

Alaska Industrial Development and Export Authority
BOARD MEETING MINUTES
Wednesday, June 23, 2021
Anchorage, Alaska
Via Teleconference

1. CALL TO ORDER

Chair Pruhs called the meeting of the Alaska Industrial Development and Export Authority to order on June 23, 2021, at 10:03 am. A quorum was established.

2. ROLL CALL: BOARD MEMBERS

Members present: Chair Dana Pruhs (Public Member); Vice-Chair Bernie Karl (Public Member); Sandra Moller (DCCED, Designee for Commissioner Julie Anderson); Albert Fogle (Public Member); Bill Kendig (Public Member); Anna MacKinnon (Special Assistant to the Commissioner-DOR); and Julie Sande (Public Member).

3. AGENDA APPROVAL

Chair Pruhs requested that the agenda be amended under Item 6B. Executive Session to include confidential matters relating to the FY 2022 Operating Budget effective date. There was no objection.

MOTION: A motion was made by Mr. Kendig to approve the agenda as amended to include confidential matters relating to the FY 2022 Operating Budget effective date under Item 6B. Executive Session. Motion seconded by Mr. Fogle.

The motion to approve the agenda as amended to include confidential matters relating to the FY 2022 Operating Budget effective date under Item 6B. Executive Session, passed without objection.

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

Chair Pruhs reminded the public that comments are limited to two minutes per person. One hour has been set aside for public comments. He requested that each person state their full name and their affiliation, if any. Chair Pruhs will provide a 15-second notice to each speaker, if necessary. David Kennedy, AIDEA, instructed the public participating telephonically to press star-nine if they wish to make a public comment.

Clare Kreilkamp, Associated General Contractors of Alaska (AGC), informed that AGC is the largest construction trade association in the state, representing over 600 Alaskan general and specialty contractors, suppliers, manufacturers, and businesses in Alaska. Ms. Kreilkamp expressed AGC's support of oil and gas activities, including exploration and development in the 1002 area of the Arctic National Wildlife Refuge (ANWR). AGC urges AIDEA to approve the funds slated for project development expenses on AIDEA's Section 1002 area oil and gas leases and to advance this opportunity for responsible resource development.

Ms. Kreilkamp noted that AGC membership includes much of Alaska's construction industry, which builds Alaska efficiently and abides by the best environmentally sound industry practices. AGC members take pride in their work to support vital infrastructure and connect Alaska. AGC appreciates the continued opportunities for public comment and involvement through this process. AGC believes the preapproved spending will create great potential for Alaska through permitting and development and will provide greatly needed new infrastructure opportunities in the state. It will allow for the creation of thousands of direct and indirect jobs for Alaskans and increased revenues for local and State government.

Ms. Kreilkamp discussed that one of AGC's top three legislative priorities is the responsible development of all of Alaska's industries, to include timely review of projects which support construction and the overall economy of Alaska. AGC strongly urges AIDEA's support in moving this project forward to the predevelopment permitting stage by authorizing these funds. She thanked the Board for the opportunity to express support and encouragement regarding today's vote.

Nori (sp) Toller (sp) of Eagle River expressed opposition to development in the 1002 area and urged AIDEA to review the last meeting that the local residents have had on this topic. She noted that someone made the assertion that the locals and residents of the community were supportive of development, which is not true. Ms. Toller said the comments were from members that represent corporations that stand to financially benefit from the development. She believes it is important to hear from corporations and from community members. Ms. Toller believes that community members that do not have vested interests have been ignored and stifled. She expressed the importance that AIDEA understand the deep concern of the residents about the EIS process and how this will impact their way of life and the community. She hopes that AIDEA will take the concerns into consideration and acknowledge the concerns, at the very least. The belief that there is support from the community members is not the case.

Ms. Toller hopes that AIDEA understands that in this situation to the indigenous communities, AIDEA is the bad guy by taking this development into their own hands and acting and moving forward as if AIDEA knows better, without the consideration of the people that it will impact the most. Ms. Toller urged AIDEA to read the room showing that the cards are stacked against this project. She believes that AIDEA is doing nothing, but wasting our money.

Kari Nore, Resource Development Council for Alaska (RDC), expressed RDC's support for oil and gas activities, including exploration and development in the 1002 area of ANWR. She noted that RDC has long supported efforts for an oil and gas lease program that will allow limited activity within the non-wilderness portion of the coastal plain of ANWR. RDC continues to support measures to properly address the Alaska National Interest Lands Conservation Act (ANILCA) and the intent to preserve areas in the coastal plain for oil and gas development.

Ms. Nore stated that RDC believes expanded oil and gas development and production in Alaska will help strengthen American energy independence, advance domestic energy production, and support local job growth. Alaska's economy depends on responsible resource development. Alaska has rigorous permitting processes and technology has led to major advances in reducing industry's footprint. Oil development on a fraction of the coastal plains would create thousands of jobs nationwide, generate billions of dollars in government revenue for public services, and

further improve energy security for decades into the future. Ms. Nore stated that Alaska needs oil and gas development in the coastal plains and America will benefit too. Members of RDC have long supported oil and gas exploration and development in the coastal plain of ANWR.

