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1 EXXON VALDEZ OIL SPILL
2 TRUSTEE COUNCIL
3 Public Meeting
4 Monday, January 31, 2000
5 10:00 o'clock a.m.
6 645 G Street
7 Anchorage, Alaska

8 TRUSTEE COUNCIL MEMBERS PRESENT:

9 U.S. DEPARTMENT OF COMMERCE - NMFS:	MR. STEVE PENNOYER
10 (Chairman)	Director, Alaska Region
11 STATE OF ALASKA -	MR. CRAIG TILLERY
12 DEPARTMENT OF LAW:	Trustee Representative
13	for the Attorney General
14 STATE OF ALASKA - DEPARTMENT	MR. FRANK RUE
15 OF FISH AND GAME:	Commissioner
16 U.S. DEPARTMENT OF INTERIOR:	MS. MARILYN HEIMAN
17	Special Assistant to the
18	Secretary for Alaska
19 U.S. DEPARTMENT OF AGRICULTURE -	MR. DAVE GIBBONS
20 U.S. FOREST SERVICE	Trustee Representative
21 STATE OF ALASKA - DEPARTMENT	MS. MARIANNE SEE
22 OF ENVIRONMENTAL CONSERVATION:	for MS. MICHELE BROWN
23	Commissioner

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1 TRUSTEE COUNCIL STAFF PRESENT:

2 MS. MOLLY McCAMMON	Executive Director
3 MS. TRACI CRAMER	Director of Administration
4 MS. SANDRA SCHUBERT	Director of Restoration
5 MS. REBECCA WILLIAMS	Administrative Manager
6 DR. BOB SPIES (Telephonically)	Chief Scientist
7 DR. PHIL MUNDY	Science Coordinator
8 MR. HUGH SHORT	Community Facilitator
9 MR. JOE HUNT	Communications Specialist
10 MS. VERONICA CHRISTMAN	EVOS STAFF
11 MS. DEDE BOHN	U.S. Geological Service
12 MR. ALEX SWIDERSKI	State of Alaska
13	Department of Law
14 MS. GINA BELT	Department of Justice
15 MS. MARIA LISOWSKI	U.S. Forest Service
16 MR. KEN HOLBROOK	U.S. Forest Service
17 MR. BUD RICE	National Park Service
18 MS. CATHERINE BERG	U.S. Fish and Wildlife Svc.
19 MR. STEVE SHUCK	U.S. Fish and Wildlife Svc.
20 MR. GLENN ELISON	U.S. Fish and Wildlife Svc.
21 MR. BARRY ROTH (Telephonically)	U.S. Department of Interior
22 MR. BRUCE WRIGHT	NOAA
23 MR. BILL HAUSER	ADF&G
24 MS. CLAUDIA SLATER	ADF&G

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P R O C E E D I N G S

(On record - 10:13 a.m.)

CHAIRMAN PENNOYER: Okay, I think we'll go ahead and get started. This is the Trustee Council meeting for January 31st, 2000. It's supposed to be starting at 10:00 a.m. I'm Steve Pennoyer, I'm going to chair the meeting by unanimous acclaim.

We have here today Craig Tillery for Bruce Botelho, Attorney General, State of Alaska; Marilyn Heiman, Special Assistant to the Secretary of the U.S. Department of the Interior; myself for the National Marine Fisheries Service in Juneau, Alaska; and Marianne See is sitting in for Michele Brown from the Department of Environmental Conservation, State of Alaska; Dave Gibbons is here from the U.S. Department of Agriculture, Forest Service; and Frank Rue, Commissioner of the Alaska Department of Fish and Game.

So I think the first item on the agenda is the approval of the agenda. Ms. McCammon, is that correct?

MS. McCAMMON: That's correct, Mr. Chairman.

CHAIRMAN PENNOYER: And you have a copy of the agenda in front of you composed of 11 items, and does anybody have any additions or deletions or changes they wish to suggest at this time?

(No audible responses)

CHAIRMAN PENNOYER: Thank you, hearing none,

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1 the agenda is approved.

2 We have the next item is the approval of the December
3 16th, 1999 meeting notes, which are tabbed in your folder and
4 you have, I hope, had a chance to look at those and does
5 anybody have any comments or suggestions for change on those
6 items?

7 (No audible responses)

8 CHAIRMAN PENNOYER: Can I have a motion for
9 approval?

10 MR. GIBBONS: I move that they're approved.

11 CHAIRMAN PENNOYER: Do we have a second?

12 MR. RUE: Second.

13 CHAIRMAN PENNOYER: Moved and seconded we
14 approve the meeting notes from the December 16th, 1999 meeting.
15 Is there any objection?

16 (No audible responses)

17 CHAIRMAN PENNOYER: Hearing no objection the
18 minutes are approved.

19 Next item on the agenda is the Executive Director's
20 report. Ms. McCammon.

21 MS. McCAMMON: Thank you, Mr. Chairman. I only
22 have two quick things to report today. One is before you on
23 the table. You should find a copy of the financial report as
24 of December 31st, 1999, and this shows the balance within the
25 liquidity account and also the balance within the Restoration

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1 Reserve. And if you have any questions on that, I'd be happy
2 to answer them.

3 The other thing I wanted to report on is that we have
4 begun the cycle for the FY2001 invitation. This began with our
5 workshop last week, we met on Tuesday and Wednesday at the
6 Captain Cook Hotel. We had probably over 200 participants at
7 the workshop, which is good that we're continuing to get lots
8 of people at presentations. We had a number of people from out
9 of state as well as most of the researchers who have
10 participated in the program over the last few years. And I
11 think there was a lot of good information presented and some
12 good discussion about where the future should go. So I wanted
13 to report on that. And we'll talk a little more about that as
14 we get into discussion further along on the GEM document.

15 But that's it for today.

16 CHAIRMAN PENNOYER: Okay, thank you. Did you
17 have any highlights on the financial report you wish to point
18 out to us?

19 MS. McCAMMON: Not really, although we continue
20 to be on track in terms of our target of having at least 170
21 million within the Reserve account by October 2002.

22 CHAIRMAN PENNOYER: Okay. Are there any
23 questions on the Executive Director's report?

24 (No audible responses)

25 CHAIRMAN PENNOYER: Okay, thank you. I see the

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1 next item on the agenda is the public comment period, 10:15
2 a.m. and we're now nearly back on track, just two minutes late,
3 so who do we have on line for the call?

4 MS. McCAMMON: You may have either Walter
5 Meganack or Jennifer Nielsen. They're on line and then here we
6 got Robert Dilly.

7 CHAIRMAN PENNOYER: Okay, which communities are
8 on line?

9 MS. McCAMMON: Walter would be from Port
10 Graham.

11 CHAIRMAN PENNOYER: Okay, I think we have Port
12 Graham on line, Walter Meganack, I believe you're on line,
13 would you like to commence your testimony?

14 MR. MEGANACK: I really didn't have anything to
15 comment, I want to listen in on your archaeology update.

16 CHAIRMAN PENNOYER: Well, you're not mandated
17 to comment, so you're certainly welcomed to if you'd like to.

18 MR. MEGANACK: Okay.

19 CHAIRMAN PENNOYER: Okay. And do we have any
20 other communities on line that wish to testify at this time?

21 (No audible responses)

22 CHAIRMAN PENNOYER: Hearing none, we have some
23 people here, I believe, that would like to testify. Robert
24 Dilly, please.

25 MR. DILLY: Thank you very much, Mr. Chairman

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1 and thank you very much each and everyone of you from the
2 Council. I'm a paint contractor in the state of Alaska and I'm
3 here on behalf of the Wyland Foundation, known for his whale
4 walls and I'm here on request from the membership board of
5 Begich Towers, Incorporated out of Whittier, the head of Prince
6 William Sound. I have been in contact with the Mayor of
7 Whittier, Mr. Bill Cooms and he has given me the nod and the
8 okay to present my case to you today, briefly and shortly, as I
9 will be submitting a proposal for recommendation by the April
10 15th deadline for physical [sic] year 2001.

11 At this point in time I'd like to go over just a few
12 comments from this 1999 Status Report that was put together, I
13 find it to be a very informative book and I want to thank
14 whoever your editor was, it's an absolute and beautiful piece
15 of work.

16 Basically, I'm here to discuss passive use and
17 recreation and tourism, and I will just be making a few quotes
18 from the book and make it brief, so we can get on with my idea.
19 On page 24, under recreation and tourism it's stated, in spite
20 of the overall increase in tourism, however, the Trustee
21 Council's recovery objective requires that the injured
22 resources important to recreation be recovered and
23 recreationally use of oiled beaches not be impaired, this
24 objective has not been obtained. Those people familiar with
25 Prince William Sound and other Kenai coastal areas continue to

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1 report diminished wildlife sighting, particularly killer
2 whales.

3 On page 25 now, for passive use. Improvements include
4 trails, cabins, boat launches or interpretive displays and
5 campsites. Primarily interpretive displays is where I think
6 this might come in for passive use. Passive use encompasses
7 non-use values, such as appreciation of the esthetic and
8 intrinsic values of undisturbed areas and of value derived from
9 simply knowing that a resource exists. Injuries to passive use
10 are tied to public perceptions of injured resources. Because
11 the recovery of a number of injured resources is incomplete the
12 Trustee Council considers passive use as a lost or reduced
13 service to be recovering, but not fully recovered from the
14 spill. The Trustee Council continues to use a multi-faceted
15 approach to inform the public about ongoing recovery and the
16 lack of recovery in the spill region. Through media-related
17 efforts, and public involvement in the process, public
18 perception about the spill should improve as more progress is
19 made toward recovery and restoration.

20 Continuing on page 44, in addition to research the fund
21 will promote, develop better tools and methods for fish and
22 wildlife management, as well as support community-based
23 projects, including enhancement through subsistence,
24 educational programs, local stewardship of resources and other
25 projects that have been ongoing and part of the current

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1 Restoration Program.

2 I will read now from a passage on killer whales on page
3 14. Killer whales, a pod of killer whales which lost 13 of 36
4 members in the two years following the oil spill has yet to
5 regain its former size, even though the overall Gulf of Alaska
6 population is higher than pre-spill numbers. The AB pod lost
7 several adult females and juveniles and is expected to take
8 many years for natural reproduction to make up for those
9 losses. The pod has increased by three numbers since -- three
10 members, excuse me, since 1996. The AB pod also has shown
11 signs of social breakdown within the group, with one group
12 leaving to join a different pod. And this is a phenomena never
13 seen before among the more matriarchal killer whales.

14 I have been in contact with the Wyland Foundation, a
15 non-profit group. They wanted me to go ahead and take my
16 approach, one step at a time, working with the recovery Council
17 here, working with local people, the board members from BTI,
18 Begich Towers, Incorporated, out of Whittier. I have my paint
19 representative, Ron from ICI Paints going out with me this
20 Friday to do some preliminary work and measurements. I will be
21 getting back with PJ at the Wyland Foundation with some more
22 information.

23 I would like to propose some financial support from the
24 Exxon Valdez Council here to have Wyland from the Wyland
25 Foundation, world renown for his whale walls, the one such as

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1 on J.C. Penny's wall, to come out and take a look at the
2 building, BTI, which stands out as a superstructure at the head
3 of Prince William Sound. Timing is very unique as the tunnel
4 has just opened up and tourism is going to jump from an
5 estimated pre-spill days of maybe 150,000 to 1.2 million
6 annually. There's a loss of recreation for people, like
7 myself, that just commonly go there with my family and go
8 fishing out at Salmon Run 1 where typically during the silver
9 runs there would be 150-200 people fishing, the last several
10 years there have been as few as one or two on the beach and no
11 more than 20 people. And the runs have never recovered, have
12 not recovered to any sizable amount. And to bring such an item
13 as a whale wall to the front of BTI would be an outstanding way
14 to help support this community of just a few hundred people to
15 bring tourists to them, to bring knowledge of the plight of the
16 killer whale and how things are still in trouble in Prince
17 William Sound, and I think this might be an opportunity for
18 each and everyone of us to work with this non-profit group to
19 show that we are aware of the problem, we have concerns.

