

INVESTING

IN ALASKANS



Alaska Industrial Development and
Export Authority

2010 ANNUAL REPORT



MISSION

Promote, develop and advance economic growth and diversification in Alaska by providing various means of financing and investment.

VISION

To actively partner with Alaskans as a dynamic resource in statewide economic development.

CONTENTS

- 2** Report To Alaskans
- 4** Governor's Letter
- 5** Loan Participation Program
- 7** Development Finance Program
- 14** Conduit Revenue Bond Program
- 19** Financial Highlights
- 20** Board Of Directors



REPORT TO ALASKANS

December 20, 2010

AIDEA has had a successful year in its role of promoting and advancing economic growth and diversification in Alaska. In FY 2010, AIDEA's programs created more than 460 construction jobs, and created or retained approximately 963 permanent jobs for Alaska's economy. Based on AIDEA's strong financial performance in FY 2010, AIDEA's Board declared a \$29.4 million dividend. This dividend is the highest ever declared to the state since AIDEA's dividend program began in 1996. Including this dividend declaration, AIDEA has provided the State of Alaska and its citizens with more than \$304 million to support much-needed programs, services and projects.

In FY 2010, AIDEA's Commercial Finance programs continued to provide Alaska businesses with access to long-term capital for financing new construction and expansion, and for restructuring debt. AIDEA's Commercial Finance programs funded more than \$38.9 million of loans. As a result of AIDEA's Loan Participation program, more than 4,915 permanent jobs and 3,360 construction jobs have been created or retained since FY 2002.

The Conduit Revenue Bond program continues to be a successful means by which AIDEA provides businesses and non-profits access to long-term, affordable capital. In FY 2010, the Authority issued \$29.1 million in conduit revenue bonds. Through this program, the Greater Fairbanks Community Hospital Foundation was able to issue tax-exempt bonds to assist in funding the new Harry & Sally Porter Heart Center. AIDEA is proud to have partnered with the Foundation to finance this state-of-the-art health care center for the Fairbanks area. The establishment of the Porter Heart Center created more than 43 permanent jobs, plus hundreds of construction jobs. Since the inception of our Conduit Revenue Bond program, AIDEA has issued more than \$1.1 billion in bonds and has funded 310 projects.

In FY 2010, AIDEA's Development Finance program continued to expand its project base. In our ongoing work to expand the Ketchikan Shipyard, AIDEA worked with the Alaska Department of Transportation and Public Facilities to bring about the transfer of 8.8 acres of adjacent land to the shipyard. This transfer will help AIDEA continue its \$77 million multi-year expansion of the shipyard. As a result of the work that has already been done, the shipyard is able to more efficiently build and move ships through its facility. AIDEA's shipyard expansion project enabled Alaska Ship and Drydock, Inc. to build the

state-of-the-art M/V Susitna, a ferry for the Matanuska-Susitna Borough. The Susitna was named one of the ten most significant vessels constructed by the US shipbuilding industry in 2010. AIDEA continued work on expanding its other infrastructure projects, such as Skagway Ore Terminal. AIDEA also expanded its efforts to acquire new economic development projects for the benefit of regional economies.

During these challenging yet exciting times, AIDEA continues to be a successful economic driver for our state as we work to advance Alaska's prosperity through our various financing and investment programs. Through the implementation of AIDEA's strategic plan, and legislative changes we sought in order to increase our effectiveness, AIDEA has improved its programs. We will continue to look for ways to make our programs more effective in the future, and we will continue to strive to ensure that Alaska businesses have access to long-term affordable capital.

On behalf of AIDEA's Board, management and staff, we thank Governor Parnell, Alaska's lawmakers and all Alaskans for their continued support of AIDEA and the vital role AIDEA plays in the economy of our great state.

TED LEONARD
CMA, SPHR
Executive Director



GOVERNOR'S LETTER

Dear Alaskans,

AIDEA has proven itself as one of the forces fueling Alaska's economic engine. The principles that have made AIDEA so effective include fostering positive public and private partnerships, creating jobs for Alaskans, and building the economic health and wellbeing of Alaska. AIDEA continually assesses the business climate and adapts to meet the changing needs of Alaska's business community.

AIDEA began implementing its long-term strategic plan and successfully sought legislative changes to its authorizing statutes in order to better partner with Alaska in growing our economy. These changes make AIDEA a more effective and efficient partner in financing Alaska's economic opportunities.

I wish to thank the AIDEA Board, management, and staff for their dedicated efforts in facilitating growth and economic diversification. With these good people and a host of new tools AIDEA will continue being a positive contributor to Alaska's future.



Best regards,

Governor Sean Parnell

LOAN PARTICIPATION PROGRAM

This program provides permanent financing, both taxable and tax-exempt, to borrowers through a qualified originator for the purpose of developing, acquiring or enhancing Alaska business enterprises. The Loan Participation Program provides the benefit of long-term fixed or variable rate financing on the portion of the loan purchased by AIDEA. AIDEA does not originate loans, but is able to purchase up to 90 percent of a commercial loan to a maximum of \$20 million, that is sponsored and originated by an eligible financial institution.