Rick Steiner, Anchorage, noted that he is augmenting his written comments requesting that AIDEA reject Resolution G21-18. He firmly believes that AIDEA is not an eligible bidder on the federal oil leases because AIDEA is a State-owned corporation and uses State money, and is not a public corporation. He feels that Congress clearly intended a public corporation to be a publically traded company like Exxon, Shell, or Conoco. While the statute says municipal corporations can hold leases, it does not explicitly say that State corporations like AIDEA may hold leases. This was the substance of the January IG complaint that the Trump Administration ignored, as they wanted to rush the sale through to completion before leaving office. This important issue remains unresolved. Mr. Steiner asked AIDEA to request an official legal opinion from DOJ regarding the eligibility of a State corporation to bid and hold leases and the anti-competitive aspects of a State corporation bidding on federal leases.

Mr. Steiner commented that given the fossil fuel climate disaster that we are living in presently, it is simply immoral, unethical, and unconscionable that AIDEA continues to ignore this reality and continues to invest in new oil development. The news today is that 40 million people are on the edge of starvation in Africa and the Middle East due specifically to climate change driven droughts, yet AIDEA persists with its oil agenda in complete disregard for this. With respect to AIDEA and the State of Alaska, they are exhibiting classic behavior regarding oil and behaving like junkies wanting just one more fix to stay high just a little longer, harming themselves and all of those around them. Mr. Steiner urged AIDEA and the State of Alaska to consent to intervention addiction counseling, a retreat at the Betty Ford Clinic, if necessary, and a recovery program to treat their debilitating oil addiction. Mr. Steiner commented that history is watching.

Unidentified speaker began to comment and Chair Pruhs requested his name and affiliation. A telephonic disconnection occurred.

Pam Miller (sp) expressed opposition to Resolution G21-18. She is speaking from the northern area that AIDEA will conduct industrial activity. She believes that the State funds that will be spent are desperately needed for more jobs elsewhere. She noted that there is talk that 15,000 teachers' jobs could be cut. The number of jobs from the oil and gas development would be very small. Ms. Miller stated that she has walked on the leasehold lands, including the Canning area and Katakuruk River, the coastal plains and foothills, riparian willows, and braided delta. She explained that ANWR was set aside by President Eisenhower's Administration in 1960 for the protection of wilderness, wildlife, and recreation.

Ms. Miller informed that ANWR was protected by Congress, except for a one-time oil and gas study, as well as a wilderness and wildlife study in Section 1002. Ms. Miller noted that she worked on those studies. She has witnessed the severe, significant and long-lasting impacts to vegetation permafrost from 2D seismic programs in the past. The 3D seismic program would cause incredible and intensive damage. Ms. Miller stated that it is unconscionable for AIDEA to attempt to trump an inadequate EIS in order to plow forward and to spend Alaskan's money on this program in Alaska's Wildlife Refuge that was not properly appropriated by the Legislature.

Ms. Miller urged AIDEA to take a pause, as should President Biden and Secretary Haaland, for the actions that were hastily taken during the holidays when little opportunity was given for the public to comment. Ms. Miller noted that AIDEA is not following its own procedures in allowing adequate time to review the proposal. The AIDEA meetings should have an explicitly stated start time. Ms. Miller informed that she was on the phone at 9:30 am and had no idea what was going on. She expressed appreciation for the opportunity to comment. She urged AIDEA to take action against the resolution.

Rick Whitbeck of Power the Future advocates for energy jobs across America, including those that will some day be created when AIDEA's leases in the 1002 section of ANWR are permitted and oil is flowing from to the taps. He explained that Power the Future works hard to reframe the narrative pushed by the friends on the left, who are attempting to co-op and inundate AIDEA's meeting today with their coordinated feelings-over-facts narrative. In previous testimony today, and what will be heard in additional public comments, is that the State has no business investing another dime into a dying industry, that doing so is going to somehow decimate an animal species, and that a so-called existential threat of climate change is going to wipe out civilization as we know it, if AIDEA proceeds with developing the legally fully executed contract with the federal government. Mr. Whitbeck believes this is laughable hogwash, lies, false, and not true. He stated that just because the vocal super-minority continues to say it, does not give their dribble any credibility. It just makes them self-identify more and more as the lunatic fringe.

Mr. Whitbeck believes that the rational clear majority of the state understands there is not a binary choice between environmental stewardship and responsible resource development. He stated to his eco-extremist friends on the line that AIDEA's leases are binding, regardless of feelings, because feelings do not override facts and should not change good policy, nor affect what AIDEA's Board does today. Mr. Whitbeck asked AIDEA's Board to please pass Resolution G21-18 to continue to fight for jobs, our energy future, and to continue to make prudent decisions about the best interest of our state. He thanked AIDEA for their time. Mr. Whitbeck stated to his friends on the line who are members of the radical environmental movement that oil and gas is not going away any time soon and when the next Permanent Fund Dividend is received to make sure to thank an energy worker, who are bound to tell say, "You're fracking welcome."

Mark (sp) Sibolla (sp), Anchorage, commented that it is always fun to hear Rick getting red, puffy and mad, and the next time he wakes up in the morning to remember to thank the indigenous people whose land he is on. Mr. Sibolla expressed his staunch opposition to any decisions to further sink money into a dying industry in oil and gas, because it is dying, regardless of what your feelings say. To sink \$1.5 million more into seismic testing is only the first of many large bills that Alaskans will have to put into a project that will not yield the kinds of returns that our state needs to see in order to overcome the current budget crisis.

