

Alaska Industrial Development and Export Authority  
BOARD MEETING MINUTES  
Wednesday, January 18, 2023  
Anchorage, Alaska

**1. CALL TO ORDER**

Chair Pruhs called the meeting of the Alaska Industrial Development and Export Authority to order on January 18, 2023, at 12:17 pm. A quorum was established.

**2. ROLL CALL: BOARD MEMBERS**

Members present: Chair Dana Pruhs (Public Member); Vice-Chair Bill Kendig (Public Member); Adam Crum (Commissioner, DOR); Julie Sande (Commissioner, DCCED); Albert Fogle (Public Member); Randy Eledge (Public Member); and Bill Vivlamore (Public Member).

**3. AGENDA APPROVAL**

**MOTION: A motion was made by Vice-Chair Kendig to approve the agenda as presented. Motion seconded by Mr. Vivlamore.**

**The motion to adopt the agenda as presented passed without objection.**

**4. PRIOR MINUTES – December 19, 2022**

**MOTION: A motion was made by Vice-Chair Kendig to approve the Minutes of December 19, 2022, as presented. Motion seconded by Mr. Vivlamore.**

**The motion to approve the Minutes of December 19, 2022, passed without objection.**

**5. PUBLIC COMMENTS (*2 minutes per person, for one hour*)**

Chair Pruhs requested that comments related to agenda topics are limited to two minutes and that each person state their name and affiliation, if any. Raymie Hamann, Executive Assistant, indicated there was one person online wishing to comment.

Barry Jackson commented that he is raising a question regarding a civil suit filed by Karsten Rodvik on September 20, 2022, in which the prayer for relief was in excess of \$1 million. The civil suit was voluntarily withdrawn on December 28, 2022. Mr. Jackson asked if the civil suit was settled.

Chair Pruhs explained that questions are not answered during the public comment section of the meeting. He noted that no comments are given regarding legal issues. Chair Pruhs suggested that Mr. Jackson submit questions in writing to AIDEA to receive a response. Questions can be addressed to [rhamann@aidea.org](mailto:rhamann@aidea.org).

Chair Pruhs inquired if there were any other public comments. There being no other public

comments, Chair Pruhs closed the public comment section.

## **6. BOARD TRAINING: Ethics, Confidentiality and Conflicts of Interest**

Chair Pruhs requested that Wendy Horton, Department of Law (DOL), give the Board training presentation regarding the Ethics Act, AS 39.52. Ms. Horton noted that this training is for both AEA and AIDEA Board members. She indicated that each case of a potential Ethics Act violation is reviewed based on the specific facts of that case. Ms. Horton encouraged Board members to utilize the advice of Chair Pruhs and herself if there are any questions regarding potential Ethics Act violations of Board members' actions or decisions.

Ms. Horton discussed the scope of the Ethics Act pertaining to substantial or material conflicts of interest for members of AEA and AIDEA Board, particularly outside business interests. Ms. Horton advised that the Ethics Act is not written to prohibit State employees or Board members from participating in private business opportunities, but rather it is written to ensure that private business opportunities will not conflict with the actions or the service of the Board. She noted that in situations where Board members may present an opportunity to AEA or to AIDEA for personal benefit, the Board member would inform Chair Pruhs and any questions would be taken to Department of Law. Ms. Horton indicated that generally, the Board member would be recused from taking any action and making any votes or recommendations on the subject.

Ms. Horton explained that the Ethics Act includes personal interests of Board members and their immediate family members. She noted the importance of being conscientious of who is included as an immediate family member, such as a spouse, partner, children, parents, and others as shown in the presentation.

Chair Pruhs asked regarding a scenario if a Board member is in partnership with a group or a person and that group or person comes forward with a presentation with a separate group or person, would that be a scenario to consider under the Ethics Act. Ms. Horton indicated that the scenarios are fact-specific and consideration would be given if the Board member would have any type of material gain from action taken.