20 For me, myself, it doesn't do anything financially more
21 for me because I could be painting the front in the vertical
22 colors which they suggested, minimalizing the costs for them,
23 but I would be glad to work hand and hand with the management
24 portion as far as coordinating for setting stages, manlifts, so
25 forth, and maybe the preparatory coats for sealing the front for

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1 sealing the front. Fifteen years ago my company participated
2 in the first paint job that was done on BTI and it was painted
3 with Alastamerit paint, which has still lasted to this day, so
4 it might be a good seal coat as it is, but they are requesting
5 a new paint job, they anticipate it to take two years. So
6 timing is ideal because I could start on the two sides and work
7 on the back over the first year and the second year would allow
8 the adequate time necessary to be able to go through the
9 process necessary to get the funding to be able to prepare for
10 such a project. I would appreciate all the help we could
11 possibly get. Any comments?

12 CHAIRMAN PENNOYER: Thank you, Mr. Dilly.

13 MR. DILLY: Thank you very much for your time.

14 CHAIRMAN PENNOYER: Any comments or questions
15 from the Trustee Council?

16 (No audible responses)

17 CHAIRMAN PENNOYER: You are preparing a
18 proposal to formally submit to this group?

19 MR. DILLY: Yes, sir, I am.

20 CHAIRMAN PENNOYER: Okay, thank you very much.

21 MR. DILLY: Thank you.

22 CHAIRMAN PENNOYER: That ends all the names
23 I've got for public testimony. Is there anybody out on the
24 line that wishes to testify at this time?

25 (No audible responses)

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1 CHAIRMAN PENNOYER: Anybody else here in the
2 audience that wishes to testify at this time?

3 (No audible responses)

4 CHAIRMAN PENNOYER: Okay, then, I think we'll
5 close the public testimony period and go on to the next item on
6 the agenda, which is the archaeology status report. Molly
7 McCammon and Veronica Christman. Ms. McCammon, how do you want
8 to do that?

9 MS. McCAMMON: I'll be giving the report,
10 Mr. Chairman.

11 CHAIRMAN PENNOYER: Okay, thank you.

12 MS. McCAMMON: And we do have Gerald Pilot with
13 Chugachmiut here, too, if you do have any questions of the
14 project lead.

15 CHAIRMAN PENNOYER: Is there a tab on this
16 somewhere or a written report somewhere?

17 MS. McCAMMON: No, no. We didn't have a
18 written report on this. We had thought, originally, that there
19 might be an action item before the Council today, but in
20 looking at the terms of the Council's resolution and the
21 contract that we have with Chugachmiut that actual action
22 wasn't required. But I would like to inform you of what's
23 going on with the project.

24 If you recall, about a year ago the Council did approve
25 a grant to Chugachmiut and Chugach Alaska for \$2.8 million.

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1 And Veronica is here now, too. And this grant was to construct
2 a repository in one of the spill area communities and the
3 community that they proposed was Seward. And then additional
4 display facilities in the seven other communities within the
5 spill area. And another component of it was also to develop
6 traveling displays to go to the local display facilities. One
7 of the contingencies that the Council put on this was that the
8 business plan be developed for this proposal and that, as part
9 of this, that based on the information developed in the
10 business plan, the actual proposal would come back to the
11 Council for an action of whether to continue going forward or
12 not.

13 In developing the business plan we do have some initial
14 information that has been prepared by Chugachmiut and their
15 contractor. They have contracted with ICER at the university
16 for their business plan. The information that they have
17 provided us is that the proposal, as originally described, that
18 actually received the grant, is not feasible as originally
19 described. And they have proposed that they modify it
20 somewhat. And I can describe, briefly, the modifications to
21 you.

22 The business plan, itself, when it was developed was to
23 look at this proposal and do a business plan of the actual
24 proposal, but also to look at alternatives, and so I think what
25 we will be getting is an actual -- kind of some conclusions in

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1 terms of the financial feasibility of the original proposal and
2 then a further description of the financial feasibility of the
3 alternative that they're looking at more seriously.

4 And what I'd like to describe to you is kind what they
5 had before and what's proposed now. The original proposal --
6 this is primarily dealing with the repository. The original
7 proposal has two buildings that they were proposing to use in
8 Seward, one was the railroad depot that would be used as a
9 display facility and a gift shop. And a second facility was
10 the Orca Building which would be the primary location of the
11 repository itself, where the artifacts would be housed, where
12 offices for various programs would be held, where the curator
13 would have offices and where the actual repository functions
14 would exist.

15 The proposal now is to delete the railroad facility
16 from the entire proposal and not have that part of the
17 repository at all. I think the conclusion was that at this
18 time that it wasn't -- I think the original goal was that it
19 would be primarily a gift shop and display facility and be a
20 revenue generator. But it also has revenue costs attached to
21 that and I think it's just not penciling out as well as they
22 had originally thought. So the proposal now is not to have
23 that part of the facility, to just focus on the Orca building
24 as the repository.

25 The original size of the repository is the same as the

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1 original proposal, it would include in it a small display
2 facility that could potentially be a revenue generator,
3 although it depended on what kind of displays were there, but
4 that kind of revenue generation isn't an integral portion of
5 their proposal, at least the alternative proposal. They are
6 proposing that, at least, for the next few years that a small
7 portion of that space be carved out and rented out and the
8 revenue from that actually would help subsidize the repository.
9 So for the next few years we would end up with a slightly
10 smaller, about 400 square feet smaller, amount of space for the
11 repository than the original proposal.

12 (Operator breaks in, Jennifer Nielsen on line)

13 MS. McCAMMON: And so Veronica and I have
14 looked at the proposal carefully and the original terms of the
15 grant. We've looked at the original resolution and we believe
16 that this actually comes very close to meeting what the
17 Council's intent all along was, which was to provide a space
18 for the artifacts and to develop programs over the long term
19 for cultural preservation and archaeological restoration,
20 things of that nature. So it still, we think, meets the terms
21 of the grant and the original proposal.

22 What we are suggesting is that Chugachmiut go forward
23 with development of their business plan and in the terms of
24 that agreement, which would be developing a business plan and
25 actually reaching some conclusions about why the original

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1 proposal was not financial feasible and further explore their
2 alternate proposal. I should mention that as part of this the
3 repository was supposed to be a million dollars, as part of the
4 2.8 million. They would delete, I believe it's, 220,000 of
5 that, so they would only get 770,000 or so for the repository
6 function. That was free up 220,000 to 230,000 that could go
7 then to someone else locally in Seward for a local display
8 facility. So the original idea was that this facility be
9 the local display facility, as well as the repository, what
10 they have proposed instead is that it just focus on the
11 repository functions and not serve actually as the display
12 facility itself. And so this would allow Qutekcak Tribe or
13 others within Seward to put together a proposal for some kind
14 of a display facility at some other location in Seward.

15 CHAIRMAN PENNOYER: Okay.

16 MS. McCAMMON: And there are probably some
17 questions.

18 CHAIRMAN PENNOYER: Questions?

19 MS. McCAMMON: And, Veronica, why don't you
20 come up, too? Because Veronica has been working most closely
21 as the grant administrator on this.

22 CHAIRMAN PENNOYER: Veronica, do you wish to
23 add anything to the report or just take questions?

24 MS. CHRISTMAN: No, thank you. Thanks for the
25 offer.

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1 CHAIRMAN PENNOYER: Okay, fine. Commissioner
2 Rue.

3 MR. RUE: Molly, what was the timing? What's
4 the timing on them getting back to us on this and do we run
5 into trouble with the duration of the.....

6 MS. McCAMMON: Of the grant?

7 MR. RUE: Yeah.

8 MS. McCAMMON: I think it's five years.

9 MS. CHRISTMAN: No, their plan.....

10 MS. McCAMMON: Three years, it was three years.

11 MS. CHRISTMAN: Yeah, about three years. In
12 March of this year they plan to have the repository business
13 plan done.

14 MS. HEIMAN: Can she move the teleconference
15 line, so everyone can hear her?

16 MR. RUE: Does she need the little one? Mouse?

17 MS. McCAMMON: They should be able to hear by
18 talking into that.

19 MS. HEIMAN: Can you hear on line?

20 (No audible responses)

21 MS. CHRISTMAN: Can you hear me?

22 MS. McCAMMON: You need to speak loudly because
23 it goes through that teleconference.

24 MS. CHRISTMAN: Okay. Chugachmiut's proposal
25 is to complete the business plan by March of 2000. You did

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1 require an independent review, we've contracted with Northern
2 Economics to do that. That could probably be done by April of
3 2000, so hopefully, later this spring we would be able to come
4 back to you with a recommendation of how these things stack up.
5 It's sort of awkward to present the alternative proposal
6 because it still has to be discussed thoroughly with their
7 boards of directors and it's also been penciled out, it hasn't
8 been reviewed and so before making any serious recommendation
9 about a reallocation of funds, or even whether to proceed with
10 this, we would want the independent review in April.

11 CHAIRMAN PENNOYER: Commissioner Rue, okay?

12 MR. RUE: Okay, thanks.

13 MS. McCAMMON: So it has slid a couple of
14 months. Well, it slid quite a bit from when the original grant
15 was signed, there were some delays over the summer, but once it
16 got on track in the fall, since that time it has also slid
17 probably one to two months.

18 CHAIRMAN PENNOYER: Other questions? Craig.

19 MR. TILLERY: Mr. Chairman, do they actually
20 currently own the Orca Building, would they be purchasing it or
21 leasing it? What's.....

22 MS. McCAMMON: They do currently own the
23 building and what the 770,000 would be used for, a portion of
24 it would be used for furnishing the space to be used for the
25 repository and the other funds would be used, basically, to

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1 make payments in lieu of rentals or lease payments for the next
2 20 years. So, basically, they would be reimbursing themselves
3 for.....

4 CHAIRMAN PENNOYER: Use of the building.

5 MS. McCAMMON:use of the building, right,
6 for this program.

7 MR. TILLERY: But they would be reimbursing
8 themselves for the entire building.....

9 MS. McCAMMON: No, just for that portion of the
10 building used for the repository.

11 MR. TILLERY: Okay, but not the 400 square
12 feet? We wouldn't be subsidizing that?

13 MS. McCAMMON: Well, we would be, but that rent
14 would be coming back into the operating costs of the facility,
15 is my understanding. But we haven't seen exactly a financial
16 plan, so it's a little unclear.

17 MS. CHRISTMAN: If you recall, you did require
18 that the facility be opened, basically, for 20 years, so we are
19 requiring of them to show a cash flow projection over a 20-year
20 period. And so their plan was to use the 400 square feet, 450,
21 I can't remember, to generate revenue in the initial years when
22 they really wouldn't need as much space as they have available
23 for the repository function, so it becomes a revenue generator,
24 but as the years go by they would be able to expand into that
25 space, which is the experience of most repositories, kind of by

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1 nature they grow. It's more and more stuff to store. So
2 that's the overall plan, but your question is one of the
3 reasons why we'd have to look very carefully at the business
4 plan itself and the cash flow projections.

5 CHAIRMAN PENNOYER: Mr. Gibbons, you had a
6 question?

7 MR. GIBBONS: Yeah. Molly, this still entails
8 a traveling show to the communities of Chenega and Tatitlek
9 and, you know, like previously proposed?

10 MS. McCAMMON: Yes, the local display
11 facilities would still be under the current plan. There would
12 still be traveling exhibits to those. I think the reason for
13 the business plan all along was to really kind of flesh out
14 what it takes to not only construct something like this, but to
15 operate and maintain a program like this. And I think it
16 actually has been very useful for us and Chugachmiut and
17 Chugach Alaska to really figure out what it takes. And I think
18 what we're honing in on is something that they think is truly
19 realistic over the longer term.

