



**Alaska Industrial Development and Export Authority**  
**BOARD MEETING MINUTES**  
**Wednesday, September 18, 2019**  
Anchorage, Alaska

**1. CALL TO ORDER**

Chair Pruhs called the meeting of the Alaska Industrial Development and Export Authority to order on September 18, 2019, at 1:23 p.m. A quorum was established.

**2. ROLL CALL: BOARD MEMBERS**

Members present: Chair Dana Pruhs (Public Member); Vice-Chair Bernie Karl (Public Member); Albert Fogle (Public Member); Bill Kendig (Public Member); Greg Samorajski (Deputy Commissioner, Department of Revenue [DOR]); Julie Sande (Public Member); and Julie Anderson (Commissioner, Department of Commerce, Community, and Economic Development [DCCED]) arrived 1:29 p.m.

**3. ROLL CALL: STAFF, PUBLIC**

AIDEA Staff present: Brenda Applegate (Chief Financial Officer [CFO]); Curtis Thayer (AEA Executive Director); Chris Anderson (Commercial Finance Director); Mark Davis (Chief Infrastructure Development Officer); Alan Weitzner (Chief Investment Officer, Project Finance & Asset Management [PFAM]); Terrence Cato (IT); Geoffrey Johns (Investment Officer, PFAM); Bill Phelan (Loan Officer); Karsten Rodvik (External Affairs Officer); Lex Sargento (Chief Procurement and Contracting Officer); Linda Senn (Human Resources Director); Sam Tappen (Infrastructure Development Officer); Sherrie Siverson (Executive Assistant); and Krin Kempainen (Administrative Assistant).

Staff present via teleconference: Tom Boutin (CEO/Executive Director).

Public: Cynthia Cartledge and Mark Melchert (Jermain Dunnagan & Owens [JDO]); Elizabeth Cornejo and Garfield MacVeigh (Constantine Metal Resources [Constantine] LTD); Tim Gallagher (HDR); Jerry Juday (Department of Law); and Ladonna Lindley (Accu-Type Depositions).

Public present via teleconference: Jim Clark (Constantine); and Fred Eoff (PMF).

**4. AGENDA APPROVAL**

The agenda was approved as presented.

## **5. PUBLIC COMMENTS**

There were no public comments.

## **6. PRIOR MINUTES - August 7, 2019**

The minutes from August 7, 2019 were approved as presented.

## **7. NEW BUSINESS**

### **7A. Resolution No. G19-20 Approving Defeasance/Buyback of the Authority's Series 2010A and 2010B General Obligation Bonds**

Chair Pruhs asked Brenda Applegate to provide the review of the resolution. Ms. Applegate stated Resolution No. G19-20 authorizes the defeasance and redemption of all outstanding revolving fund general obligation bonds to the Authority with the use of available funds. Additionally, this resolution approves the form of escrow agreement to be entered into by the Authority in connection with the defeasance and redemption transactions. Approval of this resolution would delegate authority to the Executive Director and the CFO to execute all necessary documents in connection with the transactions. AIDEA's financial advisor Fred Eoff from PFM, is on the phone, and bond counsel Cynthia Cartledge from JDO is present, both available to answer any questions. Ms. Applegate provided a brief summary of the transaction for the two outstanding general obligation bond issues. The details are contained in the Board packets.

Chair Pruhs noted he previously inquired by email as to the status of AIDEA's liquidity, anticipated future liquidity requirements, and AIDEA's future cash flow analysis. Chair Pruhs asked if these reports are available today. Ms. Applegate stated there is approximately \$500 million at market value, which includes the externally managed portfolio. The cash balance will be approximately \$400 million and is expected to remain about that amount. The model accounts for \$73.5 million in loan commitments that will fund over time, \$11.9 million in loan applications, a \$3.6 million draw for the financing package approved at the prior Board meeting, \$3.8 million for Icy Straits Point loan also previously approved, and the \$10 million dividend. Other items not included in the model are \$49 million in preflights for loans, possibly \$2 million for potential projects, and \$8 million for a potential development project. Ms. Applegate explained the cash balances should remain strong. The defeasance will be funded out of the internally managed portfolio. The externally managed portfolio should not be affected by this transaction.

