



NAVIGATING ALASKA'S DEVELOPMENT

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## MISSION

*To 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 in Anchorage, Alaska at a cost of \$5.39 per copy. Design and production by Walsh|Sheppard. Printed by PIP Printing and Marketing Services.*

## FISCAL YEAR 2018 HIGHLIGHTS



1,501

PERMANENT JOBS

738

CONSTRUCTION JOBS

\$1.33B

NET POSITION

\$13.4M

INCREASE IN NET  
POSITION

\$12.9M

DIVIDEND PAID

\$162M

IN CONDUIT BONDS  
ISSUED

\$88.5M

TOTAL GROSS LOAN  
PARTICIPATIONS FUNDED



# GOVERNOR'S LETTER

MICHAEL J. DUNLEAVY



Dear Alaskans,

As we begin a new chapter for our state, the Alaska Industrial Development and Export Authority (AIDEA) team will be helping Alaska enter a new era of growth and prosperity. For more than 50 years, AIDEA has been dedicated to supporting economic growth and diversification in our state, and creating job opportunities for Alaskans by providing various means of financing and investment. The information contained in the Annual Report helps illustrate the depth and breadth of AIDEA's contribution to Alaska's economy.

AIDEA's team of professionals can expect to play a key role in helping Alaska advance critical priorities involving resource development, and expanding transportation infrastructure. AIDEA

has proven success in providing loans and investments that benefit many Alaska businesses and promote economic growth for Alaskans. With opportunities abounding throughout Alaska, AIDEA's ability at leveraging additional private sector financing could be a strong asset as we undertake new challenges. We look forward to working together to enhance new opportunities for wealth and prosperity for all Alaskans.

Sincerely,

A handwritten signature in black ink, reading "Michael J. Dunleavy". The signature is stylized and fluid, with the first name "Michael" and last name "Dunleavy" clearly visible. Below the signature, the name "Michael J. Dunleavy" and the title "Governor" are printed in a standard black font.

Michael J. Dunleavy  
Governor



Left to right: AIDEA Infrastructure Development Sr. Finance Officer, Jeff San Juan; AIDEA Business Development & Communications Director, Michael Catsi; CDFA President & CEO, Toby Rittner; AIDEA CEO/Executive Director, John Springsteen; AIDEA Chief Investment Officer, Alan Weitzner.

## AIDEA NAMED DISTINGUISHED DEVELOPMENT FINANCE STATE AGENCY

COUNCIL OF DEVELOPMENT FINANCE AGENCIES HONORS AUTHORITY WITH NATIONAL AWARD

“The CDFA Excellence in Development Finance Awards recognize outstanding development finance programs, agencies, leaders, projects, and success stories,” said Toby Rittner, president & CEO of CDFA. “These awards honor excellence in the use of financing tools for economic development, as well as individuals who champion these efforts.”

“This year’s honor is bestowed to the Alaska Industrial Development and Export Authority, an organization dedicated to supporting economic growth and diversification in Alaska, and creating job opportunities for Alaskans by providing various means of financing and investment,” Rittner said.

The CDFA award announcement stated further: *This self-funded, semi-independent public corporation has acted as one of Alaska’s most valuable economic development players for more than 50 years. Over the course of AIDEA’s history, this organization has purchased more than \$1 billion in loans, issued more than \$1.54 billion in conduit revenue bonds, supported the creation of thousands of jobs, and since 1997 has declared more than \$407 million in annual dividends to the State’s general fund.*

“CDFA is proud to honor AIDEA this year. They are an extraordinary organization dedicated to using specific development finance tools to support commerce and industry in key sectors throughout Alaska,” concluded Rittner.

“We are proud to be the 2018 winner of this coveted Excellence in Development Finance Award,” said John Springsteen, AIDEA CEO and executive director.

“With the dedicated leadership, expertise, and energy of the talented AIDEA team, the Authority has demonstrated that it is a disciplined investor and a national leader in development finance. We are truly honored by this recognition from CDFA,” said AIDEA Board Chairman, Dana Pruhs.

The Council of Development Finance Agencies is a national association and most knowledgeable members of the development finance community representing public, private, and non-profit entities alike.



# CHAIRMAN'S LETTER

## DANA PRUHS



The Alaska State Legislature created AIDEA in 1967 to create job opportunities for Alaskans and to encourage the economic growth of the state, including the development of its natural resources, through the establishment and expansion of manufacturing, industrial, energy, export, small business, and business enterprises and the other facilities. AIDEA has successfully met the Legislature's goals and continues to support the state's economy by providing a variety of financing programs.

I am happy to report that in FY18, AIDEA was again successful in accomplishing those stated goals. AIDEA issued loans and bonds, totaling \$268.26 million, across 41 developments leveraging an additional \$333.6 million in public and private investment. These investments supported the creation of 2,219 new and retained jobs.

In addition, I am proud to announce that in FY18, AIDEA increased its net position by \$13.4 million to a total of \$1.33 billion. This increase represents AIDEA's thoughtful and conservative approach to investments, and is especially notable in these times of economic recession. AIDEA's work not only benefits Alaska businesses and the communities in which they are located, but also provides an annual dividend to the State's general fund that supports programs and services throughout the state. In FY18, AIDEA paid a dividend of \$12.883 million,

but most recently, AIDEA declared a dividend for FY18 of \$10,285 million bringing the Authority's declared dividend total to \$407.9 million.

It has been an honor to serve as the Chairman of the AIDEA Board and reflect on the successes of the previous year. I appreciate the efforts of all board members and their dedication to the work at hand. I especially wish to thank Gary Wilken and Russell Dick for their years of service on the Board and the countless hours they have tirelessly provided to ensure the organization's success. Working with my fellow board members is inspiring and rewarding. I want to thank them all for their service and the contributions they make in improving and enhancing businesses across the state.

As I look forward to the upcoming years, I am confident that as the economy improves, AIDEA will be at the forefront of the recovery providing capital for future growth and expansion. On behalf of the Board and myself, I would like to thank the Authority's executive director and staff for the efforts they undertake each day to improve the economic wellbeing of the state and of its citizens. Alaska's future is bright and AIDEA will be there working together with its partners and stakeholders to encourage development and growth in all regions of Alaska.

# REPORT TO ALASKANS



## JOHN SPRINGSTEEN CEO / EXECUTIVE DIRECTOR

AIDEA's mission, as the state's development finance authority, is to provide a variety of financial tools that support the development of the state's economy, promote diversity, and create job opportunities for all Alaskans. The goals of these efforts are to promote investment in the private sector; reduce out-flow of dollars, and build resiliency into Alaska's economy and our communities.

AIDEA is proud of its investments in Alaskans and in Alaska through loans, bonds, and other financing tools, which, in FY2018, supported the creation and retention of more than 2,219 jobs in Alaska. This past year, AIDEA has seen sustained utilization of its commercial financing program with AIDEA contributing \$71.7 million in loan participations where the total gross value of loans was over \$88.5 million. In addition, AIDEA issued over \$161.98 million in bonds to support the renovations and additions at the Yukon Kuskokwim Health Corporation's medical campus in Bethel. This complex will not only increase the number of health services available but also the quality of those services and the number of qualified medical professionals in the region. The region should also experience increased economic activity due to the approximately 250 new jobs created by the project.

