



Alaska Industrial Development and Export Authority
BOARD MEETING MINUTES
Thursday, May 31, 2018
Anchorage and Juneau, Alaska

1. CALL TO ORDER

Chair Pruhs called the meeting of the Alaska Industrial Development and Export Authority to order on May 31, 2018, at 10:00 a.m. A quorum was established.

2. ROLL CALL: BOARD MEMBERS

Members present: Chair Dana Pruhs (Public Member); Fred Parady (Deputy Commissioner, Department of Commerce, Community, and Economic Development [DCCED]); Elaine Brown (Public Member); Bernie Karl (Public Member); and Gary Wilken (Public Member).

Members present via teleconference: Mike Barnhill (Deputy Commissioner, Department of Revenue [DOR]).

Member absent, approved: Vice-Chair Russell Dick (Public Member).

3. ROLL CALL: STAFF, PUBLIC

AIDEA staff present: John Springsteen (CEO/Executive Director); Chris Anderson (Commercial Finance Director); Brenda Applegate (Chief Financial Officer); Mike Catsi (Business Dev & Communications Director); Mark Davis (Chief Infrastructure Development Officer); Jim Hemsath (Project Development & Asset Management [PDAM] Director); Yulia Ellsworth (Assistant CFO/Controller); Tom Erickson (Chief Procurement Officer); Elizabeth Greer (PDAM Project Manager); Bill Phelan (Loan Officer); Karsten Rodvik (External Affairs Officer); Jeff San Juan (Infrastructure Development Finance Officer); Linda Senn (Human Resources Manager); Sherrie Siverson (Executive Assistant); and Krin Kempainen (Administrative Assistant).

AIDEA staff present via teleconference: Gene Therriault (Interior Energy Project [IEP] Team Lead).

Public present: Alan Bailey (Petroleum News); David Bennett (Alaska USA Federal Credit Union [FCU]); Kathryn Black (Birch, Horton, Bittner & Cherot); Elwood Brehmer (Alaska Journal of Commerce); Dan Britton (Pentex); Joel Fuller (Arcticorp); Jerry Juday (Department of Law [LAW]); Connie Karl (public); Ladonna Lindley (Accu-Type Depositions); Jomo Stewart, (Interior Gas Utility [IGU]); and Nancy Wainwright (Public).

Public present via teleconference: Wade Ellis (HDR); Mark Gardiner (PFM Group Consulting); Lanien Livingston (Fairbanks North Star Borough [FNSB]); Pamela Throop (IGU); and Bryce Ward (Mayor, North Pole).

4. AGENDA APPROVAL

The Agenda was approved as presented.

5. PUBLIC COMMENTS

Jomo Stewart, IGU General Manager, stated the IGU Board authorized him to execute the final closing documents on the Pentex purchase and on the acceptance of the IEP financing. Mr. Stewart expressed appreciation to AIDEA Board members, AIDEA staff, and IGU Board members for their diligence in this long and fruitful process. He described the timeline regarding the letter of agreement, which includes scope revisions and a waiver to AIDEA regarding not being able to satisfy one of the conditions precedent on the North Slope pad. The Chair-to-Chair communication began in April and ended with the letter of agreement, which was last revised by Gene Therriault, IEP Team Lead, on May 29, 2018. The final revised letter of agreement between AIDEA and IGU was appended to IGU's authorizing resolution and has been provided to Board members.

Mr. Stewart stated he has all the hard copy documents which require signature today and requested AIDEA accept the final revised letter of agreement as part of the closing process. The cities of Fairbanks, North Pole and the Fairbanks North Star Borough (FNSB) have united to form the IGU. A team of highly competent professionals with significant experience in utility management and oversight has been developed and is ready to become the local control entity (LCE) for the IEP.

Chair Pruhs requested the Board receive a copy of the revised final letter of agreement. Mr. Springsteen stated the letter of agreement was distributed digitally. He will provide members with an additional copy.

