



2011 ANNUAL REPORT

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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.

\$20.4

MILLION
DIVIDEND
DECLARED

37

LOAN
PARTICIPATIONS

\$117,021,907

AIDEA PORTION OF LOAN
PARTICIPATIONS

CONSTRUCTION
JOBS CREATED

925

2011 ORGANIZATIONAL HIGHLIGHTS

\$27,032,965

RECOVERY ZONE
FACILITY BOND
ISSUANCES

\$1.03

BILLION

NET ASSETS

1,330

PERMANENT JOBS
CREATED/RETAINED

3.5:1

DEBT TO
CASH RATIO

REPORT TO ALASKANS

December 23, 2011

During these challenging economic times, AIDEA continues to be a successful economic driver for our state. In Fiscal Year 2011, AIDEA's programs created more than 925 construction jobs, and created or retained approximately 1,330 permanent jobs for Alaska's economy. AIDEA's work to advance Alaska's prosperity and promote job growth through our various partnerships, and through our financing and investment programs, continues to deliver positive results.

Based on AIDEA's strong financial performance, AIDEA increased its net assets by \$27.2 million in FY 2011 after paying the State of Alaska a dividend of \$23.4 million. As a result of the Authority's strong performance in FY 2011, AIDEA's Board declared a \$20.4 million dividend for FY 2013. Including this dividend declaration, AIDEA has provided the State of Alaska and its citizens with more than \$324 million in dividends to support much-needed programs, services and projects.

AIDEA's Commercial Finance programs in partnership with local banks continue to provide Alaska businesses with access to long-term capital for financing new construction and expansion during this tight credit market environment. AIDEA's Commercial Finance programs had a record year in funding loan participations. In FY 2011, AIDEA funded more than \$117 million of loans and committed funding for an additional \$19.3 million. As a result of AIDEA's Loan Participation Program, more than 6,000 permanent jobs and 4,285

construction jobs have been created or retained since FY 2002.

The Conduit Revenue Bond program continued to be a successful means by which AIDEA provides businesses and nonprofits access to long-term, affordable capital. During FY 2011, the Authority partnered with municipalities and local banks to issue four recovery zone bonds to fund projects under the American Recovery and Reinvestment Act (ARRA). These tax-exempt bonds will save businesses millions of dollars in interest. The new projects funded with these bonds created more than 200 construction jobs and 155 permanent jobs. So far in FY 2012, AIDEA has partnered with Providence Health & Services to issue \$122.7 million of bonds for a project that will create 85 new permanent positions and generate an estimated 403 construction jobs. Since the inception of the Conduit Revenue Bond Program, AIDEA has issued more than \$1.1 billion in bonds and has funded 314 projects.

AIDEA's Development Finance Program continued its active role in supporting economic diversity and job creation for Alaskans. A major highlight in FY 2011 is AIDEA's work with the private sector to accelerate oil and gas exploration and development in Cook Inlet. Through these efforts, AIDEA entered into a partnership to purchase a world class jack-up drilling rig that will be moved to Cook Inlet in April 2012 to begin exploration drilling. Even as AIDEA looks to fund new development projects, the Authority continues to expand its current infrastructure projects such as Ketchikan Shipyard and Skagway Ore Terminal. AIDEA is in the midst of a \$77 million dollar shipyard expansion, and the Legislature in 2011 authorized AIDEA to issue up to \$65 million in bonds for expansion of the ore terminal. These projects will generate millions of dollars

in economic activity, and new permanent jobs for Ketchikan and Skagway.

During the 2011 legislative session, AIDEA worked with the Administration and the Legislature to strengthen and expand the Authority's ability to create vibrant Public-Private Partnerships. As a result, AIDEA has new investment tools that will allow AIDEA to have an even greater and more effective role in funding needed infrastructure, such as industrial roads and ports, for development of Alaska's natural resources.

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.