AIDEA continued its efforts to bring affordable energy and to contribute to improved air quality to Interior Alaska through the Interior Energy Project. The project, created by the Legislature, is intended to increase the supply of natural gas for the use

of space heating and power generation. In FY18, AIDEA was happy to work with the local utility, the Interior Gas Utility, to hand over full control of the project and AIDEA supported those efforts by issuing \$34.6 million in loans.

AIDEA also continued its efforts to build out critical industrial infrastructure to support the development of the state's natural resources. In particular, AIDEA's work on permitting industrial access to the Ambler Mining District has moved forward through the scoping phase of the EIS process. Like AIDEA's road and port project that supports the Red Dog Mine, this project will help unlock job opportunities and wealth to the State from the development of copper, gold, silver and other mineral deposits, and provide a significant boost to the regional economies of the Interior and Northwest Alaska.

Given our strong balance sheet, conservative and effective financial management of assets, and consistently strong performance, AIDEA has maintained its high quality S&P credit rating of AA+ for AIDEA's Revolving Fund, rated independently from that of the State.

Finally, on behalf of AIDEA's management and staff, I would like to thank the Administration, Alaska's lawmakers, AIDEA Board members, and our development partners for their continued support of AIDEA and collaborating with us to facilitate growth and expansion of the state's economic engines as we invest in Alaskans to promote self-reliance.

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# \$333,582,297

PRIVATE AND PUBLIC  
CAPITAL LEVERAGED

# FY2018 AIDEA LOAN PARTICIPATIONS FUNDED

| Location       | Sector           | Gross Loan Amount (\$) | AIDEA Portion (\$)   | Use of Funds     | Financial Partner          |
|----------------|------------------|------------------------|----------------------|------------------|----------------------------|
| Anchorage      | Office/Warehouse | 765,000                | 688,500              | Refinance        | Northrim Bank              |
| Anchorage      | Office/Warehouse | 640,000                | 576,000              | Refinance        | First National Bank Alaska |
| Anchorage      | Office/Warehouse | 2,032,500              | 1,829,250            | Acquisition      | Northrim Bank              |
| Anchorage      | Office/Warehouse | 975,000                | 877,500              | Refinance        | Northrim Bank              |
| Anchorage      | Retail           | 3,375,000              | 3,037,500            | Refinance        | Northrim Bank              |
| Anchorage      | Office/Warehouse | 697,500                | 627,750              | Refinance        | First National Bank Alaska |
| Anchorage      | Business Condo   | 2,437,500              | 2,193,750            | Acquisition      | Northrim Bank              |
| Anchorage      | Warehouse        | 1,725,000              | 1,552,500            | Acquisition      | First National Bank Alaska |
| Anchorage      | Office/Warehouse | 6,037,500              | 5,433,750            | Acquisition      | Northrim Bank              |
| Anchorage      | Tourism          | 527,000                | 474,300              | Refinance        | First National Bank Alaska |
| Anchorage      | Office/Warehouse | 731,250                | 658,125              | Acquisition      | First National Bank Alaska |
| Anchorage      | Healthcare       | 1,925,000              | 1,732,500            | Refinance        | First National Bank Alaska |
| Anchorage      | Office           | 2,700,000              | 2,430,000            | Refinance        | First National Bank Alaska |
| Anchorage      | Retail           | 1,170,000              | 1,053,000            | Acquisition      | First National Bank Alaska |
| Anchorage      | Office/Warehouse | 2,610,124              | 2,351,433            | Refinance        | Alaska USA FCU             |
| Anchorage      | Office/Warehouse | 354,000                | 318,600              | Acquisition      | Alaska USA FCU             |
| Anchorage      | Office           | 1,350,000              | 1,215,000            | Refinance        | First National Bank Alaska |
| Delta Junction | Office/Warehouse | 3,360,000              | 2,184,000            | Refinance        | Northrim Bank              |
| Delta Junction | Equipment        | 200,000                | 130,000              | Acquisition      | Northrim Bank              |
| Eagle River    | Retail           | 1,575,000              | 1,417,500            | Refinance        | First National Bank Alaska |
| Eagle River    | Retail           | 1,770,000              | 1,593,000            | Refinance        | First National Bank Alaska |
| Fairbanks      | Office/Warehouse | 1,068,000              | 961,200              | Refinance        | Northrim Bank              |
| Fairbanks      | Tourism          | 6,750,000              | 6,075,000            | Refinance        | Northrim Bank              |
| Fairbanks      | Office           | 2,977,000              | 2,679,300            | Refinance        | Northrim Bank              |
| Fairbanks      | Warehouse        | 1,140,000              | 1,026,000            | New Construction | Northrim Bank              |
| Fairbanks      | Warehouse        | 210,000                | 189,000              | New Construction | Northrim Bank              |
| Homer          | Vessel           | 764,600                | 688,140              | Acquisition      | First National Bank Alaska |
| Juneau         | Office           | 1,480,000              | 1,332,000            | Refinance        | Northrim Bank              |
| Juneau         | Office           | 2,176,000              | 1,958,400            | Refinance        | Northrim Bank              |
| Juneau         | Tourism          | 775,000                | 697,500              | Refinance        | First National Bank Alaska |
| Palmer         | Healthcare       | 1,140,000              | 1,026,000            | New Construction | First National Bank Alaska |
| Sitka          | Vessel           | 21,149,633             | 11,886,094           | Refinance        | Northrim Bank              |
| Wasilla        | Healthcare       | 1,048,050              | 943,245              | Refinance        | Northrim Bank              |
| Wasilla        | Office           | 1,657,500              | 1,491,750            | New Construction | Northrim Bank              |
| Wasilla        | Office           | 2,550,000              | 2,295,000            | Equity           | First National Bank Alaska |
| Wasilla        | Business Condo   | 250,000                | 225,000              | Equity           | First National Bank Alaska |
| Wasilla        | Office           | 1,100,000              | 990,000              | Refinance        | First National Bank Alaska |
| Wasilla        | Healthcare       | 993,750                | 894,375              | Acquisition      | First National Bank Alaska |
| Wasilla        | Office/Warehouse | 851,276                | 766,149              | Refinance        | Northrim Bank              |
| Wasilla        | Office/Warehouse | 1,432,500              | 1,289,250            | New Construction | First National Bank Alaska |
| Wasilla        | Office           | 1,200,000              | 1,080,000            | Refinance        | First National Bank Alaska |
| Wasilla        | Office           | 875,000                | 787,500              | Refinance        | First National Bank Alaska |
| <b>TOTAL</b>   |                  | <b>\$ 88,545,683</b>   | <b>\$ 71,654,861</b> |                  |                            |