Chair Pruhs gave the example that a Board member owns a commercial building with partners and the partners decide to buy a separate building and come before AIDEA for a loan. Ms. Horton indicated there would not be an ethics issue with that scenario.

Ms. Horton reviewed that a substantial or significant holding in an entity is generally \$5,000, but that amount is used as a guideline and could be less based on the specific circumstance. She discussed the abundance of law resources that are available of the Department Of Law's website, including frequently asked questions. Ms. Horton noted that for two years after departure, previous Board members or State employees are not supposed to work on activities that they substantially worked on during their tenure. She encouraged Board members to review the resources.

Ms. Horton advised that Chair Pruhs is the designated ethics supervisor for AIDEA and AEA. Any ethics questions from Board members would go to Chair Pruhs. Any ethics questions from Chair Pruhs would go directly to Department of Law. Potential conflict of interests that need to be disclosed per the Ethics Act need to be communicated in writing. The potential conflict of

interest also needs to be disclosed on the record at the Board meeting following the written communication by indicating the recusal of the Board member. Ms. Horton discussed a nuance of the procedure that allows for the Board to vote on whether or not the Board believes a member should or should not recuse themselves. She cautioned that action should only be taken after consultation with Department of Law. Ms. Horton reviewed some of the civil penalties that can be imposed if found to be in violation of the Ethics Act, including penalty of up to \$5,000 and up to twice the amount of the financial benefit gained from the violation. She noted that Ethics Act violations could result in the State's immediate cancellation of contracts or the immediate call of AIDEA or AEA loans.

Ms. Horton highlighted that the Ethics Act prohibits misuse of an official position as a Board member to receive financial benefit or to give benefits to any person who would not otherwise deserve the benefits. Additionally, the Ethics Act prohibits improper gifts. Ms. Horton indicated that the Department of Law's website contains a form to be used for reporting gifts over \$50 or any gift that is used to influence the receiver. She noted that the best rule of thumb is not to accept gifts, entertainment, or things of value. Ms. Horton emphasized that it is improper to accept any gifts from a lobbyist.

Ms. Horton discussed the improper use or disclosure of information during or after service as a Board member or State employment. Confidential information cannot be used for personal or family benefit and information cannot be disclosed unless it has already been disclosed publicly. She discussed that the Ethics Act prohibits improper influence and Board members may not use their position to influence others or to improperly represent others.

Ms. Horton reviewed that Board members must disclose outside employment and outside personal or financial interests. Limitations would only apply if there were conflicts with the Board's duties. Any material conflict would be clear from the disclosure information and would trigger an Ethics Act question.

Chair Pruhs asked by what date each year does the disclosure need to be completed. Ms. Horton noted that the disclosure needs to be updated annually and she believes the deadline is July 1<sup>st</sup> of each year. Any material changes that occur during the year should be updated promptly.

Ms. Horton discussed the prohibition of improper employment after leaving State service, including service on the Board. If members vote on, take action on, or work on any AEA or AIDEA projects or "matters", then Board members are restricted from employment for two years after Board service regarding those "matters." Ms. Horton gave the example that if a Board member worked closely with a third-party contractor during their service, then the Board member could not work for the contractor on those particular AIDEA issues for two years. The Board member could work for the contractor on other issues.

Ms. Horton informed that the Ethics Act prohibits knowingly helping another person violate the Ethics Act. She reiterated that any Ethics Act questions should be directed to Chair Pruhs or herself at Department of Law. Ms. Horton emphasized the importance of being proactive in the disclosure of questions and waiting for guidance from Department of Law before any action is taken.

Commissioner Sande reported that Commissioner Crum left the meeting to attend another engagement. There were no comments or questions.

## 7. NEW BUSINESS

### 7A. Resolution No. G23-01 Appointment of Officers of the Corporation

Chair Pruhs welcomed Randy Ruaro to his new position as AIDEA's Executive Director and Secretary-Treasurer. Mr. Ruaro commented that the Board has his resume. He gave additional information regarding his background work on some of the biggest projects in state history, as well as his legal background as an attorney, particularly concerning permitting. Mr. Ruaro believes his positional experience working for Governors has made him adept in creating effective teams. He believes that same capability is available at AIDEA and he looks forward to working together. Mr. Ruaro noted that over the years, he has participated in stakeholder engagement and he will continue that outreach throughout Alaska. There were no questions.

