

Alaska Industrial Development and Export Authority
BOARD MEETING MINUTES
Wednesday, December 1, 2021
Anchorage, Alaska
Via Teleconference

1. CALL TO ORDER

Chair Pruhs called the meeting of the Alaska Industrial Development and Export Authority to order on December 1, 2021, at 8:32 am. A quorum was established.

2. ROLL CALL: BOARD MEMBERS

Members present: Chair Dana Pruhs (Public Member); Vice-Chair Julie Sande (Public Member); Julie Anderson (Commissioner, DCCED); Sandra Moller (DCCED Alt); Albert Fogle (Public Member); Bill Kendig (Public Member); Anna MacKinnon (Special Assistant to the Commissioner-DOR); and Bill Vivlamore (Public Member).

Chair Pruhs welcomed the newest Board member from Fairbanks, Mr. Vivlamore.

3. AGENDA APPROVAL

MOTION: A motion was made by Mr. Fogle to approve the agenda. Motion seconded by Ms. MacKinnon.

The motion to approve the agenda passed without objection.

4. PRIOR MINUTES - October 27, 2021

MOTION: A motion was made by Mr. Fogle to approve the Minutes of October 27, 2021, as presented. Motion seconded by Vice-Chair Sande.

The motion to approve the Minutes of October 27, 2021, passed without objection.

5. PUBLIC COMMENTS (2 minutes per person, for one hour)

Chair Pruhs reminded the public that comments are limited to two minutes per person. He requested that each person state their full name and their affiliation, if any. He noted that the public comment period does not follow a question/answer format. The public can email questions to staff and staff will respond accordingly.

Rick Whitbeck, Anchorage, expressed holiday greetings to AIDEA Board members and staff. He believes the work of AIDEA enhances Alaska, provides awesome opportunities, helps the State pay for its budget, and enriches the Permanent Fund and associated dividend structure. Mr. Whitbeck believes the recent decision to litigate the legal and what should be binding leases within the Coastal Plains of Arctic National Wildlife Refuge (ANWR) shows AIDEA's commitment to doing what is right for Alaska, regardless of the political headwinds from

Washington, D.C. and President Joe Biden's hostility to Alaska's Administration. Mr. Whitbeck commented, "Let's go Brandon."

Mr. Whitbeck stated that nearly seven out of 10 Alaskan residents support the responsible development of ANWR's 1002 Area. He noted that AIDEA is doing the people's work, regardless of the tired rhetoric the Board will hear from those who value wildlife over human life and obstruction over progress. Mr. Whitbeck expressed his holiday wish for AIDEA is to make progress on the ANWR and Ambler Road projects. He believes the Ambler Road area holds the potential for thousands of jobs, domestic supply chain opportunities for critical minerals, and enhanced national security. He believes these are things each Alaskan should want.

Mr. Whitbeck expressed that he is surprised that there is an openly vocal and insignificant minority of people who want to stifle Alaskans. Mr. Whitbeck requested that AIDEA is not dissuaded from continuing to do what is right for Alaska. He commented to his friends who are listening with hatred for traditional energy communities that have made America great and are fighting with friends and neighbors, that when they unwrap their holiday gifts of Gore-Tex supplies for their next protest to engage with their wokeness to take a moment to acknowledge their hypocrisy because the gifts are only available as a result of the toils of fossil fuel and mining industry workers. Mr. Whitbeck wished everyone a Merry Christmas and commented, "You're fracking welcome."

Arleigh Hitchcock, Fairbanks Climate Action Coalition, commented regarding Resolution G21-33, regarding the oil lease sales and the appropriation of approximately \$1 million to \$2 million for legal fees. She believes this is an irresponsible decision for AIDEA to spend money on a project that is not popular in Alaska. Ms. Hitchcock noted that even though the previous speaker stated that seven out of every 10 people in Alaska supported the project, the survey provided was from the Chamber of Commerce consisting of 705 statewide likely voters, who reside primarily in Anchorage. Ms. Hitchcock noted that the majority of the impact will be for the residents who live on the North Slope Alaska and that only 8% of rural people were represented in the survey.

Ms. Hitchcock commented that the Board stated in the previous meeting that AIDEA does not push projects. She believes this resolution is pushing a project. Many Alaskans will be impacted by climate change. Ms. Hitchcock noted that villages are already being impacted by climate change with erosion into the water. She would appreciate it if AIDEA would focus their energy on building out the energy sector to include renewable energy and providing people with more jobs in the renewable energy sector, instead of chasing down the unpopular battle with the Biden Administration.

