

Alaska Industrial Development and Export Authority  
BOARD MEETING MINUTES  
Wednesday, September 14, 2022  
Anchorage, Alaska

**1. CALL TO ORDER**

Chair Pruhs called the meeting of the Alaska Industrial Development and Export Authority to order on September 14, 2022, at 8:30 am. A quorum was established.

**2. ROLL CALL: BOARD MEMBERS**

Members present: Chair Dana Pruhs (Public Member); Vice-Chair Bill Kendig (Public Member); Julie Sande (Commissioner, DCCED) (arrived late); Brian Fechter (Deputy Commissioner, DOR); Albert Fogle (Public Member); Randy Eledge (Public Member); and Bill Vivlamore (Public Member).

Chair Pruhs welcomed Deputy Commissioner Brian Fechter as the newest member of the Board.

**3. AGENDA APPROVAL**

**MOTION: A motion was made by Vice-Chair Kendig to approve the agenda as presented. Motion seconded by Mr. Fogle.**

Alan Weitzner, Executive Director, noted the business plan presentation by PT Capital was added to Item 8. Executive Session. There was no objection to the addition.

**The motion to adopt the agenda with the addition of the business plan presentation by PT Capital during Item 8. Executive Session passed without objection.**

**4. PRIOR MINUTES – August 3, 2022**

**MOTION: A motion was made by Vice-Chair Kendig to approve the Minutes of August 3, 2022, as presented. Motion seconded by Mr. Fogle.**

**The motion to approve the Minutes of August 3, 2022, as presented passed without objection.**

**5. PUBLIC COMMENTS (2 minutes per person, for one hour)**

Chair Pruhs requested that comments are limited to two minutes per person. He asked participants to please state their name, and affiliation, if any. There being no public comments, Chair Pruhs closed public comments.

**6. NEW BUSINESS**

**6A. Resolution L22-03 Artillery Park, LLC**

Mr. Weitzner informed that Resolution No. L22-03 regards AIDEA to undertake participation of approximately \$2.7 million of the approximately \$3 million loan to Artillery Park, LLC. AIDEA's participation would be at a fixed rate for a 25-year term. Mr. Weitzner requested Commercial Finance Director Tiffany Janssen provide additional information to the Board. Ms. Janssen discussed that the guarantors are Eklutna Development Services and Eklutna, Inc. Northrim Bank is the originating lender and has requested AIDEA to undertake a 90% participation. The proceeds will refinance a retail building in Eagle River that is 15% owner-occupied and 85% non-owner occupied. The building was constructed in 2014 and created 10 temporary construction jobs during that time. Four new permanent jobs were created and nine jobs will be retained as a portion of the refinance.

Ms. Janssen explained that Artillery Park is a real estate holding company organized in 2014 to hold title of the subject collateral. The guarantor Eklutna, Inc. is the largest private land owner in the Municipality of Anchorage and has significant holdings in the Matanuska-Susitna Borough. Staff visited the collateral property in August, which consists of two, one-story, Class "D" buildings, totaling 31,000 square feet on 2.5 acres. The value is listed at \$6.5 million with an economic life of about 50 years. The debt service ratio based on current tenant leases is 1.96:1. Ms. Janssen discussed that Eklutna, Inc. has related debt with AIDEA, and the total aggregate exposure including the proposed note is approximately \$7.5 million. A Phase I environmental site assessment was completed in preparation of development and there are no environmental concerns. The Eagle River market is competitive with good tenant appeal.

Ms. Janssen reviewed the portfolio diversification after the proposed loan will consist of Class D Buildings at 7%. The repayment industry is recreation at 7%. The main occupying tenant per square footage is a gym. The aggregate exposure is 2%. The lead underwriter Northrim has approved this loan due to the strong financial support and experience of the developers and management team and the potential for further new business. Staff recommends the proposal due to the excellent condition of the collateral, the high marketability of the growing Eagle River area, the quality long-term tenants, and the guarantors with diverse revenue streams. Ms. Janssen informed that both a representative from Northrim and the land asset manager for Eklutna are available to answer questions.