HUGH SHORT
*AIDEA Board
Chairman*



TED LEONARD
*CMA, SPHR
Executive Director*

GOVERNOR'S LETTER

Dear Fellow Alaskans,

The Alaska Industrial Development and Export Authority (AIDEA) plays a strong role in building Alaska's economy of the future. AIDEA's long term investments in the private sector on behalf of the State have leveraged private funds to build reliable partnerships in financing critical business ventures across Alaska. Although these partnerships have served as a solid foundation for past success, marketplace and business needs are ever changing.

Recognizing this, AIDEA sought and received important legislative changes in 2011 to help better serve their clientele to meet the changing demands of the marketplace with new and innovative financing programs and mechanisms. I appreciate the dedication and efforts of the AIDEA Board, management, and staff as they work to promote economic growth and diversification, infrastructure improvements, and sustainable communities through visionary approaches to financing. Together, we are laying the groundwork for a strong and vibrant future for all Alaskans.



Photo Credit: Jeff Schultz
AlaskaStock.com

Best Regards,

Sean Parnell
Governor

LOAN PARTICIPATIONS AND BONDS ISSUED IN FY 2011

Project	Total Project Cost (\$)	Financing Type	Location
Refinance Office Building	24,000,000	Loan Participation	Anchorage
Purchase Office Building	1,800,000	Loan Participation	Anchorage
Purchase Office Building	780,000	Loan Participation	Anchorage
Purchase Office Building	3,631,599	Loan Participation	Anchorage
Hotel	6,000,000	Loan Participation	Anchorage
Furniture Store	8,370,000	Loan Participation	Anchorage
Office Warehouse	681,000	Loan Participation	Anchorage
Retail Strip Mall	4,000,000	Loan Participation	Anchorage
Refinance	2,635,500	Loan Participation	Anchorage
Equipment Financing	1,975,004	Loan Participation	Anchorage
Warehouse	980,000	Loan Participation	Anchorage
Warehouse	2,366,250	Loan Participation	Anchorage
Office/Warehouse Construction	3,000,000	Loan Participation	Anchorage
Refinance	800,000	Loan Participation	Anchorage
Car Wash	3,000,000	Loan Participation	Anchorage
Indoor Archery Range	243,750	Loan Participation	Anchorage
Retail	600,000	Loan Participation	Anchorage
Refinance	1,365,000	Loan Participation	Anchorage
Office Building	1,850,000	Loan Participation	Anchorage
Self Storage Facility	8,825,000	Loan Participation	Anchorage
Credit Union	976,277	Loan Participation	Anchorage
Car Wash	953,316	Loan Participation	Eagle River
Medical Offices	14,460,465	Recovery Zone Facility Bond	Fairbanks
Veterinarian Clinic	3,000,000	Recovery Zone Facility Bond	Fairbanks
Eye Clinic	1,000,000	Recovery Zone Facility Bond	Fairbanks
Refinance	2,395,000	Loan Participation	Fairbanks
Mixed Use Office Building	2,700,000	Loan Participation	Juneau
Commercial Remodel	3,139,750	Loan Participation	Kenai
Commercial Building	1,412,250	Loan Participation	Kenai
Wastewater Facility	11,987,454	Loan Participation	Mat-Su
Equipment Financing	2,280,612	Loan Participation	North Slope
Commercial Retail Building	252,000	Loan Participation	Palmer
Fleet Expansion	22,650,000	Loan Participation	Sitka
Grocery Store & Gas Station	3,270,000	Loan Participation	Sitka
Refinance	835,887	Loan Participation	Soldotna
Multiplex Cinema	8,572,500	Recovery Zone Facility Bond	Wasilla
Gymnastics Studio	715,000	Loan Participation	Wasilla
Refinance	2,500,000	Loan Participation	Wasilla
Eye Clinic	1,784,000	Loan Participation	Wasilla
Commercial Business Condo	1,031,250	Loan Participation	Wasilla
Commercial Business Condo	1,350,000	Loan Participation	Wasilla

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.