In most cases the interest rate on the AIDEA portion of the loan is slightly lower than the rate on the bank's portion. The term of the AIDEA portion of the loan can also exceed the term of the bank portion. This can potentially result in lower scheduled payments for the borrower. The project being financed must be in Alaska.

Significant legislation was passed this year to ensure the program meets the needs of Alaska's business community. First, AIDEA changed the mechanism by which it establishes its minimum interest rates based upon the greater of either the rates achieved by a type or category of financial security in a published, market index; or the five year rate of return the Authority achieved on investment funds. Both of these mechanisms would tie AIDEA's rates to the current cost of money.

Second, new legislation allows AIDEA to establish economic criteria that would be used to define when an economic incentive rebate may be issued. The amount of the incentive rebate would be up to 100 basis points (1 percent) of the interest rate charged on the Authority's portion of the principal of the loan during the first five years of the loan participation.

- \$37,802,598 Funded in FY 2010
- Creating and Retaining More Than 195 Jobs
- \$8,513,000 Committed but not Funded in FY 2010
- AIDEA's outstanding revolving fund loan portfolio consists of 251 loans with an outstanding principal balance of approximately \$377.7 million

Harbor Holding, LLC

AIDEA participated with Wells Fargo Bank in a \$1,706,000 business loan to Harbor Holding, LLC, a real estate holding company. The loan proceeds were used to refinance a remodel to Chinook's Restaurant, the acquisition of Harbor Plaza retail center and the purchase of an undeveloped city lot. Both Chinook's Restaurant and Harbor Plaza are landmark properties located in the harbor area of Seward adjacent to several restaurants, retail outlets and tourist destination points.



Chinook's Restaurant is one of Seward's premier restaurants, featuring a full lunch and dinner menu, including seafood, steaks, pastas and a full-service bar. The restaurant has been operating seasonally since 1995 and in 2005 underwent an extensive remodel which added 4,000 square feet to the restaurant, doubling its size. The restaurant employs 35 part-time and full-time employees.

Harbor Plaza contains a net rentable area of 7,890 SF and features retail, restaurants, offices and storage space with an apartment for the property manager on the second floor.

Airport Park, LLC

In July 2010, AIDEA participated at 90 percent with Mt. McKinley Bank in a \$2,500,000 business loan to Airport Park, LLC to own and operate a newly developed class B+ professional office building located in Fairbanks. Construction of the 9,169 SF, four unit office building began in 2006 and was recently completed with the addition of a 1,000 SF garage.



One business professional suggested that this may be the nicest single-floor office structure in Fairbanks. It features a nice common area entrance with "back door" exits in each unit. Heat is provided by natural gas hot water boiler and in addition, the garage is heated with an under floor heating system. The air-to-air exchange system and large parking lot also separate this building from the competition.

A significant advantage of this facility is its location off Airport Way and its close proximity to Fairbanks Memorial Hospital. The building is fully occupied and tenants include the FBI, a sleep clinic, a dental practice and a commercial real estate business.

This project has created seven full-time and three part-time positions.

DEVELOPMENT FINANCE PROGRAM

AIDEA assists Alaska business through its ability to develop, own and operate facilities within the state, with the purpose of advancing the prosperity of a region. Manufacturing facilities, roads, ports, airports, infrastructure for tourism destination facilities or other public use facilities essential for regional economic well-being are considered eligible projects. The project and its development must be economically advantageous to the state and public welfare, must contribute to economic growth, and be economically and financially able to produce revenue to repay the amount financed.

DEVELOPMENT FINANCE PROJECTS

➤ Creating and Retaining More Than 735 Jobs

Ketchikan Shipyard

Owned by AIDEA, operated by Alaska Ship & Drydock, the Shipyard is a center of economic activity in Ketchikan. The Shipyard builds and services all types of vessels with a primary focus on vessels operating in Alaska waters. Ketchikan Shipyard also serves as the primary maintenance facility for the Alaska Marine Highway System.

Ketchikan Shipyard is in the midst of a multi-year, \$77 million expansion. When this development is complete, the Shipyard will simultaneously be able to build or service multiple vessels at two dry docks and three on-shore work berths. With these expanded capabilities, a year-round workforce will be required.

A christening ceremony for the M/V Susitna was held in June 2010. This vessel has an ice strengthened, twin hull design, and is capable of operating in both high seas and shallow waters. The vessel will provide performance feedback to the Office of Naval Research while operating as a ferry for the Mat-Su Borough.

AIDEA has worked with the Department of Transportation & Public Facilities to transfer 8.8 acres of adjacent land known as South Berth to the Ketchikan Shipyard, which will allow the shipyard to expand and increase its capacity.