Mr. Wilken sought clarification regarding the letter of agreement and the request by AIDEA to be involved in the issues and processes. Mr. Wilken asked Mr. Stewart if the agreement includes AIDEA's input as welcomed and accepted in the spirit of moving the project forward. Mr. Stewart agreed to that expectation. Mr. Wilken noted the Financing Agreement and the Purchase and Sales Agreement were signed in December after 18 months of negotiation. He asked for an explanation, on the record, why the unilateral alterations were provided to AIDEA Board members on May 26, 2018, which is two days before closing and almost 7 months after the negotiations were signed.

Mr. Stewart stated there are no significant economic changes to the underpinning provisions within the agreement. The primary area of revisions is within Article Three regarding review of proposals. Mr. Stewart discussed the finalized revisions highlighted in red and noted Mr. Therriault was involved in revising the language. Mr. Stewart reiterated the timeline of the revisions began with the Chair-to-Chair communication in April and continued until the final

revisions by the IEP team presented at the May 29, 2018 IGU Board meeting. Mr. Stewart recounted the October 26, 2017, AIDEA Board meeting where he was expected to speak on a unilaterally created final draft action document he had received 12 hours prior to the meeting.

Chair Pruhs requested additional information regarding the process that would occur in the event collaborative effort fails. Mr. Stewart stated arbitration would be utilized if all communication efforts have been exhausted and an agreement cannot be reached.

Nancy Wainwright asked the Board for a transparent process of the Ambler Road funding and Environmental Impact Statement (EIS) funding. She reminded the Board she previously made this request in 2014, and staff agreed to provide the costs for the EIS. Ms. Wainwright stated she has reviewed Board minutes and has not found indication that staff has provided EIS cost information. She is aware of the information from the 2015 AIDEA response to the Governor's Administrative Order stating \$9.25 million had been spent on the Ambler Road by Alaska Department of Transportation and Public Facilities (DOT&PF) before AIDEA assumed the project. In fiscal years 2011 through 2013, AIDEA received \$17 million for the EIS process. In January of 2015, AIDEA requested an additional \$6.8 million, totaling \$33.5 million for the EIS process. Ms. Wainwright noted AIDEA presented a document recently to the Legislature, which stated \$17 million had been expended for the EIS during the 2013 to 2015 timeframe.

Ms. Wainwright stated the remaining work on the EIS is extensive. She noted AIDEA's application contains more than 56,000 pages and includes approximately 1,000 detailed maps for review. Ms. Wainwright stated the Bureau of Land Management (BLM) received over 70,000 comments during the scoping period that covers over 1,000 different topics. She believes it is important to know what studies remain to be completed and it is important for the AIDEA Board to approve expenditures.

Ms. Wainwright stated the costs of Ambler Road have been equally varied in different documents over time produced by AIDEA and DOT&PF. She requested AIDEA facilitate an independent economic cost analysis of the Ambler Road Project to determine viability.

Mr. Wilken asked Ms. Wainwright to provide Mr. Springsteen a document containing specific questions for AIDEA to answer.

Bryce Ward, North Pole Mayor, provided testimony regarding the IGU/IEP contract and encouraged Board members to accept the changes that were recently made. Mayor Ward noted the city of North Pole has taken many actions and resolutions in support of the IEP. The project is needed in North Pole because of expansion and air quality issues. He expressed appreciation for the efforts of all who have been involved in the process.

Lanien Livingston, FNSB Office of Mayor Karl Kassel, expressed approval of the purchase of Pentex as IGU is presenting. She noted Mayor Kassel is out of state and asked Ms. Livingston to communicate the Administration's support for moving forward with the IEP. The

Administration is confident the project will benefit the Interior for many years. Ms. Livingston expressed appreciation to AIDEA and IGU for their diligent work.

Pamela Throop, IGU Board, Chair, expressed appreciation to AIDEA for their efforts during this long process. She stated IGU is ready to move the project forward as soon as possible. Ms. Throop noted she and Chair Pruhs agreed there could be an ability to look at another proposal that might benefit the ratepayers. Ms. Throop requested the opportunity for that review within the next couple of months. IGU is ready to move forward with the North Slope pad. She believes AIDEA and IGU will be able to resolve any conflict that may arise and will do so in a manner that is best for the ratepayers.