**MOTION: A motion was made by Vice-Chair Kendig to approve Resolution No. G23-01, Resolution of the Alaska Industrial Development and Export Authority relating to the office of Executive Director and Secretary-Treasurer. Motion seconded by Mr. Vivlamore.**

Commissioner Sande expressed appreciation to Mr. Ruaro for his willingness to serve. She believes his level of experience and expertise will help AIDEA. Commissioner Sande indicated that AIDEA has great upcoming projects. She recognized Mr. Ruaro's enthusiasm and passion for moving these projects forward for the benefit of Alaskans.

**A roll call was taken, and the motion to approve Resolution No. G23-01 passed unanimously, with Commissioner Crum absent.**

### 7B. Resolution G23-02 Mustang Holding, LLC Calendar Year 2023 Budget

Mr. Ruaro explained that the resolution relates to needed budgetary items for the project. He requested that Geoffrey Johns, Investment Officer, provide additional information. Mr. Johns discussed the budgetary items included in the resolution are for the Mustang Holding, LLC, that was created to hold the assets obtained through the September 2020 foreclosure, and specifically the Southern Miluveach Unit. Mr. Johns explained that in December of 2020, Mustang Holding was named the operator and recognized as such by the Department of Natural Resources (DNR) and the Alaska Oil and Gas Conservation Commission (AOGCC).

Mr. Johns indicated that the Board adopted a previous resolution approving a competitive bid sale disposition of certain assets. Active negotiations are ongoing with interested parties. As the current working interest owner and named prudent operator, there are certain obligations that AIDEA has to meet through statute. These are particularly related to annual lease payments, including the five leases that constitute the Southern Miluveach Unit, the lease related to the Mustang Road, and DNR, AOGCC, and Department of Environmental Conservation (DEC) bonding requirements. The operating costs and general and administrative costs are listed in the provided attachment.

Mr. Eledge requested additional information regarding the general and administrative expenses.

Mr. Johns explained that the expenses include property tax payments to the State, and respective boroughs and municipalities, as well as regulatory required insurance and bonding payments, and the previously discussed lease payments. The total budgetary request is \$568,000 for calendar year 2023.

Chair Pruhs asked if there is any way the total budget can be reduced. Mr. Johns discussed that the proposed budget is quite aggressive, but there may be avenues related to legal costs that could be taken that would shift the drafting of documents to the counterparties, as opposed to working with outside counsel. Additionally, the State's petroleum property tax assessor is expected to assess the value of the Mustang property by the end of February, after which, a challenge of the assessment can be made. If successful, and the assessed value is reduced, that would reduce the property tax bill.

Chair Pruhs inquired if the assessed value is correlated to the bankruptcy or taking possession of the property. Mr. Johns agreed, and explained that both the real property of the Mustang project and personal property acquired in the state constitutes collateral. The personal property of the Mustang Operation Center 1 production facility in Alberta is not subject to taxation in Alaska.

Mr. Eledge asked if there is taxation from the North Slope Borough. Mr. Johns agreed and explained that there is taxation from the North Slope Borough, Fairbanks North Star Borough, Matanuska-Susitna Borough, and the Municipality of Anchorage.

Mr. Ruaro commented on the possibility of discretion for Agency Commissioners to reduce or eliminate some of the fees and bond requirements. He will personally inquire to determine if further reduction is possible.

Mr. Eledge asked if there is any impact on roads from the recent dividend given to the State. Mr. Johns commented that will be addressed by counsel and during Mr. Ruaro's further communications.