Skagway Ore Terminal

AIDEA purchased the Skagway Ore Terminal in 1990 to promote year-round economic activity in Skagway. The terminal is used to receive, store and ship mineral concentrates. Skagway Ore Terminal currently leases 40,000 square feet of concentrate storage capacity to Capstone Mining Corp. The terminal has an additional 60,000 square feet of concentrate storage space.

The Municipality of Skagway released its Port Development Plan in late 2008. The Municipality and AIDEA have applied for federal funding to help realize the plan and will continue to work together in the future.

Capstone Mining Corp. ships approximately 10 million pounds of high-grade copper-gold concentrates through the terminal each quarter. Skagway Ore Terminal serves as a great example of what can be done to get a non-performing asset back in operation, produce employment for Alaskans and generate a return on the AIDEA investment.

AIDEA has played a very active role in the Municipality of Skagway's efforts to expand its port infrastructure and facilities.

AIDEA has been developing plans to expand the ore terminal in response to requests by large mining concerns in the Yukon regarding use of the facility for concentrate storage and shipping.



Federal Express Aircraft Maintenance Facility

AIDEA constructed and owns the FedEx hangar to support FedEx operations at Ted Stevens Anchorage International Airport and to strengthen Alaska's role as an international air crossroads.



This landmark facility can accommodate a Boeing 747 as well as other wide-body aircraft. The hangar is supported by an adjacent fire suppression pump house and water storage facility.

AIDEA is proud to be part of the major FedEx hub at Ted Stevens Anchorage International Airport. AIDEA continues its work with Airport management and Municipality of Anchorage officials in efforts to expand airport cargo capacity and attract new cargo business.

Snettisham Hydroelectric Facility

AIDEA owns the Snettisham Hydroelectric Project, located in a rugged area 28 air miles southeast of Juneau. Snettisham is a 78 MW hydroelectric project that provides most of the Juneau area's electrical energy.

Alaska Electric Light & Power has undertaken measures to reduce the risk of avalanche impact to the Snettisham transmission line. A tower location that sustained damage from unprecedented, massive avalanche activity in the last two years has been bypassed and a large avalanche diverter has been installed to protect a key tower. Additionally, avalanche forecasting for the transmission line route in conjunction with avalanche control operations along the line are now provided regularly. Options to protect other less threatened towers are being investigated.





DeLong Mountain Transportation System

The Red Dog mining district contains one of the world's most significant zinc deposits. AIDEA owns the DeLong Mountain Transportation System that connects the Mine to the Port Site located 52 miles away on the Chukchi Sea. This key infrastructure component enabled Teck, the operator, to develop the Red Dog Mine and provide significant economic activity to the region.

In 2009, more than 550 people—employed by Teck at the Mine and Port Site—produced and shipped nearly 1.4 million tons of Red Dog Mine concentrate. Sixty percent of these employees are NANA shareholders. Total wages earned at the Mine equaled \$52 million in 2009.

The opportunity for a sustainable future is present with the Aqqaluk Deposit, a rich ore deposit that will produce 20 more years of operating life for the Red Dog Mine and continuing jobs for the region. Work to open the deposit commenced in 2010.

In 2009, NANA received \$43 million in royalty payments from Teck. Royalty payments from Teck to NANA since the inception of the mine have totaled \$428,567,020. These funds are shared with other native corporations in accordance with Alaska Native Claims Settlement Act (ANCSA) 7(i). Additionally, NANA Joint Venture companies received \$110 million in payments from Teck. AIDEA is proud of its role in helping to bring this world-class mine to Northwest Alaska and the resulting economic opportunity to the people of the region and the state.

BUSINESS AND **E**XPORT **A**SSISTANCE **P**ROGRAM

AIDEA provides loan guarantees through its Business and Export Assistance Program. The Loan Guarantee Program is designed to assist small to medium-sized Alaska businesses. AIDEA's support can make project financing of working capital, inventory and other assets possible for those borrowers who might not otherwise obtain commercial financing.

Guarantees are available to eligible Alaska businesses for real property, tangible personal property, working capital and export transactions. AIDEA is authorized to guarantee up to 80 percent of a loan, to a maximum of \$1 million. Loans must be originated by an eligible financial institution. The guarantee extends to the principal balance, accrued interest and liquidation expenses. AIDEA assistance allows unsecured loans up to \$100,000 for qualified borrowers and projects.

Through AIDEA, small and medium enterprises (SMEs) have access to the U.S. Export-Import Bank (Ex-Im Bank). The Ex-Im Bank has a partnership with AIDEA that helps Alaska SMEs make greater use of Ex-Im Bank's financing programs. The programs include working capital guarantees, export credit insurance, medium and long-term guarantees and direct loans to foreign buyers.

