

Alaska Industrial Development and Export Authority
BOARD MEETING MINUTES
Wednesday, March 3, 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 March 3, 2021, at 8:32 am. A quorum was established.

2. ROLL CALL: BOARD MEMBERS

Members present: Chair Dana Pruhs (Public Member); Vice-Chair Bernie Karl (Public Member); Julie Anderson (Commissioner, DCCED); Albert Fogle (Public Member); Bill Kendig (Public Member); Anna MacKinnon (SOA-DOR); and Julie Sande (Public Member).

3. AGENDA APPROVAL

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

The motion to approve the agenda passed without objection.

4. PUBLIC COMMENTS

Chair Pruhs requested that public comments be limited to two minutes. He requested speakers state their name and affiliation, if any.

Margi Dashevsky, Alaskan, informed that she first participated in public comment at an AIDEA Board Meeting on December 23, 2020, after just 48 hours of notice. At that meeting, AIDEA's Board unanimously approved the resolution to bid on Arctic National Wildlife Refuge oil leases despite broad public opposition, including over 300 emailed comments and 39 testifiers that evening. Ms. Dashevsky believes it was clear that AIDEA's public meeting was simply a procedural step and the Board's decision had already been made. She noted that she still has not received answers to the questions she provided during her second public comment at a subsequent meeting.

Ms. Dashevsky reiterated questions she and others have similarly asked. Why is AIDEA providing such little public notice and hiding in executive session? Ms. Dashevsky inferred that AIDEA is afraid of public comments and does not want the Alaskan public to know what AIDEA is actually doing. Robust public input is precisely what is needed in order to work together and to achieve AIDEA's mission to promote economic growth and diversification.

Ms. Dashevsky noted that she is happy to see there is an Open Meetings Act training on the agenda for this meeting, because she watched the livestream of Mr. Weitzner's presentation to the Senate Finance Committee and was dissatisfied to the response to Senator Wielechowski's

questions about public input. Ms. Dashevsky stated AIDEA is clearly not meeting reasonable public notice standards, and is extensively using executive sessions to pick and chose which deliberations are public to make big decisions that impact Alaskans behind closed doors. Ms. Dashevsky indicated that the February 10th, 2021 meeting minutes showed AIDEA to be in executive session for eight hours out of the eight-and-a-half-hour meeting. Ms. Dashevsky referenced the previous public testimony of Homer Mayor Kenneth Castner, who noted that AIDEA was in executive session during the September 16, 2020, meeting for a total of six hours and 28 minutes, and during the October 28, 2020, meeting for four hours and 45 minutes in executive session. She underscored his statements that AIDEA handles public money, has public authorization, and needs to abide by the Open Meetings Act.

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

5. PRIOR MINUTES – February 10, 2021

MOTION: A motion was made by Mr. Kendig to approve the Minutes of February 10, 2021. Motion seconded by Ms. Sande.

The motion to approve the Minutes of February 10, 2021 passed without objection.

6. NEW BUSINESS

6A. Training Session - Open Meetings Act Presentation

Alan Weitzner, Executive Director, introduced Stuart Goering, Senior Assistant Attorney General, who conducted the Open Meetings Act Training presentation provided to Board members. A link to the presentation that is accessible to the public was included in the agenda. Mr. Goering gave an overview of the training presentation. The Open Meetings Act is described in AS 44.62.310 through 44.62.319. Government business is presumed to be public business, with a few exceptions. Executive sessions provide opportunities to discuss non-subject matter. Violations of the Open Meetings Act may have consequences.

Mr. Goering discussed the background and origin of the statute and the intent of the Legislature. He highlighted two specific sections that he believes are germane when making Open Meetings Act decisions; (3) states; “the people of this state do not yield their sovereignty to the agencies that serve them,” and (4) states “the people, in delegating authority, do not give their public servants the right to decide what is good for the people to know and what is not good for them to know.”

Chair Pruhs inquired if AS 44.62.312 contains any differential application between a government agency and a government owned C corporation. Mr. Goering explained the Open Meetings Act applies to all governmental entities, including AIDEA and AEA, as public corporations to the State. The statutes that specifically indicate that the Open Meetings Act applies to AIDEA and AEA are AS 44.88.085 and AS 44.88.190 (a) and AS 44.83.970. Mr. Goering recommended that AIDEA consult with their attorney regarding any specific advice related to decision-making questions about agencies that own enterprises whose board members and managers of the businesses are not State employees.

Mr. Goering continued the training and explained the statutory meaning of a meeting for a decision-making governmental body is a gathering of more than three members or a majority of the members, whichever is less, either prearranged or not prearranged. The meaning of a meeting for a governmental body which only has the authority to advise or make recommendations is a gathering of more than three members or a majority of the members, whichever is less, and is prearranged. He noted that members of a governmental body include committees. The material considered at the meeting should be available to the public. Mr. Goering explained that AS 44.88.050 (a) (3) addresses AIDEA's requirements for making meeting materials available to the public.