IN FISCAL YEAR 2011

CREATED AND RETAINED

\$19,327,750

COMMITTED BUT
NOT FUNDED

MORE THAN

1,085

JOBS

\$117,021,907

FUNDED

AIDEA's outstanding revolving fund loan portfolio consists of 301 loans with an outstanding principal balance of approximately \$480.7 million.



ALLEN MARINE

Allen Marine is a family owned business recognized as the largest and most successful marine tour operator in Southeast Alaska. They have been cruising the waters of the Inside Passage for more than 40 years and currently operate vessels from the ports of Sitka, Juneau, Ketchikan, Hoonah and Glacier Bay.

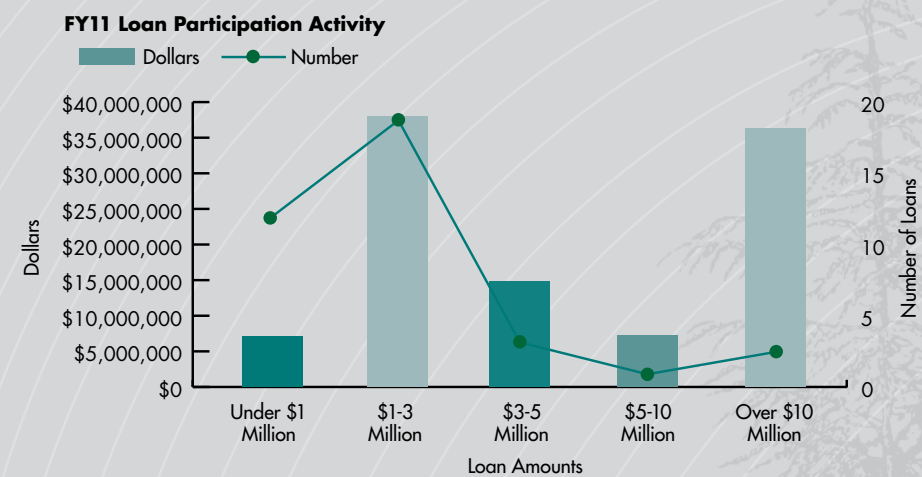
Many of the vessels operated were custom built in their own shipyard in Sitka and most of the fleet is made up of high-performance, water jet-powered catamarans. The manufacturing capabilities have been engaged by a variety of clients for whom Allen Marine has designed and produced all manner of aluminum work boats, including freight, crew and research vessels.

Their newest venture, Alaskan Dream Cruises, offers the first Alaskan owned overnight cruising line featuring three, six, eight and 11 day itineraries exploring Southeast Alaska including Glacier Bay National Park.

In April 2011, Allen Marine was approved a \$23 million participation loan with AIDEA providing 70 percent support in addition to Wells Fargo Bank's 30 percent support. Through the AIDEA and Wells Fargo partnership, Allen Marine was able to restructure long term and short term debt, provide startup capital for Alaskan Dream Cruises and create 12 construction, four permanent and 40 seasonal positions in Alaska.

"We here at Allen Marine are pleased to have been given this loan opportunity not only to assist our family business, but help our Allen Marine employee "family" grow as well."