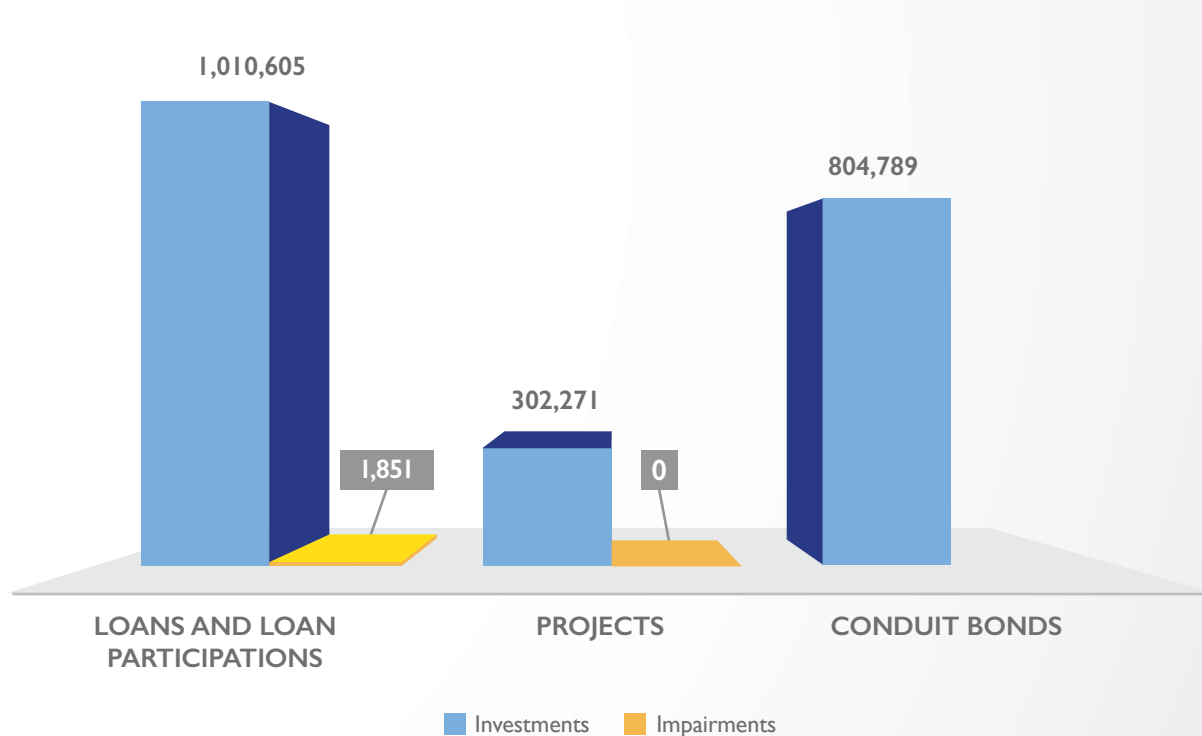
# FISCAL YEAR TO DATE LOAN PORTFOLIO ACTIVITY

AS OF JUNE 30, 2018 (IN THOUSANDS)

| Loan Category             | Starting Balance | New Loans Funded | Principal Payments | Ending Balance |
|---------------------------|------------------|------------------|--------------------|----------------|
| Loan Participations       | 375,970          | 71,655           | (43,680)           | 403,945        |
| Bond Sale Loans           | 12,085           | —                | (583)              | 11,502         |
| OREO & Other Loans        | 258              | —                | (158)              | 100            |
| Power Project Loans       | 15,235           | —                | (1,051)            | 14,184         |
| SETS Loans                | 42,218           | 34,631           | —                  | 76,849         |
| Development Project Loans | 36,308           | —                | (4,088)            | 32,220         |
| SBED / RDIF Loans         | 11,179           | 426              | (2,537)            | 9,068          |
| <b>TOTAL</b>              | <b>493,253</b>   | <b>106,712</b>   | <b>(52,097)</b>    | <b>547,868</b> |

## LOANS, DEVELOPMENT PROJECT INVESTMENTS AND BONDS VS. IMPAIRMENTS\*

Funded After July 1, 2000 (\$ thousands)



\*AS OF JUNE 30, 2018

# 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.

## FY18 PROGRAM HIGHLIGHTS

**\$88.55M**

IN NEW APPROVED LOANS,  
WITH AIDEA'S PARTICIPATION  
OF **\$71.66 MILLION**

**285**

CONSTRUCTION JOBS

**216**

PERMANENT JOBS SUPPORTED

## PROGRAM RESULTS SINCE 1992

**641**

LOANS FUNDED SINCE 1992,  
WITH AIDEA'S PARTICIPATION  
OF **\$1.15 BILLION**

**9,083**

CONSTRUCTION JOBS

**9,476**

PERMANENT JOBS SUPPORTED

# TAKU GLACIER LODGE JUNEAU

Taku Lodge, originally built in 1923, was one of Alaska's first hunting and fishing lodges and provided a base camp for activities in the valleys and streams of the Taku River. The Taku Glacier Lodge, the new name was officially adopted in 1949, has had a number of owners over the years. Ken and Michelle Ward, current owners, bought the property in 1993 and their five children have grown up spending summers at the lodge. The lodge is listed on the National Historic Registry.

In 1979, the lodge began offering day visits to tourists when the previous owners started the Wilderness Salmon Bake & Scenic Flight. Today the lodge operates exclusively as a tourist shore excursion for cruise ship and independent visitors. The visitors today still enjoy the salmon bake, flight seeing, and self-guided hikes on the many trails on the 24-acre

property. The lodge serves approximately 14,500 tourists each year and consistently ranks in the top five shore excursions for cruise ship passengers visiting Southeast Alaska. This is an Alaska family run business that employs ten people in the main lodge and gift shop building.

AIDEA partnered with First National Bank of Alaska (FNBA) to assist in the Ward's refinancing of a high interest debt on the property and extract equity to facilitate renovations at the lodge which included treating the logs that make up the main building, a major kitchen remodel, and the installation of a solar power array that will now completely power the lodge (vs. gasoline generators). FNBA originated the \$775,000 loan and AIDEA participated at 90% of the loan in the amount of \$697,500. AIDEA's portion carries 15-year term at a fixed rate of 3.90%.

*"The long-term fixed rates were very attractive and helped us increase cash flow and reduce our interest expense for years to come. You don't typically see the same low rates from a bank, or the fixed rate feature for such a longer term." KEN & MICHELLE WARD, OWNERS – TAKU GLACIER LODGE*







# 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.

***AIDEA can issue bonds for a variety of uses:***

- Industrial Development Bonds – support the capital needs for manufacturers including real estate, refurbishing a plant, new construction, and equipment, etc.
- 501(c)(3) Bonds – are issued to support the capital projects on non-profits such as hospitals, clinics, and social services, etc.
- Exempt Facility Bonds – are for those projects that provide general government services but by private entities, including electricity and heat generation, water and wastewater services, airports, etc.

Since 1978, AIDEA has issued conduit bonds for 319 projects totaling \$1.54 billion.

# DR. PAUL JOHN CALRICARAQ PROJECT

The Yukon and Kuskokwim Health Corporation (YKHC) — a regional tribal health corporation, administers a comprehensive health care delivery system for 58 rural communities in southwest Alaska. The system includes community clinics, sub-regional clinics, a regional hospital, and provides a number of services such as dental, mental health, substance abuse, and disease prevention programs.

Located in Bethel, the Yukon-Kuskokwim Delta Regional Hospital is more than 30 years old and is no longer in compliance for many critical health and safety codes and regulations. In order to improve service delivery, expand service availability, and meet the healthcare needs of the region's growing population, YKHC has undertaken the development of the Dr. Paul John Calricaraq Project. This project consists of the construction of a new 180,000 square foot primary care clinic and the remodel of the existing 90,000 square foot hospital.

In 2014, YKHC was successful in obtaining a Joint Venture Construction Program agreement through

the Indian Health Service (IHS), which provides the personnel costs for the estimated 240-450 new employees required to staff the new facilities. In 2015, they were awarded a \$165 million United States Department of Agriculture — Rural Development (USDA) loan through the Community Facilities Loan program, the largest loan the program has made. In addition, they were successful in amending state statutes allowing the Alaska Municipal Bond Bank Authority (AMBBA) to issue bonds on behalf of regional health corporations, for up to 49% of the construction costs.