Mr. Wilken expressed appreciation for Ms. Throop's comments today and requested clarification regarding specific comments she made at the IGU Board meeting on Tuesday. Mr. Wilken recounted Ms. Throop commenting AIDEA has not done any favors for IGU, and Anchorage has been treated better than Fairbanks regarding gas supply. Ms. Throop stated she understands the credits that have been given to the gas producers in Cook Inlet have directly benefited the ratepayers of the utilities in Anchorage. IGU has not gotten that, they are getting a loan with great terms. She believes the resources of the state of Alaska belong to everybody, not just a few, and there should be equal access to the money or the resources.

Mr. Wilken recounted Ms. Throop commenting the loans and terms supplied by AIDEA are no big deal. Mr. Wilken noted AIDEA terms are ¼ % with 15 to 20 years' holiday. He requested explanation of her comments. Ms. Throop explained the money came through the Legislature and either could have been provided or loaned at zero interest. She is comparing this transaction to the benefit that has been given to the Southcentral area, experiencing low-cost fuel for many years.

Mr. Wilken recounted Ms. Throop commenting the Cardno Study was too optimistic with a 35% conversion. He requested explanation of what she believes is realistic for conversion. Ms. Throop stated on a case-by-case basis the cost of converting residential families is going to be very difficult and a financial burden for the people in Fairbanks at this time. She believes conversion is a more concerning challenge than what the Cardno Study reflects. Ms. Throop feels the increasing price of diesel will contribute to the amount of conversions. She is hopeful Fairbanks will be able to provide additional assistance for conversions. The possible assistance could be in the form of grants, loans, or on-bill payments.

Mr. Wilken recounted Ms. Throop expressing her reservations of the plan because there is no gas contract after three years. Mr. Wilken requested additional explanation on how the lack of a gas contract affected Ms. Throop's considerations for this project. Ms. Throop stated if they end up paying \$7 to \$8 Mcf for gas she believes it will cause challenges in reaching the 35% conversion. She understands there might have been gas at better prices at several points during the gas negotiations over the last many years. Now, there is a company in Cook Inlet that controls much of the pricing. Unless there are other developers, the \$8 Mcf gas may be the only option. Ms. Throop communicated her desire to have a better contract and wants to continue looking. Mr.

Wilken agreed. He expressed appreciation for Ms. Throop's replies. Mr. Wilken stated the gas contract issue will be further discussed later in the meeting.

6. PRIOR MINUTES - April 26, 2018

Deputy Commissioner Barnhill requested the Minutes of April 26, 2018 be amended on the bottom of page three to reflect that Deputy Commissioner Barnhill did not participate in the executive session with respect to MOC1 because of a conflict of interest.

The minutes from April 26, 2018 were approved as amended.

7. NEW BUSINESS

7A. Loan Resolution No. L18-02 MSH Enterprises, LLC

Mr. Springsteen stated Loan Resolution No. L18-02 regards a 90/10 participation by the Authority in a loan to MSH Enterprises, LLC. The loan is for a newly constructed 21,620 square-foot medical office building located in the U-Med District of Anchorage. The financing supports 105 construction jobs and 25 new permanent jobs. The dollar amount of AIDEA's participation is \$6,581,250. Mr. Springsteen invited Chris Anderson to present.

Ms. Anderson reviewed the details of Loan Resolution No. L18-02. AIDEA's term is fixed for 25 years. Alaska USA FCU's term is 14 years. The guarantors are Dr. Matt Heilala, Stacey Heilala, Matt and Stacey Heilala Living Trust, and Matt Heilala, DPM, dba Alaska Foot & Ankle Specialists. The Heilala doctor's office will fill the second floor and the first floor will be leased. The use of AIDEA's proceeds would pay off the Alaska USA FCU construction loan.

