



# 50

YEARS OF  
INVESTING IN  
**ALASKANS**

## Mission

Advancing economic growth and diversification in Alaska by providing long-term financing and investment.

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## FISCAL YEAR 2016 HIGHLIGHTS

**1129** PERMANENT JOBS

**646** CONSTRUCTION JOBS

**\$1.31 BILLION** NET POSITION

**\$17.65 MILLION** DIVIDEND PAID

**\$13.0 MILLION** CONDUIT BONDS ISSUED

**\$65.7 MILLION** TOTAL GROSS LOAN PARTICIPATIONS FUNDED







# GOVERNOR'S LETTER

Bill Walker  
Governor of Alaska

Dear Alaskans,

The Alaska Industrial Development and Export Authority (AIDEA) is a public corporation of the State of Alaska, created to promote, develop, and advance the general prosperity and economic welfare of the people of Alaska. For many years, AIDEA has provided a number of different programs to finance Alaskan business, nonprofit, and community projects.

In fiscal year 2016, AIDEA continued to advance job opportunities and promote economic growth for the people of Alaska. As a result of AIDEA programs, projects, and financing capabilities, more than 1,700 jobs were supported, created, or retained in Alaska. AIDEA provided more than \$53 million in financing for Alaskan businesses through its highly successful Loan Participation program and issued \$13 million in conduit revenue bonds. In the process of delivering these very positive economic impacts for our state, AIDEA increased its net position and paid a \$17.65 million dividend to the State general fund.

I am pleased with AIDEA's work over many years to spur economic growth and stability. Alaskans benefit from AIDEA's support and expertise in financing various enterprises and I encourage you to learn more about their efforts through this report. We look forward to a more diverse economic base and prosperous future for our great state.

Sincerely,

*Bill Walker*

Bill Walker  
Governor

1967

- Legislature creates Alaska Industrial Development Authority

1974

- Bylaws adopted (April 12)

# CHAIRMAN'S LETTER

Dana Pruhs  
Chairman

The mission of AIDEA is to grow and diversify Alaska's economy. As the State's development finance authority, AIDEA provides support to business and industry through its programs, projects, and comprehensive financing capabilities. As a result of AIDEA's investments and dynamic partnership with Alaskans, thousands of jobs have been created or retained across the state.

AIDEA has a 50-year history of supporting Alaska's business community in a wide range of sectors including resource development, tourism, healthcare, and logistics. This year is no exception with AIDEA facilitating the financing of a man-camp in Deadhorse, recreation facilities in Wasilla, the Boys and Girls Home in Fairbanks, and gas distribution through Pentex.

In addition, AIDEA continues to provide its financial and project management expertise to two special legislatively appropriated projects. The Interior Energy Project is working to bring affordable energy and improved air quality to Interior Alaskans, while the Ambler Mining District Industrial Access Project is looking to provide surface access to a mineral rich region of the state.

I am also proud that AIDEA's work not only benefits Alaska businesses and the communities in which they are located, but provides an annual dividend to the state's general fund to help support programs and services throughout the state. AIDEA declared an FY2016 dividend of \$12.883 million, bringing the Authority's declared dividend total to \$392.8 million.

On behalf of AIDEA's Board, I extend sincere thanks to AIDEA management and staff as they work to promote economic growth and opportunity for all Alaskans as was envisioned by the Alaska State Legislature 50 years ago. As we move into our second 50 years, we will continue to build a strong and sustainable future for our great state.



\$213,315,045

Private/Public Capital  
Leveraged

1978

- First conduit bond issued — Alaska Airlines \$3.5 million

1980

- Retained earnings - \$158,197
- H.A. Hoffman — Executive Director



**\$156,033,354**  
AIDEA Investments

## REPORT TO ALASKANS

### John Springsteen Executive Director

AIDEA, Alaska's development finance authority, promotes economic growth and job creation by investing in businesses and projects in all sectors of Alaska's economy. Our current projects and new investments are projected to create more than 640 construction jobs, and create or retain more than 1,129 permanent jobs for Alaska. AIDEA's committed investment in projects and its financing of \$156 million in Fiscal Year (FY) 2016 is projected to leverage up to \$213.3 million in private investment.

Based on our performance, AIDEA's Board paid a \$17.6 million dividend to the State. Since the dividend program's inception, AIDEA has paid more than \$373.5 million to the State. Given our strong balance sheet, conservative and effective financial management of assets and

consistently strong performance, Standard & Poor's has maintained its high quality credit rating of AA+ for AIDEA.

In partnership with local banks and credit unions, our Commercial Finance Division provides Alaska businesses with access to long-term capital to finance both new construction and the expansion of existing businesses. In FY 2016, AIDEA funded \$53.4 million in loan participations and an additional \$57.6 million in anticipated loan participation fundings. The Division's loan participation program has created or retained thousands of jobs since its inception.

Our Conduit Revenue Bond program provides businesses and non-profits access to long-term affordable capital via taxable and tax-exempt bonds. In FY 2016, AIDEA issued \$13 million in bonds for J.R. Cannone LLC. for the acquisition of an existing adolescent treatment facility in Fairbanks. Since the inception of the program, AIDEA has issued 318 bonds totaling more than \$1.38 billion.

House Bill 143 was signed into law on July 15. This bill provides AIDEA the authority to issue up to \$120 million in bonds to assist in the financing of the Sweetheart Lake Hydroelectric project in the Juneau area.

AIDEA directly supports economic diversity and job development for Alaskans through our Project Development and Asset Management Division and our Infrastructure Division. We finance enterprise infrastructure and development projects in a variety of industries including oil and gas, mining, shipbuilding, healthcare, and energy. As an example, during FY 2016 AIDEA funded an \$8.5 million loan with the Blood Bank of Alaska to improve Alaska's access to critical blood supply. In addition, AIDEA funded more than \$26 million of its line of credit to BlueCrest Energy, Inc. to support development of the Cosmopolitan oil field in Cook Inlet.

AIDEA continues to make strategic investments in development projects and industrial infrastructure while it assists the State and private sector in developing our

vast natural resources. As we examine opportunities for expanding and upgrading our investments, AIDEA's owned projects such as Ketchikan Shipyard, DeLong Mountain Transportation System, and Federal Express Hangar continue to generate economic benefits and job growth for Alaskans.