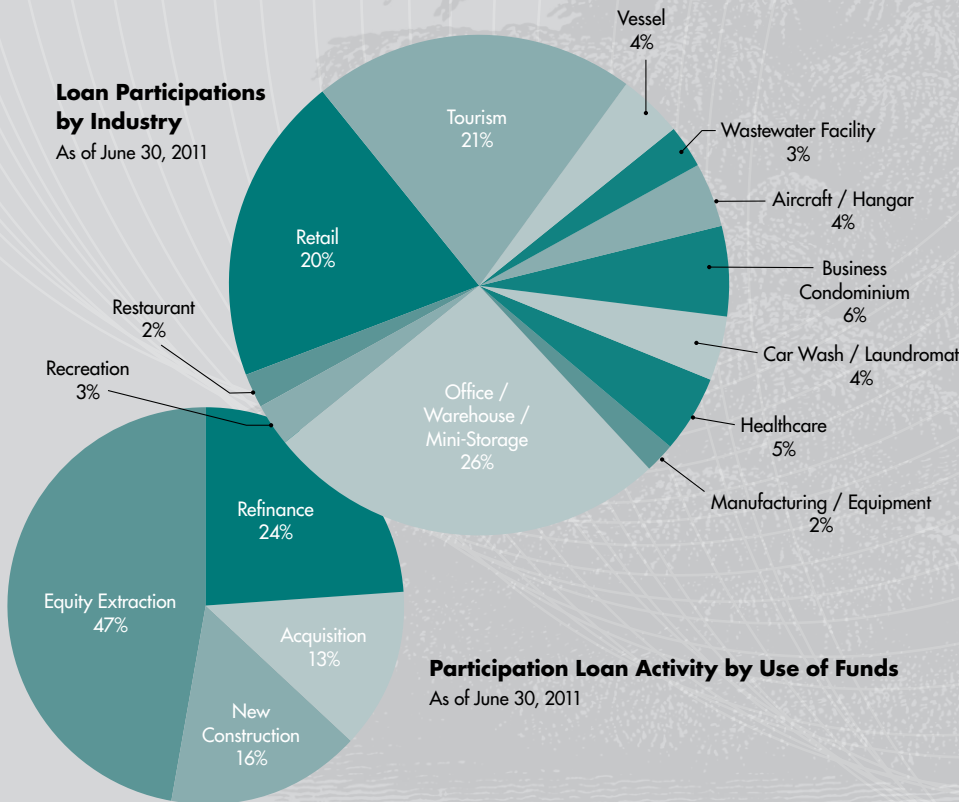
-Vice President Jamey Cagle



Loan Participations
Diversification by Geographic Region
As of June 30, 2011

Region	# Loans	% of Loans	Balance (\$)	% of Dollars
Anchorage	140	54.5	240,605,179	55.5
Southeast	44	17.1	87,988,984	20.3
Mat-Su	32	12.5	39,930,684	9.2
Interior	9	3.5	28,743,035	6.6
Gulfoast	25	9.6	27,512,954	6.4
Northern	4	1.6	7,228,511	1.7
Southwest	3	1.2	1,136,285	0.3
	257	100.0%	\$433,145,632	100.0%

Does not include Snettisham avalanche repairs, loans appropriated by the legislature, purchased Power Project Fund loans and OREO sale financings.



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.

In FY 2011 significant legislation was passed that provided AIDEA with new tools for the Development Finance Program providing greater flexibility to facilitate private sector investment and in-state resource development, thereby further leveraging AIDEA's efforts in economic development and job creation.

SPECIFICALLY THESE CHANGES:

- Expand the definition of development projects to include projects that are associated with transportation, community public purposes, communications, research, technical innovations and prototype commercial applications.
- Further expand the definition to include federal facilities such as the US military, Coast Guard and National Guard allowing AIDEA to support the continued presence and expansion of federal operations (including military) in Alaska.
- Allow Development Finance to be part of corporations or LLC's for the purpose of owning all or a portion of a project. This will provide new ways to participate in economic development as well as limiting the Authority's liability while protecting its assets and creditworthiness.

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, including a new fabrication and assembly facility that will allow work to take place inside out of the weather, a year-round workforce will be required.



SKAGWAY ORE TERMINAL

AIDEA purchased the Skagway Ore Terminal in 1990 to promote year-round economic activity in Skagway, Alaska. 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.

In FY11 the Legislature authorized AIDEA to issue bonds, up to \$65 million, to finance the expansion, modification, improvement and upgrading of the terminal. This project will be completed in collaboration with the Municipality of Skagway and the state. Additional partners in this project include the Selwyn Chihong mine and will serve as a working model for future public/private partnerships.

