

AIDEA
2012
ANNUAL
REPORT



INVESTING
IN ALASKANS



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VISION

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

MISSION

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

The publication on the activities and financial condition of the Alaska Industrial Development and Export Authority is submitted in accordance with AS 44.88.210. The report was printed at a cost of \$3.62 per copy and was printed in Anchorage, Alaska. Design and production by Solstice Advertising. Printed by Northern Printing.

756 construction
JOB
CREATED/RETAINED



\$34,974,358

AIDEA PORTION OF LOAN PARTICIPATIONS

PERMANENT
JOBS CREATED:

1,049

\$1.06 billion
NET ASSETS

\$20.74
MILLION
DIVIDEND DECLARED

4.1:1 cash to GO
DEBT RATIO

REPORT TO ALASKANS

December 14, 2012

AIDEA in partnership with the private sector continues to be a strong and important economic driver for our state. In Fiscal Year 2012, AIDEA's programs created more than 756 construction jobs, and created or retained approximately 1,049 permanent jobs for Alaska's economy. AIDEA continues to promote job growth and economic development throughout the state. In FY 12, every dollar AIDEA invested in Alaska's economy leveraged approximately four dollars in private investment.

AIDEA's programs continue to perform strongly. Net assets increased by more than \$36 million (after payment of a \$29.4 million dividend to the state), and Standard & Poor's upgraded its AIDEA rating from AA- to AA+. Based on strong performance in FY 2012, AIDEA's Board declared a \$20.7 million dividend for FY 2014. Including this dividend declaration, AIDEA has provided the State of Alaska and its citizens with more than \$345 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. In FY 2012, AIDEA funded more than \$34.9 million of loans and committed funding for an additional \$13.5 million. As a result of AIDEA's Loan Participation Program, more than 5,561 permanent jobs and 4,214 construction jobs have been created or retained since FY 2002. Since the program's inception, AIDEA has purchased more than \$1 billion in loan participations.

The Conduit Revenue Bond program continued to be a successful means for businesses and nonprofits to access long-term, affordable capital. The Authority issued \$122.7 million in conduit bonds for Providence Health & Services. These tax-exempt bond proceeds are being utilized by Providence to expand their facilities and for capital improvements. The projects are expected to generate more than 403 construction jobs and 85 permanent jobs. Since the inception of this program, AIDEA has issued more than \$1.2 billion in bonds and has funded 315 projects.

Through AIDEA's Project and Infrastructure Development Programs, the Authority continues

its active role in supporting economic diversity, job creation and resource development. In FY 12, AIDEA with its private partners, invested in the purchase and upgrade of the Endeavour – Spirit of Independence, a jack-up rig that will be an important asset for oil and gas exploration in Cook Inlet. While AIDEA continues to look for new strategic investments in projects and infrastructure, the Authority continues to improve and expand its current projects such as Ketchikan Shipyard and Skagway Ore Terminal. AIDEA completed a \$77 million shipyard expansion which included a new Assembly Hall and Production Center. This expansion is one more step toward making the shipyard truly world class. AIDEA is in the preliminary phase of a \$65 million expansion to the Skagway Ore Terminal. This work will significantly increase the terminal's capacity and will generate millions of dollars in economic activity for Skagway.

During the 2012 legislative session, AIDEA worked with the Administration and the Legislature to strengthen the Authority's ability to create vibrant Public-Private Partnerships and fund infrastructure for resource development and energy generation and transmission. As a result, AIDEA has the new Sustainable Energy Transmission and Supply Development Fund, a tool designed to finance energy projects. This will allow AIDEA to have a more effective role in funding infrastructure for the 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 its vital role in growing the economy of our great state.

HUGH SHORT
AIDEA Board Chairman

TED LEONARD, CMA, SPHR
Executive Director

GOVERNOR'S LETTER



Dear Fellow
Alaskans,

As a public corporation of the State of Alaska, the Alaska Industrial Development and Export Authority (AIDEA) helps power Alaska's economic future. From Kotzebue to Ketchikan, AIDEA is an engine for economic growth and diversification.