Loan Participations Diversification By Geographic Region

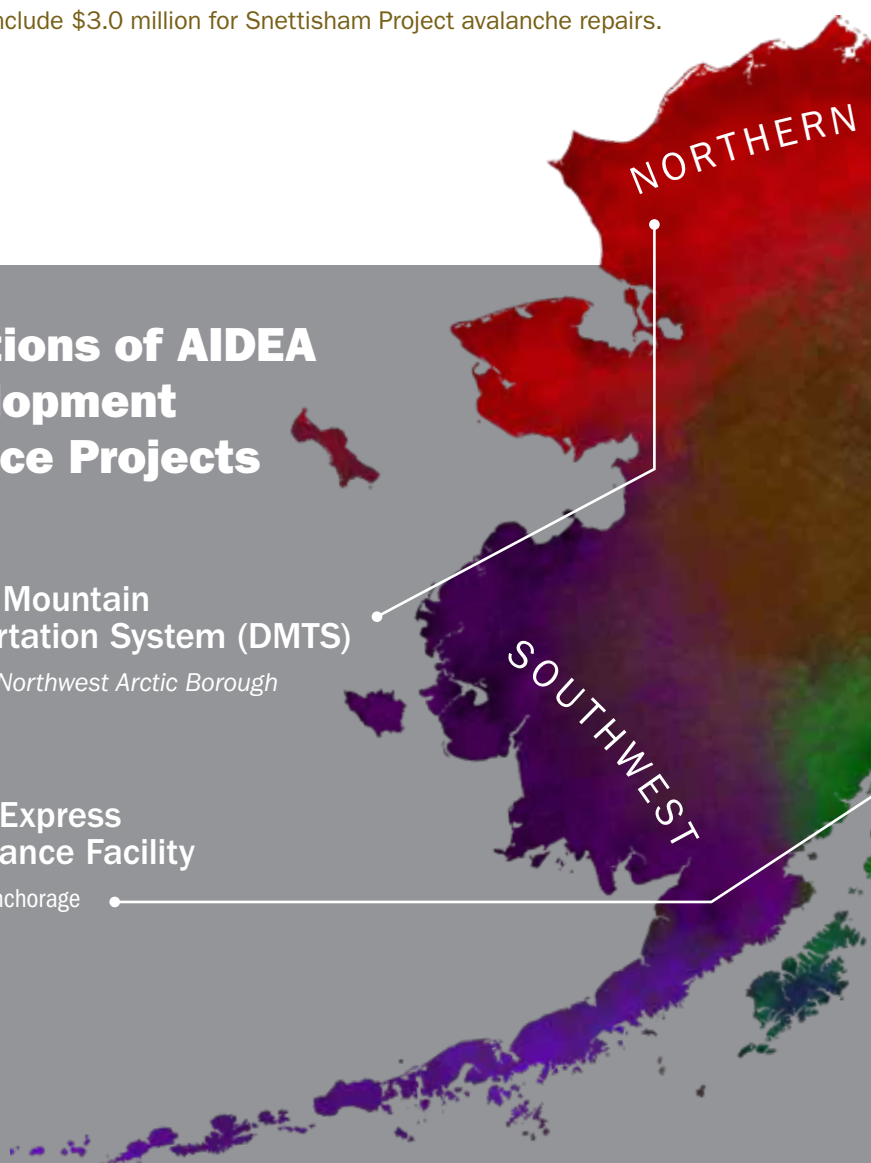
TERRITORY	# LOANS	% OF LOANS	BALANCE	% OF DOLLARS
ANCHORAGE	136	55%	\$220,024,242	59%
GULFCOAST	24	10%	24,886,309	7%
INTERIOR	11	4%	28,431,552	7%
MAT-SU	25	10%	22,391,739	6%
NORTHERN	3	1%	5,757,220	1%
SOUTHEAST	42	17%	70,843,097	19%
SOUTHWEST	8	3%	2,288,876	1%
	249	100%	\$374,623,036 *	100%

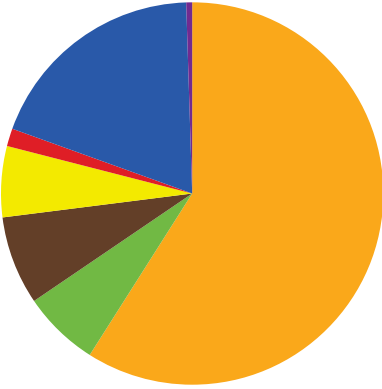
*Does not include \$3.0 million for Snettisham Project avalanche repairs.

Locations of AIDEA Development Finance Projects

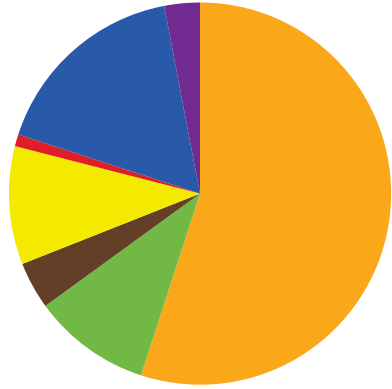
DeLong Mountain
Transportation System (DMTS)
LOCATION: Northwest Arctic Borough

