

Alaska Industrial Development and Export Authority



Credit Update

Credit Update Summary

Revolving Fund Security

- AIDEA's principal fund for core business activities: development projects, substantial investment portfolio and loan program
- Each segment produces substantial cash flow
- Full faith and credit pledge of entire Revolving Fund

Continued Financial Strength

- FY 2010 Debt Service Coverage 9.00x
- 30-Jun-2010 Cash and Investments to Debt Ratio is 4.23x
- Continued strong performance of loan portfolio, with 99.3% current (less than 90 days past due) as of 30-Jun-2010

Update Since January 2010

- Project updates
- FY2010 financial statements and debt service coverage

Summary of Bond Security

Development Projects

- 30-Jun-2010 Total Net Book Value: \$326.1 million
- Cash Receipts FY ending 30-Jun-2010
 - Red Dog \$26.2 million
 - Fed Ex \$3.0 million
 - Skagway \$2.6 million

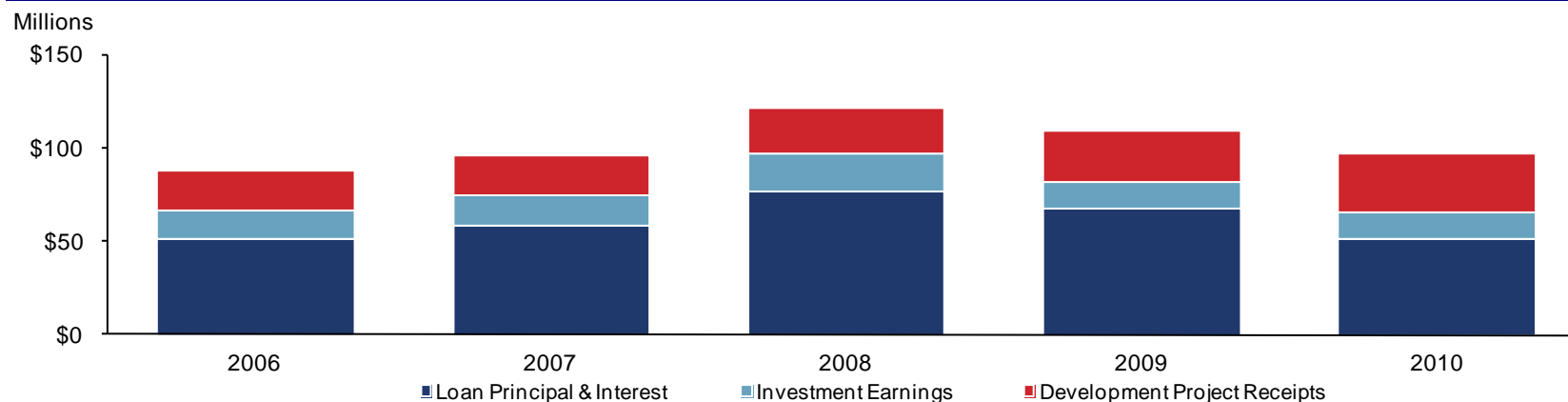
Investment Portfolio

- 30-Jun-2010 Cash and Investment Securities: \$402.7 million
- Conservative investment policy in place
- Portfolio focus on quality and liquidity

Loan Program

- 30-Jun-2010 Loans Outstanding: \$377.7 million
- Conservative credit criteria
- Portfolio quality is a key focus
- 99.3% of loans are current (less than 90 days past due)

Historical Coverage Components (FYE 30-Jun)



Current AIDEA Development Projects

(\$ in thousands)

Figures for Fiscal Year Ending 30-Jun-2010				
Project	Net Investment 30-Jun-2010	Allocable Revolving Fund Debt Outstanding	Minimum Annual Receipts	Type of Business
DeLong Mountain Transportation System	\$223,858 ¹	\$87,105	\$17,670 ²	Public Port and Road
Healy Clean Coal Project	\$45,765	—	N/A ³	Electric Power Plant
Fed Ex Facility	\$11,475 ⁴	\$8,110	\$2,999	Hangar & Maintenance Facility
Ketchikan Shipyard	\$35,607	—	N/A	Marine Vessel Construction and Dry-dock Facility
Skagway Ore Terminal	\$9,440	—	\$3,050	Mineral Concentrate Load- Out Facility
Total	\$326,145	\$95,215	\$23,719	

¹ Net investment in DeLong Mountain Transportation System (DMTS) associated with the Red Dog Mine.