Grant Vidrine stated he is testifying in his capacity as a member of the Executive Committee for the Alaska Support Industry Alliance Board of Directors. He noted that the Alliance is a trade association that represents support companies for oil, gas, and mining in Alaska. The Alliance has been advocating for responsible resource development in Alaska since it was founded in 1979. He commented on behalf of the member companies, many of whom built the pipeline, and expressed support for Resolution G21-33, relating to ongoing development of the Section 1002 Area Oil and Gas Leases project, and the FY2022 Budget.

The Alliance has prioritized and supported the development of the oil and gas resources in Section 1002 for decades. The Alliance members understand that such development will benefit Alaska and America with jobs, reliable energy, and revenue, and also benefit the world by developing the high demand resources in an environmentally responsible manner. He noted that the International Energy Administration believes that global demand for energy will steadily increase in the next 30 years. U.S. oil and natural gas is the cleanest and most reliable way to meet that demand. Efforts to progress exploration and development in the non-wilderness Coastal Plain of ANWR has long been supported by the majority of Alaskans, Alaska's governors, and the congressional delegation. He commented that the Alliance appreciates AIDEA for their work in moving this project forward.

Kari Nore, Project Manager for Resource Development Council for Alaska (RDC), expressed RDC's support for oil and gas activities, including exploration and development in the 1002 Area of the Arctic National Wildlife Refuge. RDC has long supported efforts for an oil and gas lease program that will allow limited activity within the non-wilderness portion of the Coastal Plains of ANWR. RDC continues to support measures to properly address the Alaska National Interest Conservation Lands Act (ANILCA) and the intent to preserve areas in the Coastal Plains for oil and gas development. RDC believes expanded oil and gas development and production in Alaska will help strengthen American energy independence, advance domestic energy production, and support local job growth. Ms. Nore commented that Alaska's economy depends on responsible resource development. Alaska has rigorous permitting processes and technology has led to major advances in reducing industry's footprint. Alaska is a world leader in showing how economic development and environmental preservation coexist.

Ms. Nore stated that oil development on a fraction of the coastal plain would create thousands of jobs nationwide, generate billions of dollars in government revenues for public services, and further improve energy security for decades into the future. Alaska and America will benefit from oil and gas development in the Coastal Plains. When resources are developed in Alaska, Alaskans have a direct say in how those resources are responsibly developed. RDC's membership has long supported oil and gas exploration and development in the Coastal Plains of ANWR.

Kelly Droop, President of Board of Directors for the Alaska Support Industry Alliance and lifelong Alaskan, informed that the Alliance is a 43-year-old trade association that advocates for responsible development of Alaska's oil, gas, and mineral resources. Ms. Droop noted she is speaking on behalf of the Alliance's 500 member companies and their 35,000 employees to express support for Resolution G21-33, related to ongoing development of the Section 1002 Area Oil and Gas Lease projects and the FY2022 Budget.

Ms. Droop discussed that the activity associated with the 1002 oil and gas lease project will have a significant impact on Alaska's economy, as it struggles to continue to recover from the impacts of the pandemic and global oil prices. The opportunities that provide growth within Alaska's oil and gas sector businesses are timely, and the recovery from the job loss that began in 2015 is ongoing. The jobs associated with this project will help the oil and gas industry and the larger Alaskan economy, as these are traditionally the highest paying jobs in the state. The global demand for oil, gas, and critical minerals is increasing rapidly. AIDEA's efforts to continue working on the oil and gas lease project is a perfect response to the demand. Alaska is a world

leader in the coexistence of economic development of resources and environmental preservation. The Alliance supports Resolution G21-33.

There being no further public comments, Chair Pruhs closed public comments.

MOTION: A motion was made by Mr. Fogle to enter into Executive Session to discuss confidential and deliberative matters related to FY2022 AIDEA Dividend to the State, status of Department of Law matters and Ambler Access Road preliminary planning. This is supported by the Open Meetings Act, which allows a Board to consider confidential matters in executive session. In this case, the Board believes these are subjects which would have an adverse effect upon the finances of AIDEA or are protected by law, due to the rules protecting personal privacy and certain business information. Motion seconded by Vice-Chair Sande.

The motion was approved without objection.

6. NEW BUSINESS

6A. Executive Session: 8:48 am

Confidential and deliberative matters related to FY2022 AIDEA Dividend to the State, status of Department of Law matters and Ambler Access Road preliminary planning

The Board reconvened its regular meeting at 9:57 am.

MOTION: A motion was made by Mr. Fogle to amend the agenda adding AK SHIP Northern Marine discussion to the Executive Session topics. Motion seconded by Vice-Chair Sande.

A roll call was taken, and the motion to amend the agenda adding AK SHIP Northern Marine discussion to the Executive Session topics passed unanimously.