Mr. Sibolla noted that the dialog around the support for this project is limited and directly ignores the voices of the community of Kaktovik and other communities whose connection to this land predate a couple of decades of extractive assault on these lands. Mr. Sibolla noted that when he hears decision-makers such as AIDEA speak on the extractive oil industry, he hears a tremendous amount of fear married to a near complete deficit of imagination and hope. No matter where families come from, Alaskans have a history to be proud of. Mr. Sibolla challenged

AIDEA to give future generations a reason to be proud of the history that we have the opportunity to build now.

Mr. Sibolla urged AIDEA to rescind the leases and look to invest the \$1.5 million into anything, but oil and gas, and specifically into the renewable energy efforts coming from Alaskan innovators, instead of lining the pockets of out of state interests who abandoned us within the decade when it became clear that the climate crisis has reached a fever pitch. He suggested that AIDEA has the opportunity to be the country's renewable energy leader, referencing the tremendous boom in 2020 for renewable energy jobs and resources. Mr. Sibolla urged AIDEA to reconsider and rescind the leases in the 1002 region.

Ron Darnell (sp), Fairbanks, expressed opposition to the resolution to authorize the spending of \$1.5 million for the lease sales in the Arctic National Wildlife Refuge. He commented that there are lots of legal problems with the leases. AIDEA is recklessly throwing away good money on the speculative leases. He stated that none of the Board members would be making the decision if this was their business and their money. There are legal questions and believes it is highly unlikely they will be developed. Mr. Darnell urged members to vote no on the resolution.

Patrice Lee (sp), Fairbanks, commented that she finds herself on the right, the left, and in the middle, depending on the issue. She wants to make sure that a project is economically feasible and in the best interest of the persons for whom it is deserved. Ms. Lee expressed opposition to the resolution. The action in oil and gas that is in NPRA as described by ConocoPhillips' Erec Isaacson last week and the amount that the State would receive even if this was developed is miniscule compared to what is available by putting the effort into the NPRA. Ms. Lee noted that economics are a huge issue, as is climate change and the need to address increasing renewable energy. Alaska has energy all over the state, and it needs to be developed in a way that is economic and can actually get to the people. Ms. Lee commented that this project is not economic and she urged members not to pass the project.

Mr. Kennedy advised that there were no additional public members waiting to make a comment. There being no further public comments, Chair Pruhs closed public comments.

5. PRIOR MINUTES – May 19, 2021

MOTION: A motion was made by Mr. Kendig to approve the Minutes of May 19, 2021. Motion seconded by Mr. Fogle.

The motion to approve the Minutes of May 19, 2021 passed without objection.

6. NEW BUSINESS

6A. Work Session Date for Investment Policy Review

Alan Weitzner, Executive Director, advised that staff has been reviewing AIDEA's Investment Policy and has provided a draft mark-up of the policy, which is under discussion with the Budget and Audit Subcommittee (BAS). Staff is requesting a date be established as soon as possible for Board members to conduct a work session to focus on and review the Investment Policy.

Chair Pruhs asked if the policy discussion would be within a public session or within an executive session. Mr. Weitzner responded that the policy discussion would be a public discussion. Chair Pruhs asked if it would be advantageous to plan the work session meeting either the day before or day after the next regularly scheduled Board meeting. Mr. Weitzner agreed.

Chair Pruhs requested feedback from Board members regarding the date of July 27 or July 29. Discussion occurred regarding July 29 as the best available date. Chair Pruhs requested that public notice be posted for the work session meeting on July 29 at 8:30 am. Mr. Weitzner agreed.

Ms. MacKinnon commented that the two significant issues regarding the Investment Policy include the actual investment policy and the retention and performance of the current money managers. There are two money managers overseen by Callan to ensure they are complying with the current investment strategy. Ms. MacKinnon hopes there will be time to discuss both of the significant issues because there are contracts with the money managers that are set to expire and/or need to be extended. Ms. MacKinnon informed that she, as part of the BAS, has specifically requested a side-by-side comparison of potential investment opportunities and market risks associated with those investment opportunities.

Mr. Fogle commented to Mr. Weitzner that there were many follow-up requests from the previous BAS meeting presentation led by Morgan Neff, AIDEA, that occurred during Mr. Weitzner's vacation. The BAS would appreciate that the follow-up information is sent prior to the July 29 work session meeting, including answers to questions made to the money managers that have not yet been addressed. Mr. Weitzner agreed to follow up on those particular items. It is staff's intention to provide the information to the Board and to the public ahead of the meeting.

Mr. Fogle asked for an approximate length of time the work session will entail. Chair Pruhs noted that the current Investment Policy will be reviewed to see if the five-year goals have been met. Discussion will then occur regarding whether or not changes to the policy are warranted, and whether or not the money managers continue to be appropriate for the established goals. Chair Pruhs indicated that this critical discussion could encompass more than one meeting. He encouraged all Board members to be cognizant of the current investment structure, as well as an opinion as to the direction AIDEA should follow, including what risks AIDEA is willing to take with the fundamental foundation of the organization. Chair Pruhs believes the review of Investment Policy is a step-by-step process to develop the best path forward and ensure that AIDEA is satisfied with the risks that are being taken and satisfied with who is managing those risks. Chair Pruhs noted that the work session should conclude in the early afternoon, with the possibility of continuing the meeting on another date.