Commissioner Sande commented that she will attempt to get clarity on the issue from the Office of the State Assessors through Department of Commerce, Community, and Economic Development (DCCED). She suggested that during the next few Board meetings, AIDEA and AEA provide comprehensive explanations and information regarding their mission and purpose in order to assist the public and the newly sworn-in lawmakers that were welcomed to Juneau yesterday. Commissioner Sande recognized that this issue is complex. She requested clarification that State-held land does not pay property tax. Mr. Ruaro agreed, but noted that there are a few exceptions, and unfortunately, this entity and this property falls within the exception.

Mr. Johns explained that per an opinion from Department of Law in January 2021, based upon their interpretation and analysis, Mustang Holding is an exception to the exception related to filing and paying property tax, due to the foreclosure process. Morgan Neff, AIDEA Chief Investment Officer (CIO), commented that the exception is not based on Department of Law's opinion, but rather it is based on the implementation of the foreclosure exception during the state's housing crisis in the 1980's.

Commissioner Sande expressed appreciation for the information. She reiterated the importance of understanding and speaking about the details of this complex issue. Commissioner Sande

informed that she would communicate and review the information with the Office of State Tax Assessors to determine if there is any latitude between State agencies.

**MOTION:** A motion was made by Vice-Chair Kendig to approve Resolution No. G23-02, Resolution of the Alaska Industrial Development and Export Authority Approving a Calendar Year 2023 (January 1 through December 31, 2023) Budget and Project Plan in Support of the Mustang Oil Field Development Project. Motion seconded by Mr. Vivlamore.

A roll call was taken, and the motion to approve Resolution No. G23-02 passed unanimously, with Commissioner Crum absent.

**MOTION:** A motion was made by Vice-Chair Kendig to enter into Executive Session for the purposes of discussing the following matters, which if discussed publicly, would have an adverse effect on the finances of AIDEA, matters that are attorney/client privileged and matters involving consideration of government records that by law, are not subject to public disclosure. Each of these matters and the executive session are supported by the Open Meetings Act, reference Alaska Statute 44.62.310 (C1, 3, 4). Motion seconded by Mr. Vivlamore.

A roll call vote was taken and the motion to enter into Executive Session passed unanimously, with Commissioner Crum absent.

**7C. EXECUTIVE SESSION: 1:02 pm. Confidential and deliberative matters related to the 33<sup>rd</sup> Alaska State Legislative Session and Federal Issues**

The Board reconvened its regular meeting at 1:18 pm. Chair Pruhs advised that the Board did not take any action on matters discussed while in Executive Session. The session was limited to discussion of matters protected from public disclosure by the Open Meetings Act.

**8. DIRECTORS COMMENTS**

**8A. AIDEA 2022 Annual Report**

Mr. Ruaro requested Josie Wilson, Director of Communications and External Affairs, to provide additional information on the AIDEA 2022 Annual Report. Mr. Ruaro informed that he worked with Ms. Wilson on the report to include Alaskan voices, as shown by comments by Fenton Rexford of Kaktovik discussing the need to develop the Arctic National Wildlife Refuge (ANWR). Ms. Wilson advised that AIDEA's 2022 Annual Report has been distributed to the Legislature. A hard copy is provided in the members' packets and the online agenda contains an active link. The report highlights Alaskan stories and Alaskans who have benefited from AIDEA activities during the past year.

Ms. Wilson discussed that AIDEA is committed to communicating more of these great Alaskan stories with stakeholders. Piloted at today's meeting is a new Board notifications system process, that is running concurrently with the previous notification system. She apologized for any duplicate notifications received today. The Communications Department welcomes public comments and is happy to work with members of the public. The contact information is

[communications@aidea.org](mailto:communications@aidea.org) and 907-771-3000.

Ms. Wilson expressed appreciation to Board members for their contributions and participation in preparing the Annual Report. She thanked the many staff who made the Annual Report possible for their team effort, specifically Mr. Ruaro, Alan Weitzner, previous Executive director, Mr. Neff, Tiffany Janssen, Commercial Finance Director, Mr. Johns, and Brad Bigelow, Owned Asset Manager.