Chair Pruhs requested additional information regarding the interest rate on the bonds versus the interest rate for the investment. Ms. Applegate noted the average coupon rate on the 2010A bonds is 5.06%, and the average coupon rate on the 2010B bonds is 5.27%. The three-year average of the all-in yield on the external fixed income portfolio is 2.26%. Chair Pruhs asked Ms. Applegate if she believes the cash reserves are sufficient for the preflight to Ambler. Ms. Applegate agrees the cash reserves are sufficient. The investment policy requires two years' of

operating cash within the internally managed portfolio. Snettisham bonds are revenue bonds and are connected to the project and the project revenues.

Deputy Commissioner Samorajski requested Ms. Applegate provide the balance of the internally managed portfolio, and characterize the yield and the types of securities that will be liquidated to defease these bonds. Ms. Applegate stated the cash balance of the internal portfolio is approximately \$116 million and is available for defeasance due to the recent maturation of U.S. Treasury Bonds. The money market fund is earning approximately 2%. The internal managed portfolio is primarily short-term and is also earning approximately 2%.

**MOTION: Mr. Fogle moved to approve Resolution No. G19-20 Approving Defeasance /Buyback of the Authority's Series 2010A and 2010B General Obligation Bonds. Motion seconded by Vice-Chair Karl.**

**The motion was approved with members Pruhs, Karl, Anderson, Fogle, Kendig, Samorajski, and Sande voting yea.**

#### **7B. Presentation "Palmer Project"**

Ms. Applegate invited representatives of Constantine, Elizabeth Cornejo and Garfield MacVeigh, to review the Palmer Project (project) presentation. Ms. Cornejo gave her professional background and described the mineral exploration company Constantine. Constantine was formed in 2006 with this flagship project in Haines within the Porcupine Mining District. The area has other nearby mines with large mineral deposits. The infrastructure and access is good in coastal Southeast Alaska. The project is currently in joint venture with Dowa Metals & Mining of Japan, who has provided \$22 million for a 49% interest in the project. The joint venture partnership is called Constantine Mining. The project has buyers for the products that will be produced.

Ms. Cornejo explained the project is reaching a critical mass in exploration and advancement in mainly high grade copper and zinc mineral resources, with some silver, gold, and barite. Barite is considered a critical mineral in the U.S. Most of the barite is imported from China and India. The project was initially prospected in the 1960s, with the first mineral claims staked in 1969 by Merrill Palmer. The project took his namesake. Mr. Palmer still holds the claims and leases them under agreement. Mr. Palmer was a signatory on the Haines land use consensus agreement created in 1982 that designated some areas of the Borough for conservation and some areas for multiple use mining and logging. The Mental Health Trust has also made a land selection of about 100,000 acres, which is about 40% of their mineral holdings, within the Haines Block. The federal claims Constantine has on the main deposits are top-filed by the Mental Health Trust.

Ms. Cornejo discussed the project has two defined mineral resource deposits on the property. Several miles of road have been permitted and built on the property. Underground hard rock mining development for exploration drilling has also been permitted. Ms. Cornejo reviewed the PowerPoint presentation, including the results of the 2019 preliminary economic assessment (PEA) study of the project. The PEA represents a low capex, low operating cost, high margin

underground mining operation with attractive environmental attributes. The current resource defined is estimated to produce 11 years' of commercial production, with two years' of preconstruction. There is additional exploration potential that has a high likelihood of future mine life extensions. The workforce is expected to be approximately 260 people, adding year-around employment to the Haines and Southeast region with this third large hard rock mine.