AIDEA's recent expansion of programs and financing capabilities has resulted in successful partnerships that are responsible for thousands of Alaska jobs. From oil and gas exploration, to ship building,

to mining and the military, AIDEA has served a strong role in building Alaska's economy, and continues to do so.

We appreciate the AIDEA Board, management, and staff as they work to promote economic opportunity for Alaskans through a strong, suitable, sustainable, and diverse approach to financing. Together, we are securing Alaska's future.

Best Regards,
Sean Parnell

Governor



Pictured from left to right:

TED LEONARD

CMA, SPHR

Executive Director

HUGH SHORT

AIDEA Board Chairman

RECENT PROJECTS

LOCATION	SECTOR	TOTAL PROJECT COST (\$)	USE OF FUNDS	AIDEA PROGRAM
Anchorage	Office	3,525,000	Acquisition	Loan Participation
Anchorage	Office	3,100,000	Equity Extraction	Loan Participation
Anchorage	Retail	635,000	Refinance	Loan Participation
Anchorage	Hangar/Terminal	5,000,000	New Construction	Loan Participation
Anchorage	Warehouse	1,000,000	Acquisition	Loan Participation
Anchorage	Retail	2,025,000	Refinance	Loan Participation
Anchorage	Tourism	300,000	New Construction	Loan Participation
Anchorage	Health care	122,700,000	New Construction	Conduit Revenue Bond
Hooper Bay	Retail	1,500,000	New Construction	Loan Participation
Juneau	Retail	7,500,000	Acquisition	Loan Participation
Juneau	Tourism	4,784,000	New Construction	Loan Participation
Kenai	Retail	1,631,064	New Construction	Loan Participation
Kenai	Oil & Gas	104,500,000	Acquisition & Upgrade	Project Development
Palmer	Warehouse	1,150,000	Refinance	Loan Participation
Quinhagak	Retail	1,800,000	New Construction	Loan Participation
Sitka	Equipment	825,000	New Construction	Loan Participation
Wasilla	Retail	4,000,000	New Construction	Loan Participation
Wasilla	Office	1,165,500	Acquisition	Loan Participation
Wasilla	Office	2,800,000	New Construction	Loan Participation

2012 LEGISLATIVE HIGHLIGHTS

SUSTAINABLE ENERGY TRANSMISSION AND SUPPLY DEVELOPMENT FUND

Senate Bill 25 creates the Sustainable Energy Transmission and Supply (SETS) Development Fund in AIDEA for financing energy infrastructure development throughout Alaska. AIDEA now has the authority to use a variety of finance vehicles to finance critical infrastructure including direct loans, participate in loans through commercial lenders, provide loan and bond guarantees, or take an equity position by owning all or a portion of the project.

The projects eligible under this program are varied and include improving energy efficiency in commercial buildings; renewable energy development; transmission, generation, conservation, storage, or distribution of heat or electricity; liquefaction, regasification, distribution, storage, or use of natural gas; and distribution or storage of refined petroleum products.

AIDEA was invited to participate in the Clean Energy + Bond Finance Initiative (CE+BFI) as a member of their Task Force on Clean Energy Bond Finance which will work with institutional investors, public finance agencies and public clean energy fund managers across the country to increase clean energy investment by between \$5 and \$20 billion over the next five years.

NEW MARKETS TAX CREDIT ASSISTANCE GUARANTEE AND LOAN PROGRAM

Senate Bill 66 creates the New Markets Tax Credit Assistance Guarantee and Loan Program within AIDEA. The program allows AIDEA to issue loan guarantees and loans for projects utilizing the federal New Markets Tax Credit Program designed to incentivize private sector investment in underserved areas with low-income populations and high unemployment.

This program will focus on projects located in eligible census tracts around the state. AIDEA's role is to work with commercial lenders to provide credit enhancements that help share the risk on these projects between the private and public sectors.

There have been several successful projects financed through the use of new markets tax credits in Alaska including the Platinum Seafood Plant and the Kotzebue Elder Care Facility.