² Minimum Annual Assessment from DMTS. Does not include projection for future tonnage sensitive payments and zinc price escalator.

³ Currently maintaining Healy Project in custodial status: In 2009, AIDEA agreed to sell the Healy Project to Tri-VEC, a wholly-owned subsidiary of GVEA, with plans to restart the Project.

⁴ Net Investment in Fed Ex Project.

AIDEA's Cash & Investment Portfolio

Carefully and Professionally Managed

Overview

- Total FYE 2010 Cash & Investment Portfolio: \$402.7 million
- Fund management balance between external and internal
- External goals: Safety and return
- Internal goals: Safety and liquidity

Investment Policy – Internal Funds

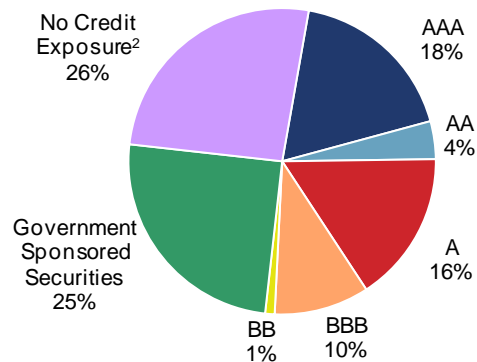
- Debt instruments issued or guaranteed by the U.S. government, its agencies and instrumentalities and Government-sponsored enterprises (GSEs)
- Money market funds and repurchase agreements collateralized by U.S. Treasury and agency securities
- Other investments specifically approved by the Board of Directors

Investment Policy - External Funds

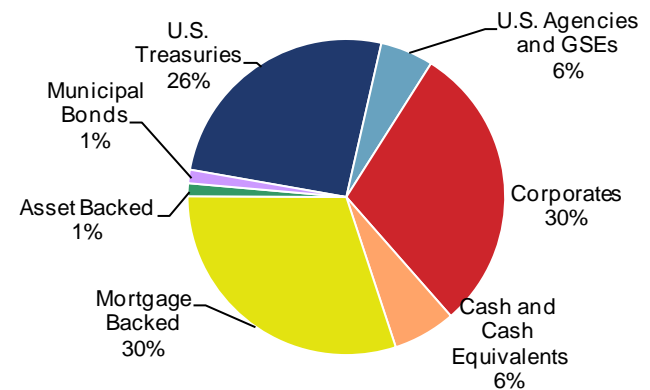
- Debt instruments issued or guaranteed by the U.S. government, its agencies and instrumentalities and GSEs
- Dollar-denominated debt instruments that have been issued by domestic and nondomestic entities
- Mortgage-backed securities issued or guaranteed by Federal agencies or GSEs
- Asset-backed securities, including collateralized mortgage backed securities and collateralized mortgage obligations (CMOs). CMOs are limited to the more stable classes; prohibited CMO classes include those where principal and interest components are separated or where leverage is employed
- Certificates of deposit and term deposits of United States domestic financial institutions provided the institutions meet guidelines set forth in the Resolution
- Other money market instruments described in the Investment Policy Resolution

Cash & Investment Portfolio on 30-Jun-2010: \$402.7 mm¹

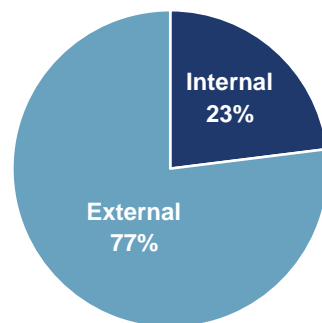
Credit Quality



Instruments



Management



Duration in Years

	Internal	External
Money Market	0.06	0.08
U.S. Treasuries	0.33	5.64
U.S. Agencies & GSEs	1.16	3.88
Corporates	–	5.65
Mortgage Backed	–	1.90
Asset Backed	–	0.60
Municipal Bonds	–	11.12

¹ Excludes \$8.8 million related to the Snettisham Hydroelectric Project

² U.S. Treasury securities and securities of agencies of corporations explicitly guaranteed by the U.S. government are not considered to have credit risk.