MOTION: A motion was made by Mr. Fogle to enter into Executive Session to discuss confidential and deliberative matters related to FY2022 AIDEA Dividend to the State, status of Department of Law matters, Ambler Access Road preliminary planning, and AK SHIP financing for Northern Marine. This is supported by the Open Meetings Act, which allows a Board to consider confidential matters in executive session. In this case, the Board believes these are subjects which would have an adverse effect upon the finances of AIDEA or are protected by law, due to the rules protecting personal privacy and certain business information. Motion seconded by Vice-Chair Sande.

The motion was approved without objection.

Executive Session: 10:00 am

Confidential and deliberative matters related to FY2022 AIDEA Dividend to the State, status of Department of Law matters, Ambler Access Road preliminary planning, and AK SHIP financing for Northern Marine.

The Board reconvened its regular meeting at 1:43 pm. Chair Pruhs advised that the Board did not take any formal actions on matters discussed while in executive session.

6B. FY2021 AIDEA Audited Financial Statements

Alan Weitzner, Executive Director, advised that the presentation regarding AIDEA's closed FY2021 financial statements will be given by Nelthina (sp) Schirk (sp) of Eide Bailly. Ms. Schirk acknowledged Dona Keppers, Chief Financial Officer, Kevin Buckland, Controller, Jennifer Brown, Assistant Controller, and Brandon Clark, Senior Accountant, and other staff who assisted Eide Bailly during the audit process. Ms. Schirk informed that the audit resulted in an unmodified opinion that the financial statements are materially correct. This clean opinion is the highest opinion that can be received. Ms. Schirk explained that the Emphasis of Matters paragraph within the report relates to a reserve account that was not included in the prior year financial statements and has been adjusted to be included in the prior year financial statements.

Ms. Schirk reviewed the Management's Discussion and Analysis section of the Financial Statements, which provides a narrative overview. She discussed the Statements of Net Position, Statements of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows. The Notes to Financial Statements section provides further detailed line items. Ms. Schirk noted that additional schedules and statements are included in the packet. All of the information provided should be read in conjunction with the financial statements.

Mr. Weitzner identified for the public that the closed financial statements are attached to the online agenda, and will be readily accessible on AIDEA's website under the financial statements section. There were no questions.

MOTION: A motion was made by Mr. Fogle to accept the FY2021 AIDEA Audited Financial Statements. Motion seconded by Vice-Chair Sande.

The motion to accept the FY2021 AIDEA Audited Financial Statements passed without objection.

6C. Resolution No. G21-32 Declaration of AIDEA's Annual Dividend to the State

Mr. Weitzner advised that Resolution No. G21-32 determines dividends to be made available to the State for the Fiscal Year 2023 Budget. The final form of the resolution is available to the public and is attached to the online agenda. The resolution proposes a 37.5% dividend level. The regulation permits a dividend amount level between 25% and 50% of the statutory net income. A Board Memorandum prepared by staff is attached to the online agenda and identifies the reasons the 37.5% level is recommended.

MOTION: A motion was made by Mr. Fogle to approve Resolution G21-32, Resolution of the Alaska Industrial Development and Export Authority determining dividends to be made available to the State for the Fiscal Year 2023 Budget. Motion seconded by Vice-Chair Sande.

Mr. Weitzner discussed that staff has reviewed the closed financial statements and utilized a specific calculation based upon AS 44.88.088, which requires that the AIDEA Board determine a level of dividend between 25% and 50% of the statutory net income to be paid to the State's General Fund for the upcoming proposal of the operating budget. The statutory net income was at \$16.1 million. The recommendation of \$6,479,600 dividend is based on a calculation evaluating AIDEA's asset base and reserves that need to be incorporated for the fiscal responsibility and management of the Agency.

Mr. Fogle commented that the Memorandum outlines staff's underlying concerns regarding future commitments, encumbrances, and obligations, as well as the significant project pipeline. He requested Mr. Weitzner discuss the future pipeline projects in more detail. Mr. Weitzner discussed the ongoing investments that are embedded into a final maturity under the loan programs and projects. Additionally, the return of capital on some of the investments is held for future investment into Alaskan projects. Mr. Weitzner reviewed that reservations are being sought for the investment in the Ambler Access project to get to a final investment decision, as well as allocating capital that will be required for the future funding of the construction of the road. He noted that approximately \$150 million will need to be contributed by AIDEA, as owner and contract operation, of the road. Additional requirements include the 10-year obligation of the lease payments and the seismic survey activity needed to attract a strategic partner for the development of the leases. Mr. Weitzner discussed the ongoing obligation within the Loan Participation Program at approximately \$65 million per year. The anticipation is that there will be \$25 million to \$50 million in new projects each year. Emergency programs are incorporated in the reserves, such as the programs undertaken during the COVID-19 pandemic.