Federal Express
Maintenance Facility
LOCATION: Anchorage

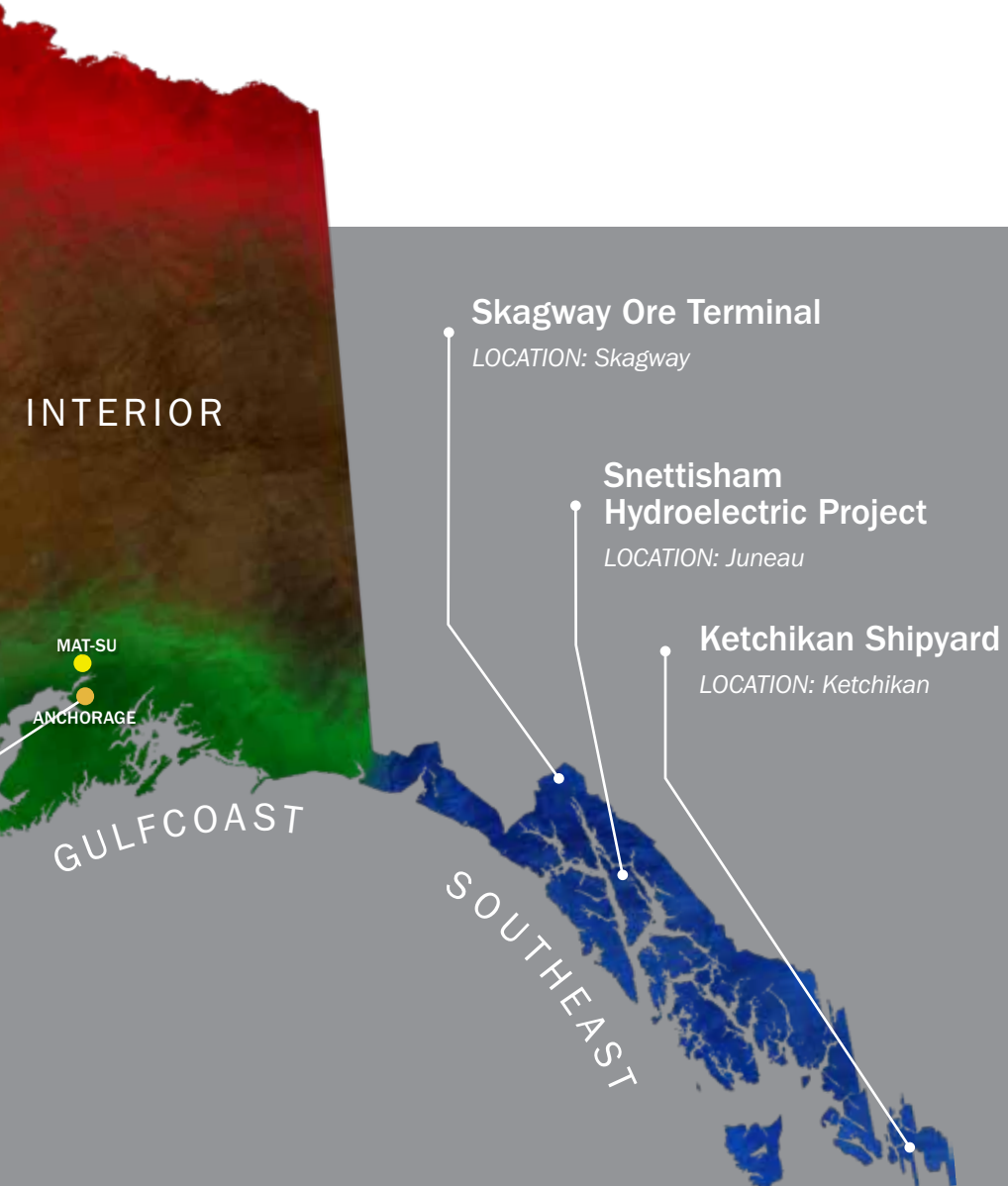




Percent of Loans
By Geographic Region



Percent of Dollars
By Geographic Region





CONDUIT REVENUE BOND PROGRAM

AIDEA acts as a conduit for the issuance of tax-exempt and taxable revenue bonds. A business enterprise or non-profit corporation may apply for the issuance of bonds under the conduit program. If the project qualifies for tax-exempt financing, AIDEA's Board generally would adopt an eligibility resolution to ensure the maximum amount of expenditures are eligible for financing. Neither AIDEA's assets nor credit are at risk under this program. The creditworthiness of the project, borrower strength and any credit enhancements are essential to the underwriting and placement of conduit revenue bonds.

- \$29.1 Million Issued in FY 2010
- 310 Projects Funded and More Than \$1.1 Billion Issued Since Program Inception

For more information on AIDEA's financing programs, please visit www.aidea.org/programs.html

The Harry & Sally Porter Heart Center Fairbanks Memorial Hospital Fairbanks, AK

Not long ago, the “Golden Heart City” wasn’t quite as golden. Prior to 2007, Fairbanks residents with heart-related problems had to leave town for treatments, which meant leaving their homes and emotional support structures behind. In 2007, Fairbanks Memorial Hospital opened the Cardiac Clinic, providing the first care of its kind in the interior. Later that same year, the Catheterization Lab opened allowing patients to receive life saving procedures without being sent to Anchorage or the Lower 48.



