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Alaska Industrial Development and Export Authority  
**BOARD MEETING MINUTES**  
October 12, 2009  
Anchorage, Alaska

**1. CALL TO ORDER**

Chairman Pat Galvin called the meeting of the Alaska Industrial Development and Export Authority to order on October 12, 2009, at 10:33 a.m.

**2. BOARD ROLL CALL**

A quorum was established.

Members participating: Chairman Pat Galvin (Commissioner, Department of Revenue); and Commissioner Leo von Scheben (Department of Transportation & Public Facilities).

Participating via teleconference: Vice-Chair John Winther (Public Member). Mike Felix (Public Member) joined the teleconference in progress.

Absent: Commissioner Emil Notti (Department of Commerce, Community & Economic Development).

**3. CONFIRM NOTICE REQUIREMENT AND AGENDA APPROVAL**

Commissioner von Scheben made a motion to approve the agenda as presented and Mr. Winther seconded it. There being no discussion, the question was called. A roll call vote was taken and the motion passed with Messrs. Galvin, von Scheben, and Winther voting yea.

The agenda was approved as presented. Public Notice requirements were met.

**4. 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); Karsten Rodvik (Project Manager-External Affairs); Leona Hakala (Loan Officer); Jim Strandberg (Project Manager); Brenda Fuglestad (Administrative Manager); and Sherrie Siverson (Administrative Assistant).

Others present in Anchorage: Brian Bjorkquist (Department of Law); Ken Vassar (Birch Horton Bittner & Cherot); Tim Bradner (Alaska Journal of Commerce); and Jan Sieberts (Washington Capital Management).

Others participating via teleconference: Shelley Ebenal (Greater Fairbanks Hospital Foundation).

**5: PUBLIC COMMENTS**

There were no public comments.

**6. OLD BUSINESS**

There was no old business.

**7. NEW BUSINESS**

**7A. Resolution G09-08, A Resolution of the Alaska Industrial Development and Export Authority Ratifying and Confirming Resolution No. G09-03 and Authorizing the Sale and Issuance of Revenue Bonds of the Alaska Industrial Development and Export Authority in an Aggregate Principal Amount Not Greater Than \$35,000,000 Pursuant to said Resolution; Approving the Forms of Certain Documents in Connection with Such Sale and Issuance of Such Revenue Bonds Delegating Certain Authority to the Chair, the Vice Chair, the Executive Director, and the Deputy Director-Finance; and Providing for Related matters;**

In March 2009, the Board approved Resolution G09-03 authorizing up to \$135 million bonds for the purposes of (i) refunding and redeeming all or a portion of the Authority's outstanding Revenue Bonds (Greater Fairbanks Community Hospital Foundation Project), which the Authority originally issued on October 28, 2004 (the "2004 Bonds") in the principal amount of \$120,000,000 and which are currently outstanding in the principal amount of approximately \$113,000,000, (ii) possible financing for the remodeling and construction of an expansion for the Foundation's Harry and Sally Porter Heart Center in a principal amount of approximately \$17,000,000; and (iii) paying all or a portion of the costs incurred in connection with the issuance of the 2009 Bonds.

A Second issuance of bonds in an aggregate principal amount not greater than \$35,000,000 has been requested, which is within the remaining amount that was originally authorized by Resolution No. G09-03. The purpose is to: 1) complete the refunding of the revenue bonds that the Authority issued in 2004 to finance capital improvements of the Fairbanks Community Hospital; and 2) pay for costs of constructing and equipping the Foundation's Harry and Sally Porter Heart Center. Upon the issuance of this round of bonds, the 2004 bonds will be completely retired except for \$28,580,000 principal amount which the Authority, at the request of the Foundation, converted to fixed interest rates on April 1 of this year and for which the Foundation has no present intention of refunding.

Mr. Vassar stated Resolution No. G09-08 permits this final issuance of bonds under the original authority granted under Resolution No. G09-03. Resolution No. G09-08 expressly states that this will be the final issuance under that authority and that no further bonds may be issued under Resolution No. G09-03 or under Resolution No. G09-08 after the issuance of these bonds.

Mr. Vassar stated that in supporting documents provided to the Board are references to the Bank of Montreal as the letter of credit provider. It has recently been brought to our attention that there may be a conflict between the Foundation and the Bank of Montreal. Although it is possible that the Bank of Montreal may not be the letter of credit provider, the structure of the transaction is not expected to change. If the conflict is not resolved, the burden is on the

Foundation to appoint a new letter of credit bank. If the conflict is resolved, the Bank of Montreal may remain the letter of credit provider.

In response to questions from Board members, Commission Galvin said that although \$135 million aggregate was originally approved, only \$61.5 million has been issued. This Resolution approves an additional \$35 million, for a total of \$96.5 million.

Mr. Vassar said under federal law there is a private activity bond volume cap; however, this financing is for a 501(c)(3) entity so the volume cap does not apply. Ms. Walker said state law limits the amount of bonds that can be issued in a rolling 12-month period to \$400 million.

Discussions ensued regarding variable and fixed rates.

Staff recommended approval of Resolution No. G09-08.