On behalf of AIDEA's Board, management, and staff, we thank Governor Walker, Alaska's lawmakers, AIDEA's partners and all Alaskans for their support of AIDEA and for allowing us to participate in this vital role in driving the enterprise engines of our great State.



1981

- State of Alaska provides \$180 million in cash and loans to capitalize AIDEA

1982

- 37 conduit bonds issued for a total of \$125.3 million – highest total dollar amount
- First 100 conduit bonds issued
- Bertram L. Wagon appointed Executive Director
- Legislature passes Chapter 1134, which authorizes AIDA to provide financing for multi-family housing

1983

- AIDEA grows to 16 employees

1984

- The Legislature passes Chapter 162, SLA 1984, which allows AIDEA to own and operate certain types of projects when it is in the public interest



# RECENT PROJECT ACTIVITY

## FY 2016 - AIDEA LOAN PARTICIPATIONS FUNDED

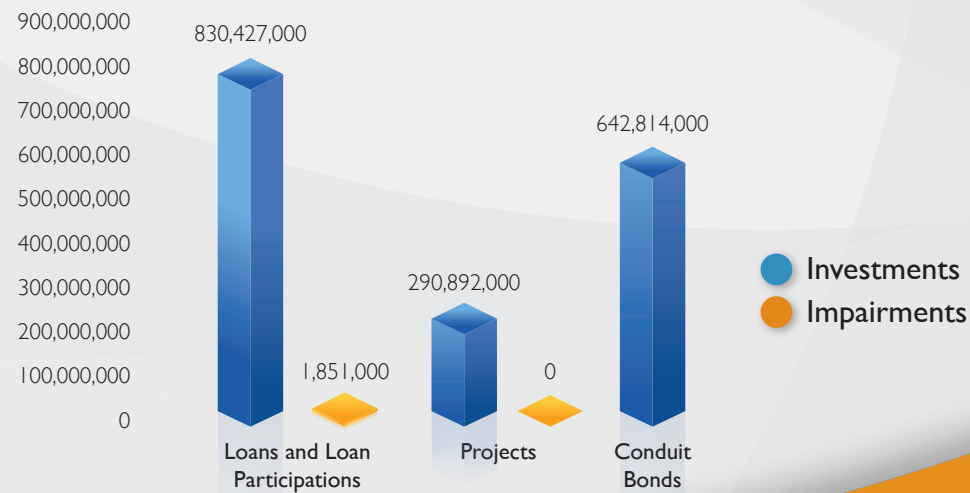
Location	Sector	Gross Loan Amount (\$)	Use of Funds	Financial Partner
Anchorage	Recreation	1,000,000	New Construction	First National Bank Alaska
Anchorage	Office	825,000	Acquisition	Northrim Bank
Anchorage	Office	2,775,000	Acquisition	First National Bank Alaska
Anchorage	Retail	600,000	Refinance	First National Bank Alaska
Anchorage	Healthcare	2,025,000	Acquisition	Northrim Bank
Anchorage	Office/Warehouse	750,000	Acquisition	First National Bank Alaska
Anchorage	Office	1,406,250	Acquisition	First National Bank Alaska
Anchorage	Hangar/Terminal	712,500	Acquisition	First National Bank Alaska
Anchorage	Retail	2,292,000	Refinance	Northrim Bank
Anchorage	Office/Warehouse	1,250,000	Refinance	First National Bank Alaska
Anchorage	Retail	742,500	Acquisition	First National Bank Alaska
Anchorage	Office/Warehouse	4,722,133	Refinance	Denali Federal Credit Union
Deadhorse	Oil & Gas	28,575,000	New Construction	Northrim Bank
Fairbanks	Healthcare	1,496,000	New Construction	Mt. McKinley Bank
Homer	Vessel	1,450,000	Refinance	First National Bank Alaska
Ketchikan	Healthcare	600,000	New Construction	First National Bank Alaska
Ketchikan	Office/Warehouse	1,925,921	Refinance	First Bank
Palmer	Retail	1,406,250	Acquisition	First National Bank Alaska
Port Alsworth	Aircraft	1,600,000	Acquisition	First National Bank Alaska
Wasilla	Retail	1,275,000	Refinance	First National Bank Alaska
Wasilla	Office/Warehouse	1,176,000	New Construction	Northrim Bank
Wasilla	Retail	650,000	Acquisition	First National Bank Alaska
Wasilla	Recreation	6,500,000	New Construction	Northrim Bank
Total		65,754,554		

## FY 2016 OTHER AIDEA FINANCINGS

Location	Sector	Financing Amount (\$)	Use of Funds	AIDEA Program
Anchorage	Healthcare	8,500,000	New Construction	Direct Project Loan
Anchorage	Logistics	717,547	New Construction	Project Finance
Fairbanks	Gas Distribution	17,202,557	New Construction	SETS Fund
Fairbanks	Gas Distribution	6,233,806	New Construction	SETS Fund
Fairbanks	Gas Utility	51,324,933	Acquisition	Project Finance
Fairbanks	Social Services	13,000,000	Acquisition	Conduit Bonds
Kenai Peninsula	Oil & Gas	26,007,155	New Construction	Direct Project Loan
North Slope	Oil & Gas	16,083,420	New Construction	Project Finance

## LOANS, PROJECT INVESTMENTS AND BONDS VS. IMPAIRMENTS (\$)

For Projects Funded After July 1, 2000



1985

- 66 conduit bonds issued — most per year for a total of \$109.6 million
- Second 100 conduit bonds issued
- AIDEA grows to 17 employees
- AIDEA located at 1157 C Street

1986

- State of Alaska provides \$143.5 million in cash and loans to further the financing of the DeLong Mountain Transportation System

1987

- Name changed by Legislature to Alaska Industrial Development and Export Authority
- AIDEA has 15 employees

1989

- The DeLong Mountain Transportation System was opened to support the development of the Red Dog mine in northwest Alaska.
- AIDEA moves to 480 West Tudor Road

# PROJECT DEVELOPMENT AND ASSET MANAGEMENT PROGRAM

AIDEA provides assistance to the economic development of Alaska through its ability to develop, own, and operate facilities within the state. AIDEA's ownership of these assets is intended to advance the prosperity of a region. These projects cover a range of types and size, and through several industry sectors. Manufacturing facilities, roads, ports, infrastructure for tourism destination facilities, federal facilities, community public purpose, and communications essential for regional economic well-being are considered eligible projects.