— jobs
created and retained

>547

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.

\$13,549,879

pending funding

\$34,974,358

funded in FY12

HAMES CORPORATION, SITKA

Hames Corporation is a third generation family owned company with roots that began back in 1949 as a small corner grocery store in Sitka. The corporation is still locally owned and operated and employs approximately 135 full- and part-time associates. The company has grown today to include two grocery stores, two convenience stores that include liquor and fuel, apartment rentals and property development, all in Sitka.

In February 2012, the Hames Corporation was approved for a \$825,000 participation loan with AIDEA providing 70 percent support (\$660,000) in addition to Alaska Pacific Bank's 30 percent support. Through the AIDEA and Alaska Pacific Bank partnership the Hames Corporation was able to lower its borrowing costs, open a new store, and upgrade to energy efficient equipment. Through the structure of the transaction and prudent cash management, the corporation strengthened its balance sheet, which will allow it to better weather the cyclical nature of their business. The financing created 15 construction jobs and an additional six to eight permanent jobs for the community.



"The loan was consummated in a timely manner and we are very pleased with the overall outcome."

Roger L. Hames, President

LOAN PARTICIPATIONS BY USE OF FUNDS

Acquisition 29%
Refinance 8%
Equity Extraction 7%
New Construction 56%

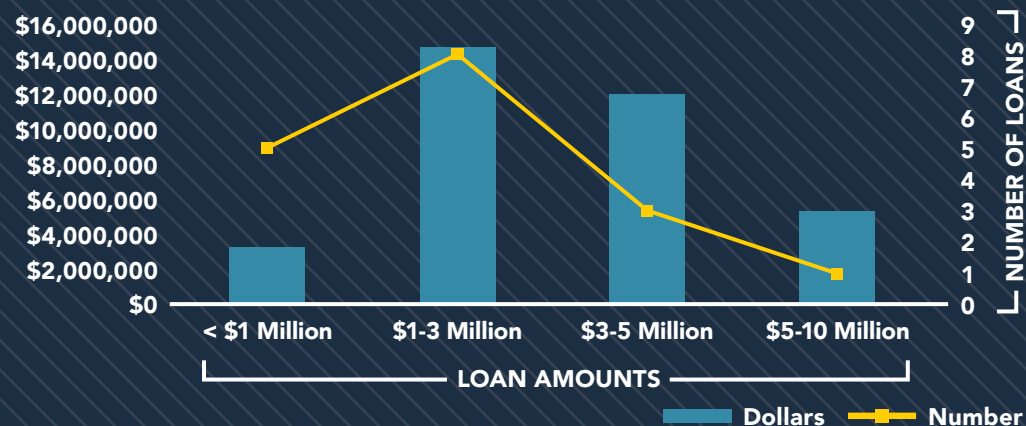
LOAN PARTICIPATIONS BY INDUSTRY As of June 30, 2012

Office/Warehouse/Mini-Storage, 30.34%
Restaurant, 1.53%
Recreation, 3.42%
Healthcare, 4.07%
Equipment/Manufacturing, 1.71%
Car Wash/Laundromat, 3.19%
Business Condominium, 1.69%
Aircraft/Hangar/Terminal, 4.69%
Wastewater Facility, 3.41%
Vessel, 3.57%
Tourism, 21.33%
Retail, 21.05%

LOAN PARTICIPATIONS Diversification by Geographic Region As of June 30, 2012

REGION	% LOANS	# LOANS	BALANCE (\$)	% DOLLARS
Anchorage	54.4	141	230,863,362	54.1
Southeast	16.2	42	87,846,517	20.6
Mat-Su	13.1	34	47,064,852	11.0
Gulf Coast	9.3	24	23,721,731	5.6
Interior	3.5	9	27,471,318	6.4
Southwest	1.9	5	3,900,194	0.9
Northern	1.6	4	6,103,569	1.4
TOTALS	100.0%	259	\$426,971,543	100.0%

FY12 LOAN PARTICIPATION ACTIVITY As of June 30, 2012



PROJECT AND INFRASTRUCTURE DEVELOPMENT PROGRAMS

jobs
created and retained
780

PROJECT DEVELOPMENT

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. These projects are not limited to large industrial facilities but cover a range of project types and sizes in a number of industry sectors. Manufacturing facilities, ports, airports, infrastructure for tourism destination facilities, federal facilities, community public purpose, and communications 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, must have local support, and be economically and financially able to produce revenue to repay the amount financed.