The project costs, more than \$310 million, will be financed using a number of sources. While AMBBA issued bonds to begin construction, AIDEA issued \$161.98 million in Loan Anticipation Revenue Notes in 2017, to continue construction. AIDEA's Notes will be retired with the proceeds of the USDA loan, and the AMBBA bonds will be repaid over 30 years. Additional sources of funds include contributed equity from YKHC, equipment lease financings, and project fund interest income.



# ASSETS AND PROJECTS

**DeLong Mountain Transportation System (DMTS)**  
Location: Northwest Arctic Borough

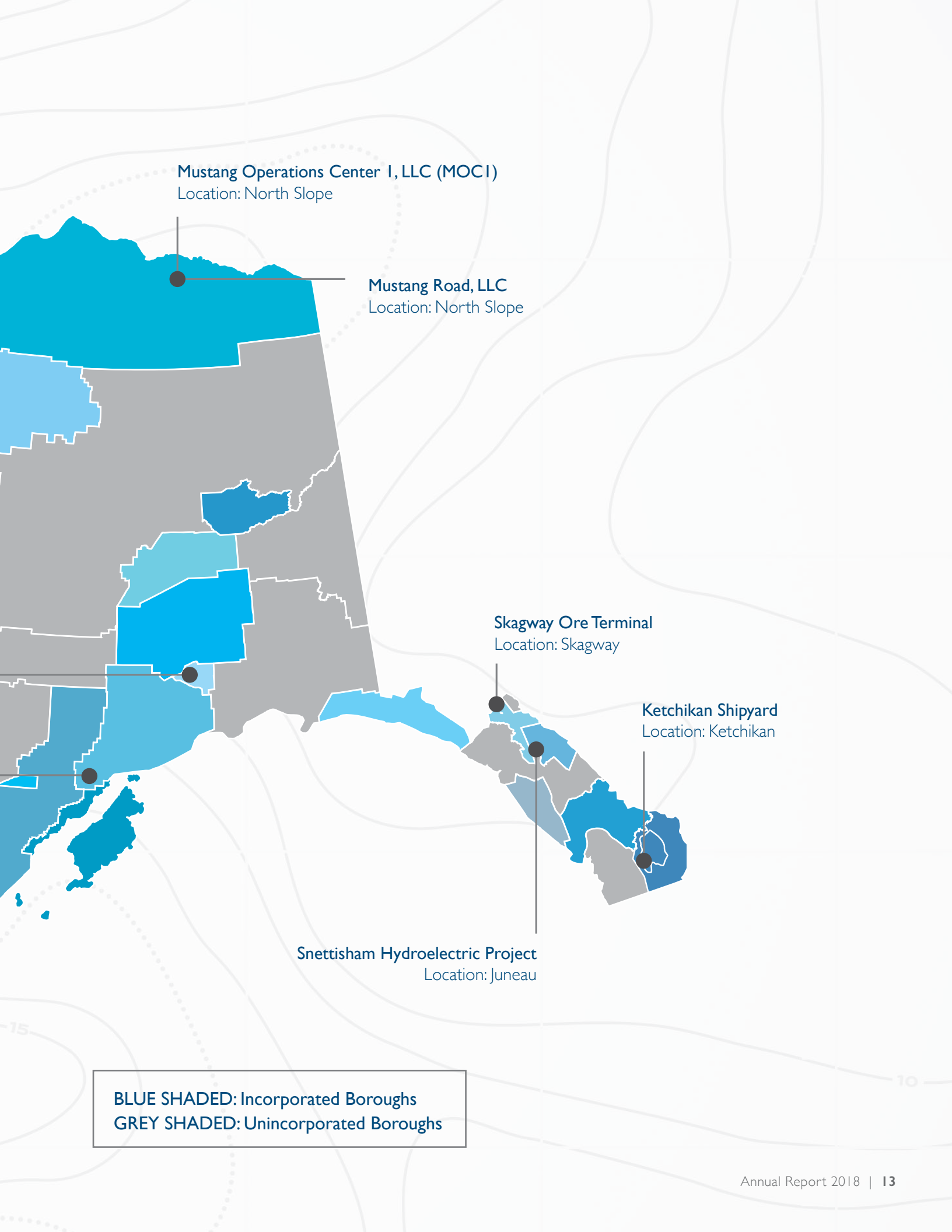
**FedEx Express MRO Facility**  
Location: Anchorage

**Blood Bank of Alaska**  
Location: Anchorage

**Camp Denali Readiness Center Addition**  
Location: Joint Base Elmendorf-Richardson

**BlueCrest Energy Drill Rig**  
Location: Kenai Peninsula





Mustang Operations Center I, LLC (MOCI)  
Location: North Slope

Mustang Road, LLC  
Location: North Slope

Skagway Ore Terminal  
Location: Skagway

Ketchikan Shipyard  
Location: Ketchikan

Snettisham Hydroelectric Project  
Location: Juneau

BLUE SHADED: Incorporated Boroughs  
GREY SHADED: Unincorporated Boroughs

# PROJECT FINANCE AND ASSET MANAGEMENT

AIDEA facilitates the economic development of Alaska through its ability to partner with private and public stakeholders in the structuring and development of industrial and commercially focused infrastructure throughout the state. A key strength within the organization is the financial stability and expertise to develop, fund, and manage the

construction and operation of these complex infrastructure projects. Our project portfolio covers a range of types and size, and extends across the industry sectors vital to Alaska's diversified economy; including mining, energy, tourism, transportation, processing, communications, and logistics (as featured below).

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## 223 | CONSTRUCTION JOBS CREATED

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### FEDEX EXPRESS

For more than 50 years, the Ted Stevens Anchorage International Airport (TSAIA) has played an integral role in the growth of Anchorage and the State of Alaska. Today, the airport plays a critical role as well in the global marketplace by providing the infrastructure to serve over 5 million passengers annually and the facilities to accommodate some of the highest landed weight of cargo aircraft in the US (ranking only behind Memphis, Tennessee). In testament to TSAIA's global services, the airport now ranks among the top five in the world for total cargo throughput.

AIDEA has proudly supported the growth of TSAIA in partnership with private capital, airport management and Alaska's Department of Transportation since the mid '80s. Starting in 1990, FedEx began to envision ways to enhance the company's global operations by performing line maintenance on their aircraft operating through and over Anchorage to destinations in their global network. Shortly thereafter, FedEx and AIDEA started collaborating on ways to help FedEx achieve its goals at TSAIA.

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## 1,175 | PERMANENT JOBS CREATED OR RETAINED

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Working closely with FedEx and TSAIA, an optimal structure for all parties was presented by AIDEA to develop, own, and finance a hangar and maintenance facility on land leased from TSAIA with operations handled by FedEx through a long-term agreement. The resulting maintenance, repair, and operations (MRO) facility provided FedEx with a hangar, a fire suppression system, a ramp, taxiway, road, and associated utilities. AIDEA issued its Series 1992A Revolving Fund Bonds to finance the construction of the FedEx MRO facility, with total construction costs amounting to more than \$32.5 million. By February 1995, the MRO facility was completed and FedEx entered into its long term operations and lease agreements with AIDEA for utilization of the new MRO facility.

The strength of this infrastructure development collaboration between AIDEA, FedEx, and TSAIA was exhibited with a new long-term lease being signed in 2015. The new lease arrangements included AIDEA's design and construction of mechanical and electrical upgrades of the MRO

facility. These upgrades were funded and completed by AIDEA utilizing an innovative procurement process called design/build. This allowed complete collaboration between the construction team, AIDEA, and FedEx and ensured that the upgrades met both FedEx and AIDEA's respective requirements as operator and owner.