398

Construction Jobs Created

959

Permanent Jobs Created



## PROJECT UPDATES

### BlueCrest Energy, Inc.

AIDEA is playing a crucial role in the development of the Cosmopolitan oil field in the southern portion of the Cook Inlet. AIDEA is providing direct loan financing to BlueCrest for their construction of a new extended-reach, high-horsepower drill rig. This onshore based rig is now assembled and nearing operational status at the Hansen Production Facility, north of Anchor Point. AIDEA's financing also covered the construction of a new man-camp to house the drill rig workers and all rig associated tools and equipment. Anticipated oil production from the first wells will be shipped to the Kenai Tesoro Refinery, displacing the refinery's imported oil. Total project related employment is currently over 120 individuals, with more to be added as rig operations increase. Total tax and royalty payments to the borough and state are anticipated to exceed \$150 million in the first ten years.

### Ketchikan Shipyard

The shipyard continues to play an integral role in the Ketchikan economy. AIDEA's ownership of the shipyard, in cooperation with the City of Ketchikan and Ketchikan Gateway Borough, enables the operator, Vigor Alaska, to continue to provide competitive shipbuilding and marine repair/maintenance services. An example is the on-going construction of two Alaska-class ferries that will be placed into service with the Alaska Marine Highway System beginning in 2018. This unique public-private partnership

(P3) was recognized with a silver award in the P3 category at the International Economic Development Council's 2015 conference. The partnership, also continues to leverage available federal funds, including current planning for the receipt of potential unspent prior year federal appropriations to begin site preparations that will enable the construction of a new maintenance hall.

### Economic Benefits

- More than 180 full-time jobs, both direct employees and contractors in 2015; the shipyard was one of the top 5 private employers in the community
- More than 90 indirect and induced jobs in the Ketchikan area
- Over \$14 million of total annual payroll in Ketchikan in 2015

### Future Opportunities

Alaska's only large-scale industrial manufacturing facility provides important marine industry opportunities. The facility can provide shipbuilding for the recapitalization of the Alaska fishing fleet, support for offshore oil exploration and development activities, and home-based maintenance/repair services for nearly any marine vessel. Both Vigor and AIDEA also continue to discuss shipbuilding and repair opportunities for the Alaska-based U.S. Coast Guard vessels.





## PROJECT UPDATES

### Mustang Operations Center I, LLC

AIDEA continues to support Brooks Range Petroleum's (BRP) ongoing development of the Mustang oil field located to the west of ConocoPhillips' Kuparuk River field on the North Slope. The road and pad, constructed in 2013, provided crucial support for the drilling activities performed this past winter/spring by ASRC for their Placer Unit, located just north of the Mustang Unit. Both AIDEA and BRP are cooperating for the development of new financing to support the completion of the project. Much of the facility's processing equipment is complete and awaiting transport to the North Slope for on-site

construction. When complete, the project will provide more than 10,000 barrels of new oil per day to TAPS and significant new oil-related revenues to the state and North Slope Borough.

### FedEx Maintenance, Repair, and Operations Facility

FedEx signed a new lease extension in April 2015 for its use of AIDEA's Maintenance, Repair, and Operations facility at the Anchorage airport. The new lease included several repair/refurbishment activities for the hangar, which are now nearly complete. These included the replacement of the main hangar door; overhaul of the fire pumps; replacement of the facility boilers; and numerous other activities.

### DeLong Mountain Transportation System (Red Dog Mine)

As one of AIDEA's original financing projects, the DeLong Mountain Transportation System (DMTS) entered its 26th year of operations in 2016. In partnership with NANA and Teck Resources, Ltd., the mine produced more than 1.2 million tons of zinc and lead ore concentrates in 2015. The DMTS road and port facilities provide the means of export for these products. Total employment at the mine and port exceeded 700 individuals for 2015, with a payroll of more than \$75 million annually. Over the past five years, Teck has also contributed more than \$11 million annually to the Northwest Arctic Borough via its payment-in-lieu of taxes.

1990

- Retained earnings — \$230.7 million
- AIDEA purchases and refurbishes the Skagway Ore Terminal (\$25 million)
- AIDEA invests in the Polaris Fund

1991

- William H. Scott appointed Executive Director
- Unalaska Marine Center dock expansion completed (\$7 million)

1992

- William R. Snell appointed Executive Director
- Alaska Legislature establishes the Rural Development Initiative Fund in AIDEA but the program is administered by the Dept. of Community and Regional Affairs
- AIDEA finances purchase and restoration of historic Fourth Avenue Theater

1993

- AIDEA assumes administrative responsibility for the Alaska Energy Authority's Bradley Lake Hydroelectric Project, Alaska Intertie, Larsen Bay Hydroelectric Project, and Four Dam Pool
- AIDEA Executive Director and Board members now also serve in the same capacity for the Alaska Energy Authority



# INFRASTRUCTURE DEVELOPMENT PROGRAM

The State of Alaska has placed a high priority on the development of new mineral, oil, gas, and natural resource projects. These economic development projects are critical in Alaska's economy as they create good paying jobs, generate local and state revenues, and help to diversify the economy.

Developing transportation corridors, port facilities, and access to affordable energy is key to spurring natural resource development. By using a variety of financial and project delivery tools, AIDEA supports the development of these intermodal systems by tying together industrial roads, rail, and ports needed to bring natural resources, refined products, and goods to market.

AIDEA is ready to partner with project proponents to develop the state's critical infrastructure needs.

Up to  
**\$145 million**  
In Bonds Authorized



## PROJECT UPDATES

The project team conducted a number of community and stakeholder meetings along the proposed corridor. These meetings culminated in an all-corridor meeting in Fairbanks which was very well attended. Simultaneously, work continued on refining the design and route, and accumulating baseline environmental, economic, and cultural data.

On December 26, 2014, Governor Walker issued Administrative Order 271, which ordered a number of agencies to stop discretionary spending on several projects, AMDIAP being one of them. On October 22, 2015 the Office of Management and Budget authorized AIDEA to spend up to \$3.6 million of already appropriated funds to initiate the scoping process for an EIS, under NEPA, and apply for an ANILCA right of way.