INFRASTRUCTURE DEVELOPMENT

AIDEA recognizes that Alaska has placed a high priority on supporting new mineral, oil and gas, and natural resource projects. These projects are important to economic development because they create good paying jobs, and diversify the economy.

Further, AIDEA supports the development of intermodal transportation systems, the intermix of industrial roads, rail and ports needed to bring natural resources, refined products, and goods to market. AIDEA understands that transportation corridors and port access to development sites and the availability of energy at those sites are two critical infrastructure types needed to spur desirable natural resource development. Using a variety of financial and project delivery tools AIDEA is ready to partner with project proponents to develop the state's critical infrastructure needs.

AIDEA OWNED PROJECT ASSETS INCLUDE:

Ketchikan Shipyard
Skagway Ore Terminal
Federal Express Aircraft Maintenance Facility
Endeavour – Spirit of Independence Jack-up Rig

EXAMPLES OF SUPPORTED PROJECTS INCLUDE:

Private use, industrial roads
Energy interconnections bringing power to industrial, mining and natural resource extraction sites
Port and rail route development and expansion
Intermodal nodes to facilitate cargo switching

AIDEA OWNED INFRASTRUCTURE ASSETS INCLUDE:

DeLong Mountain Transportation System (Red Dog Mine Road and Port)
Snettisham Hydroelectric Facility

"ENDEAVOUR" JACK-UP RIG

In November 2011, AIDEA closed a deal with Buccaneer Energy Limited and Ezion Holdings Limited to purchase and upgrade a world-class drilling rig to accelerate Cook Inlet oil and gas resource development. The rig, Endeavour – Spirit of Independence, was upgraded and modified at Keppel FELS Shipyard in Singapore.

AIDEA investment is \$23.6 million with an ROI of eight percent over a five-year period through a preferred ownership interest in the rig. The total project cost (including refurbishment) is \$104.5 million. AIDEA's investment leveraged an additional \$80.9 million in private investment.



"ENDEAVOUR"