Loan Portfolio on 30-Jun-2010: \$377.7 mm

AIDEA's Revolving Fund Loan Portfolio is Comprised of Three Elements: Loan Participation Program; OREO¹ Financing and Other Loans; Loans Appropriated² to AIDEA by the State

■ **Portfolio Statistics:**

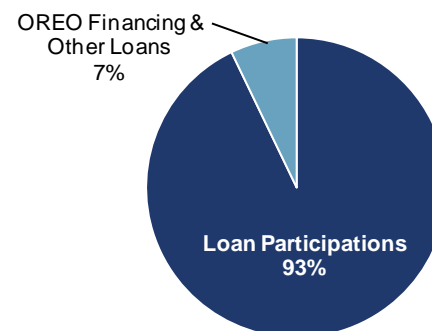
- Average loan balance on 30-Jun-2010: \$1.5mm
- Pending loan commitments on 30-Jun-2010: \$8.5mm

■ **Loans current (less than 90 days past due)**

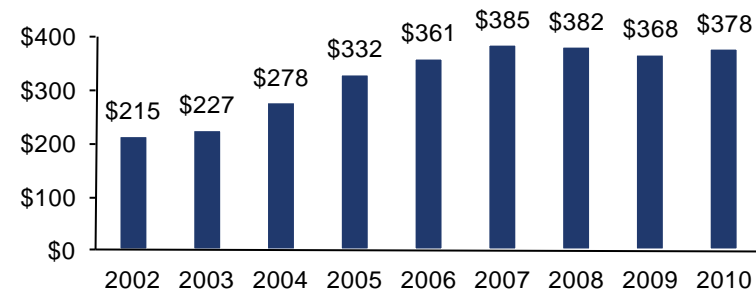
- FYE 2010: 99.3%
- Average since 2002: 99.1%
- Average for Alaska Commercial Banks: 96.39%

■ **AIDEA's loan history and pricing produce adequate margins for both borrowing and bad debt allowance**

- Annual net charge-offs averaged 0.06% of fiscal year-end loan balance for all loans during FY 2006-10
- Loan pricing is computed as the underlying cost of funds, plus an adjustment for the cost of providing loans
 - Cost of providing loans includes salaries, allowance for loan losses and other out of pocket costs



FYE Loans Outstanding (\$ in mm)



¹ OREO refers to Other Real Estate Owned, as in the case of AIDEA, this term refers to certain assets that AIDEA has acquired through foreclosure or other means and are now for sale to the general public. These properties are either owned jointly with a financial institution or owned 100% by AIDEA. AIDEA does not possess any OREO properties at this time.

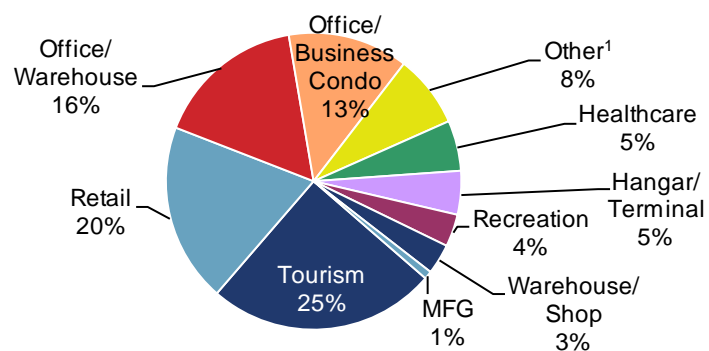
² Appropriated Loans are less than 1% of AIDEA's Loan Portfolio, in the amount of \$48,000.