Consistent with the directive from the Office of Management and Budget, AIDEA in November of 2015 submitted under ANILCA a form SF 299 for permit application for Transportation and Utility Systems and Facilities on Federal Lands which would allow for consideration of a right of way for an access corridor from the Dalton Highway to the Ambler Mining District. Based on statutory requirements, the application was filed simultaneously with each federal agency that has jurisdiction connected to the project. These federal agencies are: (1) the National Park Service; (2) the Bureau of Land Management; (3) the Federal Highways Administration; (4) the U.S. Army Corps of Engineers; and (5) the U.S. Coast Guard.

The agencies reviewed the application from each of their respective perspectives and requested that AIDEA provide additional information under ANILCA Sec. 1104 (d) and individual agency instructions for the SF-299. In accordance with ANILCA provisions [ANILCA Sec. 1104(d)(2)], AIDEA requested a time extension to provide the requested additional information in a consolidated response to all agencies which procedure and extension were agreed to by each federal agency. AIDEA submitted its consolidated response which was then reviewed by each federal agency.

As of September 1, 2016, the project application had been deemed sufficient or complete by each of the relevant federal agencies. The next step for the project will be to begin what is called the scoping process. The scoping process will involve the lead federal agency asking for the public and interested parties for their views regarding the scope of the environmental and economic issues raised by the proposed access project.

Additionally, the National Park Service (NPS) has begun its statutory process under ANILCA to start that agency's permitting process that involves preparation of an Environmental and Economic Analysis (EEA) required of the NPS by ANILCA 201 (4) with respect to proposed routes across the Gates of the Arctic National Preserve.

For more information visit:  
[www.ambleraccess.org](http://www.ambleraccess.org)

### Blood Bank of Alaska

AIDEA's Board approved a loan of up to \$8.5 million for the construction and furnishing of a 57,000 square foot laboratory and collection facility for the Blood Bank of Alaska. This project, budgeted at \$45.7 million, was designed to consolidate all four of the Blood Bank's Anchorage facilities and expand upon existing capacity. The Blood Bank is the sole blood bank in Alaska and provides blood products to civilian, military, critical access, and tribal hospitals. One direct benefit of the project is that blood samples from donations will not have to be sent out of state for testing but can be done in-house at the facility. The project is now complete, and the loan is being serviced as agreed.

### Bokan Mountain Rare Earth Element Mine

Rare earths are a series of chemical elements found in the Earth's crust that are vital to many modern technologies, including consumer electronics, computers and networks, communications, clean energy, advanced transportation, healthcare, environmental mitigation, national defense, and many others.

Ucore Rare Metals, Inc. is 100 percent owner of the Dotson Ridge Project in Southeast Alaska. The Bokan

property is particularly enriched with heavy rare earth elements and approximately 40 percent (by weight) of the rare earth elements contained on the property are heavy rare earth elements.

In spite of depressed rare earth prices, Ucore is currently progressing environmental baseline sampling and is completing testing on a proprietary molecular recognition technology for the separation of the individual rare earths. They are in the process of finalizing the results of pilot plant testing that resulted in dysprosium being produced to a 99.99 percent purity, with recovery rates well in excess of 99 percent.

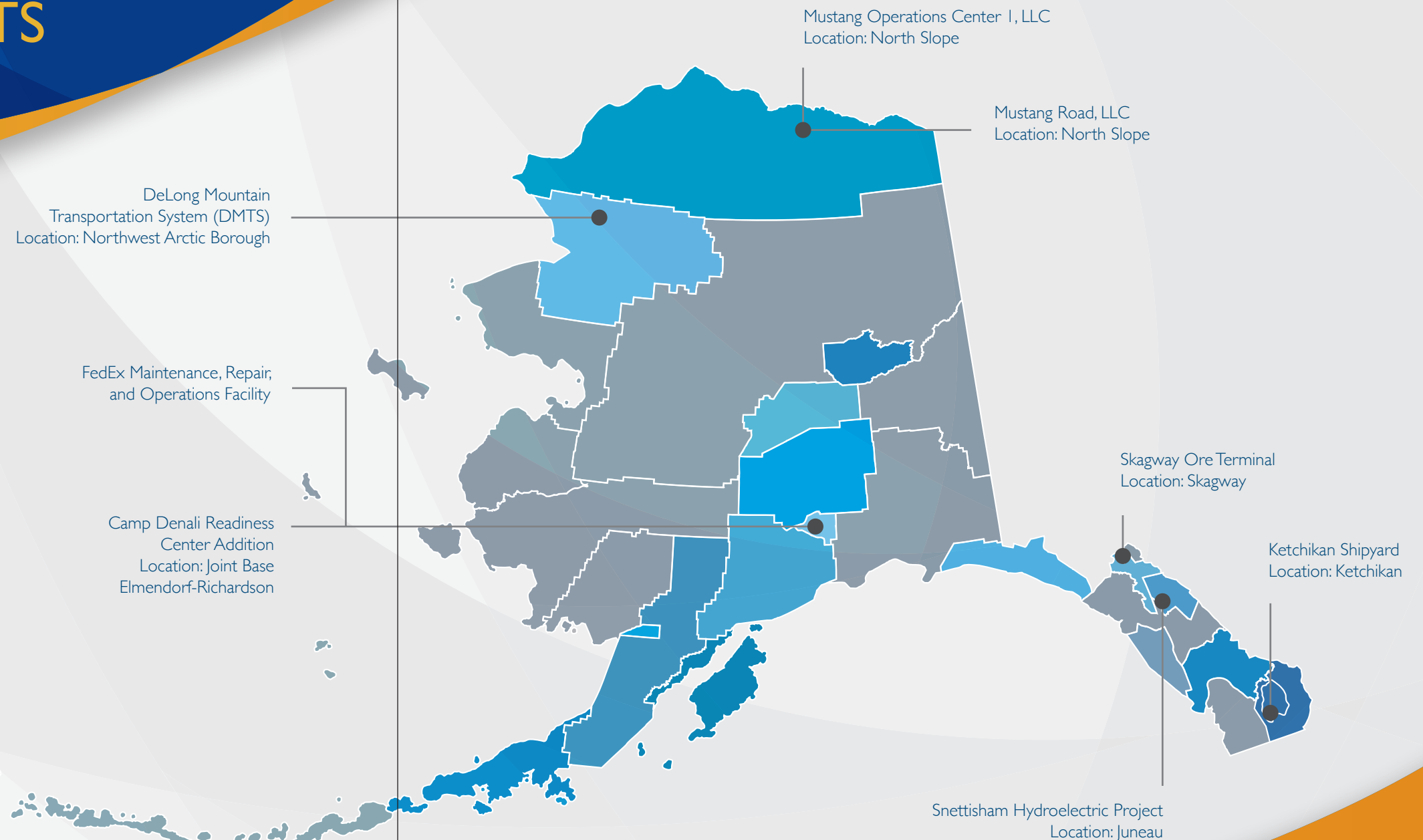
In 2014, the Alaska Legislature approved authorization for AIDEA to issue up to \$145 million in bonds should the project prove feasible and move forward.

