



**Alaska Industrial Development and Export Authority**  
**BOARD MEETING MINUTES**  
**Thursday, March 30, 2017**  
Seattle, Washington  
Juneau and Anchorage, Alaska

**1. CALL TO ORDER**

Chair Pruhs called the meeting of the Alaska Industrial Development and Export Authority to order on March 30, 2017, at 1:16 p.m. A quorum was established.

**2. ROLL CALL: BOARD MEMBERS**

Members present: Chair Dana Pruhs (Public Member); Jerry Burnett (Deputy Commissioner, Department of Revenue [DOR]); Elaine Brown (Public Member); Dan Kennedy (Public Member).

Members present via teleconference: Vice-Chair Russell Dick (Public Member); Fred Parady (Deputy Commissioner, Department of Commerce, Community, and Economic Development [DCCED]); and Gary Wilken (Public Member).

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

Staff present: John Springsteen (CEO/Executive Director); Chris Anderson (Commercial Finance Director); Brenda Applegate (CFO); Mike Catsi (Business Development & Communications Director); Mark Davis (Chief Infrastructure Development Officer); Jennifer Haldane (Human Resources & Administration Director); Jim Hemsath (Project Development & Asset Management Director); Tom Erickson (Chief Procurement Officer); Karsten Rodvik (External Affairs Officer); Bill Phelan (Loan Officer); Sherrie Siverson (Executive Assistant); and Krin Kempainen (Administrative Assistant).

Staff participating via teleconference: Gene Therriault (Interior Energy Project [IEP] Team Lead)

Public: Alan Bailey (Petroleum News); Joe Beedle and Jason Crique, (Northrim Bank); Dan Britton (Pentex Alaska); Mark Gardiner (PFM Group Consulting); Sydney Hamilton (Accu-Type Depositions); Jerry Juday (Department of Law); and Mark Myers (AIDEA Consultant).

Public participating via teleconference: Jamey Cagle and David Wolff (Allen Marine); and Tom Sullivan (Northrim Bank).

#### **4. AGENDA APPROVAL**

Chair Pruhs asked to move Item C. Resolution No. G17-03 to after Item E. Executive Session. The agenda was approved as amended.

#### **5. PUBLIC COMMENTS**

There were no public comments.

#### **6. PRIOR MINUTES - February 23, 2017**

The minutes were approved as presented.

#### **7. NEW BUSINESS**

##### **7A. Loan Resolution No. L17-01 Allen Marine, Inc.**

John Springsteen stated Loan Resolution No. L17-01 regards a purchase by the Authority of a participation in a loan to Allen Marine. The loan refinances debt secured by 14 commercial vessels in Southeast Alaska. The dollar amount of AIDEA's participation is \$12,077,867.

Mr. Springsteen asked Chris Anderson to review the resolution. Ms. Anderson noted the guarantors include David Allen, Allen Marine Tours, Inc., Alaska Catamaran, and LLC. DBA Alaskan Dream Cruises, Allen Marine Sales and Service, LLC, and Allen Marina, LLC. The debt consolidation will pay off two existing and current AIDEA loan participations of \$11,870,435, and will increase AIDEA's total participating balance by \$207,432.

Ms. Anderson indicated the borrower would benefit by lowering the annual debt service by approximately \$402,993. The effective interest rate on the debt will be reduced from 5.54% to 4.20% collectively. There are no new jobs being reported. Allen Marine employs over 100 full-time employees year-round and an additional 200-plus seasonal employee during the summer. Allen Marine, Inc. and its affiliates are 100% owned and managed by David Allen. He has been the President and CEO since 2010. AIDEA would take a first preferred marine mortgage on the 14 vessels, with a collective collateral value of \$44,090,000.

Chair Pruhs requested an explanation of a marine mortgage. Ms. Anderson explained a marine mortgage is a recorded lien on the U.S. Coast Guard vessel documentation. All of the vessels were inspected and surveyed in October 2016. The well-collateralized loan to value is 48.7%. There are no known environmental issues. The strengths include a well-established, profitable borrower, and the largest whale and wildlife viewing company in Southeast Alaska. Ms. Anderson corrected an error on the paperwork that should read debt-service coverage at 1.96, well above the minimum of 1.25.