Vice-Chair Kendig asked for the Annual Plan to be sent to all of the legislators. Ms. Wilson agreed that is planned, and noted that other events are planned as well. There were no further comments or questions.

### **8B. Loan Dashboard Report**

Ms. Janssen informed that the Loan Dashboard Report is included in the packet. Stabilization of the portfolio continues. There has been a reduction in the number of principal pay-downs and pay-offs as the market has cooled off. The delinquency rate has remained at zero. One large loan has been funded and several million dollars of loans are in process.

Chair Pruhs requested that at the March meeting during executive session, Ms. Janssen provide the Board with a list of preflights and other confidential opportunities that are in the pipeline. He asked for this information to be provided regularly on a quarterly basis. Ms. Janssen agreed. There were no other comments.

### **8C. Board Resolution Report**

Chair Pruhs commented that the Board Resolution Report is for informational purposes. There were no questions.

### **8D. Quarterly Investment Measure Service Review**

Mr. Neff informed that the performance for the third quarter ending in September outperformed the relative benchmark by a considerable margin. The portfolio gained back a couple of percentage points entering the new year. This is favorable, considering that equities currently have a similar positive return profile. Mr. Neff discussed that the year-end returns for equities was in the range of minus 19% to over minus 30%. He believes AIDEA's portfolio will have year-end returns within the range of minus 12% to minus 13%. Mr. Neff noted that gains on returns have begun, and capital is being redeployed at higher rates. He discussed that more capital will be allocated from the enterprise development fund into higher yielding externally managed investments.

Mr. Eledge commented on the unusual market last year with the decline in both stocks and bonds. He asked if Mr. Neff anticipates recovery in either of those segments in 2023. Mr. Neff discussed that stock returns will be dependent on the market belief in the recovery and the effect of the higher interest rate environment on the corporate balance sheets. He observed that AIDEA's investment managers have taken advantage of the high yielding part of the investment curve at a five-year duration. Mr. Neff expects the portfolio to have both a current yield, plus a level of capital appreciation for the next full year. There were no questions.

Chair Pruhs expressed appreciation to Mr. Neff for assuming the responsibility as Interim Executive Director while continuing his efforts as CIO. Vice-Chair Kendig commented that the entire Board agrees with the sentiment of appreciation.

**8E. Next regularly scheduled AIDEA Board Meeting Wednesday, March 1, 2023**

**9. BOARD COMMENTS**

Mr. Eledge welcomed Mr. Ruaro to his new position and expressed appreciation for his efforts, support, and knowledge going forward. Mr. Eledge commented that he is pleased with the Annual Report and is happy that it will be distributed to all of the legislators. He requested that Village leaders are also provided a copy of the Annual Report. He believes that the State will benefit and objectives will be met as the information about AIDEA is shared.

Vice-Chair Kendig welcomed Mr. Ruaro and looks forward to his contributions. Vice-Chair Kendig expressed appreciation to Mr. Neff for the achievement of a smooth transition during this difficult period. He thanked staff for their efforts.

Mr. Fogle thanked Mr. Ruaro for pivoting AIDEA to a proactive stance, rather than a reactive stance. He expressed support for this strategy. Mr. Fogle expressed appreciation to staff.

Chair Pruhs expressed appreciation to staff. He thanked Mr. Ruaro for joining the organization and looks forward to his leadership. Chair Pruhs noted that in the previous AEA meeting, a strategic planning meeting was scheduled to occur in Fairbanks during the energy fair in August. He suggested that AIDEA also participate in that strategic planning session. Chair Pruhs asked Mr. Ruaro to work with Curtis Thayer, AEA Executive Director, to coordinate the details to bring the necessary staff members for the strategic meeting and to possibly procure a facilitator. Mr. Ruaro agreed. Chair Pruhs express appreciation for the pictures showing the destruction of Blues Central. He is looking forward to the access improvements to the building.

**10. ADJOURNMENT**

There being no further business of the Board, the AIDEA meeting adjourned at 1:32 pm.



Randy Ruaro, AIDEA Executive Director

Secretary