Jack-Up Rig

\$104.5 MILLION

total project costs

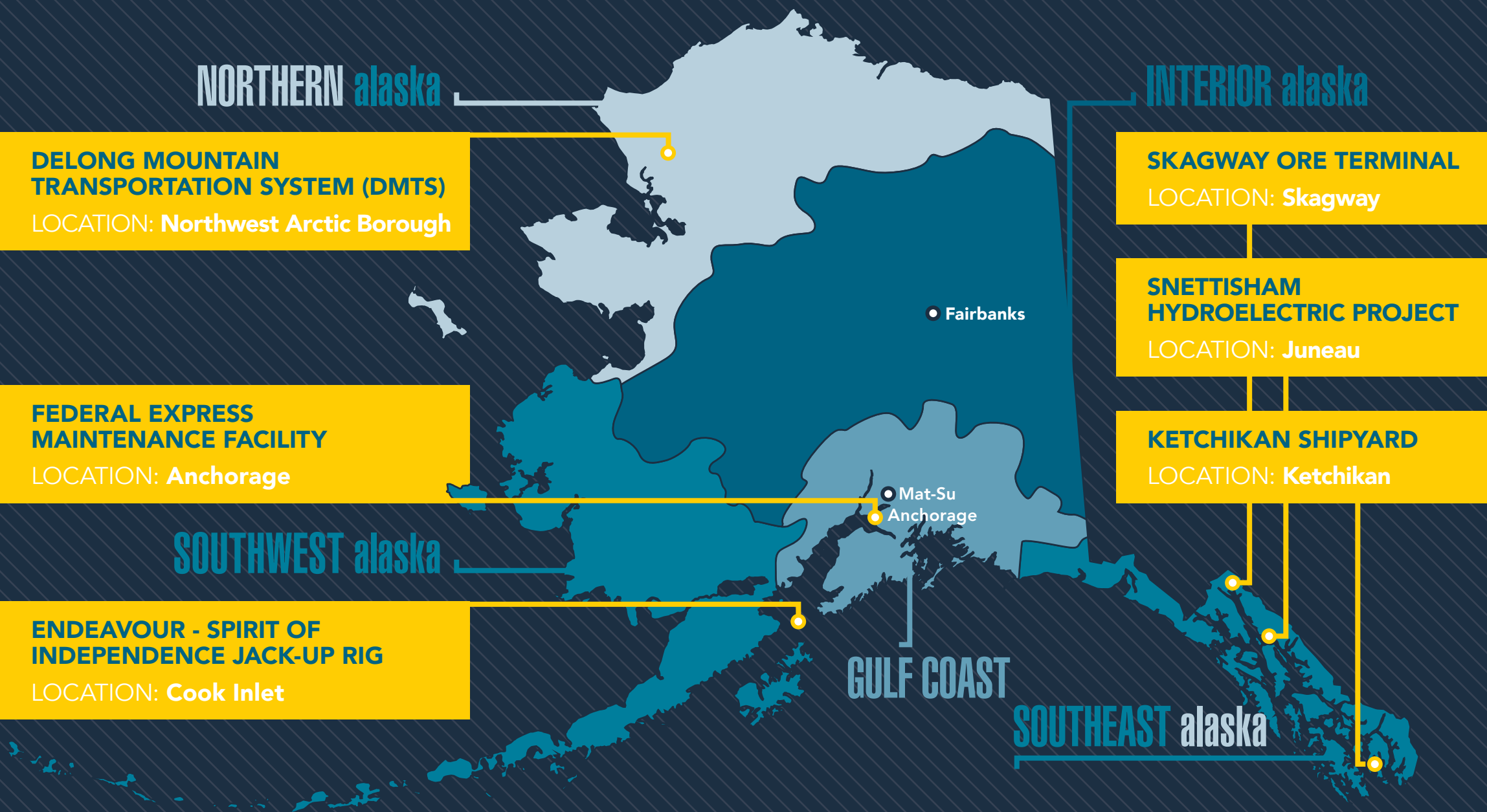
KETCHIKAN SHIPYARD

In February 2012, AIDEA Board approved the transfer of ownership of Alaska Ship & Drydock, Inc. (ASD) to Vigor Industrial, LLC (Vigor), a Pacific Northwest shipbuilder. Under the requirements of AIDEA's Operating Agreement with ASD, AIDEA had to grant written approval prior to such sale. The Operating Agreement also required AIDEA to conduct due diligence to determine the qualifications of a proposed purchaser, and to assess the purchaser's commitment and ability to operate the shipyard as a viable enterprise that creates and maintains permanent jobs in Ketchikan, and long-term economic development for the region.



The shipyard also significantly completed a \$77 million expansion project, which included an Operations Office, Assembly Hall, Production Center and relocated an Oily Water Separator.

locations of AIDEA assets



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. The creditworthiness of the project, borrower strength and credit enhancements offered by the applicant are essential to the underwriting and placement of bonds. These bonds are payable from the revenues of the project being funded and neither the assets nor credit of AIDEA are at risk in this program.

Eligible projects include the acquisition of real property, structures, buildings, equipment, and supporting components for the provision of industrial, recreational, research, commercial, utility or service enterprise purposes; community, educational, cultural, or social welfare facilities; and working capital.

Projects that are eligible under the Internal Revenue Code of 1986, as amended, can qualify for tax-exempt financing. A government entity, business enterprise or nonprofit corporation may apply for the issuance of bonds under the 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.