Ms. MacKinnon inquired if Callan will be included and available during the meeting discussion. Chair Pruhs does not believe it would be appropriate for Callan to attend during the review. Mr. Fogle noted that he requested Callan to provide feedback on AIDEA's Investment Policy over six months ago, and has yet to receive the response. He is looking forward to receiving the feedback from Callan before the work session meeting. Chair Pruhs believes the Board could ask

Callan to be available online, if needed. Chair Pruhs noted that he is not yet cognizant of the rationale for the current investment policy.

Ms. MacKinnon explained the reasons she asked if Callan would be available for participation are to review the current financials, to answer questions directly regarding the performance of the portfolio, and to understand what is happening in the market. The larger discussion encompasses the associated risks of AIDEA's decisions, including the loan portfolio risks, project risks, and investment portfolio risks. She hopes to open a conversation regarding each of the risk categories, which may affect how the Investment Policy is crafted. Ms. MacKinnon noted that she has no vested interest, but to do what is right by the monies that AIDEA and AEA are responsible for, and to follow the missions that AIDEA and AEA are tasked with by providing job opportunities and lowering energy costs. She believes a conversation with Callan may be fruitful in the pursuit of determining the amount of risk AIDEA would like to take in this portion of its revenue categories.

Ms. MacKinnon indicated that an example of her concern is paying an outside money manager 22 basis points to invest in US Treasuries. She noted the possibility of an in-state money manager or the Department of Revenue may be able to offer an equitable investment in US Treasuries for a significantly lower fee. Ms. MacKinnon believes that more information is better and that the process should be slow and deliberate in order to understand the risks associated with decisions. She reiterated her status of being a proponent of an investment policy that includes investments in the equity market in some way. Ms. MacKinnon noted that she has watched the Permanent Fund Division grow by \$4 billion on behalf of Alaska, and AIDEA has \$400 million in the bank through the largest upswing, she believes, in American history. AIDEA has protected the assets, but has not benefited in any significant way like others who have invested at least something in the equity market. Ms. MacKinnon expressed great confidence in staff, particularly Mr. Weitzner and Mr. Neff. She believes there is opportunity within AIDEA's financial portfolio and wants only the best interest of AIDEA to move forward.

Chair Pruhs recommended that questions from the Board to Callan should be forwarded to Mr. Weitzner and that Callan can be contacted during the meeting if questions arise. Mr. Weitzner stated that he can specifically ask Callan to report on the management of the capital reserve investment to which they are an external advisor. Mr. Weitzner requested that Board members provide him with specific questions they want Callan to address.

Ms. Sande asked for clarification regarding the August 4 meeting date. Mr. Weitzner informed that the next Board meeting date has been revised to July 28. There was no objection.

MOTION: A motion was made by Mr. Fogle to enter into Executive Session to discuss confidential matters related to the FY 2022 Operating Budget effective date, Ambler Access Project, Section 1002 Area Leases, and loan modifications for Allen Marine and Huna Totem Corporation. This is supported by the Open Meetings Act, AS 44.62.310, which allows a Board to consider confidential matters in executive session. In this case, the Board believes that these are subjects which would have an adverse effect upon the finances of AIDEA or are protected by law, due to the rules protecting personal privacy and certain business information. Motion seconded by Mr. Kendig.

The motion was approved without objection.

6B. EXECUTIVE SESSION: 10:43 am

Confidential matters related to Ambler Access Project, Section 1002 Area Leases, loan modification for Allen Marine and Huna Totem Corporation, and the FY 2022 Operating Budget effective date

The Board reconvened its regular meeting at 2:35 pm. Chair Pruhs advised that the Board did not take any formal actions on matters discussed while in executive session.

6C. Resolution G21-18 Section 1002 (Coastal Plain) Oil & Gas Leases

Mr. Weitzner explained that Resolution G21-18 relates to development of the Section 1002 Area Oil and Gas Leases Project to conduct certain predevelopment permitting activities. Chair Pruhs requested an explanation for the public of the term “predevelopment.” Mr. Weitzner discussed that planning and permitting activities need to be undertaken as required through the lease stipulations on the seven leases that AIDEA has entered into with the Bureau of Land Management (BLM). The Board memorandum attached to the resolution explains the predevelopment permitting activities staff is seeking to explore at this stage. He highlighted staff’s request of the Board to authorize up to a maximum of \$1.5 million from the unencumbered funds currently within the Arctic Infrastructure Development Fund that were previously authorized by the Board under Resolution G20-31, which allocated a maximum amount of \$20 million for project costs related to the bidding and necessary work on leases won. AIDEA was successful in winning nine of the 11 leases that were bid on. Seven of those lease agreements have been closed with the BLM and Department of Interior.

Chair Pruhs asked if there will be any activity on the coastal plain. Mr. Weitzner explained that there will be no activity on the coastal plain under this resolution.