20 CHAIRMAN PENNOYER: Did you have a follow-up,
21 Mr. Tillery, I cut you off, I didn't mean to.

22 MR. TILLERY: Well, what's the status of this
23 in terms of this; is this going through the Legislature, is
24 that.....

25 MS. McCAMMON: It's already gone through the

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1 Legislature.

2 MR. TILLERY: It's to which agency?

3 MS. CHRISTMAN: DNR.

4 MS. McCAMMON: So to DNR. And it was a
5 competitive grant and we have checked with the grant
6 administrator to see if it still falls within the terms of the
7 competitiveness of the grant, and the initial read on it is
8 that it does.

9 MS. CHRISTMAN: Right.

10 CHAIRMAN PENNOYER: Other questions?

11 (No audible responses)

12 CHAIRMAN PENNOYER: Ms. McCammon, this includes
13 the usual curators and all the other preservation requirements
14 and that sort of things are included in the proposals? So
15 you're not just buying building space, your proposal includes
16 all of the salaries and all the rest of this?

17 MS. McCAMMON: Well, their operating plan does.
18 And, in fact, this proposal, the alternative proposal, actually
19 looks better than the original proposal. The original proposal
20 had a half-time curator and a half-time other staff person.....

21 MS. CHRISTMAN: Right, and that was.....

22 MS. McCAMMON:and that's one of the
23 concerns we had, was getting qualified part-time people in
24 Seward. What they have now suggested is two full-time
25 positions which makes a lot more sense for a program like this.

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1 CHAIRMAN PENNOYER: And when did you think this
2 would be coming to us?

3 MS. McCAMMON: Probably April.

4 MS. CHRISTMAN: April, yes, I'm guessing.

5 CHAIRMAN PENNOYER: Okay. Thank you. Any
6 further questions?

7 MS. McCAMMON: And we do have Gerald Pilot, who
8 is the project manager from Chugachmiut and I'm sure Gerald
9 would be happy to answer any questions directly if anyone has
10 any, too.

11 MR. PILOT: We're -- do I make a.....

12 MS. McCAMMON: Do you want to.....

13 CHAIRMAN PENNOYER: Do you wish to make a
14 statement, please do. Come up to the table, if you would.

15 MR. PILOT: Good morning. Thank you for
16 allowing me to comment for a few seconds. I just had a couple
17 of things. Chugachmiut is still excited about this project,
18 but our entire purpose in this is basically to provide for some
19 local control for those artifacts, as well develop a viable
20 program for the artifacts. And it has to make economic sense
21 for Chugachmiut as well as our partners, should we want to go
22 forward. And the original scope of the project, as Molly
23 indicated, just didn't make business sense. So we kind of
24 restructured and we think we've identified the reduced scope
25 which we think fits within the confines of the grant agreement

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1 that we think will work for us. And although we haven't
2 cleared it with our board of directors and other things and we
3 understand that timing is always a issue, we are committed to
4 moving forth on this project in the best manner possible and we
5 still think that, you know, there's a real need there to
6 preserve those artifacts as well as become involved in all
7 those other programs, the educational components and other
8 things that this project wants to be involved with. So I just
9 kind of wanted to bring that forward and we intend to pursue
10 this project if it's -- but, you know, it has to make economic
11 sense to us.

12 Are there any questions or.....

13 CHAIRMAN PENNOYER: Questions from the Council?

14 MS. HEIMAN: I just want to make a comment.

15 I'm glad that this project is moving along and we've come to
16 closer alignment about how it's to be done and the revised plan
17 seems to make a lot of sense, so appreciate the work that's
18 been done, both by the Council and by Chugachmiut, because I
19 think that's -- this is an important project, so thank you very
20 much.

21 CHAIRMAN PENNOYER: Thank you very much.

22 MR. PILOT: Okay. Thank you.

23 CHAIRMAN PENNOYER: Do you have anything
24 further on this item?

25 MS. McCAMMON: No, Mr. Chairman, unless there

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1 was some further direction from the Council. But we did want
2 to make you aware of what was going on with it.

3 CHAIRMAN PENNOYER: Okay. All right. Shall we
4 proceed, then, to Deferred Work Plan Projects. Molly McCammon.

5 MS. McCAMMON: Mr. Chairman, we have Dr. Spies
6 on the line for this also and also Dr. Mundy is here. You have
7 a number of items in your packet, one is just a number spread
8 sheet, Executive Director's recommendation on deferred
9 projects. It's followed by spreadsheet B which has more
10 detailed information. You also had faxed to you, on Friday,
11 some additional information, there were two memos from Bob
12 Spies, one on Project 478, Testing of Satellite Tags and one on
13 Project 396, the Shark Project. In addition, you have received
14 a couple of letters of public comment on Work Plan projects
15 which you should have received in front of you this morning.
16 One is a letter from Tim Joyce, who is Chairman of the Prince
17 William Sound Regional Planning Team, another is a letter from
18 Grant Baker calling for additional funds for cleaning up oil
19 spills in Prince William Sound. And I believe those are the
20 only two comments.

21 MS. R. WILLIAMS: (Indiscernible - away from
22 microphone.

23 MS. McCAMMON: Oh, you didn't see that one?

24 MS. R. WILLIAMS: No.

25 MS. McCAMMON: Okay, I thought I.....

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1 CHAIRMAN PENNOYER: Okay, thank you.

2 MS. McCAMMON: Okay, we'll get that copied
3 then, too.

4 CHAIRMAN PENNOYER: Do we wish to just go down
5 through these in order then?

6 MS. McCAMMON: Yeah.

7 CHAIRMAN PENNOYER: I believe you have a table
8 here with the listed projects, starting with Solf Lake and do
9 you wish to speak to each one of those.....

10 MS. McCAMMON: Yes.

11 CHAIRMAN PENNOYER:and have questions
12 from the Council?

13 MS. McCAMMON: Mr. Chairman, Solf Lake was
14 deferred from the December meeting because we needed some
15 additional information on what fish were being used to stock
16 that lake as part of this project. There was some confusion
17 among the staff and I think some miscommunication between us
18 and the Department of Fish and Game and we wanted to get that
19 all clarified before making a final recommendation. We have
20 had some meetings with Fish and Game on this and we do have
21 things straightened out. Basically what happened is they are
22 using fish from one of the hatcheries to stock this lake
23 system. They did change the stocks somewhat midstream, they
24 used one source of fish for stocking the first year and then
25 changed the source the next year. So basically they were doing

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1 a mixed stock fishery at Solf Lake, which raised some concerns
2 in the minds of our reviewers.

3 The change in stock has been reviewed and approved by
4 the chief geneticist of the Department of Fish and Game, they
5 have signed off on this, it's been approved by the Regional
6 Planning Team of Prince William Sound. We wanted to make sure
7 that was the case. And we will be receiving a letter from Jim
8 Seeb, the geneticist from Fish and Game explaining why this
9 does not cause them any concern. And the basic reason is that
10 this is basically a barren system and so there isn't a concern
11 that they may be introducing two different stocks there. There
12 would be concern, definitely, if there was a wild run already
13 existing there, that would be cause for alarm. But since it is
14 a barren system they didn't have that concern.

15 The reason for the stocking change was that the
16 hatchery no longer kept, they were trying to, I think, reduce
17 costs and streamline their procedures at the hatchery and so
18 they reduced the number of various stocks that they had going
19 at the hatchery. So that was the reason for the ultimate
20 change. And it was one that the Department did approve of.

21 And I do have -- Phil Mundy is here and Dr. Spies are
22 here, too, if anyone has any questions on that. But based on
23 that information we were prepared to go ahead with a do fund.

24 CHAIRMAN PENNOYER: Questions?

25 (No audible responses)

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1 CHAIRMAN PENNOYER: Ms. McCammon, in the future
2 is it going to be switching back and forth between stocks or is
3 it basically going to be the same stock?

4 MS. McCAMMON: No, it'll be the same.....

5 CHAIRMAN PENNOYER: Because obviously in the
6 lake you are now going to have two different stocks, even if it
7 was barren originally.

8 MS. McCAMMON: There will be some
9 hybridization, apparently, they don't know how much and we
10 probably won't know -- the original fish that will be stocked
11 will have otolith markings, but once you get into the next
12 generation of fish, which is when the hybridization potentially
13 could occur, none of those would be marked. But now the plan
14 is to continue with Coghill Lake stocking.

15 CHAIRMAN PENNOYER: Other questions?

16 (No audible responses)

17 CHAIRMAN PENNOYER: So the request is now and
18 your recommendation is 159.5 out of this current year's
19 funding?

20 MS. McCAMMON: That's correct. And that's
21 mostly for funding construction of the fish pass which allows
22 the fish to actually get back into the lake, as well as this
23 year's stocking.

24 MS. HEIMAN: Could you just -- what did you
25 just say; what kind of marking would be on the fish?

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1 MR. RUE: Otolith.

2 MS. McCAMMON: Otolith marking. All of the
3 hatcheries, one of the projects the Council funded was a
4 heating unit in all of the hatcheries in Prince William Sound
5 and it allows all of the hatchery fish to be marked on their
6 otolith, which is the ear bone. So you can easily tell which
7 ones are hatchery fish, and actually from which hatchery
8 they've come from. But once you get into the second
9 generation, unless you actually take a sample and remark them,
10 you don't have that kind of marking.

11 MS. HEIMAN: And when you talk about
12 hybridization of sockeye salmon, what exactly does that mean?

13 MS. McCAMMON: It's when the original stock,
14 which was Eyak Lake stock, breed with the second-year stock of
15 Coghill Lake stock, there could be some genetic mixing, and
16 you're getting way beyond my limits of knowledge here, but
17 that's basically it. So we would.....

18 MS. HEIMAN: And that's not a problem for the
19 natural stocks there in any way, shape or form?

20 MS. McCAMMON: We would have.....

21 MR. RUE: There are no natural stocks.

22 MS. McCAMMON: There are no natural stocks in
23 that lake system. Now, there could be some strain,
24 potentially.

25 MS. HEIMAN: Right.

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1 MS. McCAMMON: But that's a potential with all
2 stocking there, but still Fish and Game felt the risk, the
3 genetic risk was very minimal.

4 CHAIRMAN PENNOYER: Phil, did you have any
5 comments you wanted to make on that or.....

6 MS. McCAMMON: If you're going to talk, you
7 have to come up here to be on the.....

8 CHAIRMAN PENNOYER: The only reason I'm asking
9 is you said you were getting beyond your range of knowledge.

10 MS. McCAMMON: Yes, I definitely was.

11 MR. RUE: Mr. Chair, are we going to vote on
12 these right now or are we going to do them one at a time or we
13 going to.....

14 CHAIRMAN PENNOYER: Well, you can always give
15 me your proxy if that's what you want.

16 MR. RUE: Sure.

17 CHAIRMAN PENNOYER: Sharks are next.

18 (Laughter)

19 MR. RUE: I'll be right back.

20 CHAIRMAN PENNOYER: Let the record note
21 Commissioner Rue has left and we'll wait to vote on these until
22 he returns. We'll just go down through the list, Frank, and
23 then come back an vote on them.

24 MR. RUE: Okay.

25 CHAIRMAN PENNOYER: So did you have a comment?

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1 DR. MUNDY: Mr. Chairman, just that we
2 discussed this thoroughly with Dr. Jim Seeb, the geneticist for
3 the Alaska Department of Fish and Game and the only outstanding
4 issue was the potential for straying of the hybrids into local
5 sockeye salmon populations, and that's a -- it was Jim Seeb's
6 judgment and, therefore, the Department followed, that this was
7 not a substantial risk due to the location of the receiving
8 stocks and the number of fish involved in Solf Lake.