Mr. Fogle inquired as to the tenants of the property, besides the gym. Ms. Janssen noted that there are about six other tenants, one of which is a brewery. Mr. Fogle requested Ms. Janssen provide additional information for the new Board members regarding the portfolio's diversification limits. Ms. Janssen explained that the portfolio diversification considers rental class and repayment industry type. The industry types are viewed within a \$500 million allocation included in the loan dashboard. Ms. Janssen discussed that no repayment industry can exceed 25% individually and that the top five collaterals do not exceed 50% overall. None of the allocations are exceeding the limits.

Mr. Weitzner added that within the linked memorandum is a diversification listing showing the impact of this new participation. Prior to the loan, the recreation repayment industry was at 6%, and after the proposed loan, the recreation repayment industry would be at 7%. The collateral building Class D moves from 6% to 7%, as well. The Anchorage region is currently at 42%, and would move to 43% after the proposed loan. There were no other questions.

**MOTION:** A motion was made by Vice-Chair Kendig to enter into Executive Session to discuss confidential business matters related to the loan participation proposed in Resolution L22-03. A public discussion of these matters would have an adverse effect upon the finances of AIDEA, and AIDEA is required by law to protect certain borrower information as confidential. The executive session is supported by the Open Meetings Act, which allows a board to consider specific confidential matters in executive session. Motion seconded by Mr. Fogle.

A roll call vote was taken and the motion to enter into Executive Session passed unanimously, with Commissioner Sande absent.

**EXECUTIVE SESSION: 8:47 am**

The Board reconvened its regular meeting at 8:58 am. Chair Pruhs advised that the Board did not take any action on matters discussed while in Executive Session, and the discussion was limited to information related to Resolution No. L22-03.

**MOTION:** A motion was made by Vice-Chair Kendig to approve Resolution No. L22-03 Artillery Park, LLC. Motion seconded by Mr. Vivlamore.

A roll call was taken, and the motion to approve Resolution No. L22-03 passed unanimously, with Commissioner Sande absent.

**6B. Resolution No. G22-09 BlueCrest Energy Loan Modification Extension**

Mr. Weitzner discussed that Resolution No. G22-09 regards the approval of amendments to the loan agreement with BlueCrest Alaska Operating, LLC and co-borrowers. The resolution and memorandum are linked to the agenda. The memorandum includes a history of the loans by AIDEA to BlueCrest, which fully supports a rig for the development of a Cook Inlet oil and gas field. Mr. Weitzner requested John Martineck, President/COO BlueCrest Energy, to provide the Board with background information on BlueCrest's recent activities.

Mr. Martineck expressed appreciation to AIDEA for providing the initial \$30 million loan to build the rig for BlueCrest's development program. At the time, the rig was the largest in Alaska. He recognized the benefits to BlueCrest and to the Cook Inlet community. BlueCrest has added 2.8 billion cubic feet of natural gas to the local community for heat and electricity, and has added 1.8 million barrels of crude oil for refinement to gasoline, diesel, and jet fuel for the local area. BlueCrest has paid \$18.3 million of State royalties and \$15.9 million of property taxes. BlueCrest has created hundreds of onsite jobs and many supporting jobs in the community.

Mr. Martineck reported that of the \$30 million original loan, BlueCrest has paid back \$18.6 million in principal and \$10.3 million in interest. He discussed that BlueCrest has a bright future, even though it has faced many challenges, including the State halting tax credits in the middle of the drilling program. The State also did not pay the \$105 million that BlueCrest had already spent in their drilling budget. Compensating for this amount was challenging, and he noted that BlueCrest would have struggled without the understanding of the senior loan investors and without the grace of AIDEA. Mr. Martineck noted that Furie and Cook Inlet Energy both went bankrupt during these challenging times. He discussed that Buccaneer was a partner with

BlueCrest in the program and they went bankrupt. BlueCrest took over their interest and continued with the project.

