



Alaska Industrial Development and Export Authority
BOARD MEETING MINUTES
Wednesday, September 16, 2020
Anchorage, Alaska

1. CALL TO ORDER

Chair Pruhs called the meeting of the Alaska Industrial Development and Export Authority to order on September 16, 2020, at 8:30 am. A quorum was established.

2. ROLL CALL: BOARD MEMBERS

Members present: Chair Dana Pruhs (Public Member); Vice-Chair Bernie Karl (Public Member); Julie Anderson (Commissioner, DCCED); Albert Fogle (Public Member); Bill Kendig (Public Member); Anna MacKinnon (SOA-DOR); and Julie Sande (Public Member).

3. AGENDA APPROVAL

MOTION: A motion was made by Mr. Kendig to approve the agenda. Motion seconded by Mr. Fogle.

The motion to approve the agenda passed without objection.

4. PRIOR MINUTES – August 5, 2020

MOTION: A motion was made by Mr. Fogle to approve the Minutes of August 5, 2020. Motion seconded by Ms. Sande.

The motion to approve the Minutes of August 5, 2020 passed without objection.

5. PUBLIC COMMENTS

Chair Pruhs advised public comments are limited to two minutes per person and should pertain to the topics on today's agenda. He requested the public to state their full name and affiliation.

Chuck Weed informed his full name is Sydney Charles Weed and he lives in Anchorage. He is a former Brooks Range Petroleum employee and served as the HSC Director from May 2019 through February 2020. Mr. Weed reported he filed a lien against Brooks Range Petroleum for unpaid wages and benefit for the period of November 2019 through February 2020. He asked the Board if they intended to give him priority treatment to which he is entitled through this process.

Mr. Weed informed the services he rendered during the time at issue were at the request of Brooks Range Petroleum and working with the full knowledge and participation of AIDEA. He

September 16, 2020

felt compelled to testify today. He is the primary wage-earner for his family and is not seeking a bonus, severance, or any additional wages, other than the wages and benefits owed as an employee. Mr. Weed noted an email from Brooks Range CFO was received in December stating payroll would not be made. Regulatory requirements continued and Mr. Weed performed his duties from home. The duties included working with DEC on required plans and annual monitoring reports, working as a Board member with Brooks Range for Alaska Clean Seas to keep the company solvent and in compliance with State regulations.

Mr. Weed discussed the CFO called in January asking him to return. The plan was to restructure and restart the company. The employees had not been paid since November, during which time weekly project updates were provided to Brooks Range Petroleum owners and AIDEA. Mr. Weed indicated his direct efforts made during the time at issue moved the project forward and he has not been compensated for those efforts. Mr. Weed ultimately resigned in February, and shortly thereafter received a note from the CEO indicating the company had no funding.

Mr. Weed discussed he is seeking that his lien is considered secure and that he is in priority or first position to receive all the monies he is owed. He requested to hear any argument contrary to his priority position, as required by State law.

Shannon Donahue of Haines commented as a resident and a staff member of Southeast Alaska Conservation Council. She informed it has come to her attention and to the attention of other community members that AIDEA initiated a meeting with Haines Borough Mayor and several Borough staff in late August for the purpose of financing an ore dock. Ore shipment via Haines has long been a contentious issue. The threat of ore transport through the Chilkat Valley galvanized community opposition that ultimately sank the Windy Craggy Mine proposal years ago. Community members have expressed current and past opposition to ore shipments that would increase industrial traffic on the Haines Highway, posing a risk to users of the scenic byway and the Klehini and Chilkat Rivers. The shipments could also pass through the townsite to reach the dock. Many local residents do not want ore transported alongside the rivers and through the town to the inlet.

Ms. Donahue informed the community is acutely aware of the ongoing legacy of contamination the neighbors in Skagway are facing in the seabed at AIDEA's ore terminal, which cannot be fully remediated. Many Haines residents have serious concerns about such contamination in Haines. Ms. Donahue reported according to ADF&G, over 90% of Chilkat Valley residents practice subsistence harvesting. In a time of economic uncertainty and supply chain disruptions, Haines is increasingly dependent on the local natural abundance and food harvest, as is the Alaskan way. She believes the ore terminal would jeopardize the natural abundance.

Ms. Donahue feels it is appropriate to fund innovation and sustainable local economies during this time of change and not risky ore terminals. She believes it is better to invest in Alaskans instead of foreign mining companies. Ms. Donahue emphasized the significant local opposition to an ore dock at the inlet. AIDEA should stop pursuing this project and instead, invest in sustainable local business initiative that contribute to the well-being of Alaskans and the local economies.