9 CHAIRMAN PENNOYER: Where exactly is Solf Lake?
10 I've helped put fish in there originally, but I've forgotten
11 exactly where it's located.

12 DR. MUNDY: It's about -- it's in Western
13 Prince William Sound and it's, I think, about 130 miles from
14 Eshamy, which is a weir.

15 CHAIRMAN PENNOYER: Yeah. Any further
16 questions on this project?

17 (No audible responses)

18 CHAIRMAN PENNOYER: What do you suggest,
19 Ms. McCammon, go on to the next review and then wait for
20 Commissioner Rue to return and then vote.

21 MS. McCAMMON: You can do that, yes.

22 CHAIRMAN PENNOYER: We talked about sharks on
23 the way downtown, so he's fully up to date on that one. Why
24 don't you go ahead with the next project then.....

25 MS. McCAMMON: All right.

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1 CHAIRMAN PENNOYER: which is the Salmon
2 Shark, Sleeper Shark, Spiny Dogfish Project?

3 MS. McCAMMON: At the December meeting the
4 Council asked staff to take another look at the Shark Proposal.
5 We held a teleconference with staff from the Department of Fish
6 and Game, from National Marine Fishery Service, our Chief
7 Scientist, Dr. Spies, Dr. Mundy was involved, and basically
8 looked at the proposal once again in light of the questions
9 that were raised at that meeting. And it seemed that there
10 were two major concerns, one was there some opportunity this
11 summer that we might lose if we didn't go forward with this
12 project, was one concern. The second concern was whether there
13 was information that was needed to be gathered as part of a
14 larger kind of ecosystem assessment of what was happening in
15 Prince William Sound. And so those were the two questions that
16 were focused on.

17 The memo from Dr. Spies goes into detail summarizing
18 the conclusions after reviewing that information, and I think
19 everyone looked at it long and hard, and still continues to
20 believe that the proposal was a well-conceived proposal, but do
21 not believe that, given the fact that we have very little
22 ongoing ecological work going on in Prince William Sound,
23 basically the SEA Project, MVP and APEX Projects are all
24 completed at this time. That we're kind of finishing up other
25 work. Given the fact that there's just lots of things

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1 happening with tag technology right now, which might make the
2 work more useful at a later time, and that we still don't fully
3 know what the longer term program under GEM will look like, we
4 still believe that it's not an appropriate time to do this
5 project. And so the recommendation is still to do not fund and
6 to consider it still down the road.

7 And Dr. Spies is on the line and Dr. Mundy is here.

8 CHAIRMAN PENNOYER: I was just going to point
9 out that we do have the detailed write-ups on these things.....

10 MS. McCAMMON: Right.

11 CHAIRMAN PENNOYER:besides just the
12 table, that follow the initial table section in your booklet,
13 so there is a write-up on the project abstract, Chief
14 Scientist's recommendation, Executive Director's recommendation
15 on each of these projects.

16 MS. McCAMMON: And you do have the three-page
17 memo, also, from Dr. Spies.

18 CHAIRMAN PENNOYER: Okay, Dr. Spies, did you
19 care to add anything at this time?

20 DR. SPIES: No, I think Molly summarized the
21 main points of my memo quite well.

22 CHAIRMAN PENNOYER: Questions?

23 (No audible responses)

24 CHAIRMAN PENNOYER: I had a couple and they
25 basically were more -- a lot of the discussion here seems to be

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1 centered around the fact that the GEM Project is going to do
2 all sorts of things in the ecosystem-sense in two to three
3 years or more, and I guess I didn't understand exactly,
4 Dr. Spies, your recommendation relative to that aspect of
5 looking forward versus what we've already done in deciding
6 whether this work was an adjunct to some of the work that was
7 already conducted and what your feeling was on that. And it's
8 sort of a discussion, is it better thought out when we actually
9 get into GEM? We've spent millions of dollars looking at the
10 ecosystem in Prince William Sound and the Northern Gulf already
11 and this component was increasing during that time, but was not
12 studied, so I didn't understand exactly your objection to the
13 work being done now before we get into the GEM process.

14 DR. SPIES: Well, basically, one of the aspects
15 of the shark work is that it could be an indicator of ecosystem
16 change in the Gulf of Alaska, and we've seen other indicators
17 from both our past work and the work the Trustee Council has
18 funded in the last 10 years that those changes had indeed
19 occurred. And I think there's some question whether those --
20 we may be back to going under some sort of shift now back to
21 conditions that are sort of a different state of the ecosystem.
22 And the question really is, is whether the sharks might have a
23 role as an indicator species, but I think we haven't yet
24 decided, under the GEM Program, whether we want to select this
25 species or others or what sort of indicator or sentinels, if

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1 you will, might be used in the future to decide whether the
2 system is changing on a multidecadal scale. So that's a
3 question for the future.

4 I think one of the other things to keep in mind is that
5 the indications that we've had in the past of sharks increasing
6 have come through records of fisheries and from various surveys
7 that the either the International Halibut Commission has done
8 or the longline surveys that the Department of Fish and Game
9 has done. And those will continue, so that the indication
10 we've had of change are going to be, as far as we know, are
11 going to be in place into the future and this proposal itself
12 would not be gathering the primary information on some sort of
13 index of abundance, which might indicate a climatological
14 change.

15 Does that answer your question?

16 CHAIRMAN PENNOYER: Yes, it addresses the
17 sentinel concept versus understanding what's happening out
18 there now, whether it's changing or not, is what bothered me.

19 Commissioner Rue.

20 MR. RUE: Yeah, I guess I have a general
21 question, perhaps for ourselves here. I'm not going to support
22 funding the project this year, although I think it's a good
23 idea. But I'm wondering what we ought to do to -- or whether
24 we ought to do anything to try and advance it sooner than
25 later. If we're going to wait until GEM is up and running,

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1 we're talking about several years, so I guess my question is,
2 ought we to ask folks to sit down with Phil Mundy and Bob Spies
3 and figure out is the shark a useful sentinel species; is that
4 something we can do in anticipation of GEM, prior to having the
5 GEM plan ongoing? And then, second, look more specifically at
6 the proposal and work through some issues that were raised
7 about the actual proposal, you know, sample size kinds of
8 questions, types of tags that work, don't work, what sort of
9 information they give you. Can you depend on the longline
10 survey as a useful indicator or not? I mean, there are lots of
11 technical questions about this specific proposal that I would
12 ask -- if we feel it's worth pursuing, I would ask that the
13 proposer sit down with some of my staff and perhaps Dr. Spies
14 and Dr. Mundy to work through the technical side.

15 But before doing that, do folks think we ought to --
16 and maybe this is a question of Dr. Spies or Dr. Mundy, is it
17 useful to spend a couple of months or whatever it takes to look
18 at the shark as a sentinel species, prior to having GEM?

19 MS. McCAMMON: Mr. Chairman, one of the things
20 that I would argue that is that it makes sense to look at
21 sharks as a potential candidate for a sentinel species, but I
22 would also argue that it needs to be done in the context of all
23 the other species we might consider as sentinel species. One
24 of the things that we have really tried to do in the last
25 couple of years is to resist piecemealing, if you will, what a

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1 long-term program might look like, and really tried to look at
2 it comprehensively and just say, well, we've started this one
3 and we've invested this money, that means this has to be part
4 of a long-term program, that we really look at what makes
5 sense.

6 We've talked a lot among the staff as to how we develop
7 an actual monitoring plan, and we will be doing components of
8 that over this next year, starting in spring, summer, fall,
9 trying to figure out, okay, what are the fish species that we
10 would choose as a sentinel species, what are the marine mammal
11 species. Obviously we cannot do things in depth on even a
12 large suite of species, let alone everything. And that will be
13 developed, but we plan to do it for the entire program, not
14 just for sharks, within the next year. And, hopefully, have a
15 good idea, I think, by next winter where we're going in terms
16 of what is the suite of species. At that time there might be
17 the potential for funding next year in terms of if we have a
18 good idea of what those species are, what the functions for the
19 systems are that we want to be monitoring over time, either
20 developing some pilot projects on what a long-term monitoring
21 would look like or starting to fill in those pieces of it.

22 So I don't think it's necessarily nothing would happen
23 for two or three years, I think things are -- we're trying to
24 take a systematic approach to it. So I think there is the
25 potential for some work next year if it does kind of fall into

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1 that whole mix.

2 MR. GIBBONS: Mr. Chairman, I have to step out
3 for about a half hour or so, I'll be right back as soon as I
4 can.

5 CHAIRMAN PENNOYER: Would you want to vote on
6 these project first or do you want us to just delay that until
7 you come back? Do you have an alternate or.....

8 MR. GIBBONS: I don't have a designated
9 alternate, no, I don't.

10 MS. McCAMMON: We can come back to it.

11 CHAIRMAN PENNOYER: Okay. We'll just run
12 through the whole list then and come back after lunch and vote
13 on them, I presume, would be the way to go.

14 MR. GIBBONS: But I have been briefed on them,
15 so we're.....

16 CHAIRMAN PENNOYER: Fine, thank you. Okay.
17 Yes, Mr. Tillery.

18 MR. TILLERY: Mr. Pennoyer, the recommendation
19 for the out year funding is zero, I assume, in keeping with the
20 do not fund thing, but what would be the request for the out
21 years, beyond the 86,000?

22 MS. McCAMMON: I can't remember what the
23 original proposal was.

24 MS. SCHUBERT: It only identified the first
25 year costs, so that would be a question, I guess, for NOAA.

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1 MR. WRIGHT: I think it would be about the same
2 amount outlined in there, it would be a two-year project, a
3 two-year field effort.

4 MR. TILLERY: So it would be 86 this year, 86
5 next year and then nothing thereafter?

6 MR. WRIGHT: And we hope within two years it
7 would -- could design a long-term monitoring project which
8 would be quite smaller.

9 MS. HEIMAN: You know what, I'm going to have
10 questions for you, too, so you might as well just come right up
11 here. Would you just say that again, so folks can hear you
12 that were on the line?

13 MR. WRIGHT: The.....

14 MR. RUE: Perhaps you should identify yourself.

15 MR. WRIGHT: Bruce Wright with NOAA. I've done
16 a little work on this shark project and the question was --
17 what was the question again?

18 MS. HEIMAN: Just to repeat what your answer
19 was.

20 MR. TILLERY: The funding issue.

21 MR. WRIGHT: Oh, the funding issue. It's
22 designed -- the proposal is designed as a two-year project,
23 both years would be about the \$86,000. The intent is that at
24 the end of two years we hope to have a low cost long-term
25 monitoring project we could design based on aerial surveys that

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1 would be done for sea otters or -- which is something that Jim
2 Bodkin is doing, and we're looking at his data now. He'll be
3 out there again next year, we would be doing work that would
4 indicate how many sharks are out there relative to Bodkin's
5 surveys. Evelyn Brown will also be out there, she has a
6 contract using LIDAR which is a penetrating -- it'll penetrate
7 water down to 50 meters or more, depending on water conditions.
8 And she said that on her way back she'll run a survey free of
9 charge for us.

10 So the intent is to ultimately design a project so that
11 when Bodkin runs his surveys or Evelyn runs her aerial surveys
12 we'll know what those surveys mean, so that we can do long-term
13 economic monitoring of shark populations.

14 Just to back up a little bit, the bottom line is that
15 shark populations in the Northeast Pacific seemed to have grown
16 so much as to replace the suite of marine mammal top predators
17 in the system. Where we used to have sea lions and seals in
18 great numbers, we now have sharks. Of the three species of
19 sharks that are out there, their diet consists of salmon,
20 herring, rockfish, pollock. Some of the species that we're
21 concerned about and interested in. There are so many sharks in
22 some situations that fishermen are altering their fishing
23 techniques in areas. Longline fishermen are losing as much as
24 40 percent of their catch to sleeper sharks, salmon fishermen
25 are not seining in some areas because they catch so many salmon

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1 sharks and some gillnetters are altering where they fish
2 because of there's so many dogfish sharks.