Loan Portfolio Analysis

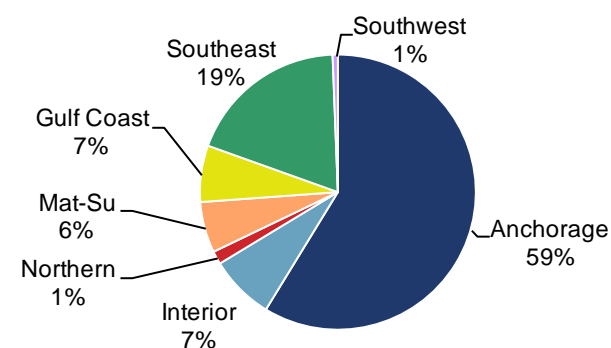
As of 30-Jun-2010

AIDEA's loan portfolio is diverse in terms of sector, geography and exposure to banks and borrowers

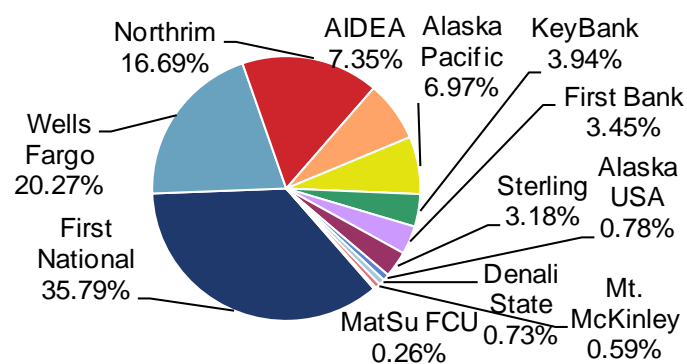
Loans by Industrial Sector (\$ value)



Geographic Distribution of Loans (\$ value)



Participating Bank Exposures



¹ Includes Single Family Dwelling, Equipment, Laundromats, and Unimproved Property.

AIDEA Revolving Fund Balance Sheet

As of 30-Jun-2010

(\$ in thousands)

	30-Jun-2010
Assets	
Cash and Cash Equivalents	\$20,827
Investment Securities	362,951
Loans (Net)	369,343
Development Projects	81,372
Net Investment in Direct Financing Leases	244,773
Accrued Interest Receivable	5,435
Other Assets	8,188
Restricted Assets	
Cash and Cash Equivalents	\$4,915
Investment Securities	14,031
Snettisham (Including Cash)	87,333
Total Assets	\$1,199,168
Liabilities and Net Assets	
Debt	
Fixed Rate	\$95,215
Other Liabilities	17,871
Snettisham Liabilities	87,333
Net Assets	998,749
Total Liabilities and Net Assets	\$1,199,168

- Substantial investment portfolio in largely high quality investments
- Cash and investments to debt ratio 4.23x (includes restricted)
- Large and diversified loan portfolio generates substantial income
- Fixed development project assets produce substantial revenue
- Effectively a pass through

Historical Debt Service Coverage for Revolving Fund Bonds

(\$ in thousands)

Historical cash coverage has been consistent and strong

	Year Ended 30-Jun				
	2006	2007	2008	2009	2010
Loan Principal and Interest Payments	\$50,894	\$58,283	\$76,851	\$67,243	\$51,092
Investment Earnings ¹	15,526	16,340	19,558	13,806	14,107
Development Project Receipts ²	20,650	20,650	24,862	27,599	31,833
Other Revenues	5,455	4,801	4,290	5,496	6,294
Total Receipts	\$92,525	\$100,074	\$125,561	\$114,144	\$103,326
Operating & Maintenance Expenses	10,342	10,147	12,111	12,641	13,140
Net Income Available for Debt Service	\$82,183	\$89,927	\$113,450	\$101,503	\$90,186
Annual Debt Service ³	20,565	20,869	18,732	10,911	10,022
Debt Service Coverage	4.00x	4.31x	6.06x	9.30x	9.00x

Note: Excludes income, expenses and debt service related to the Snettisham Hydroelectric Project.

¹ Excludes a level amortization of the net book value of Unrestricted Investment Securities that the Revolving Fund Bond Resolution includes for projected future debt service coverage.

² Receipts for the DMTS and FedEx projects include the scheduled payments due each year. Actual date of July 1 payment receipts may have been the preceding June.

³ Excludes optional redemption of general obligation debt and payment on bonds issued to finance the Snettisham Hydroelectric Project.