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.



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.

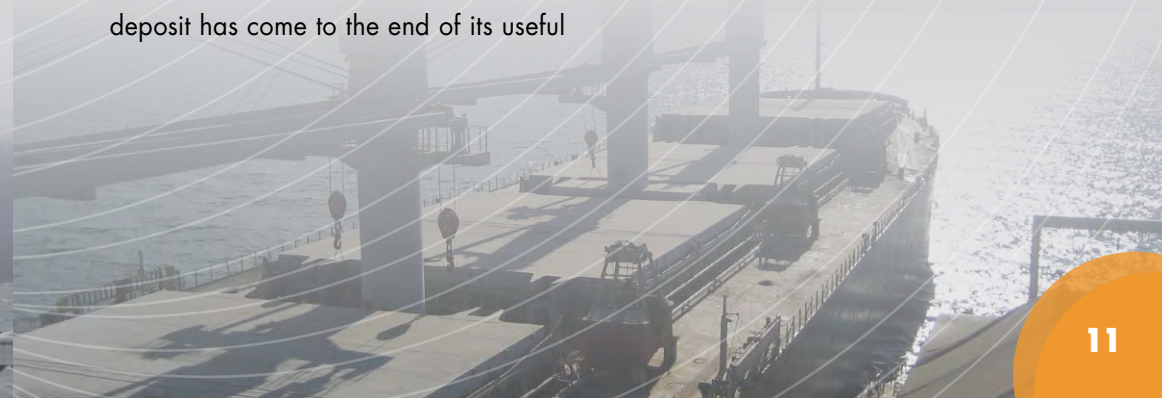
DELONG MOUNTAIN TRANSPORTATION SYSTEM

The Red Dog mining area contains some of the world's most significant zinc deposits. AIDEA owns the DeLong Mountain Transportation System (DMTS) that connects the Red Dog Mine to the AIDEA transshipment facility at the Chukchi Sea Port Site via a 52 mile all weather haul road. This key infrastructure enabled Teck, the operator, to develop the Red Dog Mine and thus provide significant economic activity to the region.