Mr. Fogle noted that a public comment was made earlier regarding the use of State funds. The money that was devoted to the Arctic Infrastructure Fund was not from State funds. Those funds were AIDEA funds allocated to the Arctic Infrastructure Fund. Mr. Fogle reported that AIDEA has repaid the seed money that was provided by the State. Mr. Fogle requested Mr. Weitzner provide additional discussion regarding AIDEA’s funding. Mr. Weitzner explained that the funding of \$20 million that was allocated by the AIDEA Board to the Arctic Infrastructure Development Fund came from AIDEA’s revolving fund. AIDEA was initially capitalized with a set of loans and minimal capital from the Legislature and from the Department of Revenue of approximately \$309 million. Through investments AIDEA made with the underlying programs and the expansion of the programs, AIDEA has built its balance sheet to \$1.4 billion. Within AIDEA’s revolving fund, there is roughly \$397 million of externally and internally managed funding that is available for reinvestment into the state of Alaska.

Mr. Weitzner discussed that since AIDEA’s inception in 1967, AIDEA has invested or directed investments into the state in excess of \$3 billion for economic development. Through the way the Legislature established AIDEA, the funds that are managed by AIDEA are separate from the State, as required by the Legislature. This is a typical state structure for an underlying

development finance authority. In order to independently manage the funds, an independent AIDEA Board was established with members appointed by the Governor. The management of AIDEA and its underlying capital is at the direction of the Board.

Chair Pruhs requested additional information regarding AIDEA's dividends. Mr. Weitzner informed that since inception of the dividend statute created in 1997, AIDEA has declared in excess of \$439 million in dividends, which is above the initial aggregate capitalization of AIDEA. Chair Pruhs believes this information discussed by Mr. Weitzner provides a clear statement for the record of the public benefits received due to AIDEA's prudent and wise investments in Alaska.

MOTION: A motion was made by Mr. Kendig to approve Resolution G21-18, Resolution of the Alaska Industrial Development and Export Authority relating to development of the Section 1002 Area Oil and Gas Leases Project to conduct certain predevelopment permitting activities. Motion seconded by Mr. Fogle.

Chair Pruhs commented that this resolution furthers the original intent of continuing next steps after obtaining the leases to understand what oil is on the leases. This work needs to be completed before the seismic work can begin. Chair Pruhs expressed support for the resolution for those purposes. He does not believe the State should give up any of its rights regardless of who is in the Executive Office in Washington, D.C.

Mr. Fogle echoed the sentiment of Chair Pruhs. He stated that this part of land was promised to Alaskans back when ANILCA passed. These are the fruits of that labor. Even though this current Administration is not supportive of the leases, the AIDEA Board continued to move forward and purchase the leases. This current due diligence and planning needs to be conducted for predevelopment purposes. Community engagement is occurring through the North Slope for many different tribes and many different municipalities and cities that support the development in the 1002 area. Mr. Fogle noted that a question during public comments focused on whether or not AIDEA is an eligible bidder, and the approval has already been obtained that AIDEA is an eligible bidder.

Mr. Fogle discussed that AIDEA acknowledges that climate change is occurring, and AIDEA feels that the best way to conduct development in the world is in Alaska, where it is done the best. Alaskans take care of the environment while economic and resource development occurs. Mr. Fogle would rather conduct resource development in Alaska, where it is clean, versus conducting development in the Pacific, where others are dumping things into the ground and oceans without reclamations. Mr. Fogle expressed that he is in favor of this resolution moving forward for the predevelopment on the 1002 area.

Vice-Chair Karl expressed that he will be voting in favor of Resolution G21-18. He noted that when Alaska was fighting for statehood, the reason it took so long for Alaska to become a state is the federal government did not believe Alaska could pay for their existence. That is why Alaska was granted a 90/10 split, of which 90% of the resources went to the State and 10% went to the federal government on the selected land that the State received. Vice-Chair Karl indicated that the statehood compact is being taken care of. The action is not about AIDEA, it is about all of the citizens of the state doing what is right. He believes AIDEA takes their responsibility very

seriously. Vice-Chair Karl stated that he is a fervent environmentally green proponent, but he is not a preservationist. He wants everyone to have clean water and clean air. Vice-Chair Karl believes in order to achieve those goals and to have all of the amenities of the 21st century, Alaska has to develop its oil resources as a stepping stone to get there. The oil is in the leases.

Vice-Chair Karl noted that not everyone is against the project. He stated that he hears the conversation of those who are against the project and he respects their opinion. Vice-Chair Karl stated that he is thankful that there are people who are against the project and he is thankful that they can give AIDEA their opinion. He is thankful that opinions can be presented in an organized manner. Vice-Chair Karl expressed the moral of his comments is that there are no simple solutions, only intelligent choices. He believes this is an intelligent choice for moving the oilfield forward. It is not about the State of Alaska producing oil. It is about keeping those rights so that they can be sold to an oil company. Vice-Chair Karl stated that he has been all over world and the oil fields in the north are the cleanest in the world.

A roll call was taken, and the motion to approve Resolution G21-18 passed unanimously.