Ms. Cornejo noted the project has many natural features and the deliberate design choices maximize the environmental aspects of the property. The high-grade underground mine has a small footprint and a low waste to ore ratio. All of the potentially acid-generating waste rock and the majority of the tailings can be returned underground at closure. Approximately 14% of the non-acid-generating tailings would remain on surface in a dry stack tailings facility. The deposit is thick and vertically oriented with good geometry and mining methods available.

Ms. Cornejo described the picture showing the resource and the tunnel which will travel under the glacier at the top of the creek and U-turn back toward the resource. The tunnel is being permitted through DNR and DEC. Construction will hopefully begin next summer.

The discussion continued with questions from Board members and answers by Ms. Cornejo and Mr. MacVeigh. Ms. Cornejo explained Constantine has state mining claims, the Mental Health Trust lease, and federal BLM claims with apex rights. The two deposits sit on the BLM land held by Mr. Palmer as two companies. There is a 99-year lease with that property with a 2.5% net smelter return royalty. The plan is to have a mill onsite to produce concentrates of copper and zinc. There will also be small amounts of gold and silver that would go to the smelters. The third concentrate would consist of pyrite and the remaining sulfide minerals to be mixed with cement and disposed underground. The fourth concentrate is the barite. The copper concentrate will be available on the market. The zinc concentrate will be exported to Dowa in Japan. The best market analysis for the barite concentrate is to barge it to Prince Rupert and rail it to the Bakken area deposit in North Dakota, Montana, and Canadian area.

Mr. MacVeigh provided his professional background and noted he lives in Vancouver, British Columbia, Canada. He explained there is a small barite market on the North Slope and Constantine expects to ship as much barite to the North Slope as they are able to take. However, the barite concentrate production is expected to exceed the North Slope demand and therefore, the remaining product will be transported to the Bakken area.

Commissioner Anderson inquired as to the royalty structure for the mineral claims that will go to the State of Alaska. Ms. Cornejo explained there is a combination of land and the current deposits are on federal land. The 2.5% royalty goes to Mr. Palmer. There is potential opportunity with the Mental Health Trust to convey land and that royalty would then go to the Trust.

Ms. Cornejo described the mining process which is conducted seven days a week and will extract up to 3,500 tons a day of material out of the ground. This equals approximately 500 tons a day of copper and zinc, and approximately 750 tons of barite. The 40-ton trucks used to transport to the port will either have a long single trailer or double trailers. Approximately 25 trucks a day will

be utilized. The allowable number of trucks per day and the remainder of the DOT details will be refined as the project moves into prefeasibility and feasibility study phases. Currently, the Haines Highway is undergoing a \$100 million upgrade. All of the bridges to town from the site are up to industrial grade standards. The product would be trucked to Haines and barged to Skagway and transferred again.

Chair Pruhs inquired if the port is deep enough to develop an oil transfer facility in Haines. Ms. Cornejo noted the port is deep enough for an oil terminal, but the only current operating facility is in Skagway. Chair Pruhs asked for an estimated cost to develop a concentrate loading facility in Haines. Mr. MacVeigh believes that development would be greater than \$20 million. Vice-Chair Karl commented on the benefits of developing a concentrated loading facility in Haines, rather than barging to Skagway. He mentioned the possibility of an ore loader being available for purchase.

Chair Pruhs commented on the efficiency of developing a loading facility in Haines. He asked if the decision to leave the materials in the trucks on the barge is due to a concern of losing the material off the barge into the water. Mr. MacVeigh explained proper loading facilities have to be utilized. Chair Pruhs asked Ms. Applegate and Alan Weitzner, when the lease is up for the load-out facility owned in Skagway. Ms. Applegate believes the lease is up in March of 2023. Chair Pruhs asked for the reasons why the terminal is staying in Skagway after the lease is up. Mr. Weitzner commented discussions are ongoing with Skagway regarding continuing the lease beyond 2023, with the involvement of the Yukon Territory. Chair Pruhs inquired if the mission would be improved if the load-out facility was in Haines and Skagway product barges over to Haines. Mr. Weitzner agreed that option is being considered.