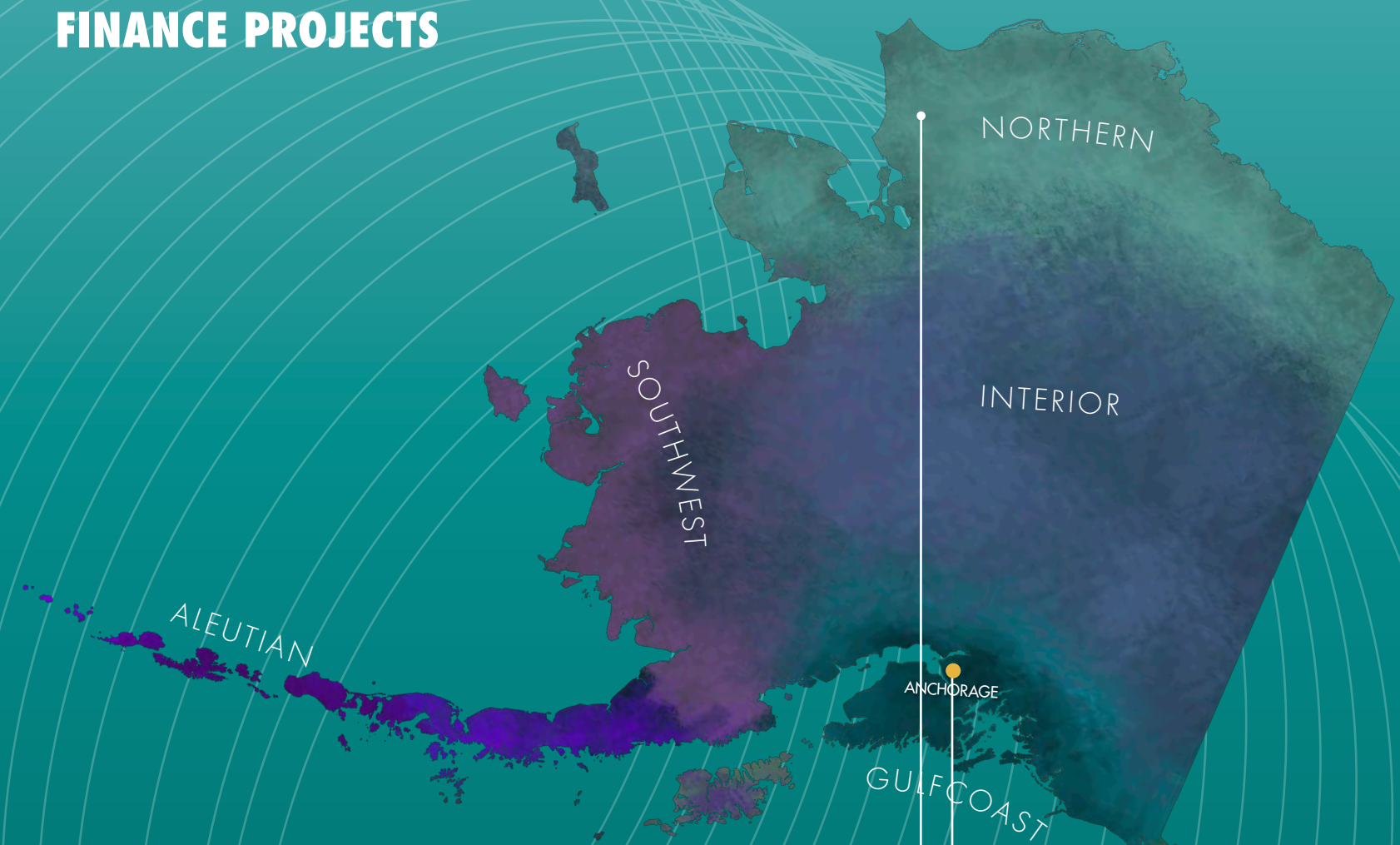
After 22 years, the original Red Dog Mine deposit has come to the end of its useful

life. The first shipment from the adjacent Aqqaluk Pit, with an expected lifespan of 20 years occurred in 2010. The 2011 season saw approximately 1.25 million tons of ore concentrate shipped through the DMTS to bulk container vessels.

AIDEA continued its work with Zazu Metals, completing the first phase of due diligence on the development of the Lik Deposit which would potentially use the DMTS to move its product to market.



LOCATIONS OF AIDEA DEVELOPMENT FINANCE PROJECTS



**DELONG MOUNTAIN
TRANSPORTATION SYSTEM (DMTS)**

Location: Northwest Arctic Borough

**FEDERAL EXPRESS
MAINTENANCE FACILITY**

Location: Anchorage

SKAGWAY ORE TERMINAL

Location: Skagway

**SNETTISHAM
HYDROELECTRIC PROJECT**

Location: Juneau

CREATED AND
RETAINED
MORE THAN

900
JOBS

KETCHIKAN SHIPYARD

Location: Ketchikan



CONDUIT REVENUE BOND PROGRAM

Under AIDEA's Conduit Revenue Bond Program, AIDEA acts only as a conduit for the issuance of either taxable or tax-exempt bonds. Neither the assets nor credit of AIDEA is at risk in this program; the creditworthiness of the project, borrower strength and credit enhancements offered by the applicant are essential to the underwriting and placement of bonds. Projects which are eligible under the Internal Revenue Code of 1986, as amended, can qualify for tax-exempt financing. A business enterprise or non-profit corporation may apply for the issuance of bonds under the Conduit Revenue Bond Program by submitting a completed conduit revenue bond application and non-refundable \$500 application fee to AIDEA. In addition to third-party costs, the applicant will pay a financing fee to AIDEA.