Mr. Weitzner discussed that the current and future project commitments, encumbrances, and funding obligations are expected to reach in excess of \$400 million. The pipeline includes 13 active projects that consist of the potential investment target for AIDEA that could exceed \$1 billion. This type of economic development activity and capital allocation is considered an ongoing requirement of the Authority.

Sandra Moller, DCCED Alternate, inquired as to the declared dividend amount during the last two years. Mr. Weitzner indicated that the previous year dividend was set at the 50% level of \$17 million. The year prior was set at the 50% level of \$14.475 million. The third year prior was set at a 31% level of \$10.3 million. Ms. Moller noted that the memorandum states the average dividend since 1997 is \$16.5 million. The recommended dividend of \$6.4 million to the State of Alaska is less than half of the dividend average. Ms. Moller indicated that she does not support a dividend that is less than 50% or \$8.1 million. She asked what activities might be adjusted to accommodate a 50% dividend amount. Mr. Weitzner explained that there is a full listing of the total amounts provided as dividend payments since the initiation of the dividend program. The total amount AIDEA has distributed in funding to the State of Alaska has been in excess of \$440 million. There were no additional questions.

MOTION: A motion was made by Ms. MacKinnon to amend the dividend amount from 37.5% to 50%, with the total dividend amount of \$8.1 million. Motion seconded by Ms. Moller.

Ms. MacKinnon commented that the current pandemic continues to raise uncertainty in the markets and has heavily impacted the financial picture for AIDEA, Alaska, and America. Ms. MacKinnon noted that the State has received 50% dividends for the past three years. The Department of Revenue issued a new fiscal forecast indicating that the State would receive additional revenues in the coming years. She highlighted the known uncertainty of that forecast. Ms. MacKinnon stated that Black Friday was not a good day for energy, and therefore, not a good day for Alaska. She believes that the oil prices were estimated in the range of \$85 per barrel. Currently, the oil prices are dropping down into the high 60's per barrel. Today's price is \$65.869 per barrel.

Ms. MacKinnon discussed that while there is optimism in Alaska's future regarding energy production, the federal government is making production uncertain in Alaska. Ms. MacKinnon believes that this Administration does not seem to be concerned for Alaska's livelihood and AIDEA. She feels that is troublesome because AIDEA is trying to create jobs and opportunities for Alaskans. Ms. MacKinnon pointed out that as a partner with the State of Alaska as their economic arm and a contributor to the bottom line of the operating budget, AIDEA plays a role for the State. The role has been substantially higher in previous years.

Ms. MacKinnon noted that she understands that AIDEA is under more stress trying to uphold small businesses, but she supports a 50% dividend to the State of Alaska. The 50% dividend amount is based on the uncertainty of the price of oil and on the need for funds at a State level to help promote economic opportunities and security for Alaska. Ms. MacKinnon added that she feels the federal government is trying to reach American's need and has passed an infrastructure bill. There are different perspectives regarding the infrastructure bill. One perspective is that the infrastructure bill is great and that needed assets will flow to deteriorating properties and will extend the livelihoods and investment in communities while creating new jobs. Another perspective is that the infrastructure bill is debt that America cannot afford and this debt will be passed onto Alaskans and other Americans.

Ms. MacKinnon noted that despite the perspectives regarding the infrastructure bill, Alaska will see an influx of revenue in the budget for infrastructure going forward. She commented that many of these programs will require matching funds from the states in order to access and receive them. This means that Alaska's general fund dollars are required to participate in the match. Ms. MacKinnon understands that general fund dollars are not currently in the budget. The decision has been made as a nation to go into debt and if Alaska does not have the 10% matching funds, the Alaskan residents will carry the debt load, but will not benefit in accessing the funds to realize the projects in the state. For the reasons discussed, Ms. MacKinnon requested that the Board consider a 50% dividend payment.

A roll call was taken, and the motion to amend the dividend amount from 37.5% to 50%, with the total dividend amount of \$8.1 million failed, with Mr. Kendig absent, Commissioner Anderson absent, and Ms. Moller present as the DCCED Alternate.

A roll call was taken, and the motion to approve Resolution G21-32, Resolution of the Alaska Industrial Development and Export Authority determining dividends to be made available to the State for the Fiscal Year 2023 Budget passed, with Ms. MacKinnon voting

pass, Mr. Kendig absent, Commissioner Anderson absent, and Ms. Moller present as the DCCED Alternate.

Ms. MacKinnon commented that normally if a motion passes and a person voted to pass their vote, then that person would be asked how to reflect their vote for the record. Ms. MacKinnon requested that the record reflect her vote as a no. There was no objection.

