



MEMORANDUM

To: Board Members
Alaska Industrial Development and Export Authority (AIDEA)

From: Tom Boutin
CEO/Executive Director

Date: June 20, 2019

Subject: BlueCrest Alaska Operating LLC
Resolution No. G19-17 (revised)

AIDEA staff is recommending that an amendment be made to Section 6 (Reserve Account) of the Loan Agreement dated July 24, 2015 allowing for the release of the \$6.06 million Reserve Amount and use to pre-pay the Borrower’s principal balance by the same amount.

LOAN DESCRIPTION AND STATUS

In July 2015, in accordance with Resolution No. G15-04, AIDEA completed a direct financing loan agreement with BlueCrest for the onshore drill rig, rig camp, their transportation to the project site, and associated tools, equipment, and fixtures. The loan agreement provided a 15-month LOC during the anticipated construction period for the drill rig and camp with conversion to a term loan upon the completion of the LOC. To provide additional collateral security, the loan agreement required that BlueCrest fund a \$6.06 million Reserve Account that would be used in the event that a loan default and foreclosure sale did not provide sufficient funds to repay the outstanding loan balance.

The LOC converted to a term loan on December 2016, with interest only for a year before amortization of the term loan began in December 2017. AIDEA’s collateral is composed of the Reserve Account, the BlueCrest Rig #1, a 50 person drill man camp, and associated pipe, equipment and tools.

	December 2016	June 2018	June 2019
Term Loan Balance*	\$31.9 million	\$28.7 million	\$22.9 million
Reserve Account	\$6.06 million	\$6.06 million	\$6.06 million
Distress Sale Valuation	\$27.9 million	\$30.2 million	\$26.9 million
Loan To Value (LTV)	93.9%	79.2%	69.5%

* AIDEA Term Loan matures 7/1/2022

BlueCrest has been diligently paying down AIDEA’s term loan on a timely basis. Debt service (principal and interest) is \$705,242.88 per month with monthly principal payments now in excess of \$500,000 per month.

Confidential financial information will be sent to Board members under separate cover.

REQUESTED MODIFICATION

Due to the complexity of the current loan documentation surrounding the release conditions for the Reserve Account, the Borrower and AIDEA staff have come to agreement on a proposal to release the \$6.06 million reserve and use the funds to pay down the loan. With the prepayment, the lower outstanding principal balance will be amortized through the remaining term of the loan resulting in a lower quarterly amortization payment for the Borrower.

Based on the revised repayment schedule and using the current SolstenXP distressed sale valuation, this pre-payment of the Reserve Amount results in a Loan to Value satisfactorily below 75%:

	June 2019	July 2019	July 2020
Loan Balance*	\$22.9 million	\$16.3 million	\$11.6 million
Reserve Amount	\$6.06 million	---	---
Distress Sale Valuation	\$26.9 million	\$26.9 million	\$26.9 million
Loan To Value (LTV)	69.5%	60.6%	43.1%

* AIDEA Term Loan matures 7/1/2022

RECOMMENDATION

AIDEA staff recommends the approval of Resolution No. G19-17 for the modification of Section 6 (Reserve Account) of the loan agreement to release the Reserve Amount and use these funds to pre-pay the outstanding principal balance on the loan.

ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY

RESOLUTION NO. G19-17

**RESOLUTION OF THE ALASKA INDUSTRIAL DEVELOPMENT
AND EXPORT AUTHORITY APPROVING AMENDMENT TO
LOAN AGREEMENT WITH BLUECREST ALASKA OPERATING
LLC AND CO-BORROWERS**

WHEREAS, in Resolution No. G15-14, adopted on April 30, 2015, the Alaska Industrial Development and Export Authority (the “Authority”) approved a loan of up to \$30 million to BlueCrest Energy, Inc. and its affiliates under the Authority’s development finance program (AS 44.88.172);

WHEREAS, on July 24, 2015, the Authority, as Lender, entered into a Loan Agreement with BlueCrest Alaska Operating LLC, as Borrower, and BlueCrest Alaska Oil & Gas LLC, BlueCrest Cosmopolitan, LLC, and BlueCrest Energy, Inc., as Co-Borrowers, under which the Authority agreed to provide a line of credit of up to \$30 million to finance the acquisition, transportation, set up and commissioning of an on-shore drilling rig, associated equipment and a camp facility;

WHEREAS, the Authority fully disbursed the \$30 million line of credit and the Borrower and Co-Borrowers used the loan proceeds to acquire the desired drilling rig and camp, both which have been installed on-site and are in operation;

WHEREAS, in Resolution No. G16-14, adopted on December 1, 2016, the Authority approved certain amendments to the Loan Agreement, which amendments included a change in how the required reserve account was to be funded;

WHEREAS, the Borrower established the required reserve account on December 30, 2016 with the required deposit of \$6,063,983.03, and the Borrower has made all payments to the Authority required under the Loan Agreement up to the present time;

WHEREAS, the Borrower has requested the Loan Agreement be amended again to provide for the reserve account to be released to the Authority to pay down the Loan and the outstanding balance then being re-amortized over the remaining original term of the Loan, and the

staff of the Authority has negotiated a proposed loan amendment with the Borrower that is outlined in the memo presented to the Board; and

WHEREAS, the proposed loan amendment regarding the reserve account is in the best interests of the Authority.

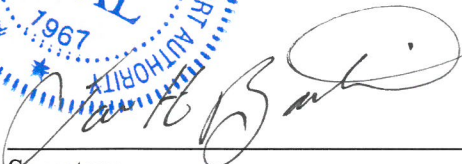
NOW, THEREFORE, BE IT RESOLVED BY THE ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY AS FOLLOWS:

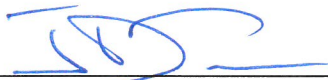
Section 1. The proposed amendment to the loan agreement between the Authority, as Lender, BlueCrest Alaska Operating LLC, as Borrower, and BlueCrest Alaska Oil & Gas LLC, BlueCrest Cosmopolitan, LLC, and BlueCrest Energy, Inc., is approved. The terms for the amendment are as is set out in Executive Director's memorandum presented to the Board with respect to this Resolution.

Section 2. The Executive Director is authorized to complete the negotiations with the Borrower regarding the draft amendment to the loan agreement. The Executive Director is authorized to execute on behalf of the Authority the final amendment to the loan agreement containing the same terms and conditions as presented in the memorandum furnished to the Board or with any non-material modifications to those terms and conditions that the Executive Director determines to be appropriate. Once the amendment is finalized and executed, the Executive Director is authorized to have the Authority perform its obligations under the Loan Agreement as amended.

Dated at Anchorage, Alaska, this 26th day of June 2019.




Secretary


Chair