September 16, 2020

J.P. Wood of the Law Firm of Dillon & Findly represents former Brooks Range Petroleum Corporation employees Dan Gleason, Jack Lash, Larry Vendel. He understands AIDEA will be discussing matters during executive session related to the Mustang Development loan, which involves Brooks Range. Mr. Wood informed details and written comments were submitted yesterday. He requested AIDEA to review the comments during the executive session discussion.

Mr. Wood reported Mr. Gleason, Mr. Lash, and Mr. Vendel worked for months between November 2019 and April 2020, without a paycheck from Brooks Range Petroleum, and despite the statutory obligation to pay the wages, Brooks Range Petroleum has not yet done so. To secure their right to payment, his clients filed statutory liens for unpaid wages on April 20, 2020. The requirements set in statute have been followed. These are first liens with priority status and are attached to any Brooks Range asset related to their work.

Mr. Wood informed the employees were dedicated and believed in Brooks Range and the Mustang Project. They would still like to see it succeed and could be valuable assets going forward. Mr. Wood's clients would prefer to resolve the matter informally without the need for litigation. Mr. Wood asked AIDEA to recognize his clients' status as secured creditors with first lien priority during consideration of any restructuring plans related to Brooks Range and the Mustang Field Development.

Chair Pruhs expressed appreciation for the comments and noted the Board will consider the comments. He closed the public comment session.

MOTION: A motion was made by Ms. Fogle to enter into Executive Session to discuss confidential matters related to AIDEA's office building and owned property, determination of external legal counsel, Budget and Audit Subcommittee, Loan Modifications, and Mustang Development Loan. Motion seconded by Mr. Kendig.

The motion was approved without objection.

6. NEW BUSINESS

EXECUTIVE SESSION: 8:50 am

Confidential matters related to AIDEA's office building and owned property, determination of external legal counsel, Budget and Audit Subcommittee, Loan Modifications, and Mustang Development Loan.

The Board reconvened its regular meeting at 2:35 pm.

Chair Pruhs advised the Board did not take any formal action on matters discussed while in executive session. He reminded everyone that matters discussed in executive session are confidential, including subject matter.

Alan Weitzner, Executive Director, requested to add two agenda items; Item D. Resolution G20-26, and Item E. Resolution G20-27. Mr. Weitzner stated Resolution G20-26 approves

September 16, 2020

negotiations and execution of a debt settlement and restructuring agreement and authorizing the Authority to sell the foreclosed leases and provide financing to Finnex LLC, subject to certain conditions, all in support of the Mustang Oilfield Development Project. Mr. Weitzner explained Resolution G20-27 approves amendments to the loan agreement for Duck Point Development II, LLC, which is Icy Strait Point Phase 2.

MOTION: A motion was made by Mr. Fogle to amend the agenda, adding Item D. Resolution G20-26, Item E. Resolution G20-27, and moving Item C. Presentations on AIDEA's Revolving Fund Investment Portfolio to the October meeting. Motion seconded by Mr. Kendig.

The motion to approve Resolution G20-24 passed unanimously.

A. Loan Resolution No. L20-02 Eklutna Services, LLC

Mr. Weitzner discussed Resolution L20-02 regards the purchase by the Authority of a participation in Eklutna Services, LLC. Mr. Weitzner requested Chris Anderson, Commercial Finance Director, to join the discussion. Ms. Anderson explained the resolution is a participation with Northrim. AIDEA would retain \$863,100 of the \$959,000 credit. The term is 10 years on a fixed basis. The borrower is Eklutna Services, LLC, and the guarantors are Eklutna Development Services, LLC, and the parent company Eklutna, Inc. The use of proceeds would be construction equipment financing. Three jobs will be retained in this effort.

Ms. Anderson explained AIDEA would take a UCC filing on all equipment for collateral. The equipment has been appraised at \$1.4 million, which is a 68% loan-to-value. The net operating income for 2019 was 3.1:1. There are no environmental issues noted. AIDEA has a long history with Eklutna, Inc. Ms. Anderson provided an itemization of the properties for reference.

Chair Pruhs asked if the assets were crossed-collateralized. Ms. Anderson noted the assets are not cross-collateralized, but they are all guaranteed by Eklutna, Inc. Chair Pruhs asked generally if it is important for the Board to consider the possibility of cross-collateralization when there are multiple loans with multiple assets. Ms. Anderson does not believe it is always relevant to cross-collateralize, but believes it does make sense in certain circumstances, especially when an entity is weak.