6D. Resolution G21-33 Section 1002 Area Oil & Gas Leases

Mr. Weitzner explained that Resolution G21-33 relates to ongoing development of the Section 1002 Area Oil and Gas Leases project and the continuation of the 2022 Budget. A memorandum defining the authorized activities is attached to the Resolution. Mr. Weitzner indicated that the Board originally approved through Resolution G20-31, the allocation of \$20 million to pursue the bidding on the lease tracks within the Coast Plain of ANWR. The bids were successful on nine of the 11 tracks. AIDEA has finalized and has been awarded seven of those tracks, which were paid for in 2021. Staff is requesting to continue the budget of \$3,657,550 to pay for the annual expenses on those seven lease tracks.

Mr. Weitzner explained that the funding will also be utilized for ongoing pre-development expenses for the engagement of professional services for pre-development permitting activities, including survey activity. This process has been delayed by Bureau of Land Management (BLM) and the Department of Interior (DOI). Staff is looking to continue the pre-development seismic activities on the tracks in 2022. Other project expenses may be incurred, including legal defense of the lease tracks. Mr. Weitzner advised that a suit has been filing against the DOI, President of the United States as the Executive Branch, and other parties within the BLM for actions they have taken in delaying AIDEA's opportunity for economic development on the leases. Mr. Weitzner reported that ASRC and the North Slope Borough have reviewed AIDEA's complaint and they will be joining in the complaint representing the economic development interests on the North Slope. There is support for responsible development within the Coastal Plains, the non-wilderness defined area in Section 1002 of ANWR.

Chair Pruhs asked if Kaktovik Inupiat Corporation (KIC) will join the complaint. Mr. Weitzner responded that KIC is currently reviewing the complaint, but has not taken an action at this point. He discussed that KIC is a member of the Voice of the Arctic Inupiat, and has frequently identified the support for responsible economic development of the leases, particularly within their own lands identified under Alaska Native Settlement Claims Act (ANSCA) within the ANWR area.

Mr. Weitzner explained that staff is recommending the continuation of the \$20 million to be available to meet the project expenses in pursuing the development of the tracks under BLM contract. Mr. Weitzner informed that the current budget is focused on completing the permitting in order to achieve a Record of Decision. There were no additional questions.

MOTION: A motion was made by Mr. Fogle to approve Resolution G21-33, Resolution of the Alaska Industrial Development and Export Authority relating to on-going development of the Section 1002 Area Oil & Gas Leases project and 2022 Budget. Motion seconded by Mr. Vivlamore.

Mr. Fogle requested that Mr. Weitzner state what the federal government has done to inhibit AIDEA's right to begin exploring the 1002 Area for the leases purchased. Mr. Weitzner noted that he can provide the information and the reasons why AIDEA has acted to file a suit and a complaint on those issues. The key drivers include the Executive Order issued by the new Administration to review the status of the lease program. The DOI issued a letter to AIDEA on June 1st that stated to purport to suspend operations on those leases. AIDEA requested definition of the statutory and regulatory basis for the declaration and no information or communication from the DOI has been received on those points.

Mr. Weitzner stated that a Notice of Intent was issued for public comment on a supplemental environmental impact statement based upon legal deficiencies that were identified, but not declared in the notice. AIDEA provided public comment showing the particular areas that AIDEA sees the lack of procedure by the DOI and BLM and actions that are against the Statehood Compact, actions that are against ANCSA, and actions that are against ANILCA. The public comment is attached to the memorandum.

Mr. Weitzner explained that AIDEA filed permit applications in August for rights of access and archaeological studies to be undertaken by professional services. The permits were declined by BLM, who identified specifically the suspension of operations on the oil and gas leases by the DOI. The request AIDEA made for scientific archaeological studies for access did not require having leases in place. The studies are required for AIDEA's plan of operation for a seismic survey, but the individual request for the permit did not require an oil and gas lease, and the permit request was not reviewed on the basis of AIDEA's owning the oil and gas leases. AIDEA's request for the information to understand why these steps have been taken has not been answered. This led to AIDEA's course of action to file suit to identify the fact that AIDEA's rights are being impeded upon and critical economic development for the State of Alaska is being delayed by the process. Mr. Weitzner noted that it appears that the critical economic development for the State of Alaska is being purposefully delayed by the process. The suit was filed to defend AIDEA's rights.

Ms. Moller requested clarification that the resolution does not ask for additional funding above the \$20 million. Mr. Weitzner explained that no additional funds are being requested. The request is that the funds that were originally allocated with Resolution 20-31 are continued into calendar year 2022. The reason for this identification is that the original allocation highlighted the first year's expenses and now AIDEA is entering into the second year under those leases. There were no additional questions.

