



**Alaska Industrial Development and Export Authority
BOARD MEETING MINUTES
February 26, 2009
Anchorage, Alaska**

1. CALL TO ORDER

Chairman Pat Galvin called the meeting of the Alaska Industrial Development and Export Authority to order on February 26, 2009 at 11:32 a.m.

2. BOARD OF DIRECTORS ROLL CALL

A quorum was established.

Members present in Anchorage: Chairman Pat Galvin (Commissioner, Department of Revenue); Vice Chair John Winther (Public Member); Commissioner Emil Notti (Department of Commerce, Community & Economic Development); and Commissioner Leo von Scheben (Department of Transportation & Public Facilities). Absent: John Kelsey (Public Member).

Chairman Galvin confirmed that public notice requirements were met.

3. AGENDA APPROVAL

The agenda was approved as presented.

4. PUBLIC ROLL CALL

Staff present in Anchorage: Ted Leonard (AIDEA Executive Director); Chris Anderson (Deputy Director-Credit); Mike Harper (Deputy Director-Rural Energy); James Hemsath (Deputy Director-Development); Valorie Walker (Deputy Director-Finance); Karsten Rodvik (Project Manager); Mark Schimscheimer (Project Manager); Brenda Fuglestad (Administrative Manager); and Sherrie M. Siverson (Administrative Assistant).

Others present in Anchorage: Brian Bjorkquist and Mike Mitchell (Department of Law); and Ken Vassar (Birch, Horton, Bittner and Cherot).

5. PUBLIC COMMENTS

There were no public comments.

6. PRIOR MINUTES – January 14, January 15, and February 13, 2009

The January 14, January 15, and February 13, 2009 minutes were approved as presented.

7. OLD BUSINESS

There was no old business.

8. NEW BUSINESS

There was no new business.

9. EXECUTIVE DIRECTOR COMMENTS

Mr. Leonard referred the Board to their packets for the following items:

- Greater Fairbanks Community Hospital Foundation Refunding Bond Issue
- Loan Activity
- Loan Delinquencies
- Project Updates and Discussions
- Callan Report December 31, 2009

Greater Fairbanks Community Hospital Foundation Refunding Bond Issue

Mr. Vassar briefed the Board stating to provide financing AIDEA acts as a conduit for the issuance of taxable and tax-exempt bonds. Neither the assets nor credit of AIDEA or the State of Alaska are at risk.

In 2004, AIDEA issued \$120 million dollars in conduit revenue bonds to assist the Fairbanks Community Hospital Foundation to construct an imaging center and various other improvements to the hospital. Approximately \$113 million of those bonds are currently outstanding.

The bonds were issued in 2004 as indexed put bonds, but there was never a market for them. The original underwriter held the \$120 million dollars bonds in their portfolio and as a result of the economic downturn, can no longer afford to hold the bonds. They exercised their tender right and after a period of negotiation, the second underwriter, Lehman Brothers, offered to take those bonds. Lehman Brothers declared bankruptcy and the bonds are back with the original underwriter. They have given their tender notice which is effective April 1, 2009.

Unless the Foundation can work out some other financing arrangement, the bonds will be tendered and there will be a failed remarketing. The bonds will go into a seven-year payoff mode at an affordable interest rate, but at a modified acceleration of seven payments over an eight-year period. The Hospital Foundation would prefer to issue refunding bonds with a variable interest rate. This is accomplished by using the services of a rated Letter-of-Credit Bank.

If the Foundation is successful in obtaining Letter-of-Credit financing, the request will be presented at the March 13, 2009 board meeting.

In response to questions, Mr. Vassar said the bonds were originally issued with a 2029 maturity date. The Hospital Foundation is in good shape financially, but would prefer not to go into a seven-year repayment mode. He said the current interest rate on the bonds is keyed to the SIFMA Index (Securities Industry and Financial Markets Association). He did not believe other conduit revenue bonds issued by AIDEA would experience similar problems. Ms. Walker said that AIDEA will receive a fee based on the structure of the transaction.

Loan Activity and Delinquencies

Ms. Anderson said AIDEA had been working with a new buyer for Factory Trawler and their delinquent amount of \$1.9 million has since been paid off. There is only one delinquency on the books, a small tourist-related dock facility in Haines. Because this business is seasonal, Credit is working with Wells Fargo on a loan modification. Loan activity has slowed down due to market decline and interest rate volatility.

Project Updates and Discussions

Mr. Leonard referred the Board to their packets for the project updates.

Callan Report December 31, 2008

Chairman Galvin said that Callan & Associates had recently been acquired by Mercer. Michael O'Leary of Callan & Associates described the transaction as one that he felt would be very positive.

Ms. Walker said that a request for proposals for an Investment Advisor and Investment Manager will go out this summer. Both contracts expired, but were extended to June 30.

Mr. Leonard said that the bond bill on changing limitations in AIDEA statutes passed out of House, Labor & Commerce to House Finance.

The AIDEA budget has moved out of the House Sub-Finance Committee without any changes. The Majority Leader and the Chair of the Committee had positive comments about AIDEA and their process in economic development. AIDEA staff are identifying projects and working with OMB and the Department of Commerce on the Stimulus Package.

The next board meeting and work session is scheduled for Friday the 13th of March from 10:00am to 4:00pm. An agenda will be distributed next week. The bond issue will be presented at the beginning of the meeting, followed by the work session.

Chairman Galvin said that at a previous board meeting there was a presentation on the first round of interviews associated with the AIDEA Strategic Plan, separate from the statewide business development plan. A big part of the feedback revealed that AIDEA should be more involved in projects and project development. Before beginning a discussion on where AIDEA is headed, he would like to get the current board up to speed on who AIDEA is, what they are doing, and what programs are currently available. The draft divestiture policy will be discussed at the end of the work session.

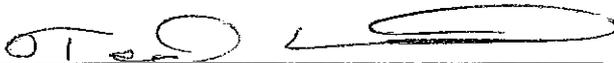
A discussion ensued about the Legacy Team meetings and AIDEA's strategic plan. Chairman Galvin said he sees the Legacy Team establishing goals and objectives for the State on economic development and AIDEA will act as a tool to achieve those. The AIDEA Strategic Plan will identify the most effective ways to complement the Legacy Plan.

10. BOARD COMMENTS

There were no comments.

11. ADJOURNMENT

There being no objection and no further business of the Board, the meeting was adjourned at 12:30 p.m.



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