Ms. Anderson noted the perceived weakness is that Southeast Alaska tourism is the primary source of revenue for the company and the financial health of the market is strongly influenced by the national economy. However, this is not a current concern. As of year-end 2016, AIDEA's portfolio contained 4% secured by vessels and would increase to 4.1%. The Southeast region

was at 14.9% and would increase to 15.1%. Staff recommends approval of the loan, conditioned upon, 1) the lender obtaining an acceptable subordination and payment standby agreement for all debts tied to the buyout of Robert and Betty Allen's interest in Alaska Marine, Inc. and its affiliates, and 2) the lender incorporating acceptable collateral release provisions.

Chair Pruhs inquired as to AIDEA's interest rate on the proposed loan. Ms. Anderson reported the interest rate at 3.97%. Chair Pruhs asked if AIDEA's interest rate has been decreasing. Ms. Anderson concurred AIDEA's interest rate has been decreasing pursuant to a similar decrease industry-wide. Chair Pruhs asked for more information regarding the appraisals of the vessels, and specifically requested Ms. Anderson require future appraisals of vessels, planes, and trains to identify the level of depreciation and value at the end of the note, given similar historical circumstances. Jamey Cagle of Allen Marine noted the appreciation in the market has outpaced the depreciation of the vessels over the last 10 years.

Chair Pruhs inquired as to the types of insurance the operator holds regarding loss of business and AIDEA's liability. Mr. Cagle reported the vessels are insured at current survey value pursuant to the current held covenants. Some of the five overnight vessels hold loss of business insurance.

**MOTION: Deputy Commissioner Parady moved to approve Loan Resolution No. L17-01 Allen Marine, Inc. Motion seconded by Vice-Chair Dick.**

**The motion was approved with members Pruhs, Dick, Brown, Burnett, Kennedy, Parady and Wilken voting yea.**

**7B. Resolution No. G17-02 Appointment of Assistant-Secretary and CFO of the Corporation, and Related Matters**

Mr. Springsteen stated Resolution No. G17-02 retitles the office of the Deputy Director Finance and Operations to be the office of the Chief Financial Officer, appoints Brenda Applegate as the Chief Financial Officer of the Authority, and further appoints Brenda Applegate as Assistant-Secretary/Treasurer of the Authority.

**MOTION: Mr. Kennedy moved to approve Resolution No. G17-02 Appointment of Assistant-Secretary and CFO of the Corporation, and Related Matters. Motion seconded by Deputy Commissioner Burnett.**

**The motion was approved with members Pruhs, Dick, Brown, Burnett, Kennedy, Parady and Wilken voting yea.**

**7D. IEP Update**

Mr. Springsteen invited Gene Therriault to present an IEP Update and call on others, as needed. Mr. Therriault requested Mark Gardiner and Dan Britton to join his presentation. Mr. Therriault stated pending term sheets for the gas supply are being developed and will be discussed in executive session due to the sensitive nature of the negotiations.

Mr. Therriault noted an increase in vendor interest during the legislative session and after the MOU was signed to expand capacity to Interior Alaska. The vendors are working with Mr. Britton regarding technological suggestions that would improve production price and delivery to the Interior.

Mr. Britton gave an update on transportation and noted the larger trailer continues to be used on a daily basis and is working well. The three new trailers on order are scheduled for delivery one at a time during June/July/August.. The five-leased units were acquired at a favorable pricing structure. This allows additional trailers in the fleet for back-up and emergency situations.

Mr. Britton stated regular discussions continue with the Railroad and the challenge is in identifying a location to trans-load the ISO containers that would result in a reduction of the handling costs. Chair Pruhs requested additional research be conducted with the Railroad and the local Valley government on the potential construction of a half-mile railroad spur to the Titan plant.

Mr. Therriault continued the update noting storage expansion is contingent upon consolidation deals with the Interior Gas Utility (IGU). The target date for completion of the contracts and loan documents is March 31, 2017. AIDEA and IGU teams have been working diligently on documents. However, Resolution No. G17-03 coming before the Board today extends the target date to April 30, 2017, to allow adequate time to complete the transactions. In the event the consolidation does not occur, AIDEA will have to make storage decisions under Fairbanks Natural Gas (FNG).

Mr. Therriault stated the Property Assessed Clean Energy (PACE) legislation, available to commercial properties, is pending in the Senate Rules Committee. PACE legislation could be a very helpful component for expanded use in the Fairbanks North Star Borough (FNSB). The hope is House concurrence will move very quickly when the PACE legislation comes from the Senate. Mr. Therriault noted legislative interest in clarifying the State statutes allowing any utility to offer on-bill conversion financing.