Through this project development, FedEx achieved its goals of lowering operating and maintenance costs on their Asian routes. In constructing and financing the MRO facility as owner, AIDEA was able to advance its mission for economic development within Alaska, as well as strengthen Alaska's role as an international air cargo crossroad by improving the slate of basic services at TSAIA for air carriers serving Alaska. This project resulted in increased jobs, workforce development, stabilized populations, and increased revenues to Anchorage. AIDEA's ownership provided the stability and vision necessary for the creation of this new facility and expansion of the Logistics industry sector in Alaska.



# PROJECT FINANCE AND ASSET MANAGEMENT

AIDEA's Project Finance and Asset Management Group (PFAM) seeks to enhance economic development by mobilizing equity and debt capital investment into Alaska commercial and industrial infrastructure projects. We do this by partnering with teams of experienced local and global project developers, frequently in coordination with federal, state, and regional or local agencies. We provide patient capital, able to invest across the full capital structure, for new projects or the expansion/re-development of existing infrastructure—both where economic development benefits are being created or retained.

PFAM investments are made directly into Alaskan projects. We use our financial structuring and project management expertise to proactively manage risks. Our involvement through the development stages helps to reduce the risks and costs of development as a project moves from concept to a structured, financeable investment.

Consistent with our mandate, we will not directly compete with the private sector nor subsidize other investors' returns. Instead, AIDEA's PFAM looks to work with the private sector to invest in

those opportunities within the great state of Alaska, which benefit from AIDEA's established expertise in structuring, financing and managing the back-bone infrastructure supporting commercial and industrial development. We focus on those projects with solid corporate governance, the potential to be financeable, and a strong development impact for local stakeholders.

As of fiscal year end 2018, PFAM manages a portfolio of equity and debt capital investments across 10 complex infrastructure projects in the oil and gas, mining, power, logistics, manufacturing, and national defense industry sectors—all important sectors to a growing, diversified Alaska economy. With these 10 projects, AIDEA has directly invested over \$566.3 million through the project assets' life cycle to-date, including expansions or extensions in several cases. AIDEA's investments have ranged from \$2 million to more than \$100 million in these projects, facilitating similar or higher investment from private capital. Our portfolio reflects AIDEA's patient capital approach to Alaska's core industry sectors and our ability to support the private sector in the construction and management of operational infrastructure assets over the long term.

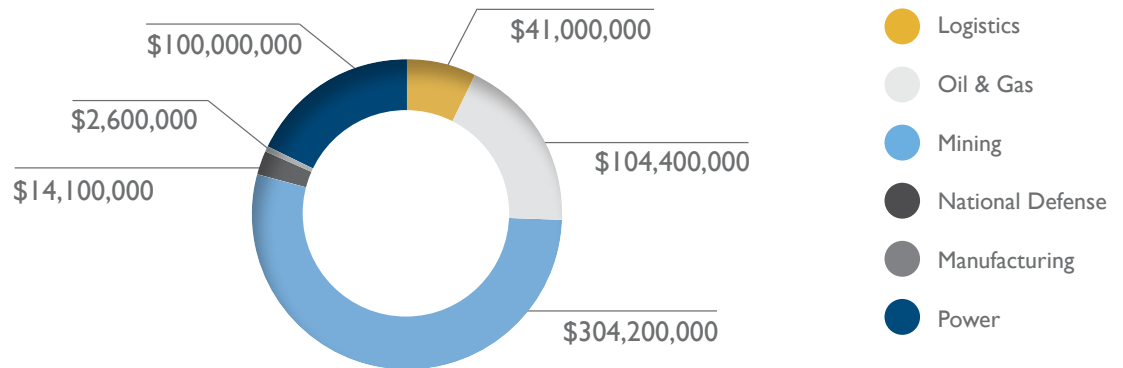
## OVERALL PORTFOLIO

We have a diversified portfolio for projects financed under AS 44.88.172. The infographic below shows the overall make-up of our projects based on cumulative investment\* per industry sector, the regional breakdown of these investments, and the form of investment by AIDEA.

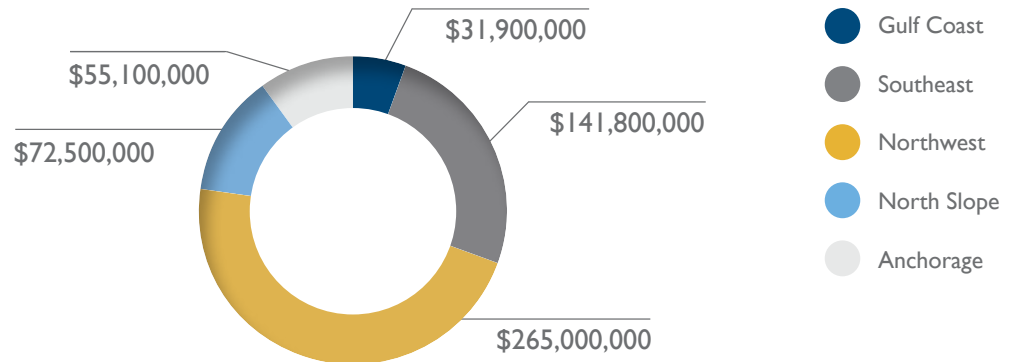
## INVESTING IN ALASKANS

# \$566.3

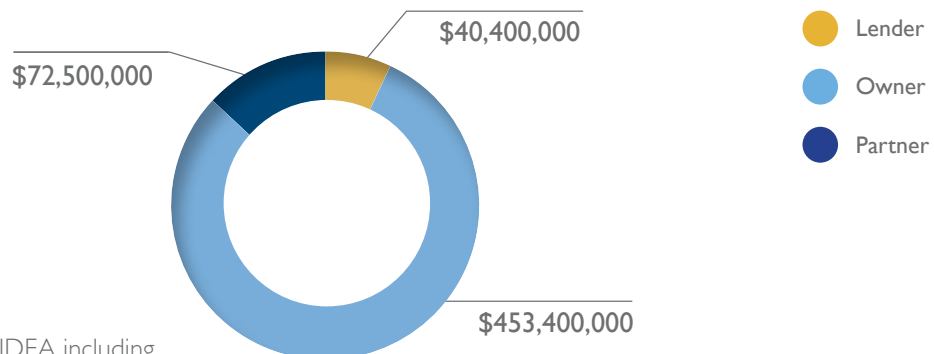
### INVESTMENT BY INDUSTRY SECTOR (ROUNDED)



### INVESTMENT BY REGION (ROUNDED)



### INVESTMENT BY STRUCTURE (ROUNDED)



\*Funds invested directly by AIDEA including bonds. Excludes federal, state, or local funds.

# INFRASTRUCTURE DEVELOPMENT

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. AIDEA has identified several sectors that provide the greatest opportunity for growth and jobs and include natural resource extraction, fisheries, agriculture

and forestry, energy, tourism, and communications.

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 intermodal systems by tying together industrial roads, rail, and ports needed to bring natural resources, refined products, and goods to market.

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## INTERIOR ENERGY PROJECT

The goal of the Interior Energy Project (IEP) is to supply natural gas to Interior Alaska at the lowest cost possible, to as many Alaska customers as possible and as soon as possible. The project is being financed with a combination of funds provided by the State of Alaska.

