manager); Sandy Burrows (Administrative Assistant); May Clark (Administrative Assistant); Shauna Howell (AEA Executive Assistant); Sherrie Siverson (AIDEA Executive Assistant); and Teri Webster (Administrative Assistant).

Others present in Anchorage: Brian Bjorkquist and Mike Nave (Department of Law); Dennis Fenerty (Groh Eggers); Mark Gardiner (Western Financial Group); Susan Reeves (Reeves Amodio); Catherine Claxton (Northrim Bank); Joel Fuller and Chad Powelson (Wasilla Center Development); Bill Inscho (FNBA); Paul D. Kendall (MFh20, Public); Steve Sutherlin (Strategic Action Association); Tom Walsh and Peter Stokes (PRA); and Rich Wilson (Alaska Ratepayers).

Participating via teleconference: Eric Lidji (Petroleum News); Chris Clark (Assistant to Representative Neal Foster, Juneau); and Nick Stepovich (Fairbanks).

Joined the meeting in progress: Mike Catsi (Business Development Officer); Chris Rutz (Procurement Manager); and Mark Schimscheimer (Project Manager).

Listen to the full audio recording of the 1/13/2011 meeting at <http://www.aidea.org/boardmin.html>

5. PUBLIC COMMENTS

Steve Sutherlin, Strategic Action Associates, Anchorage

Mr. Sutherlin commented on Escopeta's efforts to drill in Cook Inlet. Formerly a journalist with Petroleum News, he now works for Escopeta. Escopeta currently has a contract to lease a jack-up rig with Spartan Drilling. The Spartan 151 is an active drilling rig that just came off a well in the Gulf of Mexico. At this point, Escopeta is ready to roll, probably not until early June because of the spill prevention and contingency plan. At this point capital is in place through private funding. Senate Bill 309 was designed to bring capital into Cook Inlet and he believes it is doing its job. Private investment will take care of all the needs. Escopeta is considering purchasing the rig but is moving forward under a lease agreement.

Paul D. Kendall, Energy & Political Activist

Mr. Kendall reviewed an LOU (letter of understanding) he asked be distributed to board members. His primary and overriding objective is to get Alaska to realize that oil days are over with but has a wide body of resources, primarily water. He is concerned with leadership whose mindsets seem to be "old model" thinking and territorial as opposed to "brave new frontiers. He discussed electric vehicles, new energy designs, hydrogen magnetic fields, electricity use in a dwelling and conversion to an all-electric society. He said Anchorage has the chance to lead the world on its implementation.

6. PRIOR MINUTES – October 20 and November 22, 2010

The October 20, 2010 minutes were approved as presented.

Mr. Felix said several corrections have been made to the draft minutes. A word was removed on page 3; a duplicate paragraph was removed from page 8; and the timing of an action on page 8 was corrected. Ms. Anderson requested two spelling corrections to page 5: 1) Tang be changed to Chang; and 2) Geneva be changed to Chenega. The November 22, 2010 minutes were approved as amended.

7. OLD BUSINESS

There was no old business.

8. NEW BUSINESS

8A. Loan Resolution No. L11-01 Wasilla Development Center, LLC-617 South Knik Goose Bay Road

Mr. Leonard said Loan Resolution No. L11-01 is a request for AIDEA to participate in a \$1,350,000 loan for long-term financing. AIDEA's 90% participation would be \$1,215,000. This loan is being brought to the Board because the subject loan plus the amount of related debt is over the amount of the Loan Committee is authorized to approve.

Ms. Anderson reviewed information regarding Loan Resolution No. L11-01 as outlined in the Memo to the Board.

In response to a question from Mr. Felix, Ms. Anderson said AIDEA would be a first lien holder.

MOTION: Commissioner Bell moved to approve Resolution No. L11-01. Deputy Commissioner Burnett seconded. There being no discussion, the question was called. A roll call vote was taken and the motion passed with Mr. Wilken, Mr. Sheldon, Mr. Felix, Commissioner Bell, and Deputy Commissioner Burnett voting yea.

8B. Resolution No. G11-01 Making permanent the adopted emergency regulations related to the Loan Participation Program 3 AAC 99.250(d) and 3 AAC 99.350(e)

Mr. Leonard provided an overview of Resolution No. G11-01 related to the Loan Participation Program setting interest rates for taxable and tax-exempt loans. In December staff requested to change the variable loan rate to add 100 basis points to the index. This resolution makes the emergency regulations adopted at the December 15, 2010 board meeting permanent.

Staff met with bank representatives recently and discussed how rates are set and the type of funding AIDEA does. Staff will present recommendation for potential changes to the program at the work session.

There were no questions from board members.

MOTION: Mr. Wilken moved to adopt Resolution No. G11-01. Seconded by Deputy Commissioner Burnett. There being no discussion, the question was called. A roll call vote was taken and the motion passed with Mr. Sheldon, Mr. Felix, Mr. Wilken, Commissioner Bell, and Deputy Commissioner Burnett voting yea.

8C. Buccaneer Project Update

Mr. Leonard said today's update is to inform the Board where management is on performing due diligence for the project. Staff is in the beginning phase of an analysis on financial and environmental risks. Staff communicated to Buccaneer and the other project developers that a full due-diligence report will be completed before it is brought back to the Board for a recommendation.

Mr. Felix said the Board gave staff sufficient guidelines as to what would be an acceptable proposal and what wouldn't be.

Mr. Leonard said staff is here today to inform the Board where AIDEA is in the negotiations and what Buccaneer's most current response is.

Mr. Hemsath provided an overview of the project.