3 MS. HEIMAN: Is this mainly in the Gulf and
4 Prince William Sound or where are the locations?

5 MR. WRIGHT: This appears to be occurring from
6 Yakutat Bay up into Lower Cook Inlet and some areas around
7 Kodiak, so the Northeast Pacific. It seems to be pretty
8 widespread, we don't know a lot about their migrations, we
9 think the Pacific sleeper sharks are relatively sedentary,
10 don't move around a lot. We think that salmon sharks, the
11 females move down off the coast of California to do their
12 pupping in warmer waters, much like marine mammals do. Salmon
13 sharks are endothermic, have a core body temperature of about
14 80 degrees Fahrenheit, high energy fish. And the dogfish
15 shark, they're highly migratory, don't know a lot about them
16 except that they show up when there's patches of especially
17 high lipid forage fish. They seem to key in on high lipid
18 forage fish, which are also important to marine birds, so there
19 might be a competition there.

20 CHAIRMAN PENNOYER: Marilyn, follow-up?

21 MS. HEIMAN: I guess I just have -- my question
22 is what do we lose by not doing this this summer and waiting
23 for two or three summers? I mean, I don't know much about it
24 and you spoke of some other studies that you're trying to align
25 this with and I just would like to hear a little bit more about

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1 that.

2 MR. WRIGHT: If we could align with the other
3 studies two years from now, that would be fine, but there's no
4 assurances of that. And the other studies are -- we have
5 Barbara Block would join us this coming summer, she would come
6 up with several tens or hundreds of thousands of dollars worth
7 of equipment where we could use low cost tags, not just the
8 pop-up archival tags that we've been talking about.....

9 MS. HEIMAN: Uh-huh.

10 MR. WRIGHT:but also some archival tags
11 that are on the shark. She has an array of equipment that we
12 could glean the information from the sharks that she would
13 allow us to deploy. So she will be available to come up next
14 summer. There's no assurances that she would be available
15 subsequent summers.

16 MS. HEIMAN: And who is she again? Everyone
17 always mentions her.

18 MR. WRIGHT: Barbara Block is -- she works on
19 pelagic fish, mostly tuna and marlin, that type of -- the bill
20 fish and tuna. She runs, as I understand, a multimillion
21 dollar project, a lot of it -- or most of it is the Atlantic
22 and.....

23 MS. HEIMAN: But she's interested in working on
24 a project related to salmon sharks?

25 MR. WRIGHT: That's correct. We did a little

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1 bit of work last year and she joined us. She gave us three of
2 these \$5,000 archival tags which we deployed last year, just to
3 field test them.

4 MS. HEIMAN: Oh, right.

5 MR. WRIGHT: And one of them failed, two of
6 them worked and we got some pretty interesting information on
7 dive times and depths and locations on the two that worked. So
8 Barbara said she would be available next summer. Most of her
9 funding comes from Packard Foundation to work on the tuna.

10 Another project would be National Geographic television
11 would probably be out next summer and we're hoping that they
12 can fund a secondary vessel because they deploy their critter
13 cam and they chase that thing around. And recent discussion
14 with a Vince Galucci, who's with the University of Washington,
15 is working on a SEA grant proposal to help with the project as
16 well. His proposal, since we could not gain any salaries from
17 that, the component that he would offer is more tags. And I
18 don't know if we'll lose these opportunities in subsequent
19 years or not. We're just trying to get a platform out there
20 basically so we can support some of this additional work.

21 CHAIRMAN PENNOYER: In light of that
22 discussion, and I guess nobody can predict what's going to
23 happen over the next two or three years, obviously if we wait
24 for GEM then we're waiting for two or three or four years and I
25 guess -- that's the reason I originally asked Dr. Spies the

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1 question about now versus later and all the discussion on
2 sentinel species. I understand that discussion, but I fail to
3 necessarily agree with the fact that if we've discovered
4 something that may be replacing something else in the food
5 chain, why that isn't important right now as actually a
6 grounding for where we're going to end up going in GEM.
7 Whether sharks end up being a sentinel species or not,
8 certainly we spent millions of dollars looking at oceanographic
9 effects in Prince William Sound and how it affected the
10 recovery of the species damaged in the oil spill by ecosystem
11 change. This isn't directly an oil spill question, but it is
12 obviously something the oil spill is concerned about with
13 harbor seals and killer whales and even sea lions, although
14 they haven't listed them as a damaged species, they're still
15 part of that overall gulf life decline of top predators.

16 And if there's a replacement thing going on, my concern
17 is that we have some idea of what's happening now, not
18 necessarily what's happening five years from now. And my
19 impression was that the simple survey by-catch and the Halibut
20 Commission, which isn't designed to look at sharks, but shows a
21 dramatic increase and the longline survey by Fish and Game in
22 Prince William Sound, which isn't gulf-wide might serve to
23 provide some indices of change in abundance, they don't provide
24 natural indices of abundance.

25 And what this project was presumably doing, at least

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1 with the salmon sharks, was looking at some way of predicting
2 what you were seeing out there in our somewhat simplistic
3 aerial survey process with animals that were actually available
4 for that type of thing. And we've spent millions of dollars on
5 sea lions trying to look at the effects on rookeries of what
6 you count -- of what you see is what you get or whether it
7 would have been something different a week from now, an hour
8 from now or two years from now. They haven't done it enough
9 places to really show, but that's part of what this is. I
10 continue to be confused by the picture of a sentinel species,
11 having to discuss that in combination with everything else in
12 the world and decide on picking out two or three species. This
13 is part of an ecosystem.

14 And, Dr. Spies, I'm not going to argue with you that
15 people aren't sure we're in another change period, some of the
16 people I talked to say we're in an uncertain period and they're
17 not sure which way it's going to go. The Halibut Commission
18 discussions I've just been through show dramatic changes in
19 growth and abundance the past few years, but it looks like we
20 may have a couple more good recruitment year coming up, so
21 while there may not be like, salmon, consistent good
22 recruitment and depth, it does seem to be some things occurring
23 there that don't indicate we just go into a down slide off this
24 plateau we've been in for some species for 20-25 years.

25 So I'm still not clear, when you say what you lose.

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1 You lose some opportunity, but I'm not sure why you need to
2 wait for GEM to look at what now may be a replacement component
3 in our ecosystem out here.

4 MS. McCAMMON: Could Dr. Spies respond?

5 CHAIRMAN PENNOYER: Dr. Spies?

6 DR. SPIES: Yeah, the part of the proposal that
7 seems to most directly address the question of replacement
8 would be looking at the fatty acid composition, for instance,
9 to see where they fit into the picture in terms of prey and
10 predator. But there's a number of other sort of objectives
11 related, as Bruce said, to aerial surveys and whether the
12 aerials surveys that mostly look at shallow water are really
13 going to get a good index of abundance or not, I think, is a
14 question that this proposal might shed light on, but perhaps
15 not answer completely. And there's other aspects of the
16 proposal that address different things about the natural
17 history of this animal in terms of thermal regulation of a
18 large pelagic fish and so there's a number of sorts of
19 different things here that address various aspects of the
20 natural history. I'm not sure that the proposal is going to
21 get us all that much further down the road answering the large
22 question of whether these are really significant predators and
23 get us a sort of quantitative estimate of that or address the
24 large ecological question of whether they're replacing some of
25 the top predators. I don't know if Bruce has a.....

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1 CHAIRMAN PENNOYER: I've been requested to take
2 a 15-minute break, we've lost now two of our members and for
3 about 15 minutes. We usually take a break anyhow. I think it
4 would be acceptable right now, if it's okay with you, to take a
5 15-minute break, Marilyn's got an undersecretary or something
6 she's got to go talk to and I.....

7 MR. RUE: Can we reconnect folks on the -- I
8 think we have several people on teleconference, what are their
9 schedules?

10 CHAIRMAN PENNOYER: I'm not sure we have to get
11 them off.

12 MS. McCAMMON: They call in, so if they could
13 call in again in 15 minutes, at 11:30.

14 CHAIRMAN PENNOYER: Thank you very much.

15 MR. RUE: Thank you.

16 (Off record - 11:15 a.m.)

17 (On record - 11:40 a.m.)

18 CHAIRMAN PENNOYER: Can we come back to order,
19 please? Ms. McCammon, if you would join us, thank you.

20 MS. R. WILLIAMS: Where's the pink sheet?

21 CHAIRMAN PENNOYER: Right here.

22 MS. R. WILLIAMS: Thank you.

23 CHAIRMAN PENNOYER: I think we'll go ahead now,
24 and we had agreed before when Mr. Gibbons left that we would
25 not vote on anything -- I'll wait for a second until we get the

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1 line back on.

2 MS. R. WILLIAMS: Hello, is anyone there?

3 Hello?

4 CHAIRMAN PENNOYER: As long as the line is

5 opened then.....

6 MS. McCAMMON: Yeah.

7 CHAIRMAN PENNOYER:people can come back

8 on whenever they want to?

9 MS. McCAMMON: Call in, that's right.

10 CHAIRMAN PENNOYER: I think our agreement was

11 we'd go through this whole list of projects, get briefed on

12 them and then vote on them after lunch when Mr. Gibbons is

13 back. So do you have any further questions on the shark

14 project at this time?

15 (No audible responses)

16 CHAIRMAN PENNOYER: And, again, after lunch if

17 you think of anything you want to bring back up, we could do

18 that when Mr. Gibbons gets back.

19 Okay, let's go ahead and review the next group of

20 projects. Ms. McCammon, you want to lead us through the.....

21 MS. McCAMMON: Yes, Mr. Chairman, the next

22 project is 00478, Testing Satellite Tags. This was a proposal

23 from Department of Interior for \$106,100. The question and the

24 reason this project was deferred was to get some additional

25 information about satellite tag technology, where we are in

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1 terms of development of tagging. Whether this form of tagging
2 was the best technique to be used. Whether something else
3 might be better in order to gain the kind of information we
4 were looking at here.

5 In our discussion with the project proposer at the
6 workshop last week and at a discussion prior to this it became
7 clear that there's an international symposium being held in
8 February on tagging and tracking marine fish with electronic
9 devices. The proposer is the editor of the symposium
10 proceedings and apparently there will be a lot of presentations
11 at that meeting about kind of the state of the art with tagging
12 technology. It seemed in our discussion with the project
13 proposer that it would be useful to get the benefit of the
14 information at the symposium and, therefore, to defer a
15 decision on this project until that is held in February and
16 then come back to you with a recommendation at that time.

17 So based on our discussion with the project proposer,
18 the Chief Scientist is basically recommending a defer and I
19 support that recommendation. And there is an additional memo
20 from the Chief Scientist on that, it's very short, basically,
21 saying the same thing.

22 CHAIRMAN PENNOYER: Okay. Dr. Spies, are you
23 back on line? You want to add anything to that?

24 DR. SPIES: Yes, I just wanted to bring up the
25 fact, Mr. Chairman, that there was some question raised at, I

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1 believe, it was the last Trustee Council meeting as to whether
2 this duplicative work might be carried on by other people. I
3 believe Dr. Block has a large grant from the Packard Foundation
4 and wasn't clear whether they might be attacking some of these
5 technology problems that accompany tagging and making some
6 progress in the same area that we might be funding, and we
7 certainly didn't want that, so I think that's probably not the
8 case, but we'll certainly know a lot more after this symposium
9 and we can be better assured whether the kind of particular
10 problems that faced pelagic fish tagging in high latitudes,
11 like the Gulf of Alaska, should go forward and not be
12 duplicated elsewhere.