Chair Pruhs inquired about the status of the previous opinion in Skagway to remove the facility. Mr. Weitzner noted that opinion has changed and AIDEA is undergoing positive discussion regarding the future of the industrial capacity in Skagway post-2023. A draft form remedial action plan has been implemented by the DEC for White Pass. The commercial issues are being addressed. AIDEA is not a responsible party for the ore basin. Mr. Weitzner noted his interest in discussing the availability of the ore loader with Vice-Chair Karl.

Ms. Cornejo explained the PEA is the initial conceptual mine plan and begins the process to develop and refine ideas regarding the roads, the ports, the power needs, and infrastructure needs. The PEA cost was based on existing infrastructure and existing roads. Ms. Cornejo reviewed the economic numbers provided. She reviewed the chart showing the value breakdown by commodity. The next steps include continued underground exploration and evaluation of future mine planning and production for feasibility studies.

Deputy Commissioner Samorajski noted the PowerPoint being shown and the handout provided to members are different. He recommended future handouts match the presentation shown. Vice-Chair Karl inquired as to the certainty of the project going forward. Mr. MacVeigh advised the Japanese partner is fully funded, but Constantine is not fully funded. Additional strategic investors will need to be identified and participate.

Mr. Fogle inquired regarding opportunities for AIDEA and the Administration to assist in bringing the project online sooner than the expected six to seven years, and if financing from AIDEA is an ultimate request. Mr. MacVeigh explained Constantine is in the feasibility process and the next step is to advance the project to the permitted underground exploration phase over the next two to three years. The completed feasibility study will advise the robust economic opportunity of the project and the mine will then be advanced. Mr. MacVeigh believes the asset will be a very meaningful contribution to Alaska. The initial underground exploration work would be subcontracted and the production mining would be self-performed by Constantine.

Ms. Cornejo continued the presentation discussing the commitment of Constantine to environmental stewardship through employee training and permit stipulations. Constantine is committed to community engagement throughout the life of the project. Emphasis is made to hiring locally and shopping locally. Constantine is road accessible to the project. Constantine does work at the local schools. They host meetings in town and conduct comprehensive public site tours. Constantine has maintained a year-round local office in Haines since 2015, with approximately 35 local employees, representing about \$500,000 in wages. Constantine is looking forward to working with AIDEA during this project.

Commissioner Anderson requested the PowerPoint slides that were not provided in the handout be distributed to members. Commissioner Anderson is in favor of development and job creation within the community. She inquired as to the general attitude in Haines regarding the proposed project. Ms. Cornejo noted there is a full range of attitudes about the project. There is familiarity with mining in the community because of local commuters to Kensington and Greens Creek. The McDowell Group survey conducted in 2017 received 54% support in favor of increasing growth in the mining industry. The results showed 10% neutral and 35% opposed. The local mining chapter is active and favorable. The Haines Borough comprehensive plan does include the project and supports the development of renewable and nonrenewable resources within the Borough. The future growth map includes multiple use lands, multiple use lands with a resource emphasis, and resource development lands. The project is located in the Borough's future growth resource development lands.

Vice-Chair Karl expressed support for the project and offered any reasonable assistance.

**7C. Executive Session: Discuss confidential information related to project development financing and credit matters**

**MOTION: Vice-Chair Karl moved to enter into Executive Session to discuss confidential project development financing and credit matters, the immediate knowledge of which would have an adverse effect on AIDEA's finances. Motion seconded by Deputy Commissioner Samorajski.**

The Board entered Executive Session at 2:19 p.m. Participants included board members Dana Pruhs, Bernie Karl, Julie Anderson, Albert Fogle, Bill Kendig, Greg Samorajski, and Julie Sande. AIDEA staff and guests invited to join the session: Tom Boutin, Chris Anderson, Brenda

Applegate, Mark Davis, Alan Weitzner, Geoff Johns, and guests Cindy Cartledge, Jerry Juday, and Mark Melchert.