A roll call was taken, and the motion to approve Resolution G21-33 passed unanimously, with Mr. Kendig absent, Commissioner Anderson absent, and Ms. Moller present as the DCCED Alternate.

6E. Resolution No. G21-31 AK SHIP financing for Northern Marine

Mr. Weitzner informed that Resolution G21-31 approves a loan under the AK SHIP program to Kayak, Inc. / Northern Marine & Logistics, LLC / Northern Contractors & Consulting, LLC to finance shipyard work on the vessel *M/V Kayak*. The shipyard work is occurring in Seward by

JAG Alaska, Inc. A Board memorandum identifying the terms of the proposed loan is attached to the resolution.

Mr. Weitzner reviewed the AK SHIP program, which was established under the economic development account, 44.88.172, to level the playing field for Alaska shipyards in competition within the northwest region, particularly with financing programs that are in place by the EDC that support Canadian shipyards, as well as financing programs that are within the Puget Sound area that are drawing Alaska ships to those shipyards. The program structure was created to facilitate loans between \$500,000 and \$1.5 million to ship owners to undertake cycle work on their vessels exclusively at Alaska shipyards. Past vessel approvals have included Uncruise Adventures and Drake Construction.

Mr. Weitzner explained this resolution is a proposal for a vessel that has cycle work activity with JAG Alaska and will be utilized in the Norton Sound area for the next few years. The term of the loan is two years. The program seeks to work with the seasonality of Alaska's principal commercial activities. The payments are modified to interest only periods or for deferred principal payments due to seasonal activity and contract work. The payments have been sculpted for this loan, as shown in the terms section of the memorandum. AIDEA requires a vessel survey and the maximum possible loan to value is 75%. Additionally, there is a cash security account attached to this transaction. AIDEA will take the second mortgage position.

Mr. Weitzner noted that the ship owners and guarantors, Cliff Johnson, Jady and John King, are available today for questions or comments. Mr. Weitzner also introduced Morgan Neff, AIDEA Chief Investment Officer, who is in charge of administering the AK SHIP program. Mr. Neff provided a detailed background on the vessel owners and guarantors, Kayak, Inc., Northern Marine & Logistics, LLC, and Northern Contractors & Consulting, LLC. Mr. Johnson gave an extensive overview of his personal and professional background. He reviewed Northern Marine's business plan and future activities for the vessel and work in Diomedes. Mr. Neff noted that the vessel has not yet been commissioned, and he asked Mr. Johnson how the ongoing work is being completed without this vessel. Mr. Johnson explained that the current work has been accumulating all summer and a landing craft had to be chartered in Nome for this season. The goal is to have the project vessel back in the water by the end of March and ready for the 2022 season.

Mr. Fogle asked Mr. Neff to explain the terms of the loan. Mr. Neff reviewed that under the AK SHIP program, the maximum term can be two years. There is the ability to defer principal for up to 12 months. The current terms of the resolution is for the maximum of 24 months and interest-only payments for the first two quarters' payments, with principal amortization through the remaining life of the loan. AIDEA will hold a second lien, after First Savings Bank. A reserve account will be established to match the first lien and decreases as the principal reduces. The personal guaranties will be obtained from the guarantors, as well as co-borrow relationships between Kayak, Northern Marine, and Northern Construction.

Mr. Fogle asked Mr. Johnson to elaborate on the types of contract work he noted in his discussion on the future work and activities. Mr. Fogle asked Mr. Neff if staff has reviewed those contracts. Mr. Neff indicated that staff has reviewed the contracts extensively. Review of this

process began several months ago and staff has seen the company's contract backlog grow exponentially over that time, even with the vessel limitation. The hope is that additional work can be sought after the commissioning of the vessel. Mr. Johnson added that the company is in a unique position with Diomedes because it is a very difficult and challenging location to work. He informed that the company has to build its own barge landing space each time it goes to Diomedes with materials. Other marine companies do not go to Diomedes because they typically do not conduct general contractor work. Mr. Johnson noted that due to the location difficulties, Diomedes is a community that has not had many opportunities to build infrastructure. Mr. Johnson explained that his company assists in creating the proposals and is working for the city, the Tribe, and the corporation.

Mr. Fogle commented that it is a normal expectation that something will go wrong on one of the trips to Diomedes because of the treacherous location and possible damage to the vessel while docking. He asked if there are repair yards in Nome or if the repairs will have to be completed in Seward. Mr. Johnson agreed that vessels can be repaired in Nome. Mr. Weitzner informed that Tim Jagielski from the Seward Shipyard and JAG Alaska is also on the line to answer questions. Mr. Fogle asked where the vessel will go when the Nome Sound is iced in. Mr. Johnson noted that typically there is enough southbound freight that the vessel will go to Seward and spend the winter in Seward.