Mr. Weitzner advised the Investment Committee has reviewed and recommended cross-collateralization as a risk mitigation issue for loans in previous certain circumstances.

MOTION: A motion was made by Mr. Kendig to approve Resolution L20-02. Motion seconded by Mr. Fogle.

Mr. Fogle expressed support for the loan resolution because of its long-term credit history and the retention of three jobs.

Vice-Chair Karl expressed support for the loan resolution noting the long-time related debt that has been paid on-time.

September 16, 2020

Mr. Kendig echoed the previous comments and mentioned the additional personal guarantees within the loan.

A roll call was taken, and the motion to approve Resolution L20-02 passed unanimously.

B. Resolution No L20-03 600 East Railroad Avenue, LLC

Mr. Kendig recused himself from discussion and vote on the resolution.

Mr. Weitzner explained Resolution L20-03 regards purchase by the Authority of a participation in 600 East Railroad Avenue, LLC. He requested Ms. Anderson to provide more information. Ms. Anderson reported AIDEA's participation interest with Northrim is \$3,915,000.00. The term is 25 years at a fixed rate. Northrim is retaining 10% at a 15-year term. The guarantor is Dr. Tony Nimeh. The loan is for the acquisition of an office building in Wasilla leased to the Mat-Su Borough School District primarily, and the Legislative Affairs agency. There are 47 jobs retained and three new jobs created.

Ms. Anderson explained the property is professionally managed by GTK Property Management. AIDEA would take a first Deed of Trust. The property is appraised at \$5.9 million and has a 74% loan-to-value. The proposed debt/service is 1.88:1. There are no environmental issues noted. Northrim requested that the Phase I be waived based on known historical use, the Environmental Risk Assessment Questionnaire, the Veracheck Report, and the Lender's Environmental Risk Report.

Chair Pruhs inquired if Ms. Anderson has visited the property. Ms. Anderson reported the loan officer met with the lender and visited the property. Chair Pruhs asked what types of jobs will be retained and the length of the leases. The jobs are primarily through the Mat-Su Central Home School. The School District's lease has been active for 20 years and recently renegotiated for another three years, with two one-year extensions, and the State legislative offices' lease is until 2027.

Ms. Anderson informed the strengths include fully leased to long-term tenants, professionally managed, and a strong financial guarantor. The ongoing weakness includes the current economic activity. The portfolio diversification in the Mat-Su will increase from 15.61% to 19.67%, and the statewide office industry will increase from 20.67% to 21.37%. Staff recommends the loan resolution.

MOTION: A motion was made by Mr. Fogle to approve Resolution L20-03. Motion seconded by Ms. Sande.

Vice-Chair Karl expressed support for the resolution because of the positive cash flow and the good reputation of the borrower.

A roll call was taken, and the motion to approve Resolution L20-03 passed, with Mr. Kendig recused and Commissioner Anderson not present.

D. Resolution No. G20-26 Approving negotiations and execution of a debt settlement and restructuring agreement and authorizing the Authority to sell the foreclosed leases and provide financing to Finnex LLC, subject to certain conditions, all in support of the Mustang Oilfield Development Project

Mr. Weitzner explained a new loan agreement was initiated with Brooks Range Petroleum in May of 2019, which transferred interests in the underlying project into a direct loan to Brooks Range Petroleum and Caracol as the working interest owner in the underlying Southern Miluveach Unit (SMU) leases. AIDEA does not believe the full extent of that investment has been implemented, which has led to default of those November 2019 loans. Since that point in time, AIDEA has been working primarily with Thyssen Petroleum in various ways to structure the facility. The term sheet and negotiations presented to the Board in January 2020, did not follow through. An effort to restructure the facility to the benefit of the State of Alaska, Alaskans, and the companies is ongoing.

Mr. Weitzner informed AIDEA initiated non-judicial foreclosure process in May 2020, on the underlying assets of Caracol and have been actively working with some of the principal creditors that also have exposure to the company from the initial plan of development. Mr. Weitzner recognized and expressed appreciation for the efforts of the companies who share the same critical issue of recovery of investments. Mr. Weitzner recognized the assistance provided by Thyssen Petroleum in developing the plan to restructure these assets.