### PENTEX SALE

In June 2018, AIDEA successfully concluded the sale of Pentex Alaska Natural Gas Company, LLC and its assets, including Fairbanks Natural Gas, to the Interior Gas Utility (IGU). In the AIDEA Press Release announcing the sale, Board Chairman Dana Pruhs said of this accomplishment:

"It has taken time and much hard work by a group of very dedicated people to bring us to this milestone day, when we can now proudly say that AIDEA has fulfilled its assignment to advance the Interior Energy Project for the benefit of Interior Alaska residents. The sale of Pentex to IGU represents the culmination of nearly a year and a half of in-depth due diligence and negotiations, and

now a unified, locally controlled gas utility for the Interior is a reality."

Under terms of the sale, IGU purchased Pentex for the original purchase price of \$54 million, plus an agreed to rate of return to AIDEA from the date of the Authority's acquisition of Pentex in 2015, until the transaction with IGU closed. The purchase price was paid to AIDEA from funds made available to the IEP by the Legislature in Senate Bill 23. IGU is using the remaining financial tools to establish an investment grade utility for the Interior that will deliver natural gas at competitive prices, and help improve air quality in the region.



## LARGE CAPACITY LNG STORAGE TANK

In December 2017, the AIDEA and IGU Boards agreed to initiate construction of a 5.25-million-gallon LNG storage tank. Following a competitive Request for Proposals process, Preload Cryogenics was selected as the primary Engineering, Procurement, and Construction contractor for a facility with a double-walled, full-containment design.

Construction on the project foundation began in January 2018 and progressed rapidly. Work on the expanded LNG storage project continues on schedule and on budget, with a target completion date of fall 2019. *For more information on the Interior Energy Project, visit [www.interiorenergyproject.com](http://www.interiorenergyproject.com).*

## AMBLER MINING DISTRICT INDUSTRIAL ACCESS PROJECT

The Ambler Mining District in Northwest Alaska, has extensive mineral resources, including copper, silver, gold, lead, and zinc. It has been characterized as one of the largest undeveloped copper-zinc mineral belts in the world. The area has been explored for decades, but development of the mineral resources has been limited due to a lack of transportation infrastructure for mine construction and operation.

### PROJECT DESCRIPTION

The Ambler Access project concerns the preparation of the scoping portion of an SF-299 ANILCA right-of-way application for an approximately 200-mile industrial access road from the Dalton Highway to the Ambler Mining District. This project could provide surface access to the Ambler Mining District and enable further exploration and development of the area's resources, providing for economic development.

AIDEA undertook the project with the goal of forming a public-private partnership to finance, construct, operate, and maintain the facility. The project design is modeled on AIDEA's successful DeLong Mountain Transportation System (DMTS), which includes an industrial access road from the Red Dog Mine to the DMTS port. AIDEA worked with private industry to develop the DMTS indus-

trial access road and the costs of road construction are repaid through tolls and fees.

### PROJECT AND ECONOMIC BENEFITS

Development of Ambler Access could allow private industry to develop a 75-mile long area of high grade mineral resources. Over the life of the project, multiple mines would likely be developed in the area.

#### **General benefits from the project include:**

- Job and business opportunities for rural residents in north-central and Northwest Alaska

#### **Road Construction and Operations**

- Annual average of 486 jobs throughout road construction period
- Up to 68 full-time jobs for road operations and maintenance over the life of the road

#### **Mines Construction**

- 5,933 direct jobs over two years for mine construction with \$457.4 million in wages
- 9,278 direct, indirect, and induced jobs with \$642.6 million in wages

#### **Mining Operations**

- 1,534 direct jobs with \$164.2 million in wages annually
- 3,186 direct, indirect, and induced jobs with \$324.7 million in wages annually

#### **State Government Revenues (Life of Four Potential Mines)**

- \$261 million in mining license tax revenues
- \$357 million in corporate income taxes
- \$78 million in production royalties

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



# SUSTAINABLE ENERGY TRANSMISSION AND SUPPLY DEVELOPMENT PROGRAM (SETS)

The Alaska Sustainable Strategy for Energy Transmission and Supply (ASSETS) Act of 2012 created new programs and powers within AIDEA and addresses the state's energy needs by offering a number of energy development financing options, including loans and guarantees. The ASSETS program was an important expansion of AIDEA's tools and is part of an effort to provide lower cost, sustainable energy across the state.

The ASSETS Act created the SETS program, which allows AIDEA to make loans and provide loan guarantees for the financing of "qualified energy developments." The program is not limited to electric generation and distribution but 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.

## ***Financing is limited to:***

- A loan amount of up to 33.33% of total project cost without legislative approval; or
- \$20 million in total loan guarantees; and
- A maximum term of 30 years except for hydro-electric projects, which can extend out 50 years.

***For more information, please contact AIDEA.***

# SMALL BUSINESS LOAN PROGRAMS

## RURAL DEVELOPMENT INITIATIVE FUND (RDIF)

*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
- 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, with the interest rate being 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. Eligibility for the SBED program includes all communities in the state of Alaska with a population of less than 30,000.

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 <http://commerce.alaska.gov/ded/fin/loanPrograms.html>.*

## FY18 RDIF AND SBED PROGRAM HIGHLIGHTS

**\$406,000**

IN NEW APPROVED LOANS

**\$33,411,403 IN TOTAL**  
SINCE INCEPTION

**13** NEW JOBS  
CREATED OR RETAINED

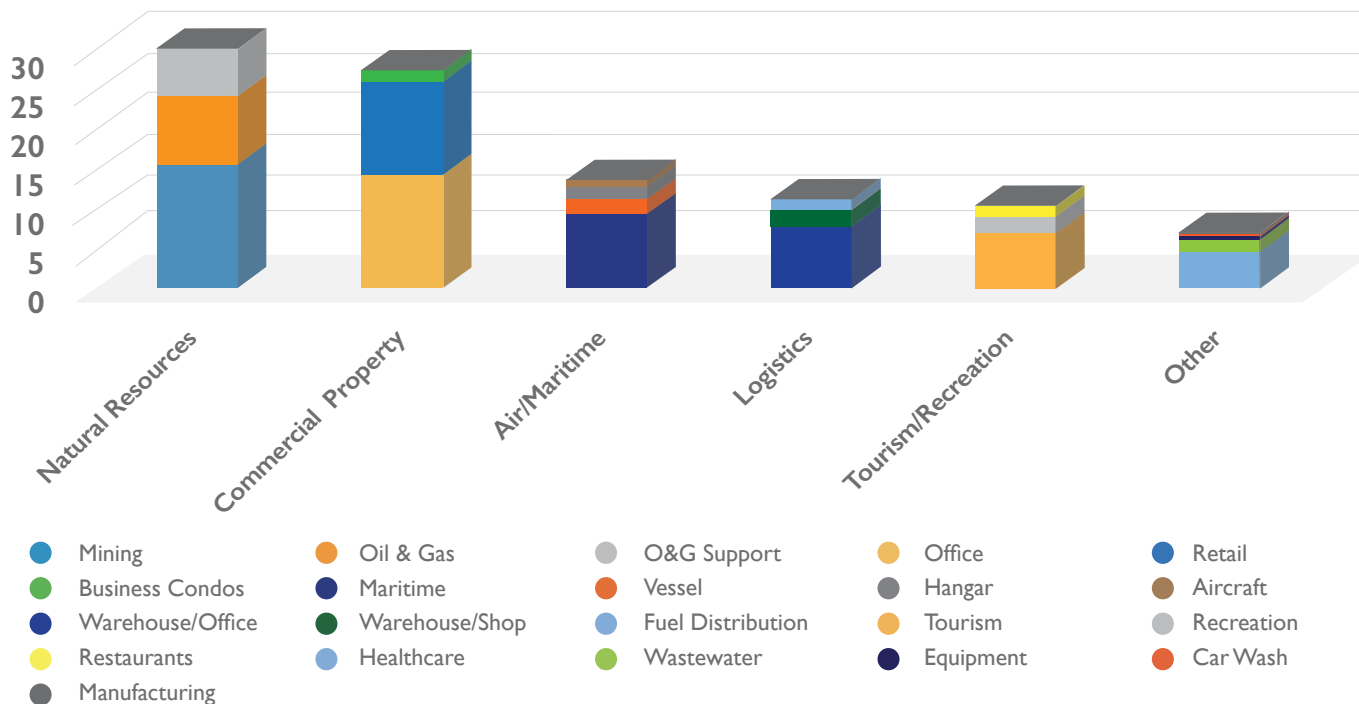
**1,848** JOBS CREATED  
SINCE INCEPTION



