



---

Alaska Industrial Development and Export Authority  
**Board Meeting Minutes**  
**September 22, 2010**  
Anchorage, Alaska and Seattle, Washington

**1. CALL TO ORDER**

Chairman Pat Galvin called the meeting of the Alaska Industrial Development and Export Authority to order on September 22, 2010 at 10:40 a.m.

**2. ROLL CALL: BOARD MEMBERS**

A quorum was established.

Board members present in Anchorage: Chair Pat Galvin (Commissioner, Department of Revenue); Susan Bell (Commissioner of Commerce, Community & Economic Development); and Mike Felix (Public Member).

Participating via teleconference: Vice-Chair John Winther (Public Member), Seattle, WA

**3. AGENDA APPROVAL**

The agenda was approved as presented.

**4. ROLL CALL: STAFF, PUBLIC**

Staff present in Anchorage: Ted Leonard (Executive Director); Chris Anderson (Deputy Director-Commercial Finance); Sara Fisher-Goad (Deputy Director-Operations); James Hemsath (Deputy Director-Development Finance); Valorie Walker (Deputy Director- Finance); Mike Catsi (Business Development Officer); Karsten Rodvik (Project Manager-External Affairs); Mark Davis (Economic Development Officer); Karl Reiche (Project Development Manager); Mark Schimscheimer (Project Manager); Sherrie Siverson (Executive Assistant); Teri Webster (Administrative Assistant); and Carmen Jones (Administrative Assistant).

Others present in Anchorage: Brian Bjorkquist (Department of Law); Ken Vassar (Birch, Horton, Bittner & Cherot); Tim Bradner (Journal of Commerce); Peter Stitzel (SMOG, LLC); Commissioner Leo von Scheben and Bob Wright (DOT&PF); Doug Ward (Alaska Ship & Drydock); Michael Martin and Jim McMillan (First National Bank Alaska); and Howard Levine (Pfeffer Development).

## **5. PUBLIC COMMENTS**

### **Peter Stitzel, Sitka Meal, Oil & Gelatin (SMOG, LLC)**

Mr. Stitzel represents the companies which make up SMOG. SMOG is building a plant and would like to be the only emissions-free fish meal plant on the planet. He said the Environmental Protection Agency (EPA) has dusted off a 30-year old file which gave fish processors a pass to grind and discharge their waste in Alaska. No plants in the lower forty-eight are allowed to do that. The EPA may be getting serious about pulling that waiver which would put fish plants in a bind.

The SMOG partners have been working on a high-value technology that will lower the cost for processors to dump, from 5-10 cents per pound to a 3, 4 or 5 cent profit. He is working with AIDEA to prepare a final package to present to the board.

### **Doug Ward, Director of Shipyard Development, Alaska Ship & Drydock, Inc. (ASD)**

Mr. Ward said the resolution for the Ketchikan Shipyard land transfer was precipitated by the need for a small piece of property required for the next phase of shipyard development: the construction of a very large ship assembly hall to support construction of potential Alaska ferries and off-shore support vessels. That piece of land was needed to proceed with the final remaining SAFETEA-LU funds, a construction project of approximately \$32M dollars. Without the land transfer, the federal transit administration would not be able to release funds to start building. KSY plans to break ground in approximately 2-3 months.

Mr. Ward said he is attending the Ships and Ice tech conference at the Captain Cook this week. Attendees are looking at the size, type and complexity of vessels and port development for off-shore oil and gas development. Most vessel operators assumed they would have to go to Seattle for vessel support. Fortunately ASD was there with slides of Ketchikan and southeast Alaska and able to show them the enormous untapped port development potential Alaska has to offer. The operators interested to learn that Alaska is developing this industrial capacity. The public/private partnership coming together at the shipyard to support port development is what the state needs to support the off-shore oil and gas industry. To me this is a great day and will certainly help the shipyard expand. This is the beginning of Alaska's industrial port and harbor development. Thank you.

Public comment period was closed.

## **6. PRIOR MINUTES – July 13, 2010; August 11, 2010; September 3, 2010**

The minutes for July 13, August 11, and September 3, 2010 were approved as amended.

## **7. NEW BUSINESS**

### **7A. Resolution No. G10-14 Adoption of Permanent Regulations, Recovery Zone Facility Bonds**

Mr. Vassar reviewed the minor changes from the emergency regulations to the permanent regulations, “the ability of the Authority to credit the conduit application fee that it collects in the event that AIDEA as the issuer of the Recovery Zone Bonds.”

“The authority will refund the \$500 fee it collects under 3 AAC 99.110(b) for an application received under 3 AAC 99.110 if (i) the application is submitted in conjunction with a request for RZF bond volume cap pursuant to Section 100 of the manual described in (a) of this section; (ii) the application includes an Exhibit E as described in section 100 of that manual; and (iii) the authority decides that it will not allocate any RZF bond volume cap for the project. The Executive Director of the authority may reduce or waive a fee charged under this subsection if the Executive Director determines that circumstances justify the reduction or waiver.”

