

ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY

RESOLUTION NO. G18-11

RESOLUTION OF THE ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY APPROVING AN EXTENSION OF THE MATURITY DATE ON A DEBT MUSTANG OPERATIONS CENTER 1 LLC OWES THE ALASKA DEPARTMENT OF REVENUE, AUTHORIZING THE AUTHORITY TO PROVIDE A GUARANTY OF THE DEBT, AND AUTHORIZING THE AUTHORITY TO INCREASE THE LOAN TO CARACOL PETROLEUM LLC RELATED TO THE SALE OF THE AUTHORITY'S MEMBERSHIP INTERESTS IN MUSTANG OPERATIONS CENTER 1 LLC AND MUSTANG ROAD LLC BY AN AMOUNT NOT TO EXCEED \$10 MILLION, ALL IN SUPPORT OF THE MUSTANG OIL FIELD DEVELOPMENT PROJECT

WHEREAS, the Board of the Alaska Industrial Development and Export Authority (the "Authority") previously approved participating in the Mustang Oil Field development with Brooks Range Petroleum Corporation ("BRPC") through two development finance projects under AS 44.88.172, with one project being the construction of the Mustang road and pad through Mustang Road LLC ("MRLLC"), and the other project being the development of an oil processing facility through Mustang Operations Center 1 LLC ("MOC1");

WHEREAS, in Resolution No. G18-05, adopted May 31, 2018, the Board approved of a restructuring of the Mustang projects with the Authority selling its membership interests in MRLLC and MOC1 to Caracol Petroleum LLC ("Caracol") and the Authority providing financing to Caracol for its purchase of the membership interests in MRLLC and MOC1;

WHEREAS, consistent with Resolution No. G18-05, the Executive Director on behalf of the Authority negotiated and executed a membership interest purchase and sale agreement with Caracol and negotiated a loan agreement with Caracol that will be executed at the closing of the transaction when all of the conditions to closing have been satisfied or waived;

WHEREAS, one of the conditions to closing the transactions is addressing a pre-existing debt MOC1 owes to the State of Alaska Department of Revenue (“DOR”);

WHEREAS, obtaining an extension of the current maturity date for MOC1’s debt to DOR will satisfy a condition to closing the Authority’s transactions with Caracol;

WHEREAS, if the Authority provides a guaranty of MOC1’s debt, DOR will extend the maturity date on the MOC1 debt to the earlier of: (1) the date proceeds from bonds issued under Chapter 33 of the 2018 Session Laws of Alaska (“HB 331”) are available for payment to MOC1 to satisfy tax credit certificates issued by the State of Alaska; (2) the date a decision adverse to the State of Alaska in the HB 331 litigation by a judgment, decree, or order becomes final and not subject to further appeal; or (3) December 31, 2020; provided, however, that subsection (2) above will not apply in the event that there is an adverse decision in the HB 331 litigation and the State of Alaska chooses not to appeal the adverse decision;

WHEREAS, the Board has reviewed a draft of the Guaranty Agreement that the Authority would provide to DOR in order to secure the extension of the maturity date on the MOC1 debt;

WHEREAS, the Authority has the statutory authority to provide the guaranty that DOR is requesting as a part of “development project financing” under AS 44.88.172 and AS 44.88.900(7) since the guaranty would be for a development project the Authority no longer intends to own and operate;

WHEREAS, the Authority can recover from Caracol any amounts it must pay to DOR on the guaranty, up to a maximum amount of \$10 million, by adding the same to the principal of the loan that the Authority is providing to Caracol for its purchase of the membership interests in MRLLC and MOC1;

WHEREAS, pursuant to AS 44.88.173, the staff of the Authority has provided the Board with a revised finance plan for the Mustang project that now incorporates the guaranty to DOR and the additional loan amount to Caracol to recover a payment made on the guaranty; and

WHEREAS, providing the guaranty to DOR will allow the Authority's transactions with Caracol to close, thereby facilitating the restructuring of the Mustang project and the production of oil from the Mustang Oil Field, which in turn will promote economic development and increased job opportunities on the North Slope.

NOW, THEREFORE, BE IT RESOLVED BY THE ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY AS FOLLOWS:

Section 1. The revised finance plan for the Mustang project as presented to the Board is approved.

Section 2. The Executive Director, on behalf of the Authority as a member of MOC1, is authorized to approve having MOC1 extend the maturity date on its pre-existing debt owed to DOR.

Section 3. The Authority shall provide a guaranty of the MOC1 debt owed to DOR. The Executive Director is authorized to sign and deliver on the behalf of the Authority the Guaranty Agreement in the form presented to the Board, or with such revisions as the Executive Director determines to be necessary or appropriate. If payment under the finalized Guaranty Agreement is required, the Executive Director is further authorized to pay the amount the Authority owes to DOR under the finalized Guaranty Agreement out of the Economic Development Account of the Revolving Fund.

Section 4. The Executive Director is authorized to execute and deliver any loan documents necessary for the Authority to recover from Caracol any payment the Authority makes to DOR on the guaranty, up to a maximum amount of \$10 million.

Section 5. The Executive Director is authorized and directed to sign all other documents and instruments, and to take such other actions, as may be necessary or convenient in implementing this resolution.

Dated at Anchorage, Alaska this 19th day of September 2018.

ALASKA INDUSTRIAL DEVELOPMENT
AND EXPORT AUTHORITY

Chair

SEAL
ATTEST:

Secretary