Chair Pruhs requested Ms. Anderson review the process of converting from a construction loan to long-term financing. Ms. Anderson stated a detailed list of documents have to be completed before the long-term loan is funded, as well as the requirement of a tenant on the first floor. The rate is locked-in up front and does not change. The commitment is for one year because of the construction. If construction is not completed in one year, an extension period may be entered at 1/8 of 1% for every 30 days. Chair Pruhs requested additional information regarding AIDEA's process of locking the rate, with no option for market evaluation. He asked Mr. Springsteen and Ms. Anderson to review the process.

Ms. Anderson noted the strengths include the debt service coverage ratio of 1.51:1, the owner/tenant is a well-established medical practice, the medical-office space in the U-Med District is in demand, and the owner/guarantors provide strong outside financial support. There are no extraordinary weaknesses beyond the typical market risk. Dr. and Mrs. Heilala have a related debt with AIDEA on a medical office building in Wasilla with a balance of \$6,875,597.

AIDEA has 22.9% of its total statewide portfolio secured by office type properties and would increase to 24.2% with this credit. AIDEA has 33.1% of participated loans within the Anchorage region and would increase to 35.3% with this credit. Staff recommends approval of Loan Resolution No. L18-02 as presented.

Chair Pruhs noted AIDEA has approximately \$13 million exposure for this single borrowing entity. He asked for a ranking compared with AIDEA portfolio. Ms. Anderson believes it would rank among the top 10 of the portfolio. Chair Pruhs inquired as to the critical man component regarding the projected cash flow and requested additional information what analysis is conducted as a matter of process. Ms. Anderson stated this is an organizational situation and she does not believe key man insurance is required. She noted the critical man component would be an issue if a sole practitioner had no succession planning. AIDEA communicates with the lender and borrower if any credit issues arise. AK USA FCU did not recommend key man insurance. Chair Pruhs noted AK USA FCU represents \$700,000 out of \$13 million. Mr. Karl commented on the great expense of key man insurance and the additional burden it places on the business.

MOTION: Deputy Commissioner Parady moved to approve Loan Resolution No. L18-02 MHS Enterprises, LLC. Motion seconded by Mr. Wilken.

The motion was approved with members Pruhs, Barnhill, Brown, Karl, Parady, and Wilken voting yea.

7B. Executive Session: IEP, MOC1, LNG Loan

MOTION: Deputy Commissioner Parady moved to go into Executive Session to discuss confidential and financial information related to IEP, MOC1, and an LNG Loan. Motion seconded by Mr. Karl.

The Board entered Executive session at 10:59 a.m. Participants included board members Dana Pruhs, Mike Barnhill, Elaine Brown, Bernie Karl, Fred Parady, and Gary Wilken. Deputy Commissioner Barnhill did not participate in the Executive Session regarding MOC1 due to a conflict of interest. AIDEA staff invited to join the session, at different times, for related topics: John Springsteen, Brenda Applegate, Jim Hemsath, Gene Therriault, and guests, Kathryn Black, Dan Britton, Mark Gardiner, Jerry Juday, and Jomo Stewart.

The Board reconvened its regular meeting at 2:28 p.m. Chair Pruhs advised no formal action was taken on the matters discussed in executive session.

7C. Resolution No. G18-05 Approving the Sale of Membership Interests in Mustang Operations Center 1 LLC and Mustang Road LLC to Caracol Petroleum LLC and Providing Financing for the Same

Mr. Springsteen stated the AIDEA Board approved the initial investment April 2014 in the Mustang Operations Center 1 LLC (MOC1). Subsequent to the original investment, global oil market conditions deteriorated. The originally committed debt financing did not come through and long-term financing for new independent oil and gas projects became more difficult to obtain. February 2016, AIDEA approved a warm standby plan and worked to secure additional financing. June 2017, the AIDEA Board approved an additional \$2.5 million investment in

MOC1 to support completion of a certified well and a successful well flow test of the Mustang Field.