Mr. Goering reviewed the required public notice under AS 44.88.050 (a) and AS 44.83.040 (b) (2) for both in-person and teleconference meetings. He explained reasonable public notice contains the date, time and place of meeting, including teleconferencing information, and Americans with Disabilities Act (ADA) accommodation information. Notice has to be posted on the Alaska Online Public Notice System and at the agency's office. It can also be publicized in print and broadcast media, social medial, as well as email and physical mailing lists. The primary objective is to reach as many interested persons as possible.

Mr. Goering explained most agencies are not explicitly required to have an agenda in advance of the meeting. However, AEA is required to publish an agenda and to take public comments in AS 44.83.970. There is no absolute minimum requirement for the timing of the notice in the Open Meetings Act. Mr. Goering discussed that agencies should be as consistent as possible in the timing and the manner of the notices. He informed that the Department of Law advises that agencies should give at least a week's notice, unless appropriate circumstances arise to make shorter notice acceptable, including responses to legislative inquiries, litigation matters, and time-sensitive personnel or financial matters. Utilizing additional media for posting meetings on a shorter notice may be helpful to reach as many interested persons as possible. Mr. Goering suggested the possibility of preparing a verbatim transcript for people who were unable to attend due to the shorter notice period, and making the audio and video of the meeting available.

Mr. Goering reviewed agency exceptions which are not subject to the Open Meeting Act under AS 44.62.310 (d). These include adjudication by a judicial or quasi-judicial board, staff meetings, and participation in or attendance at a gathering of national, state, or regional organization. Mr. Goering explained executive sessions are a modification to the conduct of an Open Meeting and should be used infrequently, according to AS 44.62.310. The Board must affirmatively vote to enter into executive session. The motion should clearly describe the nature of the matter to be discussed to ensure it meets the criteria of executive session, without compromising the need for confidentiality. No action may be taken in executive session, except to provide direction to an attorney in a specific legal matter or to give direction to a labor negotiator.

Mr. Goering informed that the discussion during the executive session has to be limited directly to the confidential purpose for the executive session. Broader issues surrounding confidential material should be discussed in the public open session and any action needs to be taken during the public open session as well. Mr. Goering highlighted that in addition to the subjects for

executive session listed in the presentation, matters involving specified confidential documents by an applicant or borrower that by law are not subject to public disclosure under AS 44.88.215 (a) are also included.

Mr. Goering discussed possible consequences of violations to the Open Meetings Act include the voiding of actions by a court. The Legislature recognizes that voiding agency action can be very disruptive to government operations. AS 44.62.310 (f) specifically provides that an agency that has violated the Open Meetings Act can cure the violation either before or after the action is voided by the court. The agency may cure the violation by properly issuing public notice and using the proper Open Meetings Act procedures to reconsider the action taken. Mr. Goering cautioned against relying too heavily on the ability to cure issues because some items cannot be effectively reconsidered or may have unintended or incomplete consequences.

Mr. Fogle requested feedback on how to reconcile that the executive session is noted to be used infrequently, however, AIDEA considers confidential information on a daily basis due to the concentration of the loan portfolio and other confidential and sensitive business information that AIDEA is required to review at each Board meeting. Mr. Goering acknowledged that AIDEA has a unique role in their deliberation matters. This tension between confidentiality and openness is also present in other agencies. Mr. Goering suggested that the Board could possibly minimize the amount of executive session work by considering the extent to which the Board needs to review specific confidential details compared to the decisions that have to be made at the Board level that might not require explicit consideration of the confidential material. The discussion in executive session should be limited to just the confidential subject matter and make no decisions in that context. Mr. Goering discussed that the training recommends that the Board think carefully and creatively to determine if there is an alternative that might result in more openness. If the Board is satisfied that there is no alternative and the subject matter is appropriate to use within executive session, then the Board should not hesitate to use executive session.

6B. Resolution G21-06 Appointment of Officer

Mr. Weitzner explained Resolution G21-06 relates to the appointment of Morgan D. Neff as an officer of the Authority as Chief Investment Officer and Assistant Secretary-Treasurer. Mr. Weitzner stated that Mr. Neff began with AIDEA on February 1st and has been actively and increasingly involved in underlying asset management of the portfolio and analysis of the existing programs, as well as infrastructure investment and development. Mr. Weitzner expressed appreciation that Mr. Neff has joined AIDEA, and staff is seeking Mr. Neff's formal appointment with AIDEA.

Vice Chair Karl inquired as to how long Mr. Neff was planning on staying in Alaska. Mr. Neff advised as long as AIDEA will have him.