13 CHAIRMAN PENNOYER: Thank you. Marilyn.

14 MS. HEIMAN: Yeah, as you all recall, this is a
15 study to look at pop-up satellite tags, which is fairly new
16 technology and has not been used in Alaska. We have some
17 issues about calibrating the tags so that they work in our
18 light and dark conditions. And I spoke with Dr. Nielsen, who
19 is the proposer, and I believe she is on the line, and she had
20 -- what she did is brief me last week, because I had some
21 questions, is this the best technology; is this the right thing
22 that we should be spending our money on now; should we be
23 waiting? You know, I asked her lots of different questions,
24 and she was able to very articulately lay out that this is the
25 only technology that does what it does, and she can probably go

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1 into more detail on that. And also she spoke to me about, you
2 know, I don't think the symposium will provide new information
3 on whether or not this is the right kind of technology. What
4 this symposium will help her to do is hone the project a little
5 bit and find other folks to work with and provide good input to
6 the project.

7 And, Dr. Nielsen, are you on the line?

8 DR. NIELSEN: Yes, I am, can you hear me?

9 MS. HEIMAN: Yeah, and maybe you could -- I'm
10 not a scientist at all, as we all know, so maybe you could
11 clarify some of the points I was just trying to make.

12 DR. NIELSEN: Right, thank you very much. The
13 advantage to the satellite pop-up tags is, at this point in
14 time, in relationship to other tags that are available for
15 pelagic species or marine species of any sort, is that this is
16 the only technology we have, at the moment, that provides in
17 situ observations of fish distribution or fish environment that
18 is fishery independent in the sense that these tags provide
19 information based on the fish individual use of the habitat, as
20 opposed to the tags that need to be recovered from the fish out
21 of a fishery or need to be collected based on hydroacoustic
22 signals, which means you have to have a boat out there to
23 recover the signal. Those tags are giving you sort of a
24 snapshot of the fish in relationship to human use, as opposed
25 to a perspective of the fish with its own prerogative of use

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1 for habitat. That's why I think these tags are definitely the
2 technology of the future and the technology that's necessary
3 for understanding critical marine habitat.

4 And another aspect of why this proposal went in, I was
5 at -- before I came up here to Alaska last year, about this
6 time, I was at Hopkins Marine Station where Barbara Block has
7 her tuna lab, where a lot of the original development of these
8 pop-up tags occurred. And I watched her go through the process
9 of the developing technology for tuna in the Atlantic and there
10 are still significant questions as to what scale that these
11 tags would be appropriate for in terms of what kind of species,
12 what distribution, the duration of the tags. The technology of
13 attaching the tags is still a question. And there are a lot of
14 issues that they have addressed using these tags in experiments
15 in the tropics and in the areas where there's a significant
16 amount of solar activity that gives good positional location
17 information.

18 Up here we're in a corpuscular light system where, as
19 everyone knows, it's not sunny a lot of the time. And any kind
20 of information we gain from these tags has to be interpreted
21 based on solar activity. No one has made any effort and, as
22 far as I know, there are not proposals, other than the shark
23 proposal you just finished talking about, my own, that have
24 suggested that we develop these technologies for high
25 latitudes, such as the Gulf of Alaska.

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1 So the essence of my proposal was to initiate the
2 development of the technology towards its functional use up
3 here in Alaska. That's not being undertaken by anyone at any
4 other different location that I know of.

5 CHAIRMAN PENNOYER: Okay, Marilyn, did that
6 respond to your.....

7 MS. HEIMAN: Yeah, and I guess what to just
8 highlight again, is that I don't -- I mean, we've put this off
9 a couple of times and I know that there's been a lot of
10 discussion around it. I don't feel that it's going to be
11 helpful to put it off for one more month and then decide. I
12 mean, based on what Dr. Nielsen told me, when she goes to this
13 symposium in Hawaii to look at these fish and the other work,
14 there won't be any additional information on the sat -- as
15 Dr. Spies mentioned, there won't be information on the
16 satellite tagging as far as new, whether we're using it or not,
17 it's just more refining how we use it and improving our use of
18 it. Just as what she's going to add to it by looking at how it
19 works in the northern latitudes, so I guess I don't see any
20 benefit in delaying this any longer. I think that one of the
21 things that we really care about as a council is being able to
22 track, and we will even more so in the GEM Project, being able
23 to track species and habitat that they use. And it seems like
24 this -- getting the study done so that it's timely, so that
25 when GEM gets started, we have a technology we can use, we know

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1 how to use it in northern latitudes and it's well set up to be
2 a part of that program. And I think we should use the best
3 tools that we have in front of us and make sure they're working
4 for us in Alaska.

5 CHAIRMAN PENNOYER: Thank you. Commissioner
6 Rue.

7 MR. RUE: Yeah, I have a question. Perhaps
8 Dr. Nielsen can amplify on what Marilyn said about the
9 conference and whether it'll provide anything fundamentally
10 different or whether it's more just a refinement and won't bear
11 on whether to fund it or not or the basic design of the
12 project.

13 DR. NIELSEN: Yes, I can address that. The
14 abstracts for the conference are basically abstracts on work
15 that is in progress, and a lot of the work in progress are
16 theoretical models for interpreting light data to establish
17 geoposition locations for individuals that are wearing these
18 tags. All of those studies, that I know of, have been
19 developed and are being developed for temperate climatic
20 conditions, nothing has been provided or will be provided at
21 this conference that would help with that particular issue in
22 terms of adaptation for the Gulf of Alaska. Another thing that
23 I think is important is that there are several studies at this
24 conference where other tags are compared in relationship to the
25 pop-up tags and all of those studies, that I know of, at least

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1 in terms of the abstract, give inference in terms of the
2 information that is available from the pop-up tags for
3 individual fish.

4 A third point that will come up at the conference is
5 the attempt to apply these tags to species other than sharks,
6 there are about eight shark papers at the conference, and
7 larger marine pelagics, such as the tuna or the marlin. One of
8 the issues of the development of these tags is to stress and
9 push the development of the technology towards other marine
10 species that are not as large or as swift-moving and it's
11 really critical that we begin to look at the technology in
12 relationship to the species of concern in the Gulf of Alaska
13 and not just for the species that are convenient at the time
14 because somebody else has worked on it.

15 And if there's any other questions, I'd certainly be
16 willing to go further.

17 DR. SPIES: I had one question, Mr. Chairman.

18 CHAIRMAN PENNOYER: Go ahead, Dr. Spies.

19 DR. SPIES: Dr. Nielsen, so this question of
20 whether anybody is working on corpuscular light, therefore, the
21 particular main technological question being asked by your
22 proposal, apparently there is not anybody else that is working
23 on this elsewhere and so there's no duplication of effort here
24 in the proposal; is that correct?

25 DR. NIELSEN: To my knowledge, no. I've spoken

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1 to Barbara and in the last, oh, month or so, I think it was,
2 before the holidays, and most of the processes that are in
3 place for developing that technology are trying to hone the
4 data that is available to them from tropical locations or
5 temporal locations, no one has made an effort -- I think most
6 of the rest of the world doesn't realize what kind of light
7 schedules we go through and the application of that to this
8 technology just hasn't crossed their mind yet. So I think I
9 will be able to garnish collaborations and associations at this
10 conference which will allow me to figure out what kind of
11 programs are being written, what the logic behind the
12 algorithms are and that will be very beneficial for the
13 application of this technology for our conditions. But it
14 certainly won't change the approach of my proposal, which is to
15 make these tools available and cost effective for the local
16 environment.

17 CHAIRMAN PENNOYER: Commissioner Rue.

18 MR. RUE: I think that just answered my
19 questions, thank you, Mr. Chair.

20 CHAIRMAN PENNOYER: Okay. Dr. Nielsen, could
21 you answer one question for me, and that's why halibut?

22 DR. NIELSEN: Oh, halibut are not -- it was not
23 -- when I first wrote the original proposal I had species
24 listed, the reason I settled to halibut, is the way to put it,
25 and that's not a tongue-in-cheek, was because the funding was

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1 not available to push the technology through large groups of
2 species at this point in time. However, the halibut is a
3 species that is easily brought into husbandry, there's
4 significant literature on maintaining halibut husbandry, it's
5 actually been brought into aquaculture down in British Columbia
6 now. And my intent with the halibut was to do in situ studies
7 at the SeaLife Center and halibut was only selected because it
8 was the opportunistic species that would be easiest and
9 cheapest to do this to or with.

10 CHAIRMAN PENNOYER: Yeah, part of the proposal
11 implies we'll be studying the spacial and temporal distribution
12 of halibut. And I think that's relevant to the tag because
13 obviously I think there's a lot of question here on the
14 application of technology to determination of distribution
15 overall, and particularly the habitat types, so you have to tag
16 a lot of fish to come up with that type of conclusion.

17 DR. NIELSEN: Uh-huh.

18 CHAIRMAN PENNOYER: So that's not the intent
19 here, the intent is to look at this species as a target of
20 opportunity right now.

21 DR. NIELSEN: Yes. Yes, and that was
22 definitely my intent all along. I believe that there are
23 significant species groups out there that this technology would
24 be very applicable to and give us very important information
25 on. Halibut is probably the least of that group, but it's the

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1 one that has the best opportunity for husbandry and studies, at
2 least, for the first year while we're developing the
3 technology.

4 CHAIRMAN PENNOYER: By the way, if you do this
5 again, I don't believe they're actually practicing aquaculture
6 of halibut in British Columbia, they are holding it in pens and
7 delivering their fresh fish live to the market.

8 MR. RUE: Norway, that's.....

9 CHAIRMAN PENNOYER: Norway's doing it, yeah.
10 But that's a step away from aquaculture, so that's probably the
11 next shoe that's going to drop down there to which the industry
12 is not real wild about, so.....

13 DR. NIELSEN: Yeah, I know. I believe that
14 they have put -- at least I've reviewed several proposals where
15 they're talking about doing aquaculture, not the one that's in
16 place at the moment. It's a proposed collaboration between a
17 Norwegian company and a group of people in British Columbia.

18 CHAIRMAN PENNOYER: The British Columbia
19 government hasn't exactly crossed that yet.....

20 DR. NIELSEN: No, I know.

21 CHAIRMAN PENNOYER:but they do indicate
22 that they will support it when it happens.

23 DR. NIELSEN: Yeah, I agree with you. But, in
24 any case, there isn't significant literature on rearing halibut
25 that are brought in from the wild in captivity without a great

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1 deal of compromise and loss.

2 CHAIRMAN PENNOYER: Yeah, we have some in a pen
3 in Washington, I've been informed several times by some of the
4 fishermen.

5 DR. NIELSEN: Right.

6 DR. SPIES: Mr. Chairman.

7 CHAIRMAN PENNOYER: Yes, go ahead, Dr. Spies.

8 DR. SPIES: I have one additional question I'd
9 like to beg your indulgence.

10 CHAIRMAN PENNOYER: Sure, go ahead.

11 DR. SPIES: Just that we have Jennifer Nielsen
12 on the line here, Dr. Nielsen, and she's so knowledgeable in
13 this area, perhaps this might be a good chance just to clarify
14 for some that may be listening as to some of the issues that
15 may be involved in actually verifying the technology for
16 corpuscular light. I've heard some suggestions that it might
17 be as simple as putting one of these tags in a container of
18 water and carrying it around to various locations and I want to
19 get her reaction to that sort of thing.

20 DR. NIELSEN: Well, there are and have been
21 studies that have been done using these tags to demonstrate the
22 viability of interpreting light data using in situ arrays from
23 buoys, as opposed to putting it in a bucket and carrying it
24 around. I'm not sure what you would carry or when you would
25 move it, that seems a bit facetious of an approach, it's not

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1 very scientific. However, there have been studies using in
2 situ arrays off of a buoy to demonstrate corpuscular technology
3 or the corpuscular shift that occurs. And it was not my
4 intention to exclude that as an opportunity, in fact, it was in
5 my original proposal to test these tags off of a vessel in
6 terms of looking at the regular light conditions.