With a successful well flow test completed, Brooks Range Petroleum Corporation (BRPC) created a modified development program for the Mustang Field utilizing an early production facility (EPF) and a drilling program to generate production revenues in Q1 of 2019. This will bring the Mustang Field to proven, developed, producing (PDP) status. The modified development program reduces capital investment needs and promotes a shift in AIDEA's Mustang Field role from an owner to a lender for MOC1. The parties agreed it is also desirable to shift AIDEA's role in Mustang Road LLC (MRLLC) from an owner to a lender.

Mr. Springsteen reviewed the key elements of the Revised Mustang Field Finance Plan. AIDEA would sell to Caracol its current MOC1 membership interests for \$52.5 million, plus an amount to recover AIDEA investment costs, and its current MRLLC membership interests for \$8.5 million, plus an amount to recover AIDEA investment costs. AIDEA would provide financing to Caracol for their purchase. The combined AIDEA loans totaling \$64 million and interim costs plus interest would be amortized over the production period. In addition to repayment of interest and principal, AIDEA would receive options in Caracol's parent company, Alpha Energy Holdings Limited.

As collateral for the loans, AIDEA maintains its security interest in all North Slope assets and in the MOC1 assets. Alpha Energy Holdings Limited secures the capital required for Mustang Field drilling. The project is consistent with AIDEA's mission and supports the state's interest in independent oil development in Alaska North Slope. Staff recommends the approval of Resolution No. G18-05.

MOTION: Deputy Commissioner Parady moved to approve Resolution No. G18-05 Approving the Sale of Membership Interest in MOC1 and MRLLC to Caracol Petroleum LLC and Providing Financing for the same. Motion seconded by Mr. Wilken.

MOTION: Deputy Commissioner Parady moved to amend page three in Section Two, deleting the word "nonmaterial." It would read, "With any modifications to those terms the Executive Director," and continues as written. Motion to amend seconded by Mr. Wilken. The motion to amend passed without objection.

Deputy Commissioner Barnhill noted, for the record, the DOR consulted with LAW and a conflict of interest was determined because of being a creditor of MOC1. Deputy Commissioner Barnhill stated, for the record, he will not participate in the deliberation nor in voting on Resolution No. G18-05 or Resolution No. G18-04.

Deputy Commissioner Parady expressed appreciation to the staff and the team for their valuable work in achieving the cash flow objectives to meet these obligations.

Mr. Karl echoed appreciation to the staff and the team for their efforts. He does not, however, believe this is the best deal for the State. Mr. Karl expressed his belief the State should have held a 33% interest in this field. He understands that is not the case and feels AIDEA has gone to extensive lengths to assist in moving this forward. Mr. Karl will vote in favor of the resolution to move the process forward.

The motion was approved with members Pruhs, Brown, Karl, Parady, and Wilken voting yea. Deputy Commissioner Barnhill abstained.

7D. Resolution No. G18-04 relating to a Line of Credit to Mustang Operations Center 1 LLC

Mr. Springsteen stated Resolution No. G18-04 authorizes a line of credit loan to MOC1, not to exceed \$1 million, as bridge financing while AIDEA completes the restructuring of the MOC1 and MRLLC ownership interest into the loan structure as discussed previously.

MOTION: Mr. Wilken moved to approve Resolution No. G18-04 Relating to a Line of Credit to MOC1. Motion seconded by Ms. Brown.

Deputy Commissioner Parady noted provisions of the adopted Resolution G18-05 provide for the recovery of these funds. He expressed support for Resolution No. G18-04.

The motion was approved with members Pruhs, Brown, Karl, Parady, and Wilken voting yea. Deputy Commissioner Barnhill abstained.

7E. Ambler Update

Mr. Springsteen reviewed the PowerPoint presentation he delivered to the House Resources Committee on April 6, 2018. The Ambler Mining District Industrial Access Project (AMDIAP) is one of two special projects assigned to AIDEA creating infrastructure enabling another economic interest for Alaska. From 2013 to 2015, AIDEA received appropriations totaling \$17 million and roughly, \$13 million has been expended. Mr. Springsteen noted federal permitting is expensive and challenging. Over 30 critically important community meetings have been held for the project.