Mr. Martineck highlighted BlueCrest's bright future with the largest known under-developed reservoir in the Cook Inlet area. The reservoir engineering firm Ryder Scott reports that BlueCrest's current reserves are over 300 million barrels, which ranges from the lowest amount of production of fields in the area at 60 million barrels, to the average recovery amount for fields in the area at 114 million, to the highest recovery amount for fields in the area at 180 million. Additionally, there is 15 billion cubic feet of associated gas that would come from production. Mr. Martineck discussed that the Cook Inlet region is approaching another gas shortage issue. Over the last three years, the Cook Inlet used more gas than was produced. BlueCrest can help with this issue. Mr. Martineck indicated that BlueCrest has an additional reservoir that has not yet been produced. The field's estimated gas reserves are 370 billion cubic feet.

Mr. Martineck discussed that BlueCrest's potential developments have facilitated the purchase of a \$30 million rig, the building of a \$100 million facility, and the drilling of four long-range extended fishbone wells. BlueCrest is now pursuing the additional funding needed to continue the development program and the financing options are encouraging. He described the three trident wells and the two bilateral wells to be drilled in the oil reservoir.

Mr. Weitzner noted that confidential business planning information has been provided to the Board. Discussion of this confidential information would need to occur within executive session.

Chair Pruhs asked for the current production. Mr. Martineck stated that the current production is about 800 barrels a day and approximately one million cubic feet of gas. Chair Pruhs asked if there are contracts for that production. Mr. Martineck noted that the current contract with Enstar is at a market price of \$7.70. The oil is sold to Marathon in the Kenai area at formula pricing. Chair Pruhs asked how the summer production spikes are handled. Mr. Martineck explained that Enstar adds to the reservoir if they do not use the gas. He noted that BlueCrest has never had unsold gas.

Mr. Eledge asked for the total number of well bores that BlueCrest will drill. Mr. Martineck explained that the mother bore has three laterals that have fish bones that drill into the reservoir eight times. The trident wells produce 24, 800-foot spacing wells. There are three trident wells planned, for a total of 72 wells. Mr. Martineck explained that there are also two bilateral wells that contain the fish bones, for a total of 32 wells. Mr. Eledge inquired as to the drilling distance the rig that was purchased is capable of drilling the designer wells. Mr. Martineck noted that drilling is conducted from an onshore location outside of Anchor Point that drills out about 3.5 miles to the reservoir. The drilling goes down about 7,600 feet and the drills up into the reservoir. This is a unique way of drilling wells. Fracking did not prove to be useful in this area. The fish bones drill the fracks cost effectively to drain the reservoir. Mr. Eledge asked if the current drilling equipment is limited by horsepower. Mr. Martineck noted it is not.

Mr. Fogle asked for the number of Alaskan employees at BlueCrest. Mr. Martineck noted that there are 20 employees, eight in Anchorage and 12 at the production site. All are Alaskan residents.

**MOTION:** A motion was made by Vice-Chair Kendig to enter into Executive Session to discuss confidential business matters related to the loan modification proposed in Resolution G22-09. A public discussion of these matters would have an adverse effect upon the finances of AIDEA. AIDEA is required by law to protect certain borrower information as confidential, and AIDEA is required by law to not prejudice the reputation or character of any person. This executive session is supported by the Open Meetings Act, which allows a board to consider the specific confidential matters in executive session. Motion seconded by Mr. Fogle.

A roll call vote was taken and the motion to enter into Executive Session passed unanimously, with Commissioner Sande absent.

**EXECUTIVE SESSION: 9:17 am**

The Board reconvened its regular meeting at 10:34 am. Chair Pruhs advised that the Board did not take any action on matters discussed while in Executive Session, and the discussion was limited to protected information directly related to Resolution G22-09.