Mr. Weitzner noted that a presentation is available that describes the current status and activities of the AK SHIP program at the Seward Shipyard with JAG Alaska. There were no additional questions.

MOTION: A motion was made by Mr. Fogle to approve Resolution G21-31, Resolution approving a loan under the AK SHIP program to Kayak Inc., Northern Marine & Logistics, LLC, Northern Contractors & Consulting, LLC to finance shipyard work on the vessel *M/V Kayak*. Motion seconded by Vice-Chair Sande.

A roll call was taken, and the motion to approve Resolution G21-31 passed unanimously, with Mr. Kendig absent, Commissioner Anderson absent, and Ms. Moller present as the DCCED Alternate.

6F. Board Memorandum on Investment Portfolio and Economic Exposure Analysis to Financial Entities with Anti-Arctic Development Policies

Mr. Weitzner noted that the provided memorandum was prepared by staff to address a request by the Board at the previous Board meeting regarding the level of investment securities held in banks or financial institutions that have policies against Arctic development. A previous presentation to the Board by Callan identified a number of financial institutions that held policies against Arctic development and noted their effect on AIDEA's investments. The review included the percentage return that was contributed by the particular securities and the differential if AIDEA decided not to invest in the particular securities because of their anti-Arctic development policies.

Mr. Weitzner discussed that the anti-Arctic development policies by the financial institutions are identified by either restricting future investment or intensifying their review of Arctic

development. He noted that the definition of Arctic development is predominantly focused on fossil fuel generation, including oil, oil and gas, and/or coal. Mr. Weitzner explained that the Arctic region also has various definitions.

Mr. Weitzner reviewed that the memorandum summarizes the analysis of the financial institutions that could potentially impact AIDEA's operations and activities. The financial institutions identified do not constitute a large portion of AIDEA's investment securities and there would not be a material impact should AIDEA decide to divest from exposures to financial entities who have adopted policies against financing Arctic region development projects. The impact to the portfolio returns would be marginal.

Mr. Weitzner discussed that the investment portfolio is not the only consideration for the policy. The impact is on the broad programs within the state of Alaska. Unless there are alternatives that are defined and established, there can be a bigger impact. The top eight financial institutions are the larger underwriters within conduit revenue bonds and other types of bond financing, impacting AIDEA's role as a conduit revenue bond issuing agency. The top eight financial institutions are major underwriters and contributors to healthcare networks within the state of Alaska, including the associated employment.

Mr. Weitzner explained that AIDEA would have to define alternative ways to support those programs. He believes the alternatives can be structured and it is important to consider these impacts. Mr. Weitzner requested that Mr. Neff provide additional detail on the analysis that was undertaken. Mr. Neff reiterated that an analysis was conducted on the impacts to the investment portfolio if companies were excluded based upon their anti-Arctic oil and gas development policies. The impacts to the externally managed investment portfolio are fairly immaterial.

Mr. Neff reviewed the material impacts that the exclusion policy would have to AIDEA programs. Over the last five years, AIDEA has facilitated approximately \$423 million in total conduit revenue bond issuances and almost 91%, about \$386 million, contained counterparty exposure of one or more of the listed companies that have adopted anti-Arctic oil and gas development policies. Of the \$386 million, the programs primarily benefited Alaska Native and rural community access to healthcare. These programs helped to support over \$586 million annual Alaska-based revenue, \$291 million in annual Alaska-based personnel expenses associated with 1,700 annual Alaska-based jobs. This also has an impact on the potential pipeline, as staff seeks to efficiently maximize AIDEA's balance sheet through capital recycling programs funding long-term multi-generational projects through public/private partnerships, as well as continuing to issue municipal bond opportunities through the conduit revenue program or AIDEA's balance sheet.

Chair Pruhs asked if there are accessible alternatives. Mr. Neff indicated that he does not have alternatives to present today because the financial institutions make up a large portion of the market. Chair Pruhs requested that staff find alternatives for all aspects of AIDEA's utilization. Mr. Weitzner noted that there are alternatives that have been identified for the investment portfolio. Mr. Neff advised that AIDEA does not make the decisions regarding the counter-party for the conduit revenue bonds. The borrowers make those decisions and provide the information during the application process. Many of the borrowers have been within the healthcare industry.

Mr. Weitzner discussed that staff will evaluate alternative structures and will provide additional information to the Board.

Chair Pruhs commented on the importance of AIDEA's investment placement and the decisions that AIDEA can make. He noted that AIDEA is not responsible for choosing the borrower's underwriter and is out of the loop on that process. There will be alternatives if AIDEA is requested to assist in the underwriter selection.