### Ambler Mining District Industrial Access Project

The Ambler Mining District Industrial Access Project (AMDIAP) is patterned after the DeLong Mountain Transportation System that supports the Red Dog Mine. AMDIAP would provide access to the Ambler Mining District which has long been identified as a significant resource district and would make use of special provisions in ANILCA that allow this type of road to cross federal lands.



# ASSETS AND PROJECTS



1994

- AIDEA finances Kodiak fishmeal plant and expansion of the Tesoro plant in Kenai
- AIDEA purchases \$60 million "Red Dog tail"

1995

- AIDEA purchases 49% of the Seward Coal Terminal (\$6.9 million)
- Construction completed on the FedEx Maintenance, Repair, and Operations Facility at Ted Stevens Anchorage International Airport (\$28 million)
- AIDEA financing for Mt. Roberts Tramway in Juneau and Scandia House in Petersburg

1996

- Legislature passes HB 526 which calls for AIDEA to pay a yearly dividend in to the state's general fund
- AIDEA purchases Snettisham Hydroelectric Facility from federal government (\$100 million)
- AIDEA finances Denali Bluffs Hotel at entrance to Denali National Park
- D. Randy Simmons appointed Executive Director

1997

- First dividend paid — \$15 million
- AIDEA assumes ownership of the Ketchikan Shipyard
- Construction completed at Healy Clean Coal Power Plant

# INTERIOR ENERGY PROJECT

The goal of the Interior Energy Project is to supply natural gas to Interior Alaska at the lowest cost possible; to as many Alaska customers as possible; as soon as possible. The project is being financed with a combination of public and private sector funds.

## Project Milestones - Distribution

Expansion of Fairbanks Natural Gas (FNG) and initial construction of an Interior Gas Utility (IGU) distribution system took place in the summer of 2015. FNG installed 29.46 miles of pipe in the core of Fairbanks during the construction season. This covered the Aurora Road main line, Trinidad North, Dartmouth main line, Wembly, Island Homes, Aurora Residential, and University West. IGU installed 73 miles of pipe in the North Pole area. This covered the entirety of the City of North Pole and neighborhoods immediately adjacent to the city.

In fall 2015, AIDEA executed the acquisition of Pentex Alaska Natural Gas Company, LLC, FNG's parent company. The Pentex acquisition advances the goals of the Interior Energy Project (IEP) in three ways: (1) immediately lowers rates to existing FNG customers by utilizing lower cost capital and a public ownership rate structure, (2) facilitates the future integration of FNG and IGU to achieve economy of scale, and (3) simplifies the commercial discussions to develop new supply of affordable energy to the Interior.

Following AIDEA's purchase of Pentex, Pentex filed for interim rate reductions for current FNG customers effective on January 1, 2016. After public input and separate AIDEA Board action, the interim rates became permanent on March 31, 2016. The approved rates achieve AIDEA's policy and financial objectives for the Pentex acquisition and the IEP, and result in a residential customer rate reduction of 13.5 percent and an overall FNG system rate reduction of 10.4 percent.

## Storage and Re-gasification

IEP storage needs are based on two components: security storage and load-leveling storage. The Regulatory Commission of Alaska (RCA) required, as a condition of the certificates of need for IGU and FNG, five days of security storage to be available for each utility. In addition to RCA required security storage, additional storage can be added to the system to optimize the operation of a liquefied natural gas (LNG) facility. Seasonal variation in gas demand, LNG plant operation, and trucking operations can all be reduced by the addition of storage facilities.

The planned consolidation of FNG and IGU into a single operating entity allows for coordination of storage planning at the distribution end of the supply chain. AIDEA staff is working with FNG and IGU planning for combined storage needs. The IEP team is evaluating a 5.25

million-gallon storage tank in Fairbanks and bullet tank storage in the North Pole area. All storage facilities will be operated together for the benefit of the integrated Local Control Entity.

## Supply

With the selection of a Cook Inlet project as the preferred location for an LNG plant, the IEP team turned its attention to securing a gas supply from the Cook Inlet basin. FNG, through its affiliate Titan Alaska LNG, LLC, currently has a gas supply agreement with Hilcorp Alaska to provide natural gas to the existing Titan facility through the beginning of 2018. The IEP team is working on supplanting that contract when it expires and securing additional supply for new LNG capacity to accommodate the consolidated demand of the FNG and IGU service territories. The IEP team and Interior utilities are working to finalize a supply contract with a Cook Inlet producer for a long-term supply agreement starting in 2018.

The effort to secure a Cook Inlet gas supply was initiated by a Request for Information (RFI) issued by the Department of Commerce, Community, and Economic Development through AIDEA in 2015. It should be noted that FNG has an existing contract with ConocoPhillips Alaska, Inc. (CPAI), for backup supplies of LNG from CPAI's plant in Nikiski, Alaska.

## Liquefaction

AIDEA issued a competitive RFP to solicit potential partners to develop new LNG capacity or other sources of energy for the Interior under the IEP. The RFP evaluation committee recommended a Cook Inlet project developed by Salix as the finalist to provide new LNG capacity. The IEP team continues to work with Salix to identify ways to lower the cost of LNG that will be produced by the plant.

