

Alaska Industrial Development and Export Authority
BOARD MEETING MINUTES
Wednesday, December 06, 2023
Anchorage, Alaska

1. CALL TO ORDER

Chair Pruhs called the meeting of the Alaska Industrial Development and Export Authority to order on December 6, 2023, at 11:44 am. A quorum was established.

2. ROLL CALL: BOARD MEMBERS

Members present: Chair Dana Pruhs (Public Member); Vice-Chair Bill Kendig (Public Member); Julie Sande (Commissioner, DCCED); Adam Crum (Commissioner, DOR); Albert Fogle (Public Member); Randy Eledge (Public Member); and Bill Vivlamore (Public Member).

3. AGENDA APPROVAL

Randy Ruaro, Executive Director, requested that Item 6B. and 6E. are reversed in order. There was no objection.

MOTION: A motion was made by Vice-Chair Kendig to approve the agenda, as amended, reversing the order of Item 6B. and 6E. Motion seconded by Mr. Fogle.

The motion to adopt the agenda, as amended, passed without objection.

4. PRIOR MINUTES – October 25, 2023

MOTION: A motion was made by Vice-Chair Kendig to approve the Minutes of October 25, 2023, as presented. Motion seconded by Mr. Fogle.

The motion to approve the Minutes of October 25, 2023 passed without objection.

5. PUBLIC COMMENTS - None

6. NEW BUSINESS

MOTION: A motion was made by Vice-Chair Kendig to enter into executive session for the purpose of discussing the following: financial matters, legal matters, review of AIDEA FY2023 Draft Audited Financial Statements, dividend discussion, personnel matters, and these matters, which if discussed publicly, would have an adverse effect on AIDEA, matters that are attorney/client privilege, and matters involving consideration of government records that by law are not subject to public disclosure. Each of these matters in executive session are supported by the Open Meetings Act, reference AS 44-62-310 (C)1, 3, 4. Motion seconded by Mr. Fogle.

A roll call was taken, and the motion to enter into Executive Session passed unanimously.

6A. EXECUTIVE SESSION: 11:48 am. Confidential Financial Matters, Legal Matters, Review of AIDEA FY2023 Draft Audited Financial Statements – Dividend Discussion and Personnel Matters

The Board reconvened its regular meeting at 3:01 pm. Chair Pruhs advised that the Board did not take any action on matters discussed while in Executive Session. The session was limited to discussion of matters directly protected from public disclosure by the Open Meetings Act.

6F. FY2023 AIDEA Audited Financial Statements

Chair Pruhs requested Clay Christian, Chief Financial Officer, to review the financial statements. Mr. Christian advised that the financial statements have been completed. The auditors Eide Bailly returned an unqualified clean opinion. The statements will be issued by Friday, after the Board's approval.

Chair Pruhs congratulated staff on a clean audit of the financial statements.

MOTION: A motion was made by Mr. Fogle to approve the FY2023 AIDEA Audited Financial Statements. Motion seconded by Mr. Eledge.

Chair Pruhs requested Mr. Christian review the net income for the record. Mr. Christian noted that the net income is listed on page 17 of the financial statements under Increase in Net Positions. It is \$30,937,000 for FY2023.

Chair Pruhs asked Mr. Christian to explain the reason for the G&A expense increase from approximately \$15 million in FY2022 to approximately \$17 million in FY2023. Mr. Christian explained that the G&A expense includes additional payroll costs related to AEA. The revenue line item entitled Income from State Agencies contains \$803,000 that offsets the G&A expense line item. Mr. Christian described that the G&A also encompasses contracting fees that are not capitalized and are related to West Susitna. He discussed that staff is comfortable with the accounting and with the variances. He noted that detailed schedules are maintained and are supported by invoices.

Chair Pruhs requested clarification regarding the increased cost in operating the company. He believes that if a cost is related to a specific project, it should not be allocated within general expenses. Mr. Christian highlighted that the G&A expense numbers include \$986,000 related to engineering services and \$192,000 related to advertising. Chair Pruhs inquired if the \$986,000 could not be included with its project expenses. Mr. Christian agreed, and explained that under accounting rules, predevelopment costs do not always get capitalized. Chair Pruhs asked if the \$986,000 was paid from the State Legislature funding for West Susitna. Mr. Christian agreed. Chair Pruhs requested that all future expense related to specific projects related do not get included within the G&A line item.

Mr. Fogle commented that AIDEA's audit and financial statement preparation is unique and typically takes longer than AEA's. He noted that one of the items listed in the RFP for Eide Bailly was to complete the financial statements and audit by the end of September. Mr. Fogle encouraged staff, for next year, to push to have the financial statements ready to present at the

October Board meeting, rather than at the December Board meeting. There were no further comments or questions.

A roll call was taken, and the motion to approve the FY2023 AIDEA Audited Financial Statements passed unanimously.