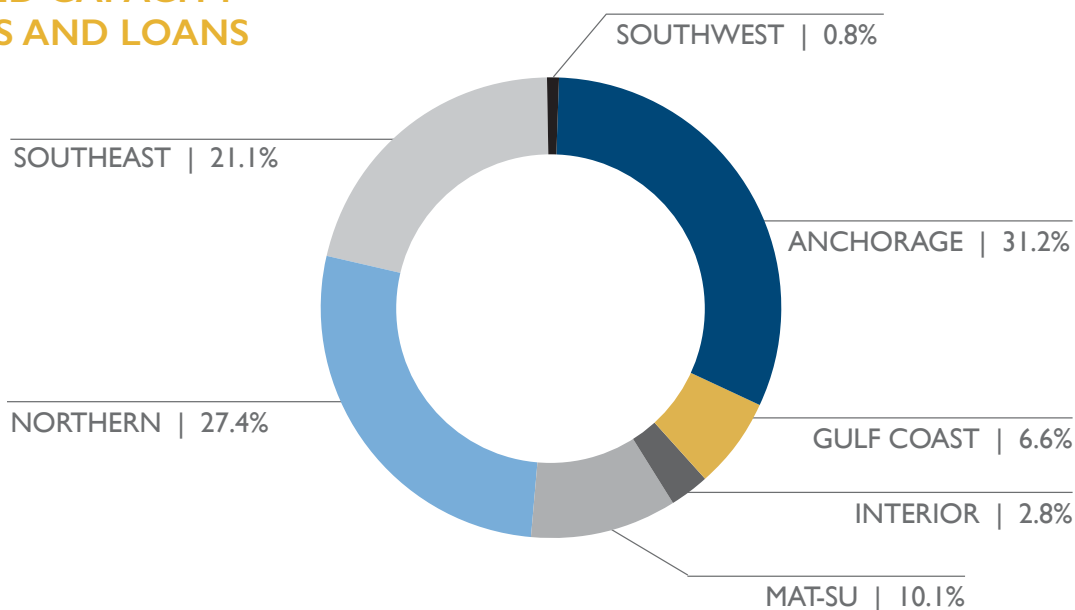
# PORTFOLIO HIGHLIGHTS

AS OF JUNE 30, 2018

## INDUSTRY DIVERSITY OF COMBINED CAPACITY PROJECTS AND LOANS (%)



## REGIONAL DIVERSITY OF COMBINED CAPACITY PROJECTS AND LOANS

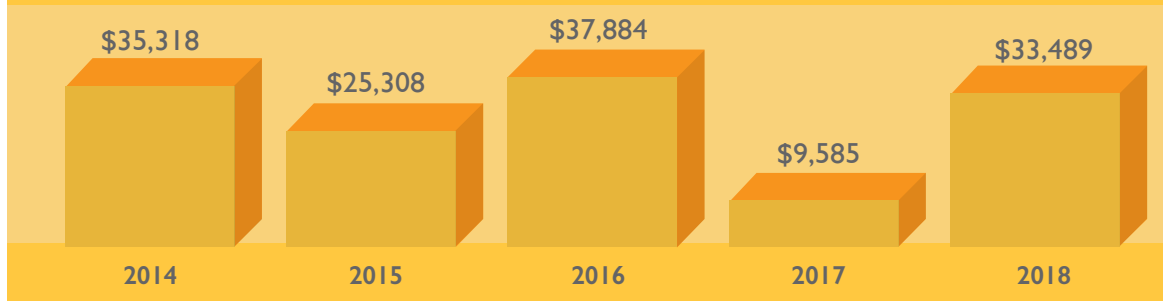


# FINANCIAL HIGHLIGHTS

AS OF JUNE 30

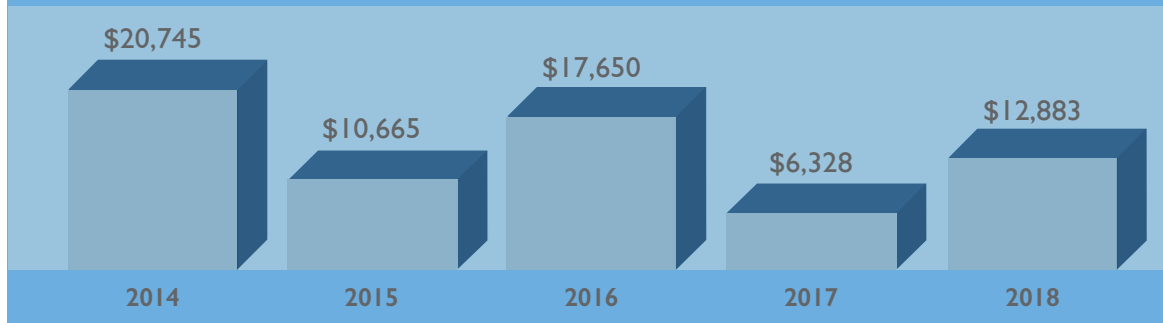
## Total Statutory Net Income

*In Thousands*



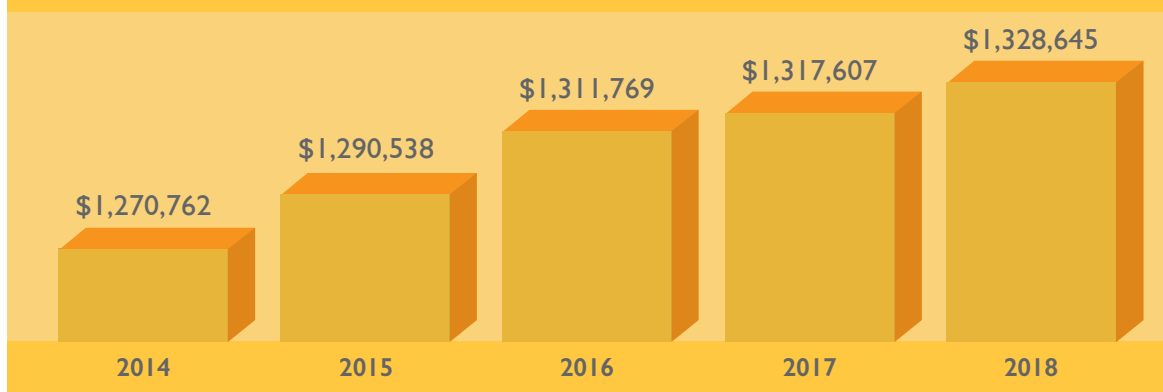
## Dividend By Year Paid

*In Thousands*



## Net Position

*In Thousands*



# FY2018 FINANCIAL STATEMENTS\*

(IN THOUSANDS)