## Transportation

FNG currently trucks LNG from the Titan LNG plant to its storage facilities in Fairbanks. In order to improve the economics of LNG transport via truck, AIDEA participated in a 2015 pilot project to test a larger capacity LNG trailer provided by Western Cascade. The Western Cascade trailer was successfully tested with net capacity of approximately 12,300 gallons, up from the 10,500 gallons of the existing FNG trailers. The lower per-unit cost of delivering LNG using larger trailers presents a viable opportunity to reduce a key component of the IEP supply chain. As a result, Titan Alaska LNG has purchased the Heil trailer provided by Western Cascade for the test project. Titan has also ordered three additional large-capacity Heil units to replace aging trailers in its current fleet.

With the selection of a Cook Inlet source of LNG for the IEP, the Alaska Railroad Corporation (ARRC) has begun evaluating railing LNG from Cook Inlet to the Interior. ARRC is working with Hitachi High-Tech AW Cryo on a demonstration project to evaluate the logistics and economics of LNG shipment from the Titan LNG plant at Port MacKenzie to Interior Alaska via rail. On June 1, 2016, five senior executives from Hitachi High-Tech offices in Japan and British Columbia, flew to Anchorage and met with ARRC senior staff. During this meeting, mutual agreement was reached to bring two 40-foot LNG ISO containers from Japan to Anchorage in late September 2016, to be used for training and for transportation of LNG between the Titan LNG plant and Fairbanks.

For more information visit:  
[interiorenergyproject.com](http://interiorenergyproject.com)

1998

- AIDEA finances Alaska Commercial Company store in Barrow

1999

- AIDEA assumes administrative responsibility for Rural Energy
- Programs moved to the Alaska Energy Authority
- Red Dog port expansion completed (\$87 million)
- ASI construction completed (\$125 million)
- AIDEA's Small Business Economic Development Revolving Loan Fund is established and received a \$3 million grant from the EDA to support rural communities hurt by dismal salmon runs in 1998.
- AIDEA issues conduit bonds to finance renovation and improvements to the American Red Cross facility

2000

- Retained earnings — \$562.1 million
- Robert Poe appointed Executive Director
- Rural energy staff of former Division of Energy are integrated into AIDEA
- AIDEA moves to 813 W. Northern Lights Blvd.

2002

- Surpasses the \$100 million mark in AIDEA dividend program



# LOAN PARTICIPATION PROGRAM

The Loan Participation Program provides permanent financing, both taxable and tax-exempt, to borrowers through a qualified financial institution for the purpose of developing, acquiring, or enhancing an Alaska business enterprise. The program also provides long-term fixed or variable rate financing on the portion of the loan purchased by AIDEA. Under this program, AIDEA does not originate loans, but is able to participate in up to 90 percent of a commercial loan up to a maximum of \$25 million from an eligible financial institution.

Benefits include competitive interest rates and terms that can go up to 15 years for equipment and 25 years for real estate. These benefits result in lower scheduled payments for the borrower easing the repayment burden. The project being financed must be in Alaska.

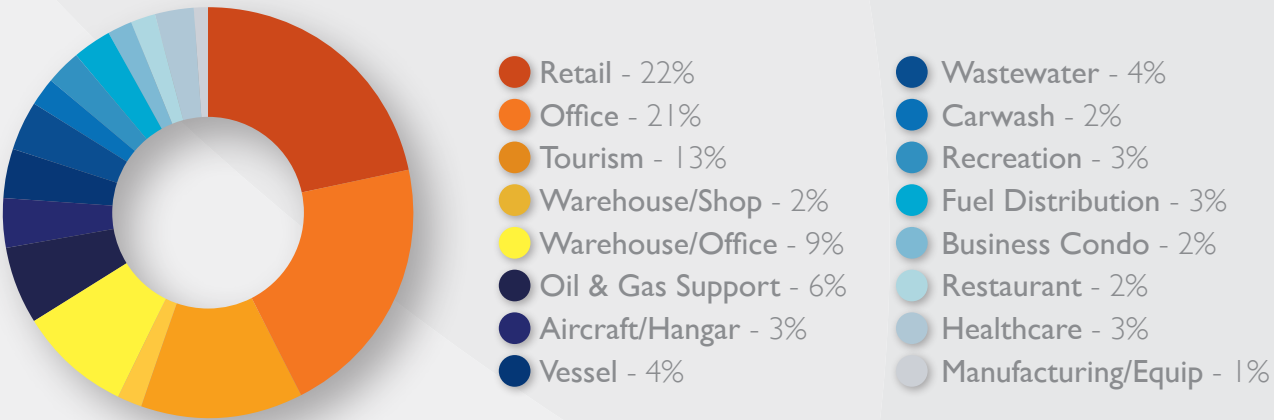
## LOAN PARTICIPATIONS DIVERSIFICATION BY GEOGRAPHIC REGION

As of June 30, 2016

Region	Balance (\$)	% Dollars
Anchorage	176,654,274	53.0
Southeast	49,912,894	14.9
Mat-Su	52,185,669	15.7
Northern	26,336,800	7.9
Gulf Coast	15,975,744	4.8
Southwest	6,285,410	1.9
Interior	5,897,635	1.8
Total	\$333,248,426	100.0%

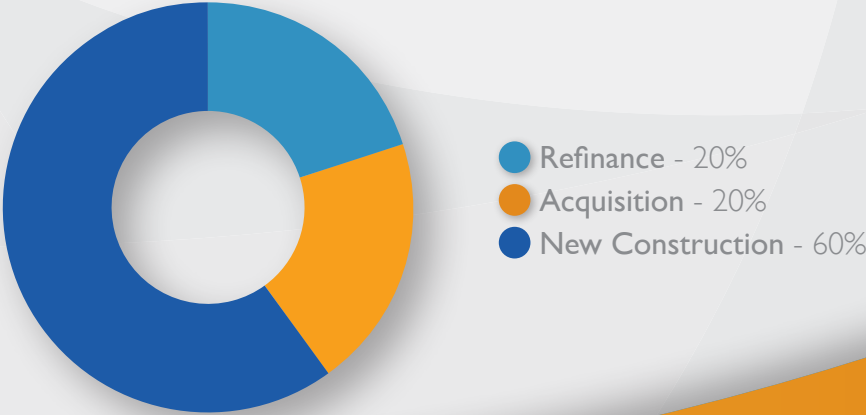
## OUTSTANDING LOAN PARTICIPATION BALANCE BY INDUSTRY

As of June 30, 2016



## LOANS PARTICIPATION ACTIVITY BY USE OF FUNDS

As of June 30, 2016



2003

- Ron Miller appointed Executive Director
- Third 100 conduit bonds issued
- AIDEA sells its interest in the Seward Coal Terminal with total return of \$3.7 million

2004

- Record year for loan fundings under the Loan Participation Program – 46 loans for a total of \$78.7 million

2005

- AIDEA completes sale of ASI to Anchorage Community Development, LLC
- S&P raises AIDEA credit rating to “A”

2006

- Surpasses the \$1 billion mark for conduit bond issuances
- Surpasses the \$200 million mark in the dividend program
- Signs a long-term operating agreement with Alaska Ship and Drydock for the Ketchikan Shipyard





“The Extreme Fun Center and the Valley Cinema have provided some much needed entertainment options for the residents of the Valley and beyond. AIDEA’s involvement and support was critical to the completion and success of both projects.”