Ms. MacKinnon requested Mr. Neff provide background to the public regarding his qualifications. Mr. Neff commented that he has been in the private investment business for the last 20 years, focusing on credit, debt, and loan-based investments. His experience includes project finance and direct lending with a significant understanding of the oil and gas sector, as

well as experience with distressed and restructuring opportunities that enhance value for the company and the capital deployed.

MOTION: A motion was made by Mr. Kendig to approve Resolution G21-06. Motion seconded by Ms. Sande.

A roll call was taken, and the motion to approve Resolution G21-06 passed unanimously.

Chair Pruhs indicated that the Board will take a short break before beginning any discussion within executive session.

MOTION: A motion was made by Mr. Kendig to enter into Executive Session to discuss confidential matters related to Skagway Ore Terminal, Bluecrest Energy, AIDEA Loan Participation Program Review, Ambler Access Project, Mustang Holding LLC, and AIDEA Personnel Update. This is supported by the Open Meetings Act, which allows the Board to consider confidential matters in executive session. In this case, the Board believes that these are subject 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 Mr. Fogle.

The motion was approved without objection.

**6C. EXECUTIVE SESSION: 9:31 am
Confidential matters related to Skagway Ore Terminal, Bluecrest Energy, AIDEA Loan Participation Program Review, Ambler Access Project, Mustang Holding LLC, and AIDEA Personnel Update**

The Board reconvened its regular meeting at 1:40 pm. Chair Pruhs advised the Board did not take any formal action on matters discussed while in executive session.

6D. Resolution G21-05 Skagway Ore Terminal

Mr. Weitzner explained Resolution G21-05 approves ASRC Energy Services Inspection and Evaluation Budget for the Skagway Ore Terminal. He requested that Mr. Neff and Project Manager Jesse Peterson join the table for questions and discussions. There was no objection. Mr. Weitzner reviewed the included memorandum and summarized the request to enter into a contract with ASRC Energy Services to provide professional engineering services at the Skagway Ore Terminal, including a review of the facilities and an analysis of the operations. The 55-year sublease of Municipality of Skagway land adjacent to the port basin expires on March 16, 2023, and staff's objective is to understand preliminary investment amounts for all options associated with the terminal, including costs associated with lease termination, post March 2023.

Mr. Weitzner gave a historical background wherein AIDEA was invited to acquire the Skagway Terminal in 1990 from White Pass, due to environmental reclamation issues that were raised by the Department of Environmental Conservation at that time. Approximately \$25 million in bonds were issued to purchase the facility. It was viewed that AIDEA was the right entity to

oversee and conduct the reclamation and to continue to appropriately manage the terminal's operation on an ongoing basis. AIDEA was able to create a broader opportunity for utilization of the ore terminal.

Chair Pruhs inquired as to the position of the Municipality of Skagway. Mr. Weitzner explained initial discussions with the Municipality of Skagway were conducted in 2019, but their future interests are unclear. They could either want to continue with the operation, requiring new investment and a new lease arrangement, or there is a possibility Skagway could no longer want an ore terminal present. Mr. Peterson reviewed the competitive process undertaken in the competitive selection of ASRC.

Vice-Chair Karl expressed support for the resolution. He also discussed his support for the possibility of disposal of this fully depreciated the asset. Mr. Weitzner indicated the resolution would allow ASRC to determine the value of salvaging certain components for sale.

Ms. MacKinnon requested Mr. Weitzner restate for the record the amount of money AIDEA has invested in this facility. Mr. Weitzner explained AIDEA has invested approximately \$32.9 million into the facility. The returns from use of the terminal have been sporadic and have not recovered the \$32.9 million originally invested. The ore terminal is currently underutilized. The asset has been fully depreciated. Ms. MacKinnon expressed agreement with Vice-Chair Karl's comments to move forward in assessing the value of the assets on the location. She would prefer to sell the asset to benefit AIDEA and Alaskans. The evaluation will provide the understanding needed to make an informed decision.

MOTION: A motion was made by Mr. Kendig to approve Resolution G21-05 approving ASRC Energy Services Inspection and Evaluation Budget for Skagway Ore Terminal. Motion seconded by Mr. Fogle.

A roll call was taken, and the motion to approve Resolution G21-05 passed unanimously.

6E. Resolution G21-07 Bluecrest Energy

Mr. Weitzner informed that Resolution G21-07 approves amendments to the loan agreement with Bluecrest Alaska Operating LLC, and co-borrowers. He requested that Mr. Neff address any questions from the Board. There was no objection. Mr. Weitzner noted that the borrower is commonly referred to as Bluecrest Energy Inc. and received a loan modification in March of 2020, extending the loan for an additional loan and providing for interest only payments up to April 1st, 2021. The borrower has asked for an extension of this modification for interest only payments through the end of July 2021.

