



MEMORANDUM

DATE: May 31, 2018

TO: Board Members
Alaska Industrial Development & Export Authority

FROM: John Springsteen
CEO / Executive Director

RE: Mustang Operations Center - 2018 Line of Credit

RECOMMENDATION

Approve a line of credit not to exceed \$1,000,000 for continued funding of Mustang Operations Center 1 LLC (MOC1) operations.

This amount should be adequate for expenses until at least July 31, 2018. Funding would be accessed using the same procedure as the “Bridge Financing”. Repayment of the funds used would be included in the loan being structured for transfer of the MOC1 assets.

BACKGROUND

AIDEA has been working with Brooks Range Petroleum Corporation (BRPC), its owners, and other MOC1 parties to develop financing for the Southern Miluveach Unit (SMU).

AIDEA Board Resolution G17-08 approved funding of \$2.5M to fund MOC1 field development and operational costs (Priority funding). This funding was budgeted to cover costs through December 31, 2017. AIDEA received priority shares in MOC1 in return for the additional equity contribution.

At the time of AIDEA’s Priority funding, it was anticipated the transfer of MOC1 operations, or at least funding to support them, would be concluded by April 1, 2018.

There is less than \$200,000 remaining of AIDEA’s Priority funding. Charges for MOC1 operations, including storage fees and taxes, continue.

AIDEA MISSION SUITABILITY

This project meets AIDEA’s criteria for mission suitability, with the prospect for significant additional crude oil flow through TAPS, State of Alaska royalties and Alaskan jobs both during development and production.

ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY

RESOLUTION NO. G18-04

**RESOLUTION OF THE ALASKA INDUSTRIAL DEVELOPMENT
AND EXPORT AUTHORITY RELATING TO A LINE OF CREDIT
LOAN TO MUSTANG OPERATIONS CENTER 1 LLC**

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, and the other project being the development of an oil processing facility through Mustang Operations Center 1 LLC (“MOC1”);

WHEREAS, in Resolution No. G17-08, the Board approved the Authority acquiring 100% of the membership interests in MOC1 and providing \$2.5 million in bridge financing to MOC1;

WHEREAS, the Authority no longer expects to acquire 100% of the membership interests in MOC1 and, instead, the Authority is in the process of negotiating a re-structuring of its participation in the project with BRPC and its owners;

WHEREAS, the bridge financing has been expended or committed and MOC1 requires funding to preserve its existing assets and pay its obligations until a re-structuring of the Authority’s participation in the project can be completed;

WHEREAS, the Staff of the Authority recommends that the Authority extend a line of credit loan to MOC1 up to a maximum principal amount of \$1 million so that MOC1 can meet its obligations as they come due; and

WHEREAS, extending a line of credit loan to MOC1 will help to preserve the Authority’s investment in MOC1 and is in the best interests of the Authority.

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

Section 1. The Authority is authorized to provide a line of credit loan to MOC1 in the maximum principal amount of \$1 million. The \$1 million loan shall be provided from the Economic Development Account of the Revolving Fund. The \$1 million loan shall be at an interest rate and on terms and conditions that the Executive Director determines to be appropriate.

Section 2. The Executive Director is authorized to sign all contracts and other documents, and to take all other actions, necessary or expedient in fulfilling the purposes of this Resolution.

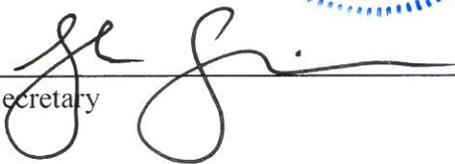
Dated at Anchorage, Alaska, this 31st day of May 2018.



Chair

ATTEST
[SEAL]





Secretary