6B. Resolution No. G23-12 – Declaring FY25 Dividend to the State

Chair Pruhs requested Mr. Ruaro to present on declaring the FY25 dividend to the State. Mr. Ruaro advised that AIDEA's dividend statute allows for a dividend between 25% and 50% of the net income. The Revolving Fund has a net income of approximately \$25 million, with the 25% minimum dividend at \$6,430,220 and the 50% maximum dividend at \$12,860,440. The Sustainable Energy Transmission and Supply Development Fund (SETS) 25% minimum dividend at \$107,118 and the 50% maximum dividend at \$214,237. The aggregate 25% minimum dividend is \$6,537,338 and the 50% maximum dividend is \$13,074,677.

Mr. Fogle commented that AIDEA gave a dividend last year in the range of \$10 million. He believes this year's net income should support about the same amount. Mr. Fogle recommended a dividend in the amount of \$11 million. He also recommended that Mr. Ruaro develop suggestions for the Legislature to use that \$11 million dividend to promote economic development in Alaska to support AIDEA's mission.

Chair Pruhs agreed with the dividend amount of \$11 million.

MOTION: A motion was made by Mr. Fogle to declare the FY2025 dividend to the State in the amount of \$11 million. Motion seconded by Vice-Chair Kendig.

A roll call was taken, and the motion to declare the FY2025 dividend in the amount of \$11 million passed unanimously.

6C. Resolution No. G23-13 – Alyeschem, LLC

Chair Pruhs requested JR Wilcox, CEO Alyeschem, to provide a brief overview of the project. Mr. Wilcox informed that his full PowerPoint presentation is included in the Board packet. He discussed that the North Slope is an economic pillar of the state. Alyeschem is helping to make the North Slope more competitive and long-lasting by manufacturing ultra low sulfur diesel and methanol on the North Slope rather than importing and then trucking these products up the haul road. Alyeschem has a site location, its major permits, its front-end engineering completed through Class 4, a series of contracts, and strong equity partners. Mr. Wilcox discussed that this project will be stronger with AIDEA as a debt partner.

Chair Pruhs asked Mr. Wilcox to explain for the public how methanol is used on the North Slope, who uses it, how much is used, and where it currently comes from. Mr. Wilcox discussed that methanol is made from natural gas. It has a very low freezing point, which makes it useful on the North Slope. He gave specific examples of how approximately 20,000 gallons a day of methanol is utilized for North Slope operations. Mr. Wilcox explained that all the methanol is manufactured thousands of miles away, in Trinidad, for instance, and imported to the North

Slope. Every North Slope operator needs methanol, and the largest consumers are the Prudhoe Bay Unit and the Kaparuk Unit. The project will create approximately 150 construction jobs on the North Slope and will provide approximately 10 to 15 long-term operator jobs. It is anticipated that the plant will be completed and the first product will be moved in the fourth quarter of 2025. Mr. Wilcox informed that the overall project cost is approximately \$100 million. The equity partners are McKinley Alaska Private Investment and BP (Boone Pickens) Energy Partners.

Chair Pruhs noted that the resolution before the Board today regards a cost reimbursement agreement and non-binding term sheet concerning an application for the financing of up to 50% of this manufacturing facility on the North Slope. Mr. Ruaro agreed, and discussed that the cost reimbursement agreement includes all due diligence efforts that staff believes are necessary to vet the project and to negotiate a nonbinding term sheet for the Board's consideration.

A member commented that methanol plants have been considered before by some of the large oil and gas producers on the North Slope. He asked what makes this project different. Mr. Wilcox explained that this project is outside of the normal purview of large oil and gas producers. This project is a different kind of investment and can sell to the whole North Slope market. Since Alyeschem is a smaller company, there are opportunities for efficiencies in capital deployment.

Chair Pruhs asked Mr. Ruaro for the expected timeline to complete the due diligence and recommendation. Mr. Ruaro's goal is to come back before the Board at the March meeting. Chair Pruhs discussed the importance of building public record to ensure understanding of this exciting project that is needed on the North Slope. He congratulated Mr. Wilcox on the vision.

MOTION: A motion was made by Mr. Fogle to approve Resolution G23-13 relating to the approval of a cost reimbursement agreement and non-binding term sheet concerning an AS 44.88.172 application for the financing of a pchemical manufacturing facility on the North Slope. Motion seconded by Commissioner Crum.

Mr. Fogle commended Mr. Wilcox and his team for designing an Alaskan solution for Alaskan companies and for producing the petrochemicals in Alaska, rather than outside of the country. He believes this type of ingenuity is needed for the future of Alaska and looks forward to a continued working relationship.

Commissioner Crum echoed the appreciation for the foresight of recognizing an Alaskan-based solution. He noted that this project also connects to federal priorities and the scalability of the use across multiple fields even beyond the industrial sector. Commissioner Crum is excited about the prospect and looks forward to analyzing the due diligence reports.

A roll call was taken, and the motion to approve Resolution G23-13 passed unanimously.

Chair Pruhs noted that the agenda in his packet contains Item 6D. Resolution No. G23-14. Mr. Ruaro indicated that item has been removed from the agenda.

