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**MINUTES**  
**Alaska Industrial Development and Export Authority**  
**Board of Directors**  
**Friday, August 29, 2008 9:00am**  
**Anchorage, Alaska**

**1. CALL TO ORDER**

Chairman John Kelsey called the meeting of the Alaska Industrial Development and Export Authority to order on August 29, 2008 at 9:00 a.m.

**2. BOARD OF DIRECTORS ROLL CALL**

A quorum was established

**Members present in Anchorage:** Chairman John Kelsey (Public Member); Commissioner Patrick Galvin (Department of Revenue); Commissioner Leo von Scheben (Department of Transportation & Public Facilities); and Joe Austerman (designee for Department of Commerce, Community & Economic Development).

**Absent:** Vice Chair John Winther (Public Member); and Commissioner Emil Notti (Department of Commerce, Community & Economic Development).

**3. PUBLIC ROLL CALL**

**Staff Present in Anchorage:** Ted Leonard (AIDEA Executive Director); Chris Anderson (Deputy Director-Credit); Sara Fisher-Goad (Deputy Director-Operations); James Hemsath (Deputy Director-Development); Valorie Walker (Deputy Director-Finance); Bruce Chertkow (Loan Officer); Karl Reiche (Projects Development Manager); Karsten Rodvik (Project Manager); Mark Schimscheimer (Project Manager); Brenda Fuglestad (Administrative Manager); and Sherrie M. Siverson (Administrative Assistant).

**Others Present:** Brian Bjorkquist (Department of Law); Craig Thorn (First National Bank of Alaska); Kenneth Kincaid (Palmer Tower, LLC.); Theresa Obermeyer (Public); Paul D. Kendall (Public). Mike Mitchell (Department of Law) arrived at 9:29 a.m.

**4. PUBLIC COMMENTS**

Chairman Kelsey said public speakers are to keep their comments to three minutes.

PAUL D. KENDALL, stated he wishes to build a new society. He stated he is concerned that the energy plan is not going to be accomplished by December. There can be no energy policy plan until producers and refineries are defined. He remains concerned about economic collapse. There needs to be an open dialogue with a statewide medium. Your first obligation is to provide energy to us; without energy, there is no society of which to convene.

THERESA OBERMEYER, stated there is no such thing as a public meeting. She stated she is a college administrator with a PhD and comes from a very prominent and decent family. She is a Judge's daughter and has five siblings that are attorneys. She stated she was taught that the most important thing in life is a good story. Governor Palin's uncle was Robert Heath, who was Commissioner of Revenue under Bill Sheffield. Alaska has 2300 attorneys (30% work for the government) and the state of Texas has 77,000 (9.5% work for the government). Her husband has an MBA, a law degree, and a law license in a reciprocal state. Without fair law licensing there cannot be anything fair.

## **5. PRIOR MINUTES**

There were no prior minutes.

## **6. OLD BUSINESS**

There was no old business.

## **7. NEW BUSINESS**

### **7A. Loan Resolution No. L08-04, Palmer Tower, LLC**

Chairman Kelsey declared a conflict of interest because he sits on the Board of the lending institution, First National Bank of Alaska (FNBA). He recused himself from taking any action and passed the gavel to Commissioner Galvin. Commissioner Galvin assumed the Chair and asked Chris Anderson to provide an overview of the resolution.

Ms. Anderson stated the request is from FNBA for the borrower Palmer Tower, LLC and Ken and Beth Kincaid as co-borrowers. It is to refinance a 18,750sf warehouse building at 1884 East Third Avenue in Anchorage, Alaska. The gross loan amount is \$1,500,000 with AIDEA being asked to participate in the amount of \$1,350,000 (90%). Related debt: Palmer Tower LLC and the Kincaids are obligated on two AIDEA loans. A related entity, 8001 Petersburg LLC and the Kincaids are obligated on a third loan. All are participated with FNBA and the combined debt outstanding is \$4,659,905. There have been no delinquencies. Approval of this loan would bring the outstanding related debt to \$6,009,905.

The proceeds of this loan will refinance two loans, currently held at FNBA. Collateral is a warehouse located at 1884 East Third Avenue, Anchorage, Alaska.

The property was appraised by Black-Smith, Bethard & Carlson at \$2,015,000, which gives a 74% loan-to-value. Debt service coverage is 1.06 based on the lease. Debt service coverage for appraisers' income projection is 1.08.

The environmental questionnaire did not raise any environmental issues. Employment is unaffected because this is a refinance of an existing project.

With approval of this loan, AIDEA's statewide portfolio in warehouse industry would increase to 5.88% from 5.56%. The Anchorage region portfolio for this type of property would increase to 8.39% from 7.83%.

Staff recommended approval of the loan.

To Commissioners von Scheben and Galvin, Ms. Anderson reiterated that 1.38 is net income to debt. She added that the maximum participation in a loan is 75%, but there is no minimum. A loan of this size would not normally come before the board but because of the total exposure to the borrower, over \$3,000,000, it required Board approval.

**MOTION: Commissioner von Scheben moved to approve Loan Resolution No. L08-04. Seconded by Mr. Joe Austerman. There being no discussion, the question was called. A roll call vote was taken and the motion passed 3-0.**

**AYES: Galvin, von Scheben, and Austerman.**

**NAYS: None.**

Mr. Kelsey resumed the Chair.