Mr. Springsteen described the resource-rich Ambler mining region, containing at least five key deposits of gold, copper, nickel, jade, and molybdenum. The importance of access to the Ambler Mining District was recognized by the Federal Government in the Alaska National Interest Lands Conservation Act (ANILCA), Section 201(4)(b); "Congress finds that there is a need for access for surface transportation purposes across the Western (Kobuk River) unit of the Gates of the Arctic Natural Preserve from the Ambler Mining District to the Alaska Pipeline Haul Road."

Mr. Springsteen continued explaining Alaska is a connected economy and primary economic engines are its resources: oil and gas, seafood, timber, tourism destinations, and minerals. He reviewed photos of the DeLong Mountain Transportation System (DMTS) road servicing the Red Dog Mine. This is a model for Alaska industry infrastructure. DMTS is critical to the Red

Dog Mine, which has provided job opportunities to all Alaskans, and revenue to the state, to the Northwest Arctic Borough (NWAB), to NANA Regional Corp., and to other Native Corporations. Mr. Springsteen displayed specific Red Dog Mine economic benefits.

Mr. Springsteen described the potential benefits to local communities of the Ambler Access project which include broadband access, local jobs, better access to transportation, goods, and services, and a tax base to help fund community sustainability, including energy, water/wastewater, transportation infrastructure, and public facilities. He recognized there are some communities that are not interested in these types of benefits from this type of economic engine.

Mr. Springsteen noted the Project was initiated by DOT&PF in 2010, and transferred to AIDEA in 2013. Eight routes were evaluated by DOT&PF, and included considerations as wetlands, endangered species, historic sites, wildlife, and migration patterns. The results indicated a route across the Gates of the Arctic National Park & Preserve would have the lowest impact. This led to the creation of the proposed AMDIAP Corridor submitted in the permit application. He stated Evansville Incorporated requested the route not cross their land. AIDEA adjusted the route north prior to submitting the permit application.

Mr. Springsteen conveyed the permitting process includes National Environmental Policy Act (NEPA), ANILCA, wetland, and bridge permits. AIDEA is the applicant. The National Park Service (NPS) is preparing the Environmental & Economic Analysis under Section 201(4)(b) of ANILCA and the Bureau of Land Management (BLM) is preparing the EIS under Title X1 of ANILCA. The NEPA scoping report was completed January 2018 and provided at the end of April 2018. The draft EIS is anticipated to be completed at the end of March 2019, with the final EIS completion the end of December 2019.

Mr. Springsteen showed a graphic of the many steps within the project process. The next steps are to address concerns raised during the federal scoping meetings; schedule community meetings to occur during the summer and early fall, and bring a recommendation before the Board regarding how to proceed with the project. Mr. Springsteen discussed the required approvals post EIS. The estimated cost for building the road is approximately \$1 million per mile, for a total of about \$200 million dollars.

Mr. Wilken inquired if the proposed road goes through any organized government in Alaska. Mr. Springsteen stated the western part of the corridor goes through the NWAB. Mr. Wilken asked if the proposed road is a public or private road. Mr. Springsteen stated it is a private industrial road. Mr. Wilken asked, for the record, if the proposed road will be part of Teck's full and true assessed value or part of NWAB's full and true assessed value. Mr. Springsteen stated he was not prepared to answer the question today.

Mr. Karl asked if the NWAB will have the authority to tax the road. Mr. Springsteen explained the NWAB negotiated with Teck to receive a payment in lieu of tax (AMENDMENT) for the Red Dog road and port (DMTS). I believe the NWAB will negotiate in a similar manner with the

mining companies operating in the Borough and not with AIDEA or the State, which are both tax exempt.