**MOTION:** A motion was made by Vice-Chair Kendig to approve Resolution No. G22-09. Motion seconded by Mr. Fogle.

Mr. Weitzner discussed the requested revision under Section 1. on page two of the resolution, that adds the language at the end of the first sentence, “But for the recommendation as to the top-drive replacement and reinstallation, as to which the Executive Director has discretion.” There were no questions.

**MOTION:** A motion was made by Vice-Chair Kendig to modify Resolution No. G22-09, adding the language under Section 1., “But for the recommendation as to the top-drive replacement and reinstallation, as to which the Executive Director has discretion.” Motion seconded by Mr. Fogle.

The motion to approve the amendment passed without objection.

A roll call was taken, and the motion to approve the amended Resolution No. G22-09 passed unanimously.

**6C. Resolution G22-10 AK SHIP Program Extension**

Mr. Weitzner reviewed that Resolution G22-10 converts the Alaska Ship Home-porting for Improvement Program, AK SHIP, from trial period to permanent adopted financing facility under statutory level 44.88.172. The resolution and memorandum are linked to the agenda and provide the history, purpose, and economic details of incorporating the AK SHIP program. Staff recommends permanent adoption. Mr. Weitzner introduced Morgan Neff, Chief Investment Officer, and noted he is the current manager for the program under AS 44.88.172. AIDEA Board adopted the program in 2019 to address a discordance in the region between Alaska’s shipyards and Canada’s and Puget Sound’s shipyards regarding cycle work, financing, and the level of support. The AK SHIP program was introduced to level the playing field within the region and to assist Alaska’s shipyards in being more competitive.

Mr. Weitzner explained that the program has not been largely utilized. The program was initiated in 2019, with the plan of Uncruise undergoing cycle work at the Ketchikan shipyard for approximately \$3 million of the \$10 million program work allocation. Uncruise only had one ship undergo work before COVID-19 impacts and other economic impacts resulting from the global pandemic restricted the current utilization of the allocation of the program. Other Alaskan borrowers, including Drake Construction and Northern Marine, have utilized the program to have their work performed at Alaskan shipyards.

Mr. Weitzner noted that staff recommends the program become permanently adopted as a project financing facility with the caveat that staff will actively market the program and provide information to all of Alaska's shipyards. Staff believes that a broad awareness will lead to more utilization of the program, which provides a good return to AIDEA that can be reinvested into new projects within Alaska.

Mr. Weitzner requested Mr. Neff give an overview and direction of the program. Mr. Neff discussed that it was unfortunate that the program began in 2019, just prior to the COVID-19 pandemic. The program did not have the opportunity to establish itself as a viable option for participating businesses. Mr. Neff noted that within Alaska, approximately 20 businesses within the ship manufacturing space employ over 400 people. Mr. Neff explained that he and Ms. Janssen are working together to reestablish the communication regarding the loan participation program and to clear up common misconceptions. He noted that many smaller financial institutions are considering participation in the program as the misconceptions are resolved. Mr. Neff believes an effective and efficient communications plan would advise the availability of the program and continue to address any misconceptions associated with the program.

Mr. Neff discussed that the program is in a scalable position because the initial expenses were absorbed at the establishment of the program in 2019, as shown on page two of the memorandum. The fee and interest income from the two loans made have far exceeded the payroll and legal costs. Mr. Neff believes the contribution margin for each new loan into the program is going to be greater because the program has met its critical efficiency of scale.

**MOTION: A motion was made by Vice-Chair Kendig to approve Resolution No. G22-10. Motion seconded by Mr. Fogle.**

Commissioner Sande commended the staff and the Board for working together and thinking outside the box on utilizing the program as an effective financing tool. She expressed appreciation for the effort to create the program and she fully supports it moving forward.

Chair Pruhs expressed agreement with Commissioner Sande. He looks forward to additional activity.