IN FISCAL YEAR
2011

\$27 MILLION
ISSUED

200
CONSTRUCTION
JOBS

155
PERMANENT
JOBS

CREATING AND
RETAINING
MORE THAN

SINCE
PROGRAM
INCEPTION

\$1.1 BILLION

ISSUED

314

PROJECTS FUNDED

RECOVERY ZONE FACILITY BOND PROGRAM

The American Recovery and Reinvestment Act (ARRA) created a number of new financing options for communities, including Recovery Zone Facility Bonds (RZFB). RZFB's allowed tax-exempt bonds to be issued to finance "recovery zone property" in economically distressed areas. They provided opportunities for municipalities to offer tax exempt funding to businesses investing in their communities for capital projects used in a trade or business, with a few exclusions. Alaska was allocated volume cap of \$135 million for RZFBs.

Recovery Zones were designated as having significant poverty, unemployment, high rate of home foreclosures, or general distress,

among other things. The legislature in 2010 provided AIDEA with the responsibility to reallocate unused RZFB volume cap before the program sunset on December 31, 2010.

In addition, AIDEA offered to issue RZFBs under the Conduit Revenue Bond Program in order to maximize use of RZFBs prior to program sunset.

AIDEA collaborated with municipalities and local banks to issue four RZF bonds before the end of the year. Of those bonds, three were issued for projects in Fairbanks and one project was in Wasilla and the total issued was \$27 million.

BUSINESS AND EXPORT ASSISTANCE PROGRAM

AIDEA provides loan guarantees which are 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.

SMALL BUSINESS LOAN PROGRAMS

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.

IN FISCAL YEAR 2011

9
NEW LOANS

64
JOBS

CREATED AND
RETAINED

\$1,704,492
FUNDED

Since program inception, RDIF has funded \$8,631,575, created and retained 530 jobs and issued 72 total loans.

Source: Division of Economic Development

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.

IN FISCAL YEAR 2011

CREATED AND
RETAINED

6
NEW LOANS

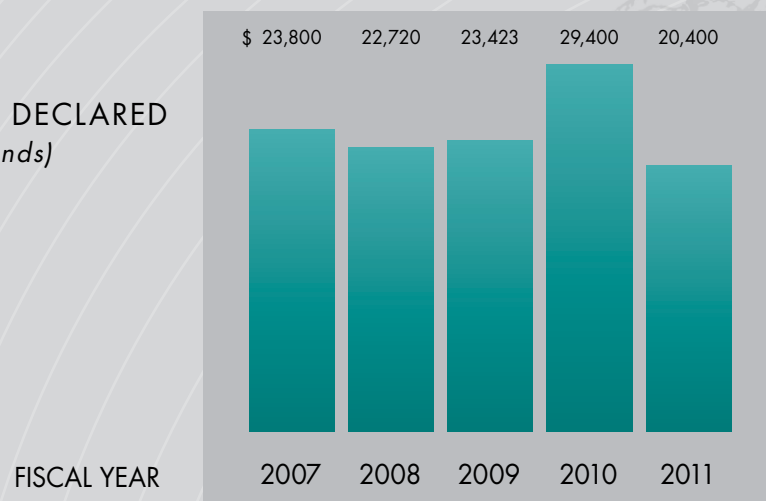
30
JOBS

\$932,014
FUNDED

Since program inception, SBEDP has funded \$15,134,116, created and retained 1,050 jobs and issued 125 total loans.