| STATEMENTS OF NET POSITION  | As of<br>June 30, 2018 | As of<br>June 30, 2017 |
|---|------------------------|------------------------|
| <b>Assets and deferred outflows of resources</b>                          |                        |                        |
| Assets:   |                        |                        |
| Investment securities and cash  | \$ 556,479             | \$ 567,178             |
| Loans, net  | 505,231                | 405,108                |
| Development projects  | 296,289                | 319,504                |
| Development project assets-Pentex   | —                      | 67,922                 |
| Line of credit  | —                      | 27,412                 |
| Other assets  | 30,959                 | 36,213                 |
| Snettisham project assets   | 69,833                 | 70,964                 |
| <i>Total assets</i>   | <i>1,458,791</i>       | <i>1,494,301</i>       |
| Deferred outflows of resources:   |                        |                        |
| Deferred outflows of resources  | 1,492                  | 3,452                  |
| Deferred outflows of resources-Pentex                                     | —                      | 2,276                  |
| Snettisham project deferred outflows of resources                         | 3,127                  | 3,611                  |
| <i>Total deferred outflows of resources</i>                               | <i>4,619</i>           | <i>9,339</i>           |
| <b>Total assets and deferred outflows of resources</b>                    | <b>\$ 1,463,410</b>    | <b>\$ 1,503,640</b>    |
| <b>Liabilities, deferred inflows of resources, and net position</b>       |                        |                        |
| Liabilities:  |                        |                        |
| Revolving fund bonds  | \$ 42,955              | \$ 45,990              |
| Other liabilities   | 16,613                 | 63,958                 |
| Development project liabilities-Pentex                                    | —                      | 1,332                  |
| Snettisham project liabilities  | 72,960                 | 74,575                 |
| <i>Total liabilities</i>  | <i>132,528</i>         | <i>185,855</i>         |
| Deferred inflows of resources   | 2,237                  | 178                    |
| Net position:   |                        |                        |
| Net position  | 1,328,645              | 1,317,547              |
| Net position-Pentex   | —                      | 60                     |
| <i>Total net position</i>   | <i>1,328,645</i>       | <i>1,317,607</i>       |
| <b>Total liabilities, deferred inflows of resources, and net position</b> | <b>\$ 1,463,410</b>    | <b>\$ 1,503,640</b>    |

\*Unaudited

# FY2018 FINANCIAL STATEMENTS\*

(IN THOUSANDS)

| REVENUES, EXPENSES AND CHANGES IN NET POSITION                      | For the year ending<br>June 30, 2018 | For the year ending<br>June 30, 2017 |
|---|--------------------------------------|--------------------------------------|
| <b>Operating revenues:</b>  |                                      |                                      |
| Interest on loans   | \$ 16,839                            | \$ 16,612                            |
| Income from development projects                                    | 22,193                               | 16,022                               |
| Income from development projects-Pentex                             | 14,875                               | 16,467                               |
| Snettisham project restricted income                                | 2,982                                | 3,099                                |
| Investment interest   | 11,923                               | 10,676                               |
| Net (decrease) in fair value of investments                         | (12,039)                             | (11,113)                             |
| Income from state agencies and component units                      | 5,366                                | 6,377                                |
| SOA nonemployer contribution to PERS system                         | 1,038                                | —                                    |
| Other income  | 1,156                                | 1,780                                |
| <b>Total operating revenues</b>                                     | <b>64,333</b>                        | <b>59,920</b>                        |
| <b>Operating expenses:</b>  |                                      |                                      |
| Interest  | 2,160                                | 2,461                                |
| Snettisham project interest expense                                 | 2,982                                | 3,099                                |
| Nonproject personnel, general and administrative                    | 6,984                                | 6,761                                |
| Net pension related adjustment                                      | (2,016)                              | 2,331                                |
| Net OPEB related adjustment   | 164                                  | —                                    |
| Costs reimbursed from State agencies and component units            | 5,366                                | 6,377                                |
| Provision for loan losses   | 797                                  | 1,120                                |
| Depreciation on projects  | 6,318                                | 6,295                                |
| Project feasibility and due diligence                               | 638                                  | 966                                  |
| Expenses-Pentex   | 15,081                               | 17,014                               |
| Other project expenses  | 749                                  | 3,525                                |
| <b>Total operating expenses</b>                                     | <b>39,223</b>                        | <b>49,949</b>                        |
| Operating income  | 25,110                               | 9,971                                |
| Other revenues and expenses, net and other                          | 1,347                                | 2,103                                |
| Other revenue (expenses), net-Pentex                                | (167)                                | 92                                   |
| <b>Increase in net position, before dividend to State of Alaska</b> | <b>26,290</b>                        | <b>12,166</b>                        |
| Dividend to State of Alaska   | (12,883)                             | (6,328)                              |
| <b>Increase in net position, after dividend to State of Alaska</b>  | <b>13,407</b>                        | <b>5,838</b>                         |
| Net position-beginning of year, as previously reported              | 1,317,607                            | 1,311,769                            |
| Cumulative effect on prior years of adoption of GASB Statement 75   | (2,369)                              | —                                    |
| Net position-beginning of year, as adjusted                         | 1,315,238                            | 1,311,769                            |
| <b>Net position-end of year</b>                                     | <b>\$ 1,328,645</b>                  | <b>\$ 1,317,607</b>                  |

\*Unaudited



# BOARD OF DIRECTORS



**DANA PRUHS**  
CHAIR / PUBLIC MEMBER



**RUSSELL DICK**  
VICE-CHAIR / PUBLIC MEMBER



**MIKE BARNHILL**  
DEPUTY COMMISSIONER  
DEPARTMENT OF REVENUE  
(DESIGNEE)



**GARY WILKEN**  
PUBLIC MEMBER



**ELAINE BROWN**  
PUBLIC MEMBER



**BERNIE KARL**  
PUBLIC MEMBER



**FRED PARADY**  
DEPUTY COMMISSIONER,  
DEPARTMENT OF COMMERCE,  
COMMUNITY, AND ECONOMIC  
DEVELOPMENT (DESIGNEE)

For AIDEA's complete Audited Financial Statements for Fiscal Year 2018, 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.*

# EXECUTIVE STAFF



**JOHN SPRINGSTEEN**  
CEO / EXECUTIVE DIRECTOR



**BRENDA APPLGATE**  
CHIEF FINANCIAL OFFICER



**MARK DAVIS**  
CHIEF INFRASTRUCTURE  
DEVELOPMENT OFFICER



**ALAN WEITZNER**  
CHIEF INVESTMENT OFFICER



**CHRIS ANDERSON**  
DIRECTOR – COMMERCIAL  
FINANCE



**MICHAEL CATSI, CEcD, DFCP**  
DIRECTOR – BUSINESS  
DEVELOPMENT AND  
COMMUNICATIONS



**KARSTEN RODVIK**  
EXTERNAL AFFAIRS OFFICER



**LINDA SENN, PH.D**  
HUMAN RESOURCES MANAGER



**GENE THERRIAULT**  
INTERIOR ENERGY PROJECT  
TEAM LEAD



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