**A roll call was taken, and the motion to approve Resolution No. G22-10 passed unanimously.**

#### **6D. Calendar Year 2023 AIDEA Board Meeting Schedule**

Chair Pruhs indicated that the AIDEA Board meeting dates are included in the packet. He asked if the schedule has to be formally adopted. Mr. Weitzner discussed that the Board previously has

adopted the dates through a motion, which would be recorded with public notice. Any changes to the dates would be updated through public notice.

Mr. Eledge asked if the proposed Wednesday, September 13, 2023 meeting could be moved to Thursday, September 21, 2023 for maximum participation possibilities. He noted that moose season ends on September 20 in many areas of the state. There were no objections to the change.

Mr. Fogle suggested that both AIDEA and AEA conduct a strategic planning meeting in February at Chena and for the Board to visit the Ambler Access Road and Red Dog Mine in July. Chair Pruhs asked if there will be much to see on the project in July. Mr. Weitzner noted that discussions have occurred and Ambler Metals has an exploration camp set up and members can visit and view the mineral district area. He noted that there would not be much to see on the road development because the project is conducting prefeasibility and cultural resource activity. Mr. Fogle asked if representatives from NANA and Doyon could also attend. Mr. Weitzner noted that discussions with them could occur. He suggested that the August 2 meeting could occur in Kotzebue, which would accommodate looking at the access to the Ambler Mining District and a request to review the Red Dog facility. Mr. Fogle agreed.

Mr. Eledge asked for the approximate expense of the meeting in Kotzebue. Mr. Weitzner noted that a travel plan is already included in the 2023 budget. Chair Pruhs indicated that additional discussion will occur regarding the travel requests and will be reviewed again at the next Board meeting.

**MOTION: A motion was made by Vice-Chair Kendig to accept the proposed AIDEA Board meeting schedule for 2023, with the modification for the September 21, 2023 meeting date. Motion seconded by Mr. Fogle.**

**The motion to accept the proposed AIDEA Board meeting schedule for 2023, with the modification for the September 21, 2023 meeting date passed without objection.**

A brief at-ease was taken.

## **7. DIRECTORS COMMENTS**

### **7A. Update FNSB MFZ Land Development**

Mr. Weitzner informed that staff will provide an update to the Board at each meeting regarding the proposed MFZ (Military Facility Zone) Land Development and partnership with the City of North Pole. He noted that the presentation that is linked to the agenda reflects the changes resulting from last month's discussions with the Board. The information includes specifics on AIDEA's engagement regarding the land development, utility development, and hook-ups available for housing contractors. The builders will have to ultimately connect to the links from AIDEA's master development.

Mr. Weitzner highlighted the current discussions with the City of North Pole regarding the master development agreement. He requested Angela Kuest, AIDEA Program Manager and Interim Chief Operating Officer, to provide an update on the timeline of that agreement and the purchase of the land. Ms. Kuest discussed that the City of North Pole has met regarding the

mutual development agreement is scheduled to continue the discussions on September 19. AIDEA staff has been asked to attend. The City of North Pole has requested an extension on the close date of the property to September 23.

Mr. Weitzner explained that the current language within the mutual development agreement transfers the land from the City of North Pole to AIDEA once it has been annexed to the City of North Pole, which establishes the land within a military facility zone.

Chair Pruhs asked for an update on the economics of the project. Mr. Weitzner reported that there have been no changes on the revenue side related to the military housing allowance. He asked Mr. Neff to provide an update on any adjustments to the cost components. Mr. Neff noted that there are no material adjustments to the cost components. He expressed a concern regarding a general trend with other developments within the state. He discussed inflation and rising construction costs have resulted in the need for gap financing to complete build-outs of other developments. The concern is that the financial institutions attached to construction have not filled the gap financing that is needed for the additional costs of the build-out. Mr. Neff noted this is a pervasive issue across multiple developers and investors in Alaska. There is a need for capital to complete many of the projects because the financial institutions are not necessarily providing extensions or increased construction loans, as of yet.