Source: Division of Economic Development

BY YEAR DECLARED
(in thousands)

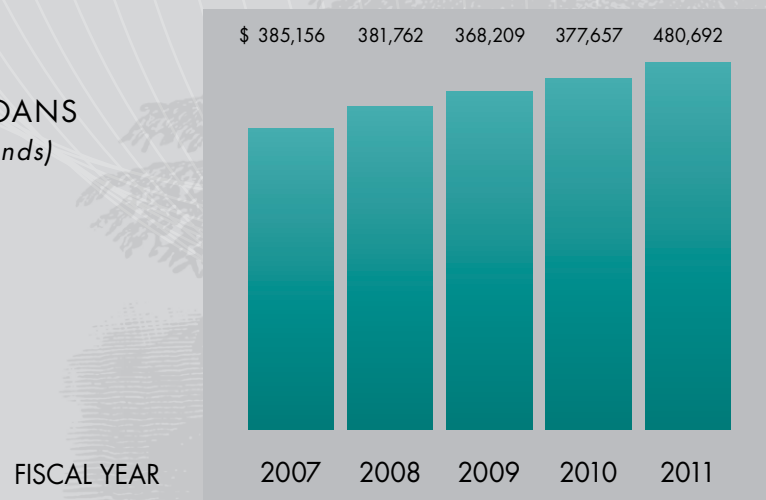


AIDEA REVOLVING FUND

NET ASSETS
(in thousands)



TOTAL LOANS
(in thousands)



REVOLVING FUND UNAUDITED FINANCIAL HIGHLIGHTS (in thousands)

Balance Sheets	As of	
	June 30, 2011	June 30, 2010
Assets:		
Investment securities and cash	\$ 359,265	402,724
Loans, net	469,966	369,343
Development projects	303,710	326,145
Other assets	15,972	13,623
Snettisham Project assets	86,335	87,333
Total assets	1,235,248	1,199,168

Liabilities and net assets:

Liabilities:

Revolving fund bonds	101,730	95,215
Other liabilities	21,276	17,871
Snettisham Project liabilities	86,335	87,333
Total liabilities	209,341	200,419
Net assets	1,025,907	998,749
Total liabilities and net assets	\$ 1,235,248	1,199,168

Revenues, Expenses and Changes in Net Assets	For the years ending	
	June 30, 2011	June 30, 2010
Operating revenues:		
Interest on loans	\$ 20,850	22,418
Interest on direct financing leases	15,092	16,356
Investment interest	14,267	15,342
Net increase in fair value of investments	346	16,558
Other income	13,020	6,978
Snettisham Project restricted income	4,204	4,293
Total operating revenues	67,779	81,945
Operating expenses:		
Interest	3,699	2,787
General and administrative	11,209	10,910
Provision for loan losses	1,637	(166)
Depreciation	3,267	3,023
Other project expenses	2,815	2,665
Snettisham Project interest expense	4,204	4,293
Total operating expenses	26,831	23,512
Operating income	40,948	58,433
Other revenues, net	9,633	1,400
Dividend to State of Alaska	(23,423)	(22,720)
Increase in net assets	\$ 27,158	37,113

Source: The numbers above were compiled from AIDEA's audited financial statements.

BOARD OF DIRECTORS

Pictured from left to right
ROBERT SHELDON

GARY WILKEN

SUSAN BELL
Vice Chair

BRYAN BUTCHER

HUGH SHORT
Chairman

WILSON HUGHES

RON ARVIN



For AIDEA’s complete Audited Financial Statements for Fiscal Year 2011, go to www.aidea.org, scan the QR code below, or call 907.771.3000



AIDEA MANAGEMENT TEAM



TED LEONARD
CMA, SPHR
Executive Director



CHRIS ANDERSON
Deputy Director—
Commercial Finance



JAMES HEMSATH
PE, PMP Deputy Director—
Project Development and
Asset Management



VALORIE WALKER
Deputy Director—
Finance



MARK DAVIS
Deputy Director—
Investment Finance
and Analysis



KARSTEN RODVIK
Project Manager—
External Affairs



MIKE CATSI
Business Development
Officer

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.

PROUDLY
SERVING AS
ALASKA'S
DEVELOPMENT
FINANCE
AUTHORITY