Mr. Weitzner explained the reason for the request is due to the significant effect of the reduction of oil prices resulting from the Covid-19 economic impact. Even though oil prices have recovered, there is a transition stage between the lower prices and the ability to meet the operating costs and expenses in advancing their plan of development. Mr. Neff informed this request is accompanied by AIDEA's requirement for enhanced reporting on any and all documents deemed necessary in order to monitor the situation and the collateral of the investment to understand how Bluecrest will be progressing after August 1st.

Vice-Chair Karl inquired regarding payments by Bluecrest. Mr. Weitzner stated Bluecrest has been timely under the agreements of the loan. The drill rig is operational, but is not currently operating. There is future use expected as exploration in the Cosmopolitan Unit continues. The drill rig cost approximately \$40 million, of which AIDEA provided \$30 million. Vice-Chair Karl expressed support for the resolution due to Bluecrest's timely payment history.

Mr. Fogle asked if staff will be communicating with Bluecrest the information requested and the consequences of their actions if they are not willing to be a good participant. Mr. Neff agreed the terms and requirements for the modification of the extension will be clearly communicated if the resolution is approved. There is currently \$13.2 million in principal balance outstanding.

Ms. MacKinnon inquired if royalties have been paid to the State of Alaska on this project. Mr. Weitzner explained this project has generated \$12.6 million in royalty revenue for the State of Alaska since production initiation. Ms. MacKinnon commented that this benefits the people of Alaska since 25% of the royalty goes to the Permanent Fund to be saved for Alaskans. Mr. Weitzner added that an additional benefit has been the employment in the Kenai area that has previously supported over 100 employees.

Ms. MacKinnon requested additional information regarding the initial structure of the loan. Mr. Weitzner reviewed that the loan was initiated in 2015. At that time, the capital structure for Bluecrest had anticipated receipt of \$125 million in oil tax credits from the State of Alaska. However, Bluecrest only received \$27 million in those payments, which altered their capital structure and created a need for additional equity from other parties for the full plan of development. This has impacted AIDEA's loan with Bluecrest. Staff has been working with Bluecrest on ways to understand the financial structure and provide the modifications needed to meet their current operating expenses and meeting the interest-only payments on the loan. Bluecrest has been advancing the plan of development in its filings with DNR and its development of the Cosmopolitan Field in producing oil and gas. Five wells have been developed and a new technique has been incorporated, which has augmented production.

MOTION: A motion was made by Mr. Fogle to approve Resolution G21-07 approving amendments to loan agreement with Bluecrest Alaska Operating LLC and co-borrowers. Motion seconded by Mr. Kendig.

A roll call was taken, and the motion to approve Resolution G21-07 passed unanimously.

7. DIRECTORS COMMENTS

Chair Pruhs stated the time is 2:10 pm. He asked for support that the Board read through Item 7 individually and to proceed to Item 8, unless there is a particular question to address. Mr. Fogle requested Mr. Weitzner prepare a detailed report to the Board and describe the utilization of the additional funds provided for the building expenditures in conjunction with the previous years' unspent funds. Mr. Fogle would rather deploy extra funds as capital during these hard times, as opposed to building expenditures that can be covered within the annual \$250,000 budget.

Mr. Weitzner explained the building assessment was a key work product to determine the forecast of building needs over the next few years. Item 7E contains several resolutions that aggregate approximately \$350,000 that is currently being held and encumbered under previous

resolutions and unspent. The current interest rate for internally managed funds is at 1.8%. Mr. Weitzner discussed that the annual \$250,000 budget is also preserved for what could possibly be emergency items.

There were no additional questions and no objection to proceeding to Item 8.

- 7A. First Quarter 2021 Organization Chart**
- 7B. Infrastructure Development (IFD) / Project Finance & Asset Management (PFAM) Updated Project Matrices**
- 7C. Resolution No G11-18 report, Finance Dashboard and Commercial Loan Reports**
- 7D. Resolution G19-11 report**
- 7E. Building Expenses - Capital AR Report**
- 7F. Investment Measurement Service Quarterly Review**
- 7G. Next regularly scheduled AIDEA Board Meeting, Wed. April 14, 2021**

8. BOARD COMMENTS

Vice-Chair Karl expressed appreciation to Mr. Weitzner for his efforts and welcomed the addition of Mr. Neff.

Mr. Fogle thanked Mr. Weitzner and Mr. Neff, particularly for the information regarding the loan portfolio and the true cost to capital.

Chair Pruhs expressed appreciation to staff for the presented information. He noted that the price of oil and the pandemic continue to be the main challenges for all Alaska businesses and for AIDEA. He looks forward to working with the Board as this pandemic era is exited.

9. ADJOURNMENT

There being no further business of the Board, the AIDEA meeting adjourned at 2:22 pm.



Alan Weitzner, AIDEA Executive Director
Secretary