

ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY

RESOLUTION NO. G20-02

RESOLUTION OF THE ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY APPROVING A MODIFICATION OF THE DEBT CARACOL PETROLEUM LLC OWES THE AUTHORITY, AND AUTHORIZING THE AUTHORITY TO LOAN ADDITIONAL FUNDING TO CARACOL PETROLEUM LLC, SUBJECT TO CERTAIN CONDITIONS, ALL IN SUPPORT OF THE MUSTANG OIL FIELD DEVELOPMENT PROJECT

WHEREAS, the Board of the Alaska Industrial Development and Export Authority (the “Authority”) previously approved participating in the Mustang Oil Field development with Brooks Range Petroleum Corporation (“BRPC”) as a development finance project under AS 44.88.172, with the Authority’s participation being through Mustang Road LLC (“MRLLC”) and Mustang Operations Center 1 LLC (“MOC1”);

WHEREAS, in Resolution No. G18-05, adopted May 31, 2018, the Board approved a restructuring of the Authority’s involvement in Mustang Oil Field project with the Authority selling its membership interests in MRLLC and MOC1 to Caracol Petroleum LLC (“Caracol”), an affiliate of BRPC, and the Authority providing financing to Caracol for its purchase of the membership interests in MRLLC and MOC1;

WHEREAS, consistent with Resolution No. G18-05, on May 24, 2019, the Authority closed on the transactions to restructure the Mustang Oil Field project and entered into a Loan Agreement and other ancillary agreements with Caracol, BRPC, and other parties;

WHEREAS, Caracol and BRPC encountered certain operational and cash flow difficulties in proceeding with the development of the Mustang Oil Field, although Caracol and BRPC were successful in achieving first oil production from the field;

WHEREAS, Caracol's difficulties have led it to not make the initial payment due the Authority under the Loan Agreement and to not satisfy other obligations owed to the Authority under the loan documents, and the Authority notified Caracol it was in default and the Authority accelerated the indebtedness Caracol owes under the Loan Agreement;

WHEREAS, Caracol has proposed modifying the debt it owes the Authority for the Mustang Oil Field project and the proposed modifications are intended to enable the injection of new capital into the Mustang Oil Field project from Caracol's parent entity, Alpha Energy Holdings Ltd., and this new capital in the minimum amount of \$60 million is intended to allow Caracol to resolve outstanding obligations and to pursue a drilling program that is expected to put the Mustang Oil Field on a path to achieving sustainable production;

WHEREAS, Caracol is also proposing to sell certain equipment and assets that are part of the loan collateral the Authority holds and Caracol desires to use the proceeds of the sales to pay for project costs;

WHEREAS, the Executive Director and staff of the Authority have negotiated with Caracol and prepared a term sheet for the proposed modifications to Caracol's debt owed to the Authority, and a summary copy of the term sheet is attached to this resolution;

WHEREAS, the proposed loan modifications will require the Authority, among other things, to cancel its notice of default, rescind the acceleration of Caracol's indebtedness, adjust the amount of Caracol's overall debt, change the interest rate on the debt, change the payment and amortization schedule for the debt, and re-advance to Caracol the proceeds received from the sales of the Authority's collateral, subject to the fulfillment of certain obligations by Caracol;

WHEREAS, the proposed loan modifications also will obligate the Authority, once new capital from Alpha is provided to the project and once other specified conditions precedent are satisfied, to loan up to an additional \$35 million for further development of the Mustang Oil Field;

WHEREAS, the Executive Director and staff of the Authority recommend that the Board approve proceeding with modifying Caracol's debt in accordance with the term sheet; and

WHEREAS, modifying Caracol's debt and providing up to an additional \$35 million for the Mustang Oil Field project will promote economic development and increased job opportunities on the North Slope, which are in furtherance of the Authority's statutory mission.

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

Section 1. The modifications to Caracol's debt, as outlined in the term sheet provided to the Board, are approved. The Executive Director is authorized and directed to finalize and sign on behalf of the Authority, an amendment to the Loan Agreement and amendments to other agreements as are necessary to implement the modifications of Caracol's debt. The loan amendment and the amendments to the other agreements shall be on the same terms and conditions as are stated in the term sheet presented to the Board, or with non-material modifications to those terms and conditions that the Executive Director determines to be appropriate.

Section 2. The proposed sales of the assets that the Authority holds as collateral for the Caracol debt, as contemplated under the term sheet, are approved. The Authority is authorized to re-advance to Caracol, either under the Promissory Note (Non-Capitalized Interest), dated May 24, 2019, or under the Senior Secured Loan to be created under the loan modifications, the sales proceeds that the Authority receives for the assets, with the re-advancement being for the purpose of paying Mustang Oil Field development costs.

Section 3. Subject to the finalization and execution of the loan modification agreements and to the fulfillment of the conditions stated therein, the Authority is authorized to loan up to an additional \$35 million to Caracol under the Senior Secured Loan for the Mustang Oil Field project. The funds for the additional loan shall come from the Economic Development Account of the Revolving Fund.

Section 4. The finance plan for the Mustang Oil Field project, as previously approved and amended by the Board, shall be deemed to be revised again to reflect the changed loan terms as are set out in the summary term sheet. Pursuant to AS 44.88.173, the finance plan for the project as so revised is approved.

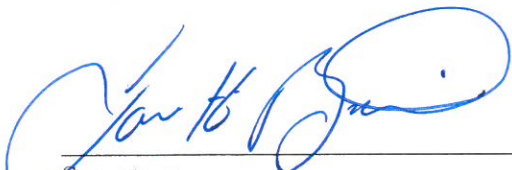
Section 5. The Executive Director is authorized and directed to sign all other documents and instruments, and to take such other actions, as may be necessary or convenient in implementing this resolution.

Dated at Anchorage, Alaska this 15th day of January 2020.

ALASKA INDUSTRIAL DEVELOPMENT
AND EXPORT AUTHORITY



Chair


Secretary