The Harry & Sally Porter Heart Center opened its doors in May 2010, bringing all cardiology services (cardiology clinic, heart catheterization lab and cardiac rehabilitation) under one roof. The new facility has three cardiologists, a conference room where doctors can discuss cases with colleagues anywhere in the world, a rehab center and state-of-the-art technology. Almost 8,500 patients have been seen since the beginning of the program. In addition to the hundreds of construction jobs developed to build the Heart Center, 43 permanent Fairbanks jobs were created.

The new Harry & Sally Porter Heart Center was truly a team effort. Local doctors, the Greater Fairbanks Community Hospital Foundation, hospital administration and the Fairbanks community collaborated to make the Heart Center a reality. The Heart Center is named after longtime Fairbanks residents Harry and Sally Porter. Harry Porter helped found the Hospital Foundation and raise the money needed to build the Hospital in 1972. He has since served as a volunteer board member and is now a trustee emeritus of the Hospital Foundation Board.

In addition to the strong community support, the Porter Heart Center would like to thank AIDEA for their partnership on this project. AIDEA issued more than \$12 million in tax-exempt bonds on the Heart Center’s behalf, an important part of the project’s financing package.

The Porter Heart Center saves lives virtually everyday. Patients still have to travel for a limited number of heart-related treatments, such as coronary bypass surgery, but thanks to the Porter Heart Center, 90 percent of the care heart patients need is now available in Fairbanks.



AIDEA Loan Programs administered by the State of Alaska Department of Commerce, Community and Economic Development, Division of Economic Development:

RURAL DEVELOPMENT INITIATIVE FUND (RDIF)

The goal of AIDEA's RDIF Loan Program is to provide long-term private sector employment by financing business start-up and expansion in communities with a population of 5,000 or less and not connected by road or rail to Anchorage or Fairbanks, or 2,000 or less connected by road or rail.

RDIF loans may be made for working capital, equipment, construction or other commercial purposes, and must result in the creation of new jobs or the retention of existing jobs in the eligible community. The maximum loan amount is \$150,000 to a person or up to \$300,000 to two or more people for a maximum term of 25 years, and a rate of 1 percent below prime.

- 2 New Loans
- \$84,000 Funded in FY 2010
- Creating and Retaining 7 Jobs
- 61 Total Loans Since Inception
- \$6,927,146 Funded and 465 Jobs Created and Retained

For more information on the RDIF Loan Program , please see www.commerce.state.ak.us/investments/rdif.cfm

SMALL BUSINESS ECONOMIC DEVELOPMENT PROGRAM (SBEDP)

The goal of this program is to provide long-term private sector employment by financing business start-up and expansion for companies that are a small business as defined by the Small Business Administration. Applicants are required to match loan funds with cash or other private financing.

SBEDP loans must result in the creation of new jobs or the retention of existing jobs in eligible areas. The maximum loan amount is \$300,000 for a maximum term of 20 years on fixed asset loans and five years for working capital loans; the loan amount may not exceed 90 percent of the collateral value. The interest rate is fixed.

- 9 New Loans
- \$1,097,510 Funded in FY 2010
- Creating and Retaining 31 Jobs
- 119 Total Loans Since Inception
- \$14,202,102 Funded and 1,014 Jobs Created and Retained

For more information on the Small Business Economic Development Program, please see www.commerce.state.ak.us/investments/sbed.cfml.

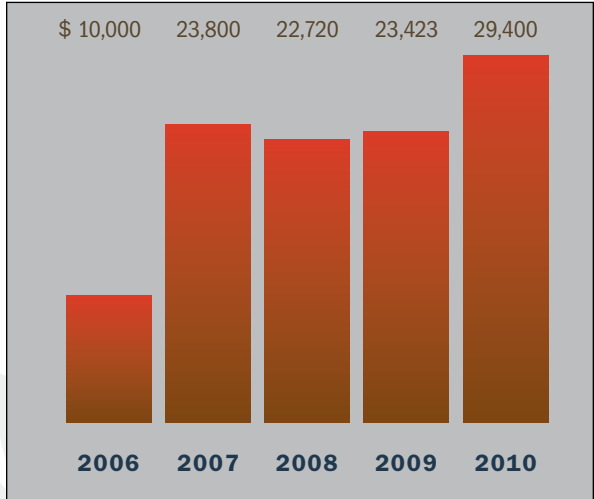


AIDEA

DIVIDEND HISTORY BY YEAR DECLARED

(in thousands)