Pro Forma Debt Service Coverage

Projected coverage averages 24.14x during the life of the bonds

Year End 30-Jun	Revenues From Loans ¹	Revenues From Projects ²	Investments @ 4.0% ³	Investment Amortization ⁴	Operating Expenses ⁵	Net Revenues	Debt Service Requirement ⁶	Cash Debt Service Coverage	Covenant Debt Service Coverage
2011	39,634	30,189	14,143	15,047	(5,057)	93,956	(12,768)	6.18	7.36
2012	38,919	25,326	15,613	15,047	(5,209)	89,696	(13,719)	5.44	6.54
2013	39,490	24,505	17,236	15,047	(5,365)	90,913	(14,240)	5.33	6.38
2014	39,465	24,464	18,970	15,047	(5,526)	92,420	(14,369)	5.38	6.43
2015	39,536	22,287	20,762	15,047	(5,692)	91,940	(12,228)	6.29	7.52
2016	59,741	19,163	22,645	15,047	(5,862)	110,734	(12,400)	7.72	8.93
2017	37,877	17,955	25,277	15,047	(6,038)	90,118	(12,558)	5.98	7.18
2018	37,349	17,955	27,079	15,047	(6,219)	91,211	(5,453)	13.97	16.73
2019	35,447	17,955	29,206	15,047	(6,406)	91,249	(5,515)	13.82	16.55
2020	34,568	18,502	31,332	15,047	(6,598)	92,851	(5,577)	13.95	16.65
2021	33,773	17,887	33,518	15,047	(6,796)	93,429	(5,639)	13.90	16.57
2022	32,303	15,542	35,725	15,047	(7,000)	91,617	(5,707)	13.42	16.05
2023	30,994	15,542	37,858	15,047	(7,210)	92,231	(5,786)	13.34	15.94
2024	27,668	15,542	40,014	15,047	(7,426)	90,845	(5,870)	12.91	15.48
2025	24,741	15,667	42,111	15,047	(7,649)	89,917	(5,948)	12.59	15.12
2026	22,280	15,414	44,135	15,047	(7,879)	88,997	(6,031)	12.26	14.76
2027	21,482	15,129	45,876	15,047	(8,115)	89,419	(6,135)	12.12	14.58
2028	18,099	15,129	47,627	15,047	(8,358)	87,544	(1,245)	58.23	70.32
2029	14,922	15,129	49,492	15,047	(8,609)	85,981	(1,246)	56.93	69.01
2030	11,548	15,187	51,284	15,047	(8,867)	84,199	(1,245)	55.54	67.63
2031	8,046	9,210	52,990	15,047	(9,134)	76,159	(1,246)	49.05	61.12
2032	4,272	3,234	54,360	15,047	(9,408)	67,505	(1,244)	42.17	54.26

¹ Revenues from loan participations are net of all fees and expenses and exclude revenues from loans delinquent more than 90 days. Includes loan payments for wastewater treatment facility equal to projected debt service payments.

² Revenues from existing Authority development projects. Assumes minimum annual assessment from the DMTS continues uninterrupted even though revenue stream is subject to force majeure events. Includes projection for future DMTS tonnage sensitive payments and zinc price escalator. Includes \$3 million estimated annual cost of maintaining Healy Project in mothball status and no revenues from the Healy Project.

³ Revenues from investments computed at an assumed rate of 4% compounded annually; includes income from certain restricted investments.

⁴ The Revolving Fund Bond Resolution directs the Authority to calculate a level amortization of the net book value of Unrestricted Investment Securities and to add such amortization amounts to net revenues to arrive at covenant coverage.

⁵ Expenses include operating costs estimated at the Authority's fiscal year 2011 budget level as a base, with a 3% increase each year thereafter.

⁶ Includes existing debt service and projected Series 2010B debt service

Credit Summary Review

Solid Economic, Legal and Financial Foundation

Strong Underlying Economics

- AIDEA maintains an active role in economic development across the State
- State economy strong

Balanced Credit Strength

- Security arising from diverse sources – Projects, Loans and Investments
- Strong balance sheet

Strong Security Provisions in Resolution

- Restrictive financial covenants
- Statutory non-impairment covenant of State
- Conservative Additional Bonds Test

Conservative Assumptions, Robust Results

- Strong cash flows and liquidity
- Strong historical and projected debt service coverage