Ms. Brown requested to know who facilitated the Ambler scoping meetings. Mr. Springsteen stated the scoping meetings were run by the federal government; BLM and NPS. AIDEA will conduct the follow-up meetings with the communities based on the results of those federal scoping meetings.

Mr. Springsteen invited Mark Davis to provide comments related to the issue of whether the road could be opened at a later date or could be bought by the State of Alaska or somehow changed from the current proposed model of restricted access. Mr. Davis reviewed some of the main challenges in an unrestricted model. The proposed road crosses land owned by Doyon, NANA, and the Department of Natural Resources (DNR). Negotiated easements may pose restrictions or possible interference for the future sale of the project. Rules of the road restrictions and protocols will be developed. The liability insurance will be for a restricted-access road and underwriting for a different insurance policy may not be available.

Mr. Wilken expressed appreciation for the helpful information.

Chair Pruhs requested Mr. Springsteen include the current expended amount on the Ambler Road Project in the information on the website. Mr. Springsteen agreed.

7F. IEP Update

Gene Therriault, Dan Britton, and Jim Hemsath, presented the IEP Update. Mr. Therriault began by reporting no action has occurred in the last month on the liquefied natural gas (LNG) plant. Mr. Britton discussed the preparation work continuing at the storage facility. The first panel is expected to be delivered to the site on June 6, 2018. The project work is on budget/on schedule and 35 of the 44 panels are completed.

Mr. Therriault stated no additional monies have been spent on distribution build-out. House Bill (HB) 374, on-bill financing, passed in the Legislature. This can be used in conjunction with utilities, Property Assessed Clean Energy (PACE) legislation, and the \$4 million of qualified assistance for air cleanup, including conversion, received by FNSB through the Alaska Department of Conservation (DEC). Fairbanks qualifies to receive the maximum amount of DEC assistance for years into the foreseeable future.

Mr. Hemsath provided a status update on the North Slope pad regarding the DNR process. DNR determined the previous pipeline right-of-way lease is not appropriate. The new lease will be structured as a general-purpose lease. A 30-day public notice will be given regarding bidding. An appraiser has been acquired. The process is ongoing to select a surveyor. If there is no interest by outside parties on bidding after 30-days, the DNR Commissioner will have the option to sole-source to AIDEA for the lease. A sublease to Prudhoe Bay Chemical may occur if they are able to obtain funding.

Mr. Therriault noted the most critical piece of legislation this year was the language of Senate Bill (SB) 125 extending the bond authorization for the IEP Project. This was rolled into the Governmental Accounting Standards Board (GASB) legislation in HB 119. Mr. Therriault reported on his public comment and discussions during the IGU Board meeting recently, during which the letter of agreement was finalized. He took exception to the earlier characterization he was involved in the wordsmithing of the letter.

Mr. Wilken expressed appreciation to Deputy Commissioner Parady for his help during the legislative process.

MOTION: Deputy Commissioner Parady made a motion to amend the agenda by adding Resolution No. G18-06 for consideration. Motion seconded by Mr. Wilken. The motion passed with no objection.

Deputy Commissioner Parady read Resolution No. G18-06 into the record. “Resolution of the Alaska Industrial Development and Export Authority approving waiver of a condition precedent to the sale of Pentex Alaska Natural Gas Company, LLC to the Interior Gas Utility, approving a letter agreement with the Interior Gas Utility, and extending the deadline for closing on the transactions with the Interior Gas utility.”

MOTION: Deputy Commissioner Parady moved to approve Resolution No. G18-06. Motion seconded by Mr. Wilken.

Deputy Commissioner Parady noted the resolution extends the timeframe to June 14, 2018 for the closing documents and provides time for IGU to consider AIDEA’s action on the IGU letter of agreement, as proposed. The letter of agreement is the attachment to Resolution No. G18-06. The letter accepts the IGU language regarding the North Slope pad through Section Two and deletes Section Three. AIDEA is intently focused on the partnership with IGU and completion of an agreement. AIDEA is also intently aware of its role of steward of the resources appropriated to IEP by the Legislature.