John C. Schweiger  
Executive Chairman & CEO  
Coming Attractions  
Theatres, Inc

## EXTREME FUN CENTER AND VALLEY CINEMA – WASILLA

At nearly 70,000 square feet, the only fun center in Alaska features over 60 arcade-style games, a four level kids’ “soft play” area, a food court, over 2,500 square feet, two-story laser-tag arena, mini-bowling, spin bumper cars, a laser shooting gallery, and several rooms for parties, events, and business meetings. The centerpiece of the building is the largest cart track in the Pacific Northwest that is home for 40 Belgian-made electric race carts — 30 for adults and 10 for kids. The lap times and driver skills are monitored with an electric timing system similar to that used by NASCAR.

John Schweiger is the founder and owner of the Coming Attractions Theatres chain, which operates the Valley Cinema in Wasilla, which is among 17 theaters, 2 fun centers, and 1 mall, in Northern California, Oregon, and

Washington. The Extreme Fun Center is situated on five acres that Schweiger owns adjacent to the Valley Cinema, which opened in 2011. The new center employs nearly 60 local residents. The \$6 million loan for the project was originated by Northrim Bank. AIDEA participated in the loan by providing \$5.4 million (90%) with Northrim providing the remaining \$600,000. AIDEA’s portion provides a 25-year term at a fixed rate of 5.35%.

This is the second financing for Schweiger in which Northrim and AIDEA have partnered. The first was in 2010 when AIDEA issued \$11.5 million in tax-exempt Recovery Zone Facility Bonds which were purchased by Northrim. The proceeds of the bonds were used to construct Valley Cinema, a 40,379 square foot, 12 screen movie cinema in Wasilla employing over 30 local Valley residents. Valley Cinema has become the flagship of the Coming Attractions chain as measured by gross sales, and averages around 30,000 people per month. The theater and fun center create an entertainment district feel in the area.

2007

- Skagway Ore Terminal ships first load of ore in 10 years
- Second dry dock completed for Ketchikan Shipyard
- AIDEA issues conduit bonds in support of the Boys and Girls Home of Alaska in Fairbanks
- AIDEA funds H2Oasis

2008

- Ted Leonard appointed Executive Director of AIDEA
- Steve Haagenson appointed Executive Director of Alaska Energy Authority



318  
Conduit Bonds Totaling  
\$1.38 billion  
Issued Since 1978

## CONDUIT REVENUE BOND PROGRAM

The Conduit Revenue Bond Program allows AIDEA to issue taxable and tax-exempt bonds on behalf of a private or public entity. The underwriting and placement of the bonds is based on the creditworthiness of the project, borrower’s financial strength and any credit enhancements offered by the borrower. These bonds are payable from the revenues of the project being funded and neither the assets nor credit of AIDEA or the State are at risk.

### J.R. Cannone, LLC. Adolescent Treatment Center

In March 2016, the AIDEA Board approved the issuance of up to \$13 million in tax-exempt conduit revenue bonds, for the J.R. Cannone, LLC. The proceeds of the bonds were used to acquire the existing adolescent treatment facility located at Lathrop Street in Fairbanks. Proceeds from the bonds were also used to fund a debt service reserve account as security for the bonds, and to pay all or a portion of the costs associated with the issuance of the bonds. RBC Capital markets served as the placement agent and UMB Bank, National Association was the trustee.



2010

- Revolving Fund net assets - \$998.7 million

2011

- AIDEA’s net assets exceed \$1 billion
- AIDEA invests in Kenai Offshore Ventures





## SPECIALTY PROGRAMS

### Sustainable Energy Transmission and Supply Development Program (SETS)

Under the SETS program, AIDEA is now equipped to lend money and provide guarantees for a “qualified energy development,” which includes many of the physical components comprising Alaska’s energy infrastructure.

Qualified energy developments are defined as:

- Transmission, generation, conservation, storage, or distribution of heat or electricity;
- Liquefaction, regasification, distribution, storage, or use of natural gas except a natural gas pipeline project for transporting natural gas from the North Slope or Cook Inlet to market;
- Distribution or storage of refined petroleum products.

### New Markets Tax Credits Guarantee and Loan Program

Under this program, AIDEA may provide a loan guarantee for the Leveraged Loan portion of a New Markets Tax Credit transaction. The borrower must apply to AIDEA for the guarantee which may be used to get a loan from a commercial lender. AIDEA may also provide a direct Leveraged Loan in those instances where it can be shown that at least two financial institutions have declined to make a leveraged loan even with an AIDEA guarantee.

For more information on both of these programs, please contact AIDEA.

## SMALL BUSINESS LOAN PROGRAMS

### Rural Development Initiative Fund

This program provides 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. Applicable uses of loan funds include working capital, equipment and construction, and must result in the creation of new jobs or the retention of existing jobs. The maximum loan amount is \$150,000 for one person or up to \$300,000 for two or more people for a maximum of 25 years, the interest rate is fixed at the time of loan approval.

### Small Business Economic Development Fund (SBED)

This program provides 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. SBED loans must result in the creation of new jobs or the retention of existing jobs. The maximum loan amount is \$300,000 for a maximum of 20 years on fixed assets and five years for working capital; all loans must be adequately secured; and the interest rate is fixed.