6D. Resolution L21-02 Allen Marine Loan Modification

Mr. Weitzner informed that Resolution L21-02 regards the modification of a loan participation related to Allen Marine, Inc. Mr. Weitzner requested Tiffany Janssen, Commercial Finance Director, to present the modification and to discuss the related Board memorandum. Ms. Janssen explained that the modification is for Allen Marine. It is the third modification request from Northrim for this borrower. Initially, Northrim had requested a 12-month extension of interest-only payments from July 1 to June 1, 2022, in anticipation of a \$12 million loan to the borrower with a BIA guarantee. Staff has reviewed the proposal and decided that the best course of action would be interest-only payments for the next three months, July through September, with a revisit to the Board on September 22, 2021, once there has been a sufficient amount of time to inquire regarding the BIA guarantee restructuring loan.

Ms. Janssen explained that Allen Marine is a large employer in the Southeast and operates day tours and a small cruise line throughout the Inside Passage. Staff's proposal, due to the urgency of the situation and Northrim's request, which requires immediate response, is to offer interest-only payments for three months while additional review occurs, during which time no shareholder distributions can occur. An additional condition is outline that AIDEA will receive the 2020 finalized audit for Allen Marine prior to the revisit date on September 22nd, 2021.

Chair Pruhs asked if the additional requirement that no shareholder distributions can occur during the modification time period needs to be stated in the resolution. Mr. Weitzner agreed. The amendment will be on page two under Section 1. Chair Pruhs requested that Ms. Janssen provide the specific language for the amendment. Ms. Janssen stated that the first sentence of Section 1. should read; "The Authority's modification of the Participation as described in the Memorandum is approved, subject to the condition recommended as set forth in the Memorandum, and b) that the borrower does not issue shareholder dividends during the modification period."

MOTION: A motion was made by Mr. Kendig to approve Resolution L21-02, regarding modification of a loan participation related to Allen Marine, Inc. Motion seconded by Vice-Chair Karl.

MOTION: A motion was made by Ms. MacKinnon to amend Resolution L21-02 to insert after the word Memorandum, on line three of Section 1., “b) that the borrower does not issue shareholder dividends during the modification period.” Motion seconded by Mr. Kendig.

The motion to approve the friendly amendment passed without objection.

Mr. Weitzner clarified that staff will come back before the Board in September, based upon any further modification from this request.

Chair Pruhs noted for the record that this loan is one of many loans that AIDEA has anticipated and administered over the past 15 months. He commented that, as was seen in executive session, issues such as these consume an inordinate amount of the Board’s time in consideration of being good public stewards of the public’s money. Chair Pruhs expressed support for the resolution. There was no further discussion.

A roll call was taken, and the motion to approve Resolution L21-02, as amended, passed unanimously.

Ms. MacKinnon asked if it would prove beneficial for the Board to direct staff to engage in discussion with lenders regarding modifications of terms and agreements in order to more quickly provide the requested information. Mr. Weitzner advised that Ms. Janssen is currently undergoing review of the lender agreements and will suggest modification recommendations, if necessary. Ms. MacKinnon noted that the impetus of her inquiry was due to the recent need to modify the resolution asking for audited financials, which she expected was a standard component of a loan modification request. She expressed appreciation to Mr. Weitzner for his response.

6E. Resolution G21-19 Huna Totem Corporation Loan Modification

MOTION: A motion was made by Mr. Fogle to approve Resolution G21-19, Resolution of the Alaska Industrial Development and Export Authority regarding modification of a loan participation and a project development loan related to Huna Totem Corporation. Motion seconded by Mr. Kendig.

Mr. Weitzner requested Mr. Neff to provide a summary regarding the proposed loan modification request within Resolution G21-19 and the attached Board memorandum. Mr. Neff explained that the Board previously approved a loan modification for Huna Totem in April under Resolution G21-12. Since then, material events have occurred for the Alaska tourism industry. President Biden signed the Alaska Tourism Act, which opens a partial cruise season for Southeast Alaska. Additional federal appropriations will also be allocated to these same companies. With the new developments, Huna Totem has requested revision of the previous modification to include paying down the entire line of credit expansion loan, engaging in

quarterly interest-only payments for the outstanding notes of the loan participation and project development from August 1, 2021 to 2022, with principal and interest being reinstated on July 1, 2022, extending the maturity for each remaining loan, allocating 85% of Huna Totem's marketable securities into investments that achieve the maximum advance rate on the UBS line of credit, providing quarterly notice of compliance to the existing and new loan covenants, and instating the provision that if the borrower pulls down any capital from the line of credit, an excess cash flow sweep of 1.5 times debt service coverage will be instituted.

Mr. Neff advised that staff believes these modifications are consistent with AIDEA's mission. Totem Huna needs the flexibility to utilize their working capital to capture the unexpected increase in the 2021 cruise season, which projects 25 to 35 cruise ship landings and over 100,000 tourists. This will also allow for the preparation of a prosperous 2022 cruise season.

Ms. Moller asked for the average number of cruise ship landings during a normal season. Mr. Neff indicated that the metrics is based on the projected 100,000 passenger-count, rather than 25 to 45 cruise ships in a normal season. The passenger-count number is slightly lower than a normal season and shows the pent up demand from July through September. Chair Pruhs reiterated the request to know the number of ships expected to come in this season compared to the number of ships that come in during a normal season. Mr. Neff indicated that he can provide a firm answer to Chair Pruhs at a later point.