**MOTION: Commissioner von Scheben moved to approve Resolution No. G09-08. Seconded by Mr. Winther. There being no discussion, the question was called. A roll call vote was taken and the motion passed with Messrs. Galvin, Winther, and von Scheben voting yea. Mr. Felix and Commissioner Notti absent.**

**7B. Loan Resolution L09-03 LINA, LLC – 5<sup>th</sup> Avenue Laser Carwash**

**7C. Loan Resolution L09-04 LINA, LLC – Muldoon Laser Carwash**

Ms. Anderson provided an overview of both loan requests, which have common ownership. LINA, LLC is owned by John Emmi, Nancy A. Emmi, Scott Laudon and Lisa Laudon, each with a 25% interest.

Resolution L09-03 is for long-term financing for a newly constructed 6-bay Alaska Laser Wash located at 2301 East 5<sup>th</sup> Avenue, Anchorage. Northrim Bank (NRB) requests AIDEA participation of \$3,522,150 (90%) in a \$3,913,500 loan. Since the memo was issued to the Board, Northrim bank has shorted its term to 9 years on the real estate. AIDEA will remain at a blended term of 22.5 years on real estate and 9 years on equipment.

L09-04 is for the purchase and renovation of 5-bay carwash located at 501 Muldoon Rd., Anchorage. Northrim Bank (NRB) requests AIDEA participation of \$1,535,623 (90%) in a \$1,706,249 loan.

The combined loans total \$5,619,749 of which AIDEA is being requested to participate \$5,057,773 (90%). Combined related debt to these borrowers total \$12,048,715. All their loans are current and there have been no delinquencies on their debt.

John Emmi is a successful contractor, developer and investor in multi-residential and commercial properties. He has developed apartment projects in Anchorage, Eagle River and Wasilla during the last ten years. Mr. Emmi has also purchased and constructed hotel projects in Wasilla and Eagle River.

Dr. Scott Laudon is a local dentist and, with his wife Lisa, invests in commercial properties from Anchorage to Wasilla.

AIDEA will take a 1<sup>st</sup> Deed of Trust on the real estate, and a security agreement and UCC filing on the equipment. The real estate was appraised at \$4,308,000 and the equipment is valued at \$910,000.

The combined loan-to-value is 75% based on the real and personal property, which is within AIDEA guidelines. The overall Going Concern value was estimated at \$5,900,000 which includes allocation to Business Enterprise value of \$682,000. AIDEA backed out the business value and has taken a conservative approach on tangible assets.

The environmental report indicates minimal risk of contamination. There will be approximately four new jobs created and two retained.

Portfolio Diversification, as of June 30, 2009, shows that AIDEA's existing exposure to carwashes is \$8,242,842 in five loans. If the two credits before the Board today are approved, AIDEA's exposure will increase to \$13,300,615.

Loan covenants require the borrower to provide financial information annually. Staff recommends approval of this loan subject to certification of value of \$5,218,000 for both real estate and personal property, and replacement reserves for future replacement of major items on the property acceptable to the Authority.

Resolution L09-04 is for long-term financing for the purchase and renovation of 5-bay carwash located at 501 Muldoon Rd., Anchorage. Northrim Bank (NRB) requests AIDEA participation of \$1,535,623 (90%) in a \$1,706,249 loan.

AIDEA would take a 1<sup>st</sup> Deed of Trust on the real estate, and a security agreement and UCC on the equipment. The real estate was appraised at \$917,865 and the equipment at \$1,357,135 for a total of \$2,275,000. The appraisal indicates \$2,450,000 because it incorporates a business value of \$175,000. AIDEA backed out the business value to reach a loan amount.

As a condition of this loan, an environmental site assessment is currently being performed by Shannon & Wilson. There will be approximately three new jobs created and three retained.

Portfolio Diversification was previously described.

Loan covenants require the borrower to provide financial information annually. Staff recommends approval subject to certification of value no less than \$2,275,000 for both the real estate and the personal property, replacement reserves for future replacement of major items on the property acceptable to the Authority, and an acceptable Phase I environmental site assessment.

Staff recommended both loans for approval.

In response to questions from the board, Ms. Anderson stated the total outstanding loans to these borrowers is \$12,048,715. The oldest loan originated in 2004. With seven loans in five years, LINA has made regular payments and have never been on the delinquency list. The environmental assessment is a Phase I report or record search to confirm that there is no history of contamination on the property. The economic life of a car wash relates to the brick and mortar facility.

**MOTION: Commissioner von Scheben moved to approve Resolution No. L09-03. Seconded by Mr. Winther. There being no discussion, the question was called. A roll call vote was taken and the motion passed with Messrs. Galvin, Felix, Winther, and von Scheben voting yea. Commissioner Notti absent.**

**MOTION: Commissioner von Scheben moved to approve Resolution No. L09-04. Seconded by Mr. Winther. There being no discussion, the question was called. A roll call vote was taken and the motion passed with Messrs. Galvin, Felix, Winther, and von Scheben voting yea. Commissioner Notti absent.**

**8. DIRECTOR COMMENTS**

The next board meeting is Monday, November 9, 2009.

**9. BOARD COMMENTS**

There were no board comments.

**10. ADJOURNMENT**

There being no further business of the board, the meeting was adjourned at 11:03 a.m.



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