Ms. MacKinnon expressed appreciation to staff for the research and found it interesting that there were better returns of eight basis points with financial organizations that have not adopted the policy. She wondered how long it will take the general public to realize that they are receiving less in returns from these companies. Ms. MacKinnon believes that the answer from the Board is two-fold. She reiterated that if outside organizations bring a party to the table to finance one of their projects, that AIDEA is not going to comment on that. AIDEA is specifically addressing how AIDEA invests Alaska's money.

Mr. Fogle thanked staff for the analysis. He believes the direction is no different than AIDEA suing the federal government for the rights in 1002.

Chair Pruhs expressed appreciation for the analysis.

7. DIRECTORS COMMENTS

Chair Pruhs requested that Board members read all of the information included in the packet under Director Comments. There was no objection. Chair Pruhs asked Mr. Weitzner to specifically review the direct finance portfolio analysis of the Loan Dashboard Report.

7A. Public Engagement Plan Update - Included in packet.

7B. Digital Transformation Update - Included in packet.

7C. AIDEA/AEA Organization Chart - Included in packet.

7D. Loan Dashboard Report

Mr. Weitzner highlighted that the Loan Dash Report provides the update on the loan participation programs and direct loan programs. The starting balance was approximately \$464 million and the ending balance as of 10/31/21 was approximately \$447 million. The total does not include the approved funding amounts of \$8.3 million. Mr. Weitzner identified that staff has included the Board-requested addition of the representation of the outstanding balances of the different financial institutions across the state. There are eight financial institutions participating in the program. The large concentrations are with Northrim Bank and First National Bank Alaska. Staff is actively seeking engagement with the broader financial community within the state to identify opportunities that they have within this program.

Mr. Fogle commented on the representation of the report. He noted the starting balance, the ending balance as of 10/31/21, and the anticipated funding amounts. Mr. Fogle requested that a

representation showing the true timing of the ending balance is provided at the end of the year. Mr. Weitzner informed that information will be within the report as of June 30, 2022, which is the full fiscal year. The next report that will be provided on January 27th will contain the full six-month numbers.

Mr. Fogle asked if any new loans came in during October. Mr. Weitzner directed the Board's attention to page 12 showing one pending application that was received October 28, 2021. The application funding has not yet been approved and is pending.

Chair Pruhs commented on Key Bank's delinquency percent of 13.21%. Mr. Weitzner explained that since Key Bank is a very small portion of the portfolio, they only remit payments once a month and the 13% of their loan payments that show delinquent on the report were received after the report was prepared. The larger organizations in the portfolio remit on a weekly basis. Mr. Weitzner highlighted that the delinquencies continue to be very well-managed and are much lower than previously reported. The delinquencies are a reflection of internal delays and processes in which funds are allocated. There were no additional questions.

7E. Development Project Financing Report - Included in packet.

7F. Quarterly Investment Measure Service Review - Included in packet.

7G. Next regularly scheduled AIDEA Board Meeting, Thur. January 27, 2022

8. BOARD COMMENTS

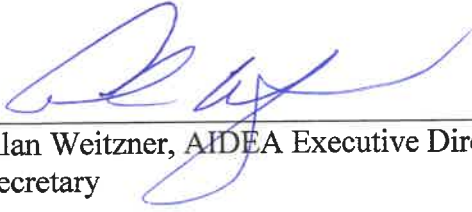
Vice-Chair Sande welcomed Mr. Vivlamore to his first Board meeting. She expressed appreciation for the ability to vote in favor of Resolution G21-33. Vice-Chair Sande commented that the Board had hopes for the 1002 Area to bring economic development and jobs to the region while responsibly developing Alaska's resources. She believes the federal Administration's delays are cheating Alaskans from their guaranteed rights of access within ANCSA and ANILCA. She feels this is a clear overreach.

Vice-Chair Sande commented on the challenging discussion regarding the determination of the dividend amount between 50% and 37.5%. She highlighted the obligations in the project pipeline and wanted to ensure AIDEA has the ability to fulfill its primary mission to promote, develop, and advance economic growth and diversification in Alaska. She expressed appreciation to Ms. MacKinnon and Ms. Moller for their arguments in favor of 50%.

Chair Pruhs welcomed Mr. Vivlamore to the Board. Chair Pruhs commented on the news of the COVID-19 variant in California. He noted the ramifications of COVID-19 have been challenging for AIDEA, the State of Alaska, and the country. Chair Pruhs thanked staff for their hard work and due diligence in responding to the Board's tough questions during the vetting process of being good stewards of the public's money.

9. ADJOURNMENT

There being no further business of the Board, the AIDEA meeting adjourned at 3:00 pm.



Alan Weitzner, AIDEA Executive Director
Secretary