

AIDEA and AEA BOARD
Budget and Audit Subcommittee
Tuesday, March 30, 2021

1. CALL TO ORDER

Chair Albert Fogle called the AIDEA and AEA Budget and Audit Subcommittee to order on March 30, 2021, at 10:01 am. A quorum was established.

2. ROLL CALL OF BOARD MEMBERS, STAFF AND PUBLIC

Members present: Chair Albert Fogle (Public Member) (phone); Julie Sande (Public Member) (phone) and Anna MacKinnon (SOA-DOR) (phone).

Staff present: Morgan Neff; Alan Weitzner; Alyssa Wilson (AIDEA); Stefan Saldanha (Department of Law) (phone); and Khae Pasao (AIDEA).

Public present: Olivia Dunn (Accu-Type Depositions) (phone).

3. AGENDA APPROVAL

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

The motion to approve the agenda passed without objection.

MOTION: A motion was made by Ms. MacKinnon to enter into executive session to discuss confidential matters related to the John C. Schweiger Loving Trust (Wasilla Extreme Fun Center), Icy Strait Point/Duck Point Development II, Innersea Discoveries Alaska, Inc./Wilderness Adventurer LLC, and Taku Glacier Lodge. This is supported by the Open Meetings Act, AS 44.62.310, which allows a board to consider confidential matters in executive session. In this case, the Board believes that these are subjects which would have an adverse effect upon the finances of AIDEA or protected by law due to rules protecting personal privacy and certain business information. Motion seconded by Ms. Sande.

The motion to enter into executive session passed without objection.

4. EXECUTIVE SESSION: 10:07 am

Discuss confidential matters related to the John C. Schweiger Loving Trust (Wasilla Extreme Fun Center), Icy Strait Point/Duck Point Development II, Innersea Discoveries Alaska, Inc./Wilderness Adventurer LLC, and Taku Glacier Lodge

The Subcommittee reconvened its regular meeting at 11:01 am. Chair Fogle advised that no formal action was taken on the matters discussed while in executive session.

5. NEW BUSINESS

a. Icy Strait Point/Duck Point Development II

Chair Fogle requested Alan Weitzner, AIDEA, provide an update and background on the loan. Mr. Weitzner explained that the initial loan modification was approved in September 2020 for Phase I and Phase II of Development. Phase I Development is Icy Strait Point and Phase II Development is the Duck Point Project facilities for the new dock. The loan modification included interest-only payments and deferred principal through April 2021. The loan modification provided for the utilization of an excess capital funding facility in order to draw down for working capital. The request for modification was due to the impact of the Covid-19 pandemic on the cruise ship industry and Icy Strait Point's ability to meet their current operating expenses. Mr. Weitzner discussed that the new request is an extension of the loan modification. Staff recommends consideration by the full Board for review.

Mr. Weitzner requested Morgan Neff, AIDEA, to provide a brief summary of the request. Mr. Neff reported that the organization is requesting full forbearance of all principal and interest payments from April 2021 through June of 2022, with an equal maturity extension, continued utilization of the approximately \$6 million AIDEA credit facility, and the release of the collateral account, allowing the funds to be rolled into an alternative account to provide additional liquidity.

Ms. MacKinnon inquired regarding the business partner on this loan. Mr. Weitzner stated the guarantors are Huna Totem Corporation. The Icy Strait Point facility has a loan participation with Northrim. Duck Point Development II facility has direct AIDEA financing, and is a subsidiary of Icy Strait Point and Huna Totem.

Chair Fogle requested Mr. Weitzner provide an update on the loan payment history. Mr. Weitzner reviewed that both loans have been performing as required under the current modified loan agreements. Mr. Weitzner explained that one of the requirements under the loan modification for Duck Point Development II was a repayment obligation from any receipts they have under the Carbon Credit Program. Those payments were not made. Huna Totem Corporation did receive a portion of the funding payments in December and will receive the remainder of the funding payments in September 2021.

Chair Fogle expressed concern that the organization has not fulfilled their commitment under the previous loan modification and are now requesting an additional loan modification. Chair Fogle believes AIDEA is assisting the tourism industry in Southeast as much as possible, especially in light of Canada's decision not to allow cruise ships through Canada. Chair Fogle explained that since this loan amount is in excess of \$3 million, the duty of the BAS is to determine whether or not to refer the loan modification to the full Board for their review at the April 14, 2021 Board meeting.

MOTION: A motion was made by Ms. MacKinnon to advance the Icy Strait Point/Duck Point Development II project for loan consideration to the full Board at the April 14th meeting. Motion seconded by Ms. Sande.

