

Investment and Infrastructure Advisory Committee Meeting

January 20, 2017

AC Members in Attendance: Angel Drobnica, Julie Decker, Jeff Hetrick, Tommy Sheridan, Erik Obrien, Eric Wyatt, Jeff Curry, Tomi Marsh

Others: Jim Anderson, Britteny Cioni-Haywood (Department of Commerce), Susan Bell (McDowell Group), Mike Catsi (AIDEA), Conor Eckholm

Discussion: Existing Loan Programs for Mariculture development in Alaska

1. Mariculture Revolving Loan Fund: Jim and Britteny provided an overview and an information sheet on loan terms (attached).

Highlights: The loan program is for planning, construction and operation of mariculture businesses. Borrower must submit a business plan which details production through marketing of the product. Each loan is capped \$100,000 per year with maximum loan limit at \$300,000 per borrower. Maximum loan term is 20 years. Payments may be deferred up to 6 years. Each loan must be fully collateralized.

Discussion:

Impending amendments: Question regarding potential amendments to the program to include funding for hatcheries. Agency could not discuss at this time. (HB 76 has been introduced since this discussion)

Collateralization: While each loan must be fully collateralized under statute, the agency does possess some flexibility in the interpretation of what qualifies as collateral. Discussion of challenges that this has posed for some new start-ups in the past. Questions regarding farm assets that can be considered as collateral.

Mariculture related experience required under the loan provisions. There is no definition or minimum qualifications, but must have some level of experience in the mariculture industry.

2. AIDEA Programs: Mike Catsi gave an overview on two programs potentially relevant to Mariculture. The first is through the loan participation program. Under this program a borrower would originate a loan through a traditional bank and then go to AIDEA to buy up to 90% back. AIDEA should be considered an asset lender, and does not support working capital. The biggest benefit of going through AIDEA is that they offer longer terms (15-25 yrs), opposed to 10 yrs under a traditional bank, which would reduce monthly payment obligations. Borrower would need to meet the same qualifications as required under a traditional lender. Requirements include business plan which identifies: operating expenses, capital contribution, final design, permitting and purchase sales agreements.

The group discussed how longer terms were important for new mariculture projects and how AIDEA would likely play an increasingly important role as the industry matures.

1) Loan Participation Program: Most applicable for medium to large size loans: Minimum amount considered would likely be around \$300K. Terms similar to a traditional bank

2) Direct Loan Program: Loan would likely need to be in the range of 1 million or more. Rates based on index similar to traditional banks and measured against terms and risks involved.

USDA: Jeff Curry provided a briefing on the USDA loan program. Discussion of the distinctions between USDA and state loans. USDA loans currently have more participation but have been around longer. Participation currently includes 20 loans under 15 borrowers. USDA has an extensive business plan support service for lenders. Renee and Jeff will give a more comprehensive briefing of USDA programs during the next AC meeting.

Aqua Spark: Julie Decker recently had a conference call with Aqua Spark, an equity Investment Group incorporated in 2013 with the mission to advance aquaculture around the world. They seem to have a longer term vision and don't expect to see immediate returns. They have 7 investments so far and hope to expand to 60-80 over the next couple of years. They see AK as having strong potential in the industry. Loans range from 250K-5million Euros. Their terms include up to 10% for early stage ventures and up to 90% for expansion projects.

Next Steps: The group will schedule another AC meeting after we have an initial discussion with the consultants. We hope that McDowell will help ACs identify a common format for gathering information and recommendations.

Tasks to include: categorizing funding options, developing a comprehensive list of seafood and mariculture processors/producers by region, overlapping any existing resource data with infrastructure