*These two 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: [commerce.alaska.gov/ded/fin/loanPrograms.html](http://commerce.alaska.gov/ded/fin/loanPrograms.html)*



**\$1,493,794**  
in New Approved Loans in FY16 and  
**\$32,321,403**  
Overall

**26 jobs**  
Created or Retained in FY16 and  
**1,823 jobs**  
Created Overall

2012

- ASSETS passed by Alaska Legislature
- The Sustainable Energy Transmission and Supply Program established
- Single largest conduit bond issued — \$122.7 million for Providence Health and Services
- Record dividend paid — \$29.4 million
- Surpasses the \$300 million mark in our dividend program

2013

- AIDEA and GVEA close sale of Healy Clean Coal Power Plant
- “Endeavour — Spirit of Independence” jack-up rig begins drilling in Cook Inlet

2014

- Arctic Infrastructure Development Fund established
- AIDEA sells interest in Kenai Offshore Ventures

2015

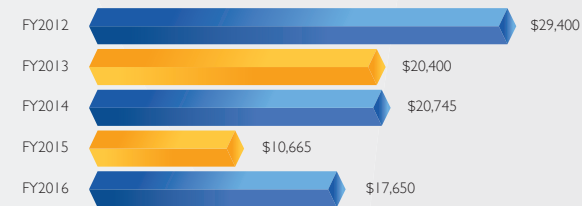
- Net Position - \$1.29 billion
- John Springsteen appointed Executive Director

# FINANCIAL HIGHLIGHTS

Year Ending June 30, 2016

## DIVIDEND BY YEAR PAID

(In Thousands)



## NET POSITION

(In Thousands)



## STATEMENTS OF NET POSITION

	June 30, 2016	June 30, 2015
<b>Assets and deferred outflows of resources</b>		
Assets:		
Investment securities and cash	\$ 610,046	\$ 693,525
Loans, net	352,974	367,151
Development projects	330,775	296,528
Development project assets-Pentex	68,255	-
Line of credit	29,690	20,924
Other assets	35,355	37,002
Snettisham project assets	73,411	78,419
<b>Total Assets</b>	<b>1,500,506</b>	<b>1,493,549</b>
Deferred outflows of resources:		
Deferred outflows of resources	2,571	1,253
Deferred outflows of resources-Pentex	2,397	-
Snettisham project deferred outflows of resources	4,179	-
<b>Total deferred outflows of resources</b>	<b>9,147</b>	<b>1,253</b>
<b>Total assets and deferred outflows of resources</b>	<b>1,509,653</b>	<b>1,494,802</b>
<b>Liabilities, deferred inflows of resources and net position:</b>		
Liabilities:		
Revolving fund bonds	55,645	64,700
Other liabilities	63,528	60,152
Development project liabilities-Pentex	867	-
Snettisham project liabilities	77,590	78,419
<b>Total liabilities</b>	<b>197,630</b>	<b>203,271</b>
Deferred inflows of resources	254	993
Net position:		
Net position	1,311,254	1,290,538
Net position-Pentex	515	-
<b>Total net position</b>	<b>1,311,769</b>	<b>1,290,538</b>
<b>Total liabilities, deferred inflows of resources and net position</b>	<b>\$ 1,509,653</b>	<b>\$ 1,494,802</b>

## OUTSTANDING LOAN BALANCE, NET

(In Thousands)



## REVENUES, EXPENSES, AND CHANGES IN NET POSITION

	Year Ending June 30, 2016	Year Ending June 30, 2015
<b>Operating revenues:</b>		
Interest on loans	\$ 15,810	\$ 17,468
Income from development projects	14,747	15,862
Income from development projects- Pentex	12,589	-
Snettisham project restricted income	3,320	3,753
Investment interest	10,407	10,473
Net increase/(decrease) in fair value of investments	9,936	(4,910)
Income from state agencies and component units	7,567	8,856
Other income	3,001	1,613
<b>Total operating revenues</b>	<b>77,377</b>	<b>53,115</b>
<b>Operating expenses:</b>		
Interest	2,784	3,065
Snettisham project interest expense	3,320	3,753
Nonproject personnel, general and administrative	7,116	6,778
Net pension related adjustment	1,885	481
Costs reimbursed from State agencies and component units	7,567	8,856
Provision for loan losses	(176)	(28)
Depreciation on projects	3,459	3,247
Project feasibility and due diligence	696	995
Expenses-Pentex	12,112	-
Other project expenses	1,389	613
<b>Total operating expenses</b>	<b>40,152</b>	<b>27,760</b>
Operating income	37,225	25,355
Other revenues, net and other	1,618	13,666
Other revenues-Pentex	38	-
<b>Increase in net position, before dividend to State of Alaska</b>	<b>38,881</b>	<b>39,021</b>
Dividend to State of Alaska	(17,650)	(10,665)
<b>Increase in net position, after dividend to State of Alaska</b>	<b>21,231</b>	<b>28,356</b>
Net position-beginning of year, as previously reported	1,290,538	1,270,762
Cumulative effect on prior years of adoption of GASB Statement 68	-	(8,580)
Net position-beginning of year, as adjusted	1,290,538	1,262,182
Net position-end of year	\$ 1,311,769	\$ 1,290,538



## BOARD



**Mr. Dana Pruhs**  
Chairman  
Public Member



**Mr. Russell Dick**  
Vice-Chair  
Public Member



**Ms. Elaine Brown**  
Public Member



**Mr. Jerry Burnett**  
Deputy Commissioner  
Department of Revenue  
(Designee)



**Mr. Dan Kennedy**  
Public Member



**Mr. Fred Parady**  
Deputy Commissioner  
Department of Commerce,  
Community, and Economic  
Development (Designee)



**Mr. Gary Wilken**  
Public Member

## EXECUTIVE STAFF



**John Springsteen**  
Executive Director



**Michael Lamb, CPA, CGFM**  
Chief Financial Officer



**Chris Anderson**  
Commercial Finance Director



**Mark Davis**  
Chief Infrastructure  
Development Officer



**James Hemsath, PE, PMP**  
Project Development and  
Asset Management - Director



**Michael Catsi, CEcD**  
Business Development and  
Communications - Director



**Karsten Rodvik**  
External Affairs Officer



**Jennifer Haldane, PHR**  
Human Resources - Director



**Gene Therriault**  
IEP Team Lead

For AIDEA's complete Audited Financial  
Statements for Fiscal Year 2016, visit  
[www.aidea.org](http://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.

# ALASKA'S DEVELOPMENT FINANCE AUTHORITY



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