**7B. Resolution No. G08-08, Skagway Ore Terminal  
Minto/Sherwood Reimbursement Agreements**

Ms. Anderson reviewed Resolution No. G08-08 stating Minto Explorations Ltd. is a wholly owned subsidiary and the development arm of Sherwood Copper. Sherwood currently has 25% of the Skagway Ore Terminal under the terms of a user agreement, executed in January 2007. Due to anticipated additional production from the Minto Mine, Sherwood has requested that the Authority consider expanding their usage of the Skagway Ore Terminal area. Sherwood expects to produce 50% more mineral resources than earlier anticipated. If the expansion is deemed to be economically feasible, AIDEA would request the user agreement be amended to extend its term and re-amortize the cost reimburse agreement over the new mine life.

Resolution G08-08 authorizes the execution of a cost reimbursement agreement that provides reimbursement to AIDEA costs necessary for a feasibility review of this project and preparation of a finance plan. Subject to Sherwood's execution of a reimbursement agreement, AIDEA would expend up to \$100,000 for this effort. Minto will reimburse AIDEA for current development costs (approximately \$11,000,000). In October 2007, Sherwood began paying \$512,000 in quarterly payments. Quarterly payments of \$512,000 result in an annual total of \$2,050,000 to AIDEA. The user agreement was written for 7 years at 7%.

Subject to a successful outcome of the Authority's feasibility review and finance plan, staff will bring this request back to the Board for the expansion. Board approval of additional interim agreements may be required if additional feasibility work is necessary or if Minto/Sherwood requests the design be completed before an amendment to the user agreement can be executed. Staff recommended approval of Resolution No. G08-08.

An article on the Sherwood website states that the Minto Mine is a high-grade, open pit copper-gold mine and is forecast to be a low-cost producer. They estimate that the mineral resources will increase by approximately 50% in this area.

Mr. Bjorkquist stated that this cost reimbursement agreement has substantive provisions, more than seen in a typical AIDEA cost reimbursement agreement. We are starting over again with this cost reimbursement agreement because the repayment from the previous cost reimbursement agreements were incorporated into the user agreement, which are financed in that other amount of debt that is being paid over time. It is contemplated that this debt will be added into a new user agreement later.

Resolution G08-08 authorizes the Executive Director to make changes to the cost reimbursement agreement: negotiations and modifications may need to be made before the cost reimbursement agreement is finalized.

To Commissioner Galvin, Mr. Bjorkquist and Ms. Anderson responded that Sherwood signed a demand note with interest. It would be solely under our authority that we would agree to roll that into a subsequent expansion. Staff does not know whether this would be requested if the expansion were determined to be not feasible.

Mr. Reiche explained that the time frame for expenditure of the \$100,000 will be over the next two months for conceptual design and due diligence efforts. The expected time frame for making a decision on whether to proceed with expansion would occur at the end of two months. Sherwood would like to move ahead quickly with construction.

To Commissioner von Scheben, Mr. Reiche stated staff would research whether the increased production and use of the Skagway Ore Terminal would result in increased truck traffic on local roads and report to the Board.

Mr. Reiche stated that any expansion of the building would be on the existing concrete slab. Sherwood is using 25% of the existing storage facility. Sherwood is primarily a gold and copper producer. Other mining companies may bring different products into the building and separation is a big concern between mining companies.

**MOTION: Commissioner Patrick Galvin moved to approve Resolution No. G80-08. Seconded by Mr. Joe Austerman. There being no discussion, the question was called. A roll call vote was taken and the motion passed 4-0.**

**AYES: Kelsey, Galvin, von Scheben, and Austerman.**  
**NAYS: None.**

## **8. DIRECTOR'S COMMENTS**

Mr. Leonard directed the Board to their packets for updated project fact sheets, loan reports, and delinquency reports.

## 9. BOARD COMMENTS

To Commissioner von Scheben, Mr. Leonard said that the employee survey results from Crossroads Leadership Institute will be discussed at the October board meeting.

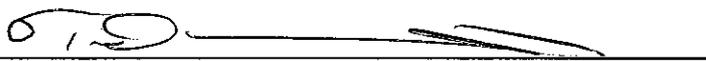
Commissioner Galvin acknowledged the personal relationship the Authority has had working with Brian Andrews and the tragic situation with him and his son. He stated that the consensus is their plane probably went down under a canopy of trees. The Coast Guard does not believe they went down in the water, because debris from the plane would have been found.

Commissioner Galvin asked Jerry Burnett, an Administrative Services Director on his management team, to step in as Acting Deputy Commissioner. Mr. Burnett may be interacting with staff and Board members depending on future schedules. He acknowledged the fact that the staff and Board enjoyed working with Deputy Commissioner Andrews. The Andrews family were very connected to the community and it has been difficult for everyone.

Commissioner Galvin suggested the Board wait until the October meeting to discuss sending a letter to the family. Commissioner von Scheben added that he enjoyed working with Brian in the past year and this has affected him personally because he has lost many friends to aviation accidents. Commissioner Galvin thanked everyone for their comments.

## 10. ADJOURNMENT

There being no objection and no further business of the Board, the meeting was adjourned at 9:49 a.m.

  
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Ted Leonard, Executive Director/Secretary  
Alaska Industrial Development and Export Authority