Mr. Weitzner advised the resolution before the Board today authorizes a debt settlement and restructuring agreement between the principal creditors, AIDEA, and Thyssen Petroleum to obtain control of the underlying SMU leases with subsequent consent by DNR. The resolution will also reorganize and restructure the specific AIDEA financed equipment assets, subject to terms and conditions, to Finnex, LLC.

MOTION: A motion was made by Mr. Fogle to approve Resolution G20-26. Motion seconded by Mr. Kendig.

Vice-Chair Karl spoke in favor of the resolution. He believes AIDEA will recover its entire investment by approving the resolution and continuing to work through the negotiations. The field has value and opportunity. Vice-Chair Karl disagrees with the philosophy of writing off this investment. He feels good about the direction and leadership of the Executive Director and is proud to be part of the team working on the efforts that will pay dividends to the State of Alaska.

Chair Pruhs expressed appreciation for the hard work and efforts by staff and others, and to Thyssen Petroleum for their planned equity investment.

A roll call was taken, and the motion to approve Resolution G20-26 passed, with Commissioner Anderson not present.

E. Resolution No. G20-27 Approving amendments to the loan agreement for Duck Point Development II, LLC (Icy Strait Point Phase 2)

September 16, 2020

Mr. Weitzner explained Resolution G20-27 approves amendments to the loan agreement for Duck Point Development II, LLC, which is commonly referred to as Icy Strait Point Phase 2. A memorandum discussing the terms of the loan modifications has been provided.

Chair Pruhs informed he has conducted business with Icy Strait in the past and recused himself from voting on the resolution. He requested Vice-Chair Karl continue the discussion in his stead. Vice-Chair Karl agreed.

MOTION: A motion was made by Ms. Sande to approve Resolution G20-27. Motion seconded by Mr. Kendig.

Mr. Fogel stated this is an excellent opportunity for AIDEA to use its patient capital to help save the tourism business in Southeast by assisting a growing company that has invested in local Alaska. He will vote in favor of the motion.

Ms. Sande agreed with Mr. Fogel's comments and believes Huna Totem Corporation and Duck Point Development have certainly demonstrated responsibility and collaborative partnership with AIDEA. She expressed the importance of the project and will vote in favor of the motion.

A roll call was taken, and the motion to approve Resolution G20-27 passed, with Chair Pruhs abstaining.

Vice-Chair Karl turned the meeting back over to Chair Pruhs.

7. DIRECTORS COMMENTS

Mr. Weitzner highlighted the Loan Dashboard Report was not included in the packets and is not available for public review. Due to personnel issues, the information was not produced this month. It will be provided at the next meeting.

7A. AIDEA and AEA Organization Chart, Quarterly Update 09.08.20

Mr. Weitzner informed the updated Organization Chart followed discussions with the Board. New positions have been identified and posted, including the positions of Chief Operating Officer and Chief Investment Officer.

7B. Resolution No. G19-21 Report

Mr. Weitzner advised there have been no material changes in the Resolution No. G19-21 Report and it is included in Board packets.

7C. Infrastructure Development (IFD)/Project Finance and Asset Management (PFAM) Updated Project Matrices - Included in Board packets

Next regularly scheduled AIDEA Board Meeting, Wednesday October 28, 2020

8. PUBLIC COMMUNICATIONS (public comments received since August 7 Board meeting)

9. BOARD COMMENTS

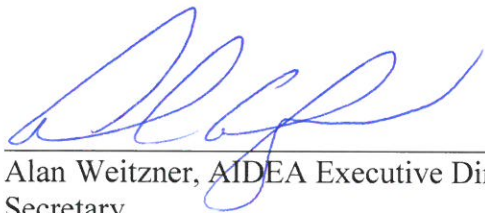
Vice-Chair Karl expressed appreciation to the staff for the continued improvements to facilitate a good meeting. He expressed gratitude for the strategic planning meeting yesterday. He found it helpful and believes AIDEA and AEA have a strong future.

Ms. Sande echoed the comments of appreciation and recognized the tremendous amount of work involved in the preparation of the projects before they come before the Board. She believes everyone in the room is working hard to benefit Alaskans and the State of Alaska.

Chair Pruhs thanked staff and Board members for yesterday's strategic planning session and for the efforts of the Budget and Audit Subcommittee. He congratulated Alan on his second official Board meeting and looks forward to AIDEA's future ability to support economic development and finance for the citizens of Alaska.

10. ADJOURNMENT

There being no further business of the Board, the AIDEA meeting adjourned at 3:12 pm.



Alan Weitzner, AIDEA Executive Director
Secretary