6E. Resolution No. G23-15 – BlueCrest

Chair Pruhs requested Mr. Ruaro discuss Resolution No. G23-15. Mr. Ruaro explained that BlueCrest, LLC is experiencing financial distress and has requested a forbearance of their loan. Mr. Ruaro and staff have spoken with the management of BlueCrest who requested a year-long forbearance. Staff recommends a 90-day forbearance period and the discretion to continue to work with BlueCrest and bring a determination back before the Board, including efforts to obtain an overriding royalty interest in the leases to better secure AIDEA's position.

Chair Pruhs requested clarification that the recommendations presented have not yet been agreed to by BlueCrest. Mr. Ruaro explained that there is general agreement on the concepts and what to work on together. However, a final and specific agreement is not yet in writing. Chair Pruhs requested that from now on, all negotiations are concluded and identified in detail prior to bringing the resolution before the Board. Mr. Ruaro agreed. Chair Pruhs understands that this resolution contains open-ended recommendations.

Mr. Eledge asked what date the December payment is due under the current modification. Geoff Johns, Chief Investment Officer, indicated that under the current modification, the next BlueCrest loan payment of approximately \$135,000 is due at the end of December. He noted that BlueCrest has indicated that they are not able to make that payment. If BlueCrest fails to make that payment, AIDEA is forced to place the loan into default to which there is a 15-day cure period.

MOTION: A motion was made by Mr. Fogle to approve Resolution G23-15, resolution of AIDEA approving loan payment forbearance with BlueCrest Alaska Operating, LLC and co-borrowers. Motion seconded by Mr. Eledge.

Mr. Fogle commented that his patience is running thin with BlueCrest.

A roll call was taken, and the motion to approve Resolution G23-15 passed unanimously.

7. DIRECTORS COMMENTS

7A. Loan Dashboard Report

Mr. Ruaro discussed that AIDEA continues to push forward on projects and reviews of new loans in the loan program that will generate jobs and meet AIDEA's statutory mission. He anticipates that a couple of significant construction loan projects will come before the Board at the next meeting. Additionally, at the next meeting, staff is expected to report on considerable efforts regarding an investment strategy to allow for the expeditious rollover of fixed income investments upon maturity. AIDEA has advisors on contract, but they are not actively managing the portfolio. It is the responsibility of staff to provide direction.

Mr. Fogle commented on the large amount of delinquency and requested an update. Tiffany Janssen, Chief Loan Director AIDEA, explained that the KeyBank delinquency is the same loan that has had a prior issue. A payment has been received; however, it is still short for the previous month. This loan participant has paid off their counterpart bank loan and staff is actively working with the participant to bring their account forward.

Mr. Fogle commented that he is looking forward to seeing additional loans come through. Ms. Janssen agreed and noted that the Loan Dashboard Report will include more loans at the next meeting. She discussed that four of the six anticipated fundings have the necessary documentation and one of those has been funded. The pipeline of loan activity contains approximately \$84.5 million.

Chair Pruhs inquired as to the mechanics of how to show on the financial statements the amount of the unrestricted cash that is tentatively committed to new business opportunities that will help Alaskans. He noted that today, for instance, AIDEA agreed to conduct due diligence on a potential \$52 million direct finance project. Chair Pruhs emphasized the importance of communicating to the Legislature the amount of the unrestricted funds that are reserved, pending positive agreements. Ms. Janssen responded that Mr. Johns is currently working on possible solutions to deploy in January.

7B. Statistics Summary: Small Business Economic Development and Rural Development Initiative Fund Loan Programs

Mr. Ruaro explained that the Statistics Summary Report is contained within the Board packet.

7C. Interior Energy Report to the Legislature

Mr. Ruaro noted that the Quarter Three Interior Energy Report to the Legislature regarding IGU is included in the Board packet and that Josie Wilson, AIDEA, is available to answer questions. Ms. Wilson indicated that the report for Quarter Four is currently being prepared. Chair Pruhs commented that IGU is gaining momentum with the increased number of services reported.

7D. Next regularly scheduled AIDEA Board Meeting Wednesday, January 24, 2024

8. BOARD COMMENTS

Mr. Fogle expressed that he is very impressed with Mr. Ruaro and the team. Mr. Ruaro stated that he is proud of the team and their constructive efforts.

Commissioner Crum expressed appreciation to staff and looks forward to the comments during the legislative session regarding the increase in staffing and the decrease in turnover. AIDEA is a key factor in opening the door to the next generation of economic development in Alaska.

Chair Pruhs echoed the comments of appreciation to staff for their efforts today and every day in supporting the Board. He thanked John Springsteen of the Governor's Office for attending today, and Mr. Christian and his team for the clean financial audit. Chair Pruhs recognized and thanked staff in advance for working with the Legislature during the next session. He expressed appreciation to the Board members for attending today's good meeting.

9. ADJOURNMENT

There being no further business of the Board, the AIDEA meeting adjourned at 3:43 pm.

A handwritten signature in blue ink, appearing to read "Randy Ruaro", is written over a horizontal line.

Randy Ruaro, AIDEA Executive Director

Secretary