CALENDAR YEAR

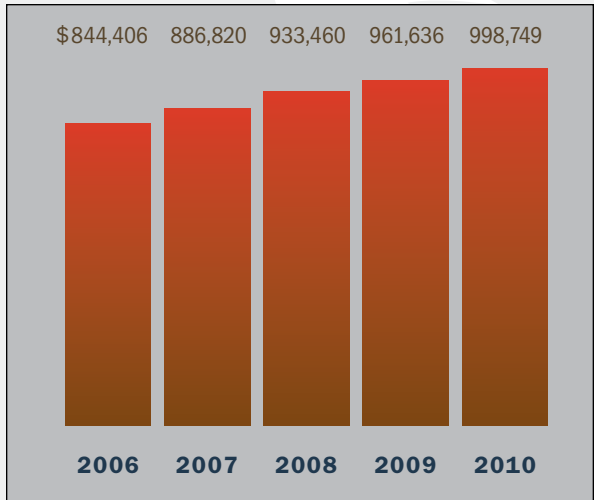


AIDEA REVOLVING FUND

NET ASSETS

(in thousands)

FISCAL YEAR

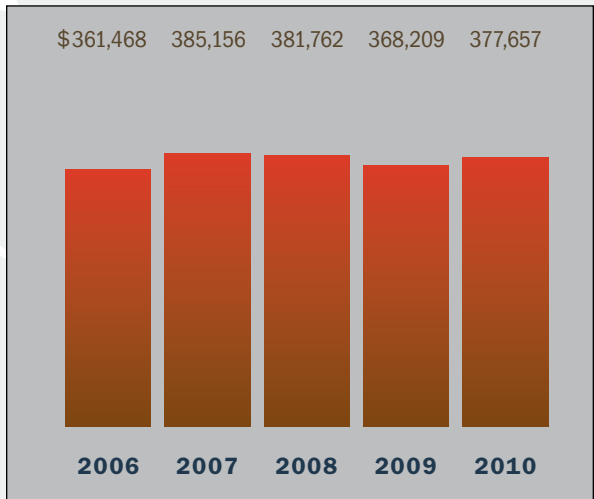


AIDEA REVOLVING FUND

TOTAL LOANS

(in thousands)

FISCAL YEAR



Alaska Industrial Development and Export Authority

REVOLVING FUND UNAUDITED FINANCIAL HIGHLIGHTS (in thousands)

BALANCE SHEET

	2010	2009
Assets:		
Investment securities and cash	\$ 402,724	362,364
Loans, net	369,343	359,840
Development projects	326,145	343,651
Other assets	13,623	14,503
Snettisham Project assets	87,333	90,161
<i>Total assets</i>	<u>1,199,168</u>	<u>1,170,519</u>
 <i>Liabilities and net assets:</i>		
Liabilities		
Revolving fund bonds	95,215	111,220
Other liabilities	17,871	7,502
Snettisham Project liabilities	87,333	90,161
<i>Total liabilities</i>	<u>200,419</u>	<u>208,883</u>
Net assets	<u>998,749</u>	<u>961,636</u>
<i>Total liabilities and net assets</i>	<u>\$1,199,168</u>	<u>1,170,519</u>

REVENUES, EXPENSES AND CHANGES IN NET ASSETS

	2010	2009
Operating revenues:		
Interest on loans	\$ 22,418	23,545
Interest on direct financing leases	16,356	16,863
Investment interest	15,342	15,462
Net increase in fair value of investments	16,558	2,047
Other income	6,978	6,651
Snettisham Project restricted income	4,293	4,369
<i>Total operating revenues</i>	<u>81,945</u>	<u>68,937</u>
Operating expenses:		
Interest	2,787	3,715
General and administrative	10,910	10,063
Provision for loan losses	(166)	(360)
Depreciation	3,023	2,353
Other project expenses	2,665	2,926
Snettisham Project interest expense	4,293	4,369
<i>Total operating expenses</i>	<u>23,512</u>	<u>23,066</u>
<i>Operating income</i>	<u>58,433</u>	<u>45,871</u>
<i>Other revenues, net</i>	<u>1,400</u>	<u>4,996</u>
<i>Dividend to State of Alaska</i>	<u>(22,720)</u>	<u>(23,800)</u>
<i>Extraordinary item-NPO/OPEB write-off</i>	<u>-</u>	<u>1,109</u>
<i>Increase in net assets</i>	<u>\$ 37,113</u>	<u>28,176</u>

Board of Directors*

Pictured from top, left to right.