Mr. Hemsath said this is a relatively complicated project and the areas that are complicated have nothing to do with the technology, but are related to the deal. The problem that currently exists, and AIDEA is trying to be a part the solution, is a steep drop-off in gas production in Cook Inlet. There is no new significant exploration in the Inlet for natural gas or oil and currently there is no rig in the Inlet. New legislation, SB 309, provides a variety of incentives for Cook Inlet exploration. Different reports say there is anywhere between thirteen and fifteen trillion cubic feet of gas potential in the Inlet and approximately 400 million barrels of oil. From a mission perspective, AIDEA believes its participation could significantly enhance the odds of development in Cook Inlet. The result in economic development and maintenance of economic well-being in the region could be done.

The project is the acquisition of a drilling rig for Cook Inlet. AIDEA would participate as a co-owner of a cold water drilling rig. This rig is what is termed as an Alaskan-classed rig. The rig is capable of working in 300-foot water depth, 25,000 foot drilling depth, with a relatively large sized deck size which would allow this rig to operate anywhere in Cook Inlet. The rig that is currently being evaluated for purchase is in Malaysia. It would be moved to a Singapore drydock for upgrades and winterization for Cook Inlet.

Mr. Leonard made a statement to clarify this isn't the proposal the Board sent back to Buccaneer. This is the proposal Buccaneer sent back from that discussion.

Mr. Hemsath said there has been a lot of change from what the Board originally looked at. AIDEA prepared a proposal which was sent to Buccaneer and Buccaneer replied last night. For the purposes of this due-diligence, he would like to go through the structure of a possible proposal which is not completely in line with where the Board was in November.

In response to a question from Mr. Felix, Mr. Leonard said this is Buccaneer's response to AIDEA. Mr. Hemsath will go through it and show what the due-diligence would look like.

A discussion ensued regarding the draft proposal and responses between AIDEA and Buccaneer. Mr. Bjorkquist asked for a brief time-out to discuss this with Mr. Hemsath to make sure staff doesn't go into something more appropriate for an Executive Session.

After a brief discussion, Mr. Bjorkquist said staff wants to give the Board their analysis of the financial aspects of the transaction so the Board can then give staff recommendations as to how to proceed in negotiations, and under the Open Meetings Act, it is appropriate for that to be in Executive Session. There will also be a discussion of confidential legislative matters in Executive Session.

MOTION: Deputy Commissioner Burnett moved to go into executive session to discuss confidential financial information and negotiation strategy relating to the transaction, and confidential legislative matters. Seconded by Commissioner Bell. There being no discussion, the question was called. A roll call vote was taken and the motion passed with Mr. Wilken, Mr. Sheldon, Mr. Felix, Commissioner Bell and Deputy Commissioner Burnett voting yea.

EXECUTIVE SESSION – 11:20 a.m.

The Board reconvened its regular meeting at 1:00 p.m.

Roll call was taken and a quorum was established. Chair Felix advised that the Board had not taken any formal action on the matters discussed while in Executive Session.

9. DIRECTOR'S COMMENTS

Mr. Leonard said a copy of a bill sponsored by Senator McGuire dealing with AIDEA will be sent to the Board asking for comments in writing or via email.

Mr. Bjorkquist asked Mr. Leonard to restate the comments made in Executive Session regarding this bill so that it can be a part of the public record.

Mr. Leonard said Senator McGuire has introduced a bill that would recapitalize AIDEA with approximately 2 billion dollars of new capital over several years. It would allow AIDEA to set up a new type of loan under its Loan Participation Program and allow AIDEA to issue bonds for energy projects. Board members should forward their comments to Mr. Leonard or Mr. Felix so staff is prepared if called to testify on the bill.

Mr. Leonard said a miniature dashboard, several color graphs, was distributed and will be included with loan reports in future board packets. Staff is available to answer questions from the Board.

Mr. Felix said he would like Board members to review the reports and let he and Mr. Leonard know if they would like the information characterized differently, or if they would like additional information included. Mr. Felix said this will be a simple dashboard for the Board to look at before approving loans, resolutions and bonds.

Mr. Leonard said as part of the Strategic Plan, AIDEA is considering the purchase of a financial software program that interfaces with the current financial package and will produce a dashboard report. He added that the board work session is scheduled for Thu. February 24, 2011, from 9 a.m. to 4 p.m.

Mr. Felix asked staff to provide a review of the strategic plan with a discussion of the issues. He said he is more interested in profiles, trends and policies and how staff arrives at, "what we do, and how we do it, rather than the "what".

10. BOARD COMMENTS

Mr. Felix said he would like to speak individually with Board members before the election of a new Chair and Vice-Chair. He agreed to act as Interim-Chair.

Chair Felix welcomed Deputy Commissioner Burnett and thanked him for representing Commissioner Butcher.

Mr. Sheldon read his comments out loud for the record. Comments made by Mr. Sheldon are incorporated as an attachment to the minutes.

A discussion ensued regarding the appointment of two additional members by the Governor and proposed dates for the board work session. Mr. Leonard said that AIDEA's Investment Manager would discuss the investment portfolio at the work session. Mr. Felix asked that two-thirds of the day includes discussions on the uses of money and loans and the other third on the management of the assets, including securities and how the funds of AIDEA are managed.

At the request of board members, a Certificate of Appreciation for Mr. Winther's service will be ready for signatures by the end of the board meeting.

Mr. Wilken publically thanked the Governor for his appointment and said he looks forward to becoming a contributor.

11. ADJOURNMENT

There being no further business of the Board, the meeting is adjourned at 1:13 p.m.



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