7 The one advantage to bringing an animal, a live animal,
8 into captivity with the tag attached is that you will -- I will
9 have the opportunity to control light conditions for a short
10 period of time that can mimic long periods of corpuscular
11 shifts. In other words, I can use UV covers over the pens that
12 we have at the SeaLife Center and this is already, you know,
13 been through the SeaLife Center review and it's quite possible,
14 it's a feasible approach. To change light conditions for the
15 animal in situ on a shorter time frame than to leave a tag in a
16 bucket for a year to go through the regular cycles that we
17 would go through in this environment. So my intent is to
18 accelerate the time frame in which we can monitor these tags,
19 rather than leaving them in situ, although I would like to
20 collaborate that with some releases of the tags on individuals,
21 and I think this is where I think collaboration for the shark
22 project would be excellent, and also to compare the results to
23 arrays of tags that are in situ off of buoys, but the bottom
24 line is to develop an algorithm that addresses a complete year
25 cycle in a very short period of time.

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1 Does that answer that?

2 DR. SPIES: Yes, it does, thank you very much.

3 CHAIRMAN PENNOYER: Last question, from me
4 anyway, this is a one-year proposal and we've heard from
5 Marilyn Heiman that there's no point in delaying it for any
6 period of time but, again, how does this relate to GEM not
7 really coming on board for three years, as we discussed under
8 the shark project? Why do we need to do this now?

9 MR. RUE: Who's that question to?

10 CHAIRMAN PENNOYER: Huh?

11 MR. RUE: Who's the question to?

12 CHAIRMAN PENNOYER: Dr. Nielsen, I'm sorry.

13 DR. NIELSEN: Oh, okay. I believe that the
14 development of this technology is at the cutting edge of our
15 ability to understand marine habitat use for multiple species,
16 which is, I think, one of the major goals of the monitoring
17 program for GEM. I believe that my original proposal was not
18 just for one year, it was for three years and the funding was
19 deferred to just a one-year proposal because of your own
20 funding conditions. I think we can gain sufficient information
21 in one year to bring the technology to the local conditions and
22 to make it appropriate for use up here, at which time, I would
23 assume, the technology would become part and parcel of other
24 proposals that would come before you and other funding agencies
25 to try to develop that science for nearshore and marine habitat

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1 used by important species in the Gulf of Alaska.

2 CHAIRMAN PENNOYER: Thank you. Are there any
3 other questions on this project?

4 (No audible responses)

5 CHAIRMAN PENNOYER: Let the record note that
6 Mr. Gibbons has returned. And could we, perhaps, go over the
7 one last proposal on the list before lunch and then we'll vote
8 on these after lunch? Ms. McCammon, could you guide us through
9 the Documentary Film on the Oil Spill Impacts?

10 MS. McCAMMON: Yes, thank you, Mr. Chairman.
11 This project was not on the deferred list, however, additional
12 information was given to me by the proposer and they asked for
13 it to be reconsidered. This project would produce a 27-minute
14 documentary film on the impact of the oil spill on the
15 subsistence use of intertidal resources, focusing on two Native
16 communities, Chenega Bay and Ouzinkie. It's basically a
17 combination of two original proposals. The two communities got
18 together and worked out what they think would be a very
19 important film from their perspective.

20 The original recommendation was to not fund it this
21 year, just because of trying to stay within our target for the
22 Work Plan. Since that time some additional information has
23 come forward that indicates if they could get going with the
24 subcontract for starting the video project this summer they
25 could put out the RFP and actually get the contractor in hand,

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1 they could start the planning work and then be ready to go as
2 soon as full funding was available for year two of the project.
3 This seemed like a reasonable approach to take and my
4 recommendation on this now is to go forward with \$8,600 for
5 this project.

6 CHAIRMAN PENNOYER: Ms. McCammon, I'm sorry,
7 does that presume that we are going to fund the final balance
8 and we've already made that decision then?

9 MS. McCAMMON: Well, it would presume it, so
10 basically you would be committing to funding a second year,
11 yes. You would still have the opportunity to not fund it for
12 the second year, but basically the contract would be let. The
13 contract would still have a provision in it that it was
14 contingent on approval of the Council of the complete funding.

15 CHAIRMAN PENNOYER: But, in essence, we are
16 sort of reviewing the entire proposal here then.....

17 MS. McCAMMON: Yes.

18 CHAIRMAN PENNOYER:to provide the up-
19 front funding?

20 MS. McCAMMON: Yes.

21 CHAIRMAN PENNOYER: Thank you. Anything else
22 you want to say about that project before.....

23 MS. McCAMMON: No, I think this is -- you know,
24 I think some people have questioned the value of these
25 documentary films and I think in talking to the residents of

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1 the communities they feel that they really contribute a lot to
2 their sense of where the communities and where Prince William
3 Sound and the Kodiak areas are in terms of restoration. They
4 use the films a lot in their communities, I think they see the
5 value of documenting what may be a way of life that changes
6 significantly in the future and there's a strong sense of
7 importance that they attach to these films, probably more so
8 that you or I might.

9 The two previous films we've sent to all of the school
10 districts in the spill area and we've received a number of
11 letters back from school districts about how much they've
12 enjoyed and appreciate them and what they've been able to teach
13 kids in the schools. And we've received letters from the
14 communities themselves that they're based on and how much value
15 that they see in them. So I would strongly support this.

16 CHAIRMAN PENNOYER: Further questions about
17 this project?

18 (No audible responses)

19 CHAIRMAN PENNOYER: Was funding available for
20 this project, as far you're concerned then?

21 MS. McCAMMON: Well, that gets to the Work Plan
22 funding target and depending on how much you want to make
23 available, but there should be.

24 CHAIRMAN PENNOYER: Thank you.

25 MS. McCAMMON: Depending on sharks and tags and

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1 other things.

2 CHAIRMAN PENNOYER: Touch'e, thank you.

3 (Laughter)

4 CHAIRMAN PENNOYER: Commissioner Rue.

5 MR. RUE: Mr. Chairman, thank you. I'm not
6 sure I've seen a project that I don't like yet today, but
7 anyway, whether we fund them all or not I guess is another
8 question. I would agree with what Ms. McCammon said about the
9 value of this sort of effort. I think documenting the human
10 dimension of the spill and the effects on people is important,
11 it's critical, and I think it has been in the past and will
12 continue to be, so I think it's a relatively small amount of
13 money. And it's important to document what we all know is one
14 of the most significant impacts of the spill and that's on
15 people and subsistence and their view of the Sound and their
16 ability to use the Sound, so I think it's a good investment and
17 I'll be supporting the whole project.

18 CHAIRMAN PENNOYER: Other comments or
19 questions?

20 (No audible responses)

21 CHAIRMAN PENNOYER: I think that is the full
22 list of deferred projects that have been reviewed and we will
23 again, as I said, after lunch bring them back up again for a
24 vote and any further discussion you may wish.

25 I think on the agenda now we have a luncheon that also

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1 doubles as an executive session for Executive Director
2 evaluation and habitat protection. May I have a motion,
3 Mr. Tillery?

4 MR. TILLERY: Yeah, Mr. Chairman, I'd like to
5 move that we go into executive session for purposes of
6 discussing the Executive Director evaluation, habitat
7 protection and legal issues relating to the consent degree.

8 MS. SEE: Second.

9 CHAIRMAN PENNOYER: Moved and seconded, does
10 anybody object?

11 (No audible responses)

12 CHAIRMAN PENNOYER: Then that's what we will
13 do. I presume we will adjourn for a time. Do you want to say
14 1:00 o'clock, can we do it by then and -- well, let's make it
15 1:30.

16 MS. McCAMMON: 1:15.

17 CHAIRMAN PENNOYER: 1:15. We're compromising
18 on 1:15. I like the way this group works. Compromising on
19 1:15 and we may ask you to stay outside the door until we're
20 done, but we'll try for 1:15. So with that we'll adjourn for
21 the moment and come back at 1:15. Thank you.

22 MS. HEIMAN: And I just want to thank
23 Dr. Nielsen for joining us.

24 MR. RUE: I agree, if she's still there.

25 (Off record - 12:07 p.m.)

00067

1 (On record - 1:17 p.m.)

2 CHAIRMAN PENNOYER: All right, we're back in
3 session. We had an executive session during lunch where we
4 discussed the Executive Director's evaluation, habitat
5 protection and legal issues concerning the consent degree.

6 Okay. We're ready to bring the deferred projects back
7 for a vote, the first one is the Solf Lake Sockeye Salmon
8 Stocking with a recommendation of \$159,500 for this year
9 primarily to construct or additionally construct a fish ladder
10 into the lake. Any further discussion on this particular item?

11 (No audible responses)

12 CHAIRMAN PENNOYER: Any questions?

13 (No audible responses)

14 CHAIRMAN PENNOYER: Do I have a motion on it.

15 MR. RUE: I move that the Council adopt the
16 Solf Lake Sockeye Salmon Stocking Program.

17 MS. SEE: Second.

18 CHAIRMAN PENNOYER: Moved and seconded we adopt
19 the Sockeye Salmon Stocking Program in Solf Lake. Is there any
20 objection?

21 (No audible responses)

22 CHAIRMAN PENNOYER: Hearing none, that is
23 adopted.

24 The second project is the now famous shark project.

25 MS. McCAMMON: Infamous.

00068

1 CHAIRMAN PENNOYER: Deferred to January \$86,000
2 with a recommendation by the Executive Director and the Chief
3 Scientist, do not fund. I'd like to ask if there's any
4 additional discussion on this project? Commissioner Rue.

5 MR. RUE: I'm not sure if it should happen now
6 or later, but I guess I appreciate the idea behind this
7 project, I think \$86,000 was, you know, one-year cost. I guess
8 I would recommend that we request that the proposer go back and
9 resubmit a project having gone through a peer review of the
10 project and look at the longer -- I think \$86,000 for one year
11 doesn't really cover what needs to be looked at here. Look at
12 some of the technical concerns with the project and see if we
13 couldn't come back with a more focused and practical project.
14 And in the meantime work with Dr. Spies and Dr. Mundy to see
15 how it might fit into the longer term.....

16 (Conference operator breaks in - off record comments)

17 CHAIRMAN PENNOYER: Commissioner Rue.

18 MR. RUE: And that the folks proposing this
19 project work with Dr. Spies and Dr. Mundy to see if and how
20 salmon sharks could be reviewed as a possible sentinel species.
21 But at this point I don't think this project, as currently
22 written, is ready to go. But I do think it's an issue that
23 needs to be looked at.

24 (Other party phone conversation - off record comments)

25 CHAIRMAN PENNOYER: Commissioner, if you're

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1 making a proposal, I'm somewhat confused on whether it's to
2 fund it or.....

3 MR. RUE: No, no, I'm just commenting. No, I
4 was not going to fund this project, I would not suggest funding
5 this at this time.

6 CHAIRMAN PENNOYER: Okay. And you're asking
7 somebody to come back with a proposal.....

8 MR. RUE: Right, not defer it.

9 CHAIRMAN PENNOYER:to do something?

10 MR. RUE: Not defer it, but work with other
11 researchers and the chief fishery scientist. I mean, not the
12 chief -- Dr. Spies and Dr. Mundy.

13 MS. McCAMMON: For next year?

14 MR. RUE: For next year.

15 CHAIRMAN PENNOYER: Is there any further
16 discussion?

17 (No audible responses)

18 CHAIRMAN PENNOYER: I am going to propose then
19 that we fund it for this year. And we do what you said, but we
20 also get a start on it by having people go out and look, as
21 proposed, for different ways to assess shark populations and to
22 start to figure out how we're going to assess their eating
23 habits, because I view this proposal as a start-up that's way,
24 way short of what you're going to end up wanting to do from an
25 ecosystem standpoint. So I understand exactly what you're

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1 saying, and I have the same problem myself. In the long term
2 it's going to be for a greatly different overall look at this
3 and I view this as just opening the window a little bit and
4 starting to decide -- get some background information on
5 whether sharks are important. And I didn't view the proposal
6 as trying to answer all the questions about sampling design,
7 gulf-wide distribution of sharks and so forth. So that's a
8 perspective, so I proposed it. If anybody seconded it then --
9 or should I, I'm not really sure, Chairman. I asked anybody if
10 they wanted to discuss it so.....