Mr. Fogle asked Mr. Neff if Huna Totem is in compliance with all of the covenants of their current line of credit and loan with AIDEA. Mr. Neff reviewed previous discussions regarding that Huna Totem did not fulfill the requirement to pay down the line of credit with the carbon offset proceeds. The Board did approve the modification in April under Resolution G21-12 and Huna Totem is compliant with that modification. Mr. Neff explained that Huna Totem will now pay down the line of credit, and the carbon offset payment is no longer required.

A roll call was taken, and the motion to approve Resolution G21-19 passed unanimously.

7. DIRECTORS COMMENTS

7A. Shared Services Finance Update

Mr. Weitzner requested Dona Keppers, Chief Financial Officer (CFO), to give the update on the shared services component of operations and the established efficiency improvements. Ms. Keppers discussed the included year-end audit schedule for the deliverables through October 1, 2021. The remote interim audit fieldwork was completed with all positive outcomes. The final fieldwork will occur during the week of September 3, 2021. A draft audit report issuance is anticipated September 7, 2021, and will be included at the September Board meeting. The final report is due September 30, 2021.

Mr. Weitzner highlighted that one of the key areas that Ms. Keppers and her team has been focusing on is to ensure the financial statements are available as of September 30. The scheduled milestones include opportunities for the BAS and the full Board to review the financial statements prior to their issuance. Ms. Keppers described the ongoing operational efficiency initiatives, including the movement of numerous paper documents into an electronic approval process and archiving. The management information system's vendor has engaged on a weekly

basis to complete several program fixes to improve time saving processes for employees. Internal Jet Report training is occurring. Ms. Keppers explained that some of the employees who knew how the systems work have left employment within the last six months and other subject matter experts within the department are sharing their knowledge of the systems.

Ms. Keppers reported that an additional internal/external Jet Report training is being planned for the near future. The training is imperative to maintain the reporting aspect of the system that creates dashboards and summarizes the information provided to decision-makers. Staff is working closely with IT on these initiative efforts. Mr. Weitzner expressed the importance of the new focus to ensure that there are multiple subject matter experts regarding the reporting systems. This is a change from the previous practice and process. The training allows multiple people to understand the procedures so that operations are not interrupted during times of employee vacation or illness. Mr. Weitzner believes this is a key efficiency upgrade within Shared Services. He discussed that Shared Services, under Ms. Keppers' oversight, is in the process of continued digitization of finance and accounting information utilizing the Navision system, particularly for AIDEA's Loan Participation Program and AEA's PCE program. Mr. Weitzner informed that updates regarding Shared Services will be provided quarterly.

Mr. Weitzner noted that he wanted to take this opportunity to address one of the questions raised in the AEA meeting by Mr. Fogle. Mr. Weitzner explained that staff would like to present a proposal at the next meeting regarding a plan for public engagement and communication. This will further the public's accessibility through push notifications of Board meetings, agendas, news items, and responses. There was no objection.

7B. Finance Dashboard and Commercial Loan Reports: April 2021 and May 2021

Mr. Weitzner highlighted that the two reports provided are for April 2021 and May 2021. Staff continues to improve the timeliness of the reporting processes in order to have the most current information available at the meetings. Mr. Weitzner noted that as of the end of May 2021, the ending balance of the Loan Participation Program is \$467.7 million. The Development Project Loans have held a relatively constant total at \$35.3 million. The majority of the loans have engaged in modification proposals and subsequent Board approvals. Mr. Weitzner discussed that the new loans are representative of the growth within the state, particularly within the Mat-Su expansion. The current total balance allocation consists of Anchorage at 41%, Mat-Su at 21%, Interior at 4%, Gulf Coast at 9%, Northern Region at 4%, Southeast at 20%, and Southwest at 1% of the portfolio.

Mr. Weitzner reviewed AIDEA's anticipated funding as of May 31, 2021, totaled \$7 million. Since the report was generated, the funding for the 5007 West Reliance Road, LLC has been released. The funding request for Swiftwater Creek, LLC has been delayed until August due to deferment regarding inventory items. The pending application for participation from 2G, LLC was approved by AIDEA staff and the application from K&G Enterprises is still under review. The pending commitment for participation from 433 West 9th, LLC related to Hex, LLC has not yet been funded and remains outstanding. AIDEA's loan participation funding total for the year is \$58.5 million.

Mr. Weitzner announced that a new senior loan servicer has been selected to work with Ms. Janssen and her team. Review of the reporting of actual delinquencies to outstandings has been inaccurate over the last few months. The previous reporting procedure by loan services regarding the remittances from the underlying banks was inadequate.

Ms. Sande noted that previous comments have been received regarding AIDEA's level of delinquencies and bad investments. She asked Mr. Weitzner to provide context and observations regarding those types of comments. Mr. Weitzner explained that within the general field of economic development and financing projects seeking to engage employment within the state, AIDEA does not expect to have a track record of 100%. The investment opportunities are being taken at a point in time to initiate employment within the state and to initiate sectors within the state.