Chair Pruhs requested more information on options provided to customers to facilitate cost-effective financing of furnace upgrade conversions. Mr. Therriault noted IGU and the IEP team established a conversion-working group with the intent to assist in obtaining legislation needed for conversions. Mr. Therriault stated potential sources of federal funds have been identified that could be accessed by the local government. The federal funds would utilize the PACE repayment mechanism and could provide on-bill conversion financing to residential customers.

Mr. Therriault said the Volkswagen settlement funds discussed during the previous AEA meeting are focused on reducing emissions from engines. He encouraged the FNSB to consider changing their bus fleet to natural gas utilizing the Volkswagen settlement funds, thus increasing the demand of natural gas in the Borough.

Deputy Commissioner Parady asked if the recent visit from the Environmental Protection Agency (EPA) to Fairbanks brought any impetus to the IEP project. Mr. Therriault stated the EPA has been watching the project closely and receives updates each visit.

Mr. Wilken wished the IEP team good luck on tomorrow's hearing before the Senate Resources Committee.

**7E. Executive Session: Interior Energy Project, MOC1, Strategy and Performance**

**MOTION: Deputy Commissioner Burnett moved to go into Executive Session to discuss confidential and financial information related to Interior Energy Project, MOC1, Strategy and Performance. Motion seconded by Mr. Kennedy.**

The Board entered Executive Session at 2:10 p.m. Participants included board members Dana Pruhs, Russell Dick, Elaine Brown, Jerry Burnett, Dan Kennedy, Fred Parady, and Gary Wilken. AIDEA staff invited to join the session, at different times, for related topics: John Springsteen, Brenda Applegate, Mark Davis, Tom Erickson, Gene Therriault, and guests, Dan Britton, Mark Gardiner, Jerry Juday, and Mark Myers.

The Board reconvened its regular meeting at 4:20 p.m. Chair Pruhs stated no formal action was taken during executive session.

Due to a conflict, Mr. Dick was unable to attend the rest of the board meeting.

**7C. Resolution No. G17-03 Approving an Extension of the Date for Executable Agreements under the Non-Binding Memorandum of Understanding with the Interior Gas Utility**

**MOTION: Deputy Commissioner Burnett moved to approve Resolution No. G17-03 Approving an Extension of the Date for Executable Agreements under the Non-Binding Memorandum of Understanding with the Interior Gas Utility. Motion seconded by Ms. Brown.**

**The motion was approved with members Pruhs, Brown, Burnett, Kennedy, Parady and Wilken voting yea. Mr. Dick absent.**

**8. DIRECTOR COMMENTS**

Ms. Applegate stated the dashboard, loan, delinquencies-to-outstanding reports, IFD and PDAM project matrices are included in the board packets. Please contact Ms. Siverson regarding continuing education courses.

The next AIDEA Board meeting is on Thursday, April 20, 2017, in Anchorage.

**9. BOARD COMMENTS**

Mr. Kennedy reported the Audit Committee met with the CFO in an audit-planning meeting on March 15, 2017. The three objectives are, 1) to be involved in the budget process, 2) to have a direct line of communication with the independent auditors, and 3) to be involved in the draft of the audited financial statements before submission to the Board. The next meeting is scheduled for November.

Mr. Wilken expressed gratitude for being allowed to call in today. Mr. Wilken requested the April meeting be moved to the 27th because he is out of state on the 20th. If the meeting remains on the 20th, he will be able to attend via teleconference.

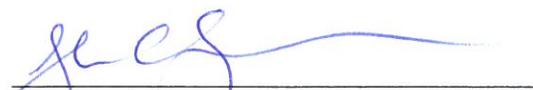
Deputy Commissioner Parady reiterated the importance for IGU to finalize the agreements regarding Resolution No. G17-03. He emphasized the necessity to continue to work to secure the gas supply, given the impending deadlines with the existing customers during this critical phase.

Chair Pruhs and Mr. Wilken concurred with Deputy Commission Parady's comments.

Chair Pruhs expressed appreciation to staff and Board members.

**10. ADJOURNMENT**

There being no further business of the Board, the AIDEA meeting adjourned at 4:35 p.m.

  
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John Springsteen  
Secretary-Treasurer