Deputy Commissioner Parady believes the Section 8 modification language proposed at this late date is unnecessary because the actual finance agreement language that was astutely negotiated over a substantial period of time in Section 8.8 allows consideration of a third-party proposal during that development process. He read the language into the record: “The development process for the project is as set forth in the scope of work and schedule of advances and any material changes to the scope of work and schedule of advances must be agreed to by both parties. In the event either party desires changes to the scope of work and schedules on advances due to practical concerns relating to the project, including unforeseen circumstances or events, the parties shall promptly meet and confer to consider alternatives and determine, if possible, a change to the scope of work and schedule of advances. For purposes of this section, material is defined as the lesser of a change in value of \$250,000 or more, or 2.5% of any particular line item in the scope of work.”

Deputy Commissioner Parady stated his primary concern is adherence to the framework of the financing agreement. He believes the current modified letter agreement has the potential to introduce change into the financing agreement due to language that was proposed in the new 8.8 development process. Deputy Commissioner Parady explained deleting Section Three from the letter of agreement will provide clarity and simplicity for the best path forward on the continued partnership with the IGU Board.

Deputy Commissioner Parady explained the dispute resolution mediation language existent in the financing agreement under Section 13.9 is strong. He noted that working together is inherent in the process. He looks forward to an open dialog and completing the work. He believes the two-week extension is appropriate.

Mr. Karl echoed the comments of Deputy Commissioner Parady.

Mr. Wilken requested to be associated with the remarks of Deputy Commissioner Parady.

The motion was approved with members Pruhs, Barnhill, Brown, Karl, Parady, and Wilken voting yea.

8. DIRECTOR COMMENTS

Mr. Springsteen stated the Board requested the AIDEA fee schedule be revisited. At the next meeting, staff will seek authorization for changes to the regulations to more closely align the fee structure with the cost of doing business.

The loan and dashboard reports, IFD and PDAM project matrices, and the quarterly investment report were included in your packet. Please contact Ms. Siverson regarding the continuing education calendar.

The next AIDEA Board meeting is Thursday, June 28, 2018.

9. BOARD COMMENTS

Mr. Wilken requested the dashboard include the specific locations of AIDEA loan funds and job support. Mr. Springsteen agreed.

Mr. Wilken asked staff to compile and provide information on the Bokan Rare Earth Element Project to the Board. He read, for the record, questions he received; “1) For any Ucore development proposal that involves Bokan Mountain, will AIDEA staff please ensure that environmental permitting and positive feasibility study are both completed to industry standards prior to any request to the Board to utilize the authorized bonding authority? 2) If the feedstock for Ucore’s potential Alaska rare earth separation plant is not Bokan Mountain, but rather from other sources around the world, will AIDEA staff please evaluate the history, reserves, reliability, market price sensitivity, and contract terms of those sources in the context of how they would provide Ucore a competitive advantage, and thereby support Ucore loan amortization?”

Deputy Commissioner Parady stated he attended the Alaska Housing Finance Corporation (AHFC) Board meeting yesterday and noted they also have not seen an increase in default rates on their various loan programs. AIDEA's delinquent loan rates have been under 1% for over a decade. He believes this is an indication of underlying strength of Alaska's economy, even in the midst of the ongoing state deficit issue.

Deputy Commissioner Parady expressed appreciation to the IGU Board and Mr. Stewart, specifically, for attending today, for participating in the process, and for working together to resolve issues. He expressed appreciation to staff and Mr. Therriault for their diligent work.

Mr. Karl expressed appreciation to Mr. Stewart and looks forward to a continued working relationship.

Ms. Brown expressed appreciation to staff for their commitment and work today.

Chair Pruhs expressed his appreciation to members and staff for the diligent work on today's numerous topics and challenges

10. ADJOURNMENT

There being no further business of the Board, the AIDEA meeting adjourned at 3:22 p.m.



John Springsteen, CEO / Executive Director
Secretary-Treasurer
Alaska Industrial Development & Export Authority