Chair Pruhs asked if the desktop appraisals of the theoretical buildings are keeping up with inflation. Mr. Neff believes the appraisals have factored inflation. He noted the commitment on the construction side did not keep up with inflationary pressures of certain costs. Mr. Weitzner commented that early due diligence discussions and feedback with the Fairbanks NorthStar Borough (FNSB) community and the Fairbanks Economic Development Corporation revealed a gap on appraisals within the market. The same valuation on weather requirements or facilitating lower home heating and utility costs do not get represented broadly into the appraisals, as compared to a kitchen countertop, for example. Identifying ways to include the improvements that have real cost components into the appraisal is another factor that needs to be addressed.

Chair Pruhs clarified that there are three categories of appraisals; cost to build, cost to replace, and sale price. He asked if the replacement cost component is increasing to match the additional new construction costs. Mr. Neff noted he misunderstood Chair Pruhs' original question and stated that he believes the replacement cost appraisal component is lagging the cost to build. Chair Pruhs discussed that the information affects future loans distributed by AIDEA. He believes that the communities and economic development groups should be discussing this issue with the appraising groups.

Mr. Weitzner noted that the taskforce has included appraisers in discussions with the lenders because of the issue to ensure that the cost of construction is conveyed into the appraisal for the financing for the housing contractor and for long-term financing.

Chair Pruhs commented that the project revenue side has not changed and that the base allowance for housing rates, BAH rates, are lower in Fairbanks compared to other areas of the state. Chair Pruhs asked if it makes sense for AIDEA Board to pass a resolution to give to the congressional delegation that identifies the BAH rates issue and related jeopardy to the project if the BAH rates are not changed. Mr. Weitzner discussed that Mr. Neff and Ms. Kuest prepared a



report with the information that was provided to Senator Murkowski, who has presented the information to the military command in June. Chair Pruhs asked if the Board's support of that information through a resolution would be helpful. Mr. Weitzner commented that a Board resolution would identify the importance of the information.

Chair Pruhs asked Mr. Vivlamore to comment. Mr. Vivlamore agreed with Chair Pruhs's suggestion. He noted the parties are already in communication, and the passage of a resolution in support of an increase to the BAH would reiterate the importance.

Mr. Fogle asked if rising interest rates declines the economic feasibility of the project and people to buy the properties. Mr. Neff agreed that rising interest rates create a larger capital cost for investors and developers. He noted that this project is primarily for a rental market. The military has indicated that these are one-year to two-year rental properties. Mr. Weitzner discussed that higher interest rates will be reflected in higher lease rates. Higher construction costs will be reflected in higher lease rates. The intention of the development is to try and remove certain key cost components. Staff has not presented the proposed budget to the Board yet for AIDEA funding of \$11 million to \$15 million for long-term finance for the master planning. By removing this cost component from a housing contractor over a longer period of time will hopefully lower the lease rate.

Chair Pruhs asked if the term would be 20 years to 25 years. Mr. Weitzner agreed and noted that the full effect of the numbers have not yet been determined. Mr. Weitzner commented that an adjustment across all military facility housing authorities within the U.S. will need to occur to recognize the fact of higher interest rate costs and higher construction costs. Mr. Neff agreed that discussions with the congressional delegation revealed that this issue is national issue and not only a Fairbanks issue. Weekly meetings continue to occur between staff and delegation representatives.

Chair Pruhs requested that a future resolution is prepared that identifies the critical nature of the BAH rates. Mr. Weitzner agreed that staff will bring a resolution before the Board at the next meeting.

Mr. Eledge asked if staff has any indication when the DOT will respond to Senator Murkowski. Mr. Weitzner understands that there is active engagement with the military command regarding the Fairbanks area. There are active request from the delegation to the military command on how they will address the housing rates in the Fairbanks area. Staff is in weekly discussion with delegation staff regarding updates and very close attention is being paid to this issue. Mr. Neff explained that another catalyst regards the end-of-year BAH assessment report that should be available by December and will show if any adjustments have been made to the Fairbanks area and any of the military housing areas within Alaska.