Mr. Vassar reviewed the minor changes from the August 11, 2010 emergency regulations that were adopted to the permanent regulations before the board today. Mr. Bjorkquist confirmed that this was the only change.

There were no questions or comments.

**MOTION: Mr. Felix moved to adopt Resolution No. G10-14 as presented. Seconded by Commissioner Bell. There being no discussion, the question was called. A roll call vote was taken and the motion passed with Mr. Winther, Mr. Felix, Commissioner Bell and Commissioner Galvin voting yea.**

### **7B. Resolution No. G10-15 Ketchikan Shipyard property transfer from DOT&PF to AIDEA**

Mr. Hemsath reviewed key points of the property transfer and the necessary transaction with DOT&PF needed. Mr. Reiche reviewed the diagram showing the parcels of the shipyard and surrounding area. The functional replacement can be done separately for parcel B so the office and warehouse can be replaced at which point AIDEA would get title to both parcels B and A, and that can be done separate from E, so you can have functional replacement and AIDEA taking title to A and B without having accomplished functional replacement of E. The functional replacement of E is going to be complicated and more expensive and so that is a scenario that likely could play out. The reasons for that are that A and B, not only being easy to do, also relates more immediately to the operation of the shipyard. Commissioner von Scheben stated that DOT&PF is very excited about this transaction, DOT&PF is performing very well at South Berth, however, AIDEA needs to discuss the future of the marine highway and the future of Ketchikan and ASD. The key to this deal was Ward Cove. Ward Cove provided the ability to centralize DOT&PF facilities in one area. Bob Wright passed out some aerial photos to help assist in situational awareness. Planning is underway to move into the facilities at Ward Cove.

The area around the facility and up by the highway in Ward Cove is looking for some economic development and having an anchor client will assist in that development. Chair Galvin provided some clarification to Mr. Felix. AIDEA is not obligated to build or finance the facilities, we only need to facilitate the acquisition of it with in twenty years otherwise we default. In order to get access to the areas we needed to assist, if we don't, in twenty years, our rights to these dissolve. AIDEA is not taking on an obligation to actually build or do anything.

**MOTION: Commissioner Bell moved to adopt Resolution No. G10-15 as presented. Seconded by Mr. Felix. There being no discussion, the question was called. A roll call vote was taken and the motion passed with Mr. Winther, Mr. Felix, Commissioner Bell and Commissioner Galvin voting yea.**

**7C. Eligibility Resolutions No. 10-02 to No. 10-11, and No.10-13 and No. 10-14 Allocation of Recovery Zone Facility (RZF) bond volume cap**

The context of the eligibility resolution was briefly reviewed. Recovery Zone Volume Cap, an Eligibility Resolution (ER) is the same thing the AIDEA Board has approved for prior allocations, this set of ER's deals with the RZF Bonds. Applications have come in for allocation of the RZF Bonds. AIDEA has reviewed the applications. These are projects that are asking AIDEA to issue bonds. Some or all of these projects may continue to a completed financing, some may not. This step is necessary in order to preserve the costs of the projects as eligible for financing with these bonds. From the date that the Board adopts these resolutions we count back sixty days and any expenses that the borrower have paid or incurred during those sixty days will remain eligible for reimbursement with bond proceeds if we issue bonds. As with all eligibility resolutions this does not commit AIDEA to issue a bond it is simply satisfying an IRS requirement. A final resolution is needed to approve the final funding - AIDEA is not giving an obligation for funds.

In response to a question by the board, Mr. Leonard stated these are conduit bonds so AIDEA will not have any true obligation in these bonds over all. Mr. Vassar clarified that almost all of these are conduit bonds and in a conduit bond AIDEA issues the bond but has no credit at stake. There are one or two that may want to go through on the loan participation program which would involve AIDEA issuing bonds that would involve AIDEA credit. Again, that will not happen until the proper documents are brought before the Board.

**MOTION: Commissioner Bell moved to adopt Eligibility Resolutions No. 10-02 through No. 10-11, and No. 10-13 and No. 10-14 as presented. Seconded by Mr. Felix. There being no discussion, the question was called. A roll call vote was taken and the motion passed with Mr. Winther, Mr. Felix, Commissioner Bell and Commissioner Galvin voting yea.**

**8. DIRECTOR COMMENTS**

**8A. Director's Status Report of AIDEA Programs and Projects**

Mr. Leonard gave a brief overview of the reports included in the board packet.

- Loan Activity; Loan Delinquencies
- Projects Updates and Discussion
- Callan Report June 30, 2010
- Continuing Education Opportunities


**8B. Next regularly scheduled meeting Wednesday, October 20, 2010**

**9. BOARD COMMENTS**

There were no comments.

**10. ADJOURNMENT**

There being no further business of the Board, the meeting was adjourned at 11:34 a.m.



---

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