The Board reconvened its regular meeting at 3:42 p.m. Chair Pruhs advised the Board did not take any formal action on matters discussed while in executive session.

## **8. DIRECTOR COMMENTS**

Ms. Applegate stated the FY21 budget process has begun. AIDEA has submitted the first round of budget documents for the FY21 budget development process. A meeting is scheduled September 25, 2019 with Office of Management & Budget (OMB). Mr. Boutin and Ms. Applegate will present on AIDEA. The audit is ongoing and the auditors are in the field. The draft set of financial statements are expected to be completed by the middle of October, with a final issuance by the end of October.

Chair Pruhs commented on the increased anticipated funding total of \$73 million. Ms. Applegate noted a few large loans have come in, which has contributed to the increase in anticipated funding.

Ms. Applegate reported Tanana Chiefs Conference is scheduled to close October 3, 2019. This is for the hospital in Fairbanks. The bond purchase agreement was signed and the pricing is complete.

The loan dashboard report is not included in this month's information and should be included in the next packet.

Chair Pruhs requested additional information regarding the \$1.5 million loan that is delinquent. Ms. Applegate indicated Chris Anderson would be able to provide an update. Staff left the meeting to determine if Ms. Chris Anderson was available to return to the meeting to discuss the delinquent loan. Bill Phelan, Loan Office arrived a few minutes later to provide the update. He noted the Skyline loan is paid off in full. The five-year process of working with the borrowers and the clients was successful.

Ms. Applegate noted Project Matrices were included in Board packet along with the continuing education calendar. The organization charts are the same charts discussed in the AEA Meeting. Also, included is the Interior Energy Project Quarterly Report to the Alaska Legislature.

The next regularly scheduled AIDEA Board Meeting is Wednesday, October 23, 2019.

## 9. BOARD COMMENTS

Mr. Kendig reported Chair Pruhs and another met recently with Port Mackenzie. A follow-up meeting will occur October 2, 2019, at 10:00 a.m. Mr. Kendig encouraged Board members to attend. Jerry Juday advised if a quorum of four Board members attend the meeting has to be noticed as a public meeting.

Ms. Sande inquired if any AIDEA representatives will be present at the Southeast Conference in Sitka. She believes it remains an important strategy to attend in the effort to communicate information regarding the benefits AIDEA and AEA are providing to communities. Mr. Weitzner stated he was supposed to attend and speak at the conference, but was pulled away. Curtis Thayer noted he was supposed to speak today at the conference, but was unable to attend. Commissioner Anderson wanted to attend, but had other commitments.

Mr. Fogle asked if Karsten Rodvik could focus on public communications regarding the benefits of AIDEA and AEA. Curtis Thayer stated Mr. Rodvik and other staff are engaged in the communications goal, especially in the smaller rural communities. Mr. Fogle addressed the importance of capitalizing on the opportunities during this unique atmosphere where both the state and federal Administration are favorable to resource development.

Vice-Chair Karl expressed appreciation to staff for their work. He believes there are more opportunities now than in the past for AEA and AIDEA help move the state forward. Vice-Chair Karl reminded staff there is always room for improvement.

Chair Pruhs expressed appreciation to staff and particularly identified Ms. Applegate, Mr. Weitzner and their team regarding the financial analysis requests being provided to the Board. He understands the importance for AEA and AIDEA to balance the need to review past actions with the need to realize future opportunities.

## 10. ADJOURNMENT

There being no further business of the Board, the AIDEA meeting adjourned at 3:55 p.m.

  
Brenda Applegate, CFO  
Acting Executive Director/Secretary  
Alaska Industrial Development & Export Authority