A roll call was taken, and the motion passed unanimously.

b. Innersea Discoveries Alaska, Inc./Wilderness Adventurer LLC

Chair Fogle requested Mr. Weitzner present on the Innersea Discoveries Alaska, Inc./Wilderness Adventurer LLC. Mr. Weitzner explained that this loan was advanced under the AK SHIP Program in September 2019, for the amount of \$542,000. The company is commonly known as UnCruise Adventures. Regular payments were received until the Covid-19 pandemic, at which time an initial loan modification for a P&I moratorium was instated, after that point in time, the company resumed payments. The company is now requesting an additional extension of the loan from the original maturity of September 1, 2020 to July 1, 2021, and to be able to capitalize the small portion of interest. The modification would include a lump-sum principal payment on July 1, 2020. The company is expecting to recognize a substantial amount of interest this year from bookings and cruise ship activities that are not being impacted by Canada's cruise ship industry's decisions. Mr. Weitzner highlighted that he believes this opportunity is a key indicator of the importance of the AK SHIP program to incentivize home porting in Alaskan waters for Alaskan operations. This company is able to advance because it operates in Alaskan waters.

Mr. Weitzner requested Mr. Neff continue with the summary of activities and loan modification request. Mr. Neff explained the current request is for an additional extension of the modified maturity date of March 1, 2021 to July 1, 2021, and to capitalize all unpaid interest into principal, which includes any unpaid interest for January, February, and March of this year, and including monthly interest-only payments through July 1, 2021, and a full balloon principal payment on July 1, 2021. Mr. Neff discussed that the company is benefiting from the existing mega-cruise-liner moratorium, and is anticipating strong revenues that surpass the prepandemic levels. Staff believes this recommendation is in the best interest of AIDEA and Alaska. Staff recommends this modification for consideration before the full Board.

Ms. Sande expressed appreciation to Mr. Neff and staff for the thorough analysis and information presented.

Ms. MacKinnon inquired if the modification could be considered an extraction of capital due to foregoing principal and interest payments. Mr. Neff explained the modification will permit for an interest-only obligation until maturity. The intent of the flexibility is to allow the company to utilize the working capital to operationally prepare for a robust cruise season.

Chair Fogle highlighted that part of AIDEA's mission is patient capital. He believes this modification supports the company's preparation for a successful season this year and next year. Chair Fogle noted that the BAS will make a decision regarding approval or denial of this loan modification because the loan amount is below the \$3 million threshold.

MOTION: A motion was made by Ms. Sande to follow staff recommendation and to approve the Innersea Discoveries Alaska, Inc./Wilderness Adventurer, LLC, loan modification. Motion seconded by Ms. MacKinnon.

A roll call was taken, and the motion passed unanimously.

c. Taku Glacier Lodge

Chair Fogle requested Mr. Weitzner present on the request from Taku Glacier Lodge. Mr. Weitzner explained this is a first modification of the loan that was made in 2018. The loan participation is with First National Bank and the original amount was approximately \$700,000. The company requests interest-only payments from April 2021 to March 2022, with a 12-month maturity extension in order to keep their principal and interest payments consistent with the premodification level. Mr. Weitzner asked Mr. Neff to continue the brief description. Mr. Neff reviewed that this business has been greatly affected by the moratorium on the mega-cruise-liner industry. He noted that 90% to 95% of the revenue of Taku Glacier Lodge is derived by ticket sales on cruise ships. Mr. Neff indicated that the company offset their cash burn at their own personal level. The company is now facing another year without any meaningful revenue at the operational level. The flexibility request is to both AIDEA and First National Bank. Staff recommends the loan modification.

Chair Fogle reiterated that this is another great opportunity for AIDEA to assist a Southeast tourism-based business in these times of turmoil. Chair Fogle noted that the BAS will make a decision regarding approval or denial of this loan modification because the loan amount is below the \$3 million threshold.

MOTION: A motion was made by Ms. Sande to approve the Taku Glacier Lodge loan modification request. Motion seconded by Ms. MacKinnon.

A roll call was taken, and the motion passed unanimously.

6. BOARD COMMENTS

Ms. MacKinnon inquired of Mr. Weitzner if options for the business community were accessible on AIDEA's website regarding the most recent federal monies available. Mr. Weitzner answered that general information is available on the AK CARES website and references to DCCED's AK CARES website. He informed that no updated information regarding the American Recovery Plan Act has been posted because the State implementation is unknown and under discussion. After those decisions are made and information is available regarding where implementation is being dedicated, staff will aggregate the information on a fact sheet or provide the information on AIDEA's website. Ms. MacKinnon expressed support for posting the pertinent information, once it is available, on AIDEA's website. Ms. MacKinnon expressed appreciation for staff's hard work in preparing these requests.

Chair Fogle expressed appreciation to Mr. Weitzner and Mr. Neff for today's successful and efficient loan modification presentation and discussion. He thanked Board members for their time well spent today in helping Alaskan businesses.

7. ADJOURNMENT

There being no further business of the Subcommittee, the AIDEA and AEA Board Budget and Audit Subcommittee meeting adjourned at 11:22 am.



Alan Weitzner, AIDEA Executive Director
Secretary