

## MOC 1 Loan and Terms

In July 2015, BRPC's chief executive officer contacted the governor's chief of staff regarding terms for a possible advance payment of tax credits. The chief of staff forwarded the request to DOR's commissioner. The commissioner and deputy commissioner<sup>5</sup> sought legal guidance from the Department of Law to determine whether legal authority existed to implement a tax credit-backed loan program.

In October 2015, DOR provided a line of credit<sup>6</sup> (loan) to MOC 1 of up to \$22.5 million, due in full on December 31, 2016. The loan was to be used to fund the planning, design, and construction of an oil processing facility intended to process oil, gas, and minerals from the SMU on the North Slope. By February 2016, DOR had loaned MOC 1 \$19.3 million.<sup>7</sup> Loan collateral consisted of reimbursable oil and gas tax credits for 2015 yet to be approved.

Loan draw requests were based on expenditures to be claimed as tax credits by MOC 1. The eligibility of these expenditures, and the ultimate tax credit amount, was estimated based on a third party's<sup>8</sup> review of expenditures. The loan agreement limited draws to a maximum of 95 percent of the total estimated eligible tax credits.

Loan terms required MOC 1 to pay all state taxes related to the project when due. The loan charged simple interest of seven percent per annum and included a five percent penalty for any payment not made within 30 days of the due date. The MOC 1 loan met the definition of a fixed income investment, as the rate of return was defined by the loan's interest rate.

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<sup>5</sup> In 2015, DOR's deputy commissioner served as the head of the Treasury Division.

<sup>6</sup> The line of credit was composed of three documents: line of credit agreement, line of credit note, and security agreement.

<sup>7</sup> Only \$18 million was actually disbursed, as MOC 1 prepaid \$1.3 million in interest via reduced disbursements.

<sup>8</sup> Third party review was performed by Petrotechnical Resources Alaska.