Mr. Weitzner discussed that AIDEA was initially capitalized with approximately \$309 million at its inception in 1967 from the legislative loan package through the Department of Revenue. AIDEA has maintained a continuous cycle of reinvestment of the return of funds, new funding, and the addition of new programs. AIDEA has grown the initial capital to a current net position on the financial statement of \$1.4 billion, with a total asset position of \$1.6 billion. Within the cycle of investments, AIDEA has directed over \$3 billion of investment into Alaska. Mr. Weitzner believes that AIDEA's balance sheet, track record, and programs highlight the rates of return that can be achieved by investing in Alaskans and in Alaska.

Mr. Weitzner noted the reference to loan delinquencies and commented that the Loan Participation Program has performed extremely well historically in partnership with existing investors in the state, such as banks, credit unions, and financial institutions. The program focuses predominantly on the growth within the commercial real estate sector within the state. It is a very stable and reliable program.

Mr. Weitzner explained that the Project Development Finance program includes asset projects that do not provide a cash return to AIDEA, such as the Ambler Access project, the Section 1002 leases, the Ketchikan Shipyard, and Snettisham Hydroelectric Project. It also includes very successful projects such as the FedEx MRO facility at the Ted Stevens Airport and the growth of the logistics sector in Alaska. Another successful investment project is with Joint Base Elmendorf and Richardson (JBER) in expanding for a headquarters facility for the U.S. Coast Guard (USCG) and working with the Department of Military and Veteran's Affairs (DMVA). Mr. Weitzner highlighted the Red Dog development was the first public/private participation structure within the state of Alaska and has sponsored three generations of employment at the mine of up to 600 employees per year. Ms. Sande thanked Mr. Weitzner for his response.

7C. Development Project Financing Report

Mr. Weitzner reviewed that the Development Project Financing Report included in the packet focuses on AIDEA's investments within AS 44.88.172, the Arctic Infrastructure Development Fund, and the SETS Fund. Staff has revised the reporting format and Mr. Weitzner requested members provide feedback or suggestions for improvement.

Ms. Sande inquired as to ways members of the public can access the information related to projects and project status. Mr. Weitzner directed members of the public to AIDEA's website, which has information regarding each of the underlying projects. He advised that each Board meeting packet includes the Finance Dashboard, the Commercial Loan Reports, and the Development Project Financing Report. Additionally, the public is able to ask specific questions through the public comment address. Ms. Sande expressed appreciation to staff for their time and attention in providing the Board with a complete picture of the Agency's long-term success, as well as particular aspects of successful individual projects. She wants to make certain that the public has access to this same information.

Mr. Weitzner emphasized that the public is able to review the Authority's financial statements, which are available online. Staff is accessible to answer any underlying questions. Additionally, the public is able to access AIDEA's required annual letter to the Legislature and staff's online presentations given to the Senate Finance Committee and the House Finance Committee, both of which include updates on AIDEA's financial positions.

7D. Organization Chart Quarterly Update

Mr. Weitzner reported that the provided organizational chart and structure was reviewed during the AEA meeting.

7E. Investment Measurement Service Quarterly Review

Mr. Weitzner discussed that the Investment Measurement Service Quarterly Review is provided by Callan and evaluates the external investments of the capital reserves. The document is accessible in the Office of the Executive Director.

7F. Next regularly scheduled AIDEA Board Meeting, Wed. July 28, 2021

Mr. Weitzner indicated that the next regularly scheduled AIDEA Board meeting is updated to Wednesday, July 28, 2021. Additionally, a work session will be held on July 29, 2021, to review the Investment Policy for outside advisor managed investment assets. There were no objections and the dates will be posted on the website. Chair Pruhs requested that staff provide information for the Board at the work session regarding a delineation of AIDEA's current and 10-year historical investment income, as well as a 10-year projection of staff's investment outlook. Mr. Weitzner agreed, and noted that specific information is readily available and has been provided to the Legislature.

8. BOARD COMMENTS

Vice-Chair Karl commented on the smooth process during today's meeting. He expressed appreciation for the comments and the work that has been conducted, especially regarding the importance of the 1002 area for the state's future. Vice-Chair Karl believes that loan participation modifications are providing the help that Alaskans need at this time.

Ms. Sande echoed the comments of Vice-Chair Karl. She feels that AIDEA should be proud of staff's efforts which resulted in a successful bid in the 1002 area. Ms. Sande believes that

AIDEA is the best player to be at the table after years of work and support to continue the mission of creating revenue and jobs for the state. She agrees that Alaskans develop resources better than anyone. Ms. Sande expressed appreciation for the public testimony provided today, which was taken into consideration by members. She thanked staff for their complex work, especially relating to the loan modifications and improvements to processes. Ms. Sande commented that tourism businesses across the state, and certainly within the Southeast, have been devastated by the impacts of the pandemic and she is thankful that AIDEA is available to bridge the gap until the businesses can recover.

Chair Pruhs expressed appreciation to the staff for their efforts today and for providing the necessary information for members to make the best decisions. Chair Pruhs recognized and thanked Ms. Moller for her participation.

9. ADJOURNMENT

There being no further business of the Board, the AIDEA meeting adjourned at 3:37 pm.



Alan Weitzner, AIDEA Executive Director
Secretary