Leo von Scheben

Commissioner, Department of Transportation and Public Facilities, State of Alaska

Emil Notti

Commissioner, Department of Commerce, Community and Economic Development, State of Alaska

John R. Winther, Vice Chairman

CEO, Prowler Fisheries

Michael T. Felix

President, AT&T Alascom

Patrick Galvin, Chairman

Commissioner, Department of Revenue, State of Alaska



* As of June 30, 2010

AIDEA Management Team



Ted Leonard, CMA, SPHR
Executive Director



Chris Anderson
Deputy Director–
Credit



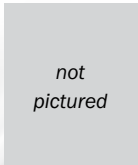
Sara Fisher-Goad
Deputy Director–
Operations



Mike Harper
Deputy Director–
Rural Energy



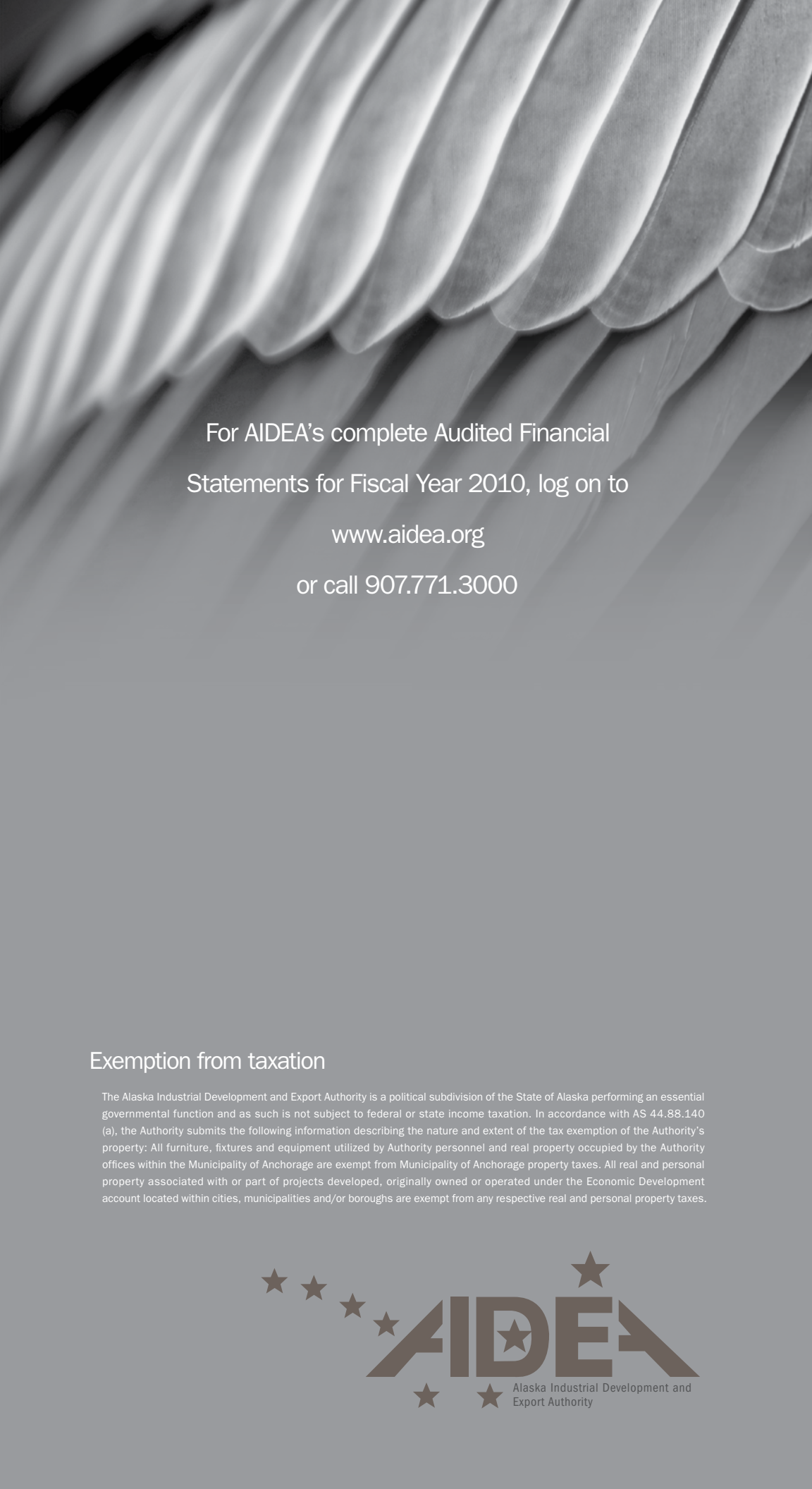
James Hemsath, PE, PMP
Deputy Director–
Business Development



Valorie Walker
Deputy Director–
Finance



Karsten Rodvik
Project Manager–
External Affairs



For AIDEA's complete Audited Financial
Statements for Fiscal Year 2010, log on to

www.aidea.org

or call 907.771.3000

Exemption from taxation

The Alaska Industrial Development and Export Authority is a political subdivision of the State of Alaska performing an essential governmental function and as such is not subject to federal or state income taxation. In accordance with AS 44.88.140 (a), the Authority submits the following information describing the nature and extent of the tax exemption of the Authority's property: All furniture, fixtures and equipment utilized by Authority personnel and real property occupied by the Authority offices within the Municipality of Anchorage are exempt from Municipality of Anchorage property taxes. All real and personal property associated with or part of projects developed, originally owned or operated under the Economic Development account located within cities, municipalities and/or boroughs are exempt from any respective real and personal property taxes.





We
are
Alaska's
Development
Finance
Authority