403

construction jobs created

\$122.72 MILLION
bonds issued

PROVIDENCE ALASKA MEDICAL CENTER

AIDEA issued \$122.72 million in tax-exempt conduit revenue bonds for Providence Health and Services to provide funds to finance Providence Alaska Cottages, a 96-bed nursing home consisting of eight cottages and a commons building on Boniface Parkway in Anchorage, and to finance capital improvements at Providence Alaska Medical Center on Providence Drive in Anchorage.

The improvements at Providence Alaska Medical Center include renovations of existing facilities and approximately 85,782 square feet of new construction. The project includes renovations and expansion of a newborn Intensive Care Unit, an obstetrical unit, two open-heart surgery suites, and expansion of the pharmacy, sterile processing and materials management.



These projects are expected to create 85 new permanent positions. Additionally, the work requires an estimated 403 construction positions.

315
**PROJECTS
FUNDED**
since inception

> **\$1.3**
Billion
in Revenue Bonds
Issued
since inception

**fiscal
year
2012**

HIGHLIGHTS

61 JOBS
created and retained
12 NEW LOANS

\$1,868,227
NEW LOAN COMMITMENTS

SMALL BUSINESS LOAN AND GUARANTEE PROGRAMS

RURAL DEVELOPMENT INITIATIVE FUND

The goal of AIDEA's Rural Development Initiative Fund (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 a population of 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 for a person or up to \$300,000 for two or more people for a maximum term of 25 years, and a rate of one percent below prime.

AIDEA Loan Programs are administered by the State of Alaska Department of Commerce, Community and Economic Development, Division of Economic Development. For more information on these Small Business Loans, please visit <http://commerce.alaska.gov/ded/fin/loanPrograms.html>

SMALL BUSINESS ECONOMIC DEVELOPMENT FUND

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. Small Business Economic Development (SBED) 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.

209

number of loans issued

\$25,688,919

value of loans
since inception

BUSINESS AND EXPORT ASSISTANCE

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 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.

Photo: SeaMart Quality Foods grocery store, Sitka, Alaska.