Mr. Vivlamore commented that he understands that the BAH rates are set using an independent process. He asked if staff has the ability to ensure that the military command has the information and resources showing the disparity in Fairbanks and Alaska specifically. Mr. Neff indicated that all of the analysis and information collected has been provided to the representatives who are conducting the process to set the BAH rates. Staff has tried, but has not had the ability to

communicate thoroughly with those representatives. Mr. Weitzner informed that the military command could make an emergency provision to the BAH rates at any time.

Commissioner Sande asked if the proposed resolution will include language specifically requesting an emergency designation to the BAH rates. Mr. Weitzner believes that is a good suggestion to include specific request language within the resolution. Mr. Neff discussed the caveat that any emergency relief provided is temporary and could revert to the original BAH rate. He believes an emergency provision should be comprehensive to include a permanent solution to the BAH adjustments in the area. Commissioner Sande suggested the inclusion of both advocating for the emergency provision with the backdrop of a permanent solution. There were no additional questions.

## **7B. Loan Dashboard Report**

Mr. Weitzner discussed that the Loan Dashboard Report linked to the agenda was created through the Navision system. He explained that previous reports were published from handwritten reports, taking approximately two weeks to prepare. Complications to report preparation included not being able to accurately aggregate the loan system and the accounting system. Mr. Weitzner identified the long process, work, and expertise of Ms. Janssen, Mr. Neff and staff, who have been working on the system since January, to be able to issue and present a report within a day while maintaining system use.

Chair Pruhs commented that the information format is easy to follow. He expressed appreciation to staff.

Mr. Weitzner reiterated the effective efforts of Ms. Janssen, Mr. Neff, and Dona Keppers, Chief Financial Officer, to improve the organization's productivity over the last year-and-a-half by unweaving old processes of the Navision upgrade of 2018/2019. Additional work is ongoing to make the existing systems more reportable between AIDEA and AEA. Mr. Neff commended and recognized the work and execution plan of Juston Dixon, Analyst Programmer, who is dedicated to the systems and reporting process.

Mr. Weitzner discussed that the focus is on the system's productivity and moving away from a paper-based system. The goal is for the system to be operational as a financial institution system. The critical element is having the staff and capacity to internally manage the external consultants. Ms. Janssen expressed appreciation to Mr. Weitzner for prioritizing the system and for providing the necessary resources for the improvements. She welcomed additional comments from the Board. She noted the format has been updated to match the annual report and AIDEA's branding.

Mr. Eledge applauded the comprehensive work of staff.

Mr. Fogle expressed appreciation to staff for the improvements. He asked if concern is necessary regarding the ending balance that is below \$400 million and not attracting additional loans to replace the loans being paid off. Mr. Weitzner reported that there were fewer loans added last year than was anticipated. The budgeted amount of new loans was \$60 million and only \$27 million of new loans was financed. This was coupled with a few large pay-offs during the year. Mr. Weitzner believes there is a recovery timeline and an issue of increasing interest rates

following COVID-19 that impacted last year's expectations. He discussed that AIDEA currently has many loan applications and preflights in the pipeline. The budgeted anticipation is about \$50 million to \$60 million in new loans.

Ms. Janssen explained that there have been approximately \$30 million in green-lighted preflight applications. Included in the packet on pages 9 and 11 is the information regarding anticipated loan fundings of approximately \$10.5 million and pending loan applications of approximately \$7 million. She noted the large pay-off in July of \$11 million. Ms. Janssen reiterated that borrowers' financials for 2020 were affected and 2021 financials are improving. She discussed that lenders are aware of the rising rate environment and are trying to get the applications to AIDEA sooner. Mr. Neff believes there will be a large correlation of loan originations as borrowers get closer to bank reset dates for floating rates.