since inception **jobs
created/retained**

>1,647

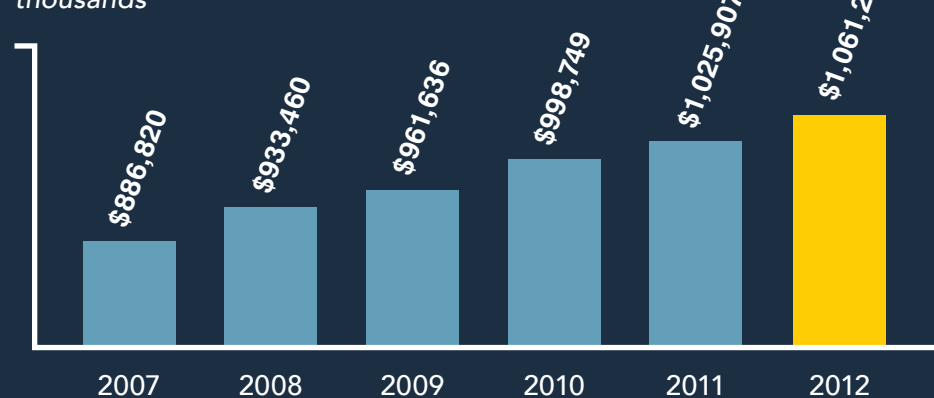
DIVIDEND HISTORY BY YEAR DECLARED

thousands



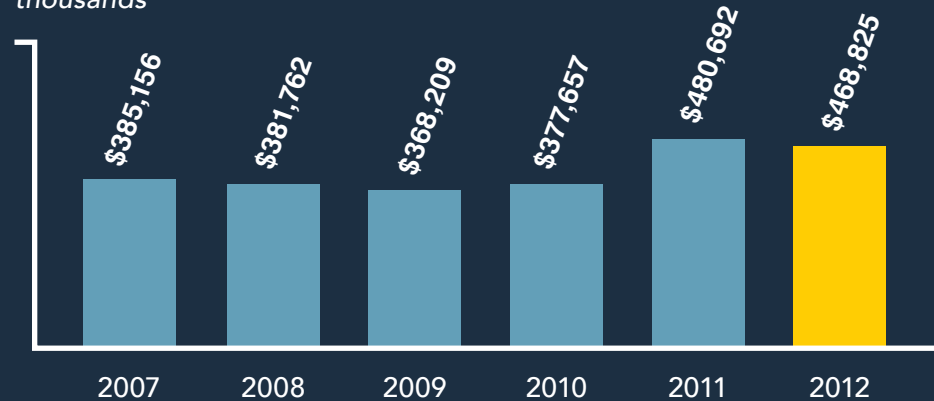
REVOLVING FUND NET ASSETS

thousands



REVOLVING FUND TOTAL LOANS

thousands



REVOLVING FUND FINANCIAL HIGHLIGHTS in thousands

BALANCE SHEETS	As of	
	JUNE 30, 2012	JUNE 30, 2011
Assets:		
Investment securities and cash	\$ 364,085	359,265
Loans, net	458,401	469,966
Development projects	329,563	303,710
Other assets	16,331	15,972
Snettisham Project assets	84,698	86,335
Total assets	1,253,078	1,235,248

Liabilities and net assets:		
Liabilities:		
Revolving fund bonds	88,515	101,730
Other liabilities	18,589	21,276
Snettisham Project liabilities	84,698	86,335
Total liabilities	191,802	209,341
Net assets	1,061,276	1,025,907
Total liabilities and net assets	\$ 1,253,078	1,235,248

REVENUES, EXPENSES & CHANGES IN NET ASSETS	For the years ending	
	JUNE 30, 2012	JUNE 30, 2011
Operating revenues:		
Interest on loans	\$ 22,012	20,850
Interest on direct financing leases	13,578	15,092
Investment interest	12,873	14,267
Net increase in fair value of investments	6,968	346
Other income	9,320	13,020
Snettisham Project restricted income	4,100	4,204
Total operating revenues	68,851	67,779
Operating expenses:		
Interest	3,867	3,699
General and administrative	13,752	11,209
Provision for loan losses	(307)	1,637
Depreciation	3,318	3,267
Other project expenses	2,686	2,815
Snettisham Project interest expense	4,100	4,204
Total operating expenses	27,416	26,831
Operating income	41,435	40,948
Other revenues, net	23,334	9,633
Dividend to State of Alaska	(29,400)	(23,423)
Increase in net assets	\$ 35,369	27,158

BOARD OF DIRECTORS



Board (above) pictured from left to right:

MR. ROBERT SHELDON
Public Member

MR. GARY WILKEN
Public Member

MS. SUSAN BELL
Vice-Chair
Commissioner

MR. BRYAN BUTCHER
Commissioner
Department of Revenue

MR. HUGH SHORT
Chair
Public Member

MR. WILSON HUGHES
Public Member

MR. RON ARVIN
Public Member

EXECUTIVE STAFF



TED LEONARD, CMA, SPHD
Executive Director



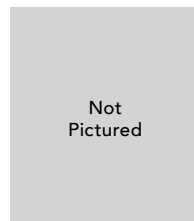
CHRIS ANDERSON
Deputy Director –
Commercial Finance



MARK DAVIS
Deputy Director –
Infrastructure
Development



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



VALORIE WALKER
Deputy Director –
Finance



MICHAEL CATSI
Business
Development Officer



KARSTEN RODVIK
Project Manager –
External Communications



AARON RHOADES, SPHD, GRHR
Human Resource
Manager

FOR AIDEA'S COMPLETE AUDITED FINANCIAL
STATEMENTS FOR FISCAL YEAR 2012, VISIT

WWW.AIDEA.ORG,

SCAN THE QR CODE BELOW,

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.

AIDEA 2012 ANNUAL REPORT



WE ARE THE STATE OF
ALASKA'S
DEVELOPMENT
FINANCE AUTHORITY