Mr. Fogle reiterated the importance of originating new loans. Mr. Neff agreed and noted the communication strategy of the loan participation program. Discussions have occurred recently with banks that have not previously participated in the program because they misunderstood the program or they thought they were too small to participate. Ms. Janssen added that some of those banks' commercial groups were unclear about what niches AIDEA can fulfill. Staff is actively pursuing diversification for new participants.

Mr. Weitzner commented that there was an unfortunate perception that the program was set up to support the larger institutions. In order to be responsive to the Board's dedication of delivering on the mission, staff has focused on communicating that the program is broadly available and is intended to support the smaller institutions to keep them competitive.

Mr. Eledge commended AIDEA staff for the active community outreach. He echoed that dissemination of information and education of lenders remains critical. There were no additional questions.

#### **7C. Quarterly Investment Measure Service Review (Callan)**

Mr. Weitzner advised that Callan's Quarterly Investment Measure Service Review is available within the Executive Director's Office for public review. He discussed that the portfolio is conservatively invested and as interest rates change, the effect is unrealized negative returns.

Mr. Fogle requested to enter into executive session to discuss the investment portfolio. Chair Pruhs indicated that topic can be added to the executive session that is listed as Item 8. There were no objections.

#### **7D. Predevelopment Project Financing Report**

Mr. Weitzner discussed the provided updated information on capital allocations for predevelopment projects, primarily the West Susitna Access project and the Ambler Access project. This is responsive to the Board's request. There were no questions.

#### **7E. Next regularly scheduled AIDEA Board Meeting Wednesday, October 26, 2022**

Chair Pruhs indicated that the next scheduled AIDEA Board meeting is Wednesday, October, 2022.

Chair Pruhs read Agenda Item 8. Executive Session, including Mr. Fogle's request to discuss AIDEA's investment portfolio. Mr. Weitzner advised that Debra Haaland is the Secretary of Department of Interior and that Steven Cohn is the Alaska Director for Bureau of Land Management.

**MOTION: A motion was made by Vice-Chair Kendig to enter into Executive Session to discuss confidential legal matters protected by the attorney-client privilege and related to Northern Alaska Environmental Center et al v. Debra Haaland et al and Alatna Village Council et al v. Steven Cohn et al, in which AIDEA is an Intervenor-Defendant, a preliminary business plan presentation by PT Capital, and AIDEA's investment portfolio. Motion seconded by Mr. Vivlamore.**

**A roll call vote was taken and the motion to enter into Executive Session passed unanimously.**

**8. EXECUTIVE SESSION: 11:38 am. Confidential legal matters protected by the attorney-client privilege and related to Northern Alaska Environmental Center et al v. Debra Haaland et al and Alatna Village Council et al v. Steven Cohn et al, in which AIDEA is an Intervenor-Defendant, a preliminary business plan presentation by PT Capital, and AIDEA's investment portfolio.**

The Board reconvened its regular meeting at 1:27 pm. Chair Pruhs advised that the Board did not take any action on matters discussed while in Executive Session. The session was limited to discussion of the topics listed in Item 8. of the agenda.

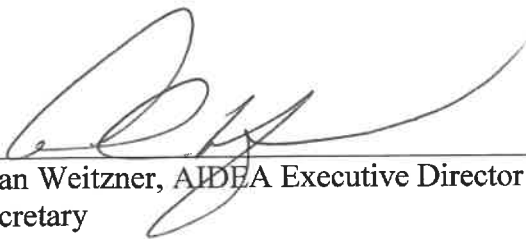
## **9. BOARD COMMENTS**

Mr. Eledge expressed appreciation to Mr. Weitzner and staff for their tenacity.

Chair Pruhs thanked Mr. Weitzner and staff for the information and discussion today.

## **10. ADJOURNMENT**

There being no further business of the Board, the AIDEA meeting adjourned at 1:27 pm.

  
Alan Weitzner, AIDEA Executive Director  
Secretary