11 MR. TILLERY: Are we still in comments or.....

12 CHAIRMAN PENNOYER: Still in comment, go ahead.

13 MR. TILLERY: Mr. Chairman, I think I'm at a
14 third place.

15 CHAIRMAN PENNOYER: Good.

16 MR. TILLERY: I guess I'm not as concerned
17 about that we should wait for GEM before supporting this
18 project, I think it's significant and there's something strange
19 happening and it possibly should be looked at. I am concerned
20 about Frank's comments that some of the people at Fish and Game
21 are concerned about the design and whether this thing is tight
22 enough and it's studying the right things and so forth.

23 My suggestion or my thought would be that we not put
24 this off to next year, but that we defer it and have people get
25 back and talk to Fish and Game and Dr. Spies and Dr. Mundy and

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1 try to just -- to get to some kind of consensus that this is
2 the right approach, whether it's for 86,000 or over one year or
3 170 over two years or whatever, but not that we necessarily
4 that we wait until the next funding cycle, but that we don't
5 make a decision now and revisit after that conversation takes
6 place.

7 CHAIRMAN PENNOYER: Thank you. Ms. Heiman.

8 MR. TILLERY: Do you have a fourth?

9 MS. HEIMAN: No, I want to second your third.

10 (Laughter)

11 MR. RUE: Is that a motion to defer?

12 MS. HEIMAN: He made a motion to defer and I

13 second it.

14 MR. RUE: Maybe -- so Mr. Tillery.....

15 CHAIRMAN PENNOYER: You seconded his third?

16 You seconded his third?

17 MR. RUE: No, the only motion on the table.....

18 MS. HEIMAN: Basically he's making a proposal,
19 I believe, to defer it, but to have people sit down and get
20 together and work a little bit more on it for this funding year
21 cycle still, and I'm seconding it.

22 CHAIRMAN PENNOYER: You seconded that, okay,
23 that's fine. I withdraw.....

24 MR. RUE: Okay, so that's actually the only
25 motion on the table.

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1 CHAIRMAN PENNOYER: I never got a second, so
2 I'm not on the table, you're right. I did make a motion
3 though. I did actually make a motion, but I never got a
4 second, so it was.....

5 MR. RUE: Okay.

6 CHAIRMAN PENNOYER: He made a motion, he got a
7 second for it, so -- right? Okay. So is there any further
8 discussion?

9 MS. McCAMMON: Point of clarification.

10 CHAIRMAN PENNOYER: Point of clarification.
11 You won't get there, but try it. Yes.

12 MS. McCAMMON: Okay. The goal of deferring it
13 would be to work further on the project to accomplish what
14 specifically?

15 MR. TILLERY: To address the concerns raised by
16 Commissioner Rue or by his staff that the sort of objectives
17 and methods used here, that they don't really show us what
18 we're getting out there, it's too fuzzy, as I understand it,
19 that there's -- it's not precise enough, that we're not really
20 sure what we're getting. We're not sure if this is -- what we
21 should be doing as an initial look at salmon sharks.

22 MS. HEIMAN: We want to more fully develop the
23 proposal.

24 MS. McCAMMON: And do you want the proposal to
25 still stay at 86,000 approximately or whatever it takes?

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1 MR. TILLERY: That ballpark would be my
2 thought, yes. But I think if somebody comes back and says, you
3 know, 86,000 is a waste of 86,000, if you going to do anything
4 you need to spend 200,000 or a half a million, then we should
5 hear that. We very well wouldn't fund it, but we should hear
6 it.

7 CHAIRMAN PENNOYER: Ms. See.

8 MS. SEE: Yeah, I'd like to offer a friendly
9 amendment to the motion that this fleshed-out description also
10 fully describe the cooperative aspects of other people's work
11 which might leverage the sorts of goals that this project would
12 undertake. I think this was the first time this morning that I
13 heard of some of that. And also that there be a long range
14 budget projection for out years.

15 CHAIRMAN PENNOYER: Thank you. Commissioner
16 Rue.

17 MR. RUE: Did the second have a problem with
18 the friendly amendment?

19 MR. TILLERY: Neither the first, I mean the
20 third.

21 CHAIRMAN PENNOYER: We were supposed to ask
22 that, weren't we? Sorry.

23 MS. HEIMAN: Yeah.

24 MR. RUE: I think this is probably a good way
25 to go because I think we all agree that this is potentially an

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1 important issue. I would, though, suggest, and I don't know if
2 we need to change the motion or anything, that we work with
3 Dr. Mundy and Dr. Spies as over the next year they're thinking
4 about how we're going to start implementing GEM or how we might
5 be picking some of these sentinel species, so that that
6 conversation goes on with the benefit of the folks doing shark
7 research and they can understand how sharks might fit into that
8 process. And that the research they might do help determine
9 whether sharks are, in fact, a good sentinel species or not.

10 CHAIRMAN PENNOYER: I'm not even sure that's a
11 friendly amendment.....

12 MR. RUE: No, it's not, I mean, it's just a
13 comment.

14 CHAIRMAN PENNOYER:I think that was sort
15 of included in the basis of what people had in the motion to
16 start with, I believe.....

17 MR. RUE: Okay, fine.

18 CHAIRMAN PENNOYER:in what you were
19 saying.

20 MR. RUE: Okay.

21 CHAIRMAN PENNOYER: Okay, we have another
22 motion and a second on the table in terms of deferring this,
23 presumably, to the next meeting? So this is something people
24 would have to do in the near term, so they would have some idea
25 what the cooperators, whether something was going to occur this

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1 summer or not. Is there any further discussion on that?
2 Mr. Gibbons.

3 MR. GIBBONS: Mr. Chairman, I'm kind of sorry I
4 missed this discussion earlier.

5 MS. HEIMAN: Oh, no.

6 MS. McCAMMON: You're not.

7 CHAIRMAN PENNOYER: No, you're not sorry.

8 MR. GIBBONS: Say, if we approve something in
9 February or early March, would that give the shark people
10 enough time to get set up and do their.....

11 CHAIRMAN PENNOYER: Probably give them more
12 time to set up than if we disapproved the hearing. I'd ask
13 Mr. Wright.

14 MR. WRIGHT: The only shortcoming with putting
15 it back any further is getting those archival tags set up, they
16 have to build them, but I think we can still pull it off,
17 though.

18 CHAIRMAN PENNOYER: Then the question should be
19 how far can you move it back and still do all that?

20 MR. WRIGHT: I think if we have a decision in
21 February, we can do that.

22 CHAIRMAN PENNOYER: Okay.

23 MS. HEIMAN: Do we have a meeting in February?

24 MR. TILLERY: When's our next meeting?

25 MS. McCAMMON: We don't have a meeting date

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1 set, but when we get to investments we have to meet sometime in
2 February.

3 CHAIRMAN PENNOYER: We can do it by
4 teleconference.

5 MR. TILLERY: And we can always come back with
6 a teleconference.

7 CHAIRMAN PENNOYER: We can do it by
8 teleconference for that matter, it's this simple.

9 MS. McCAMMON: Yeah.

10 CHAIRMAN PENNOYER: All right. So it's been
11 moved and seconded with a general target for sometime during
12 February for this Council to take a look at a revised proposal
13 and for the people before that to get out and do the background
14 work they need to do to present us with that proposal. Any
15 further discussion?

16 (No audible responses)

17 CHAIRMAN PENNOYER: Is there any objection to
18 the proposal?

19 (No audible responses)

20 CHAIRMAN PENNOYER: Hearing none, thank you,
21 Mr. Tillery.

22 Okay, the next project on our list is the Testing
23 Satellite Tags as a tool for identifying critical habitat for
24 106,000 -- deferred it was \$106,100 and the recommendation was
25 to defer the decision until after we get a report back from the

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1 principal investigator. You heard the discussion from the
2 principal investigator that they do not think much more will
3 come out of the symposium they were going to and thought they
4 were prepared now to test the technical efficacy of these tags
5 because of light location problems in Alaska. And the halibut
6 is not the focus, they're just specie of opportunity.

7 Commissioner Rue.

8 MR. RUE: Question on this. Well, maybe I'll
9 make a motion. I move that we adopt funding for this testing
10 of satellite tags now and not defer it any longer. Any second?

11 MS. HEIMAN: Second.

12 CHAIRMAN PENNOYER: It's been moved and
13 seconded. Is there further discussion?

14 (No audible responses)

15 CHAIRMAN PENNOYER: Further discussion.

16 MS. McCAMMON: Mr. Chairman, just that if you
17 do adopt this motion there needs to be a revised budget and a
18 revised detailed project description. We did not go through
19 those since our recommendation was to defer until after the
20 workshop, but there are -- the project description now calls
21 for field trials in Prince William Sound. Apparently the money
22 would only be used for work at the SeaLife Center, so the
23 project description would have to be changed to reflect that.
24 There's also a question within the budget. There are -- the
25 bench fees for the SeaLife Center are in there twice, so

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1 there's a question about whether it's deleted, one of them is
2 deleted and the project is reduced by that amount or whether
3 the principal investigator reprograms the additional funds and
4 uses it as part of the project, so we have to check on the
5 budget part of it.

6 CHAIRMAN PENNOYER: I'm sorry, would you
7 explain this footnote? Are a third of this project's cost the
8 bench fees, basically? Or is that the double funding you're
9 talking about?

10 MS. McCAMMON: That's the double funding.

11 CHAIRMAN PENNOYER: That's really only 15,000,
12 essentially?

13 MS. McCAMMON: I believe it's 21,100, it
14 includes the GA.

15 CHAIRMAN PENNOYER: Not 31?

16 MS. McCAMMON: Yeah.

17 MS. HEIMAN: So would that be a fund contingent
18 on those things?

19 MS. McCAMMON: Yes.

20 MR. RUE: Question.

21 CHAIRMAN PENNOYER: Commissioner Rue.

22 MR. RUE: I thought I heard, I guess she's the
23 principal investigator on this one, talk about collaboration
24 with the shark project, if we're going to potentially fund
25 that, or is the all SeaLife Center work?

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1 MS. McCAMMON: This is all SeaLife Center work.

2 CHAIRMAN PENNOYER: I think, Commissioner, the
3 collaboration was the same type.....

4 MR. RUE: Okay, maybe that's future years.

5 CHAIRMAN PENNOYER:of thing they did --
6 it wasn't required we do the shark project for this project to
7 be successful.

8 MR. RUE: Right.

9 CHAIRMAN PENNOYER: Any further discussion at
10 this time?

11 (No audible responses)

12 CHAIRMAN PENNOYER: So this is funding
13 contingent on these corrections coming back and if they result
14 in the project going down in the funding and the presumption is
15 it would. And if there's any problem then I presume you can
16 get back to us then, Ms. McCammon?

17 MS. McCAMMON: Right.

18 CHAIRMAN PENNOYER: Okay. It's been proposed
19 and seconded that we fund this project at \$106,000 for this
20 year, contingent on them coming back with some budget
21 corrections, maybe including some reduction for double funding
22 of SeaLife Center bench fees. Is there any further discussion?

23 (No audible responses)

24 CHAIRMAN PENNOYER: Is there any objection to
25 this proposal?

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1 (No audible responses)

2 CHAIRMAN PENNOYER: Hearing no objection, the
3 proposal passes.

4 Next item is the Documentary Film on the Oil Spill
5 Impacts on Subsistence Use of Intertidal Resources for this
6 year, for 8.6 thousand dollars to do the basic set-up for this
7 production with the main funding to occur next year. And the
8 presumption is, I suppose, that if something in that set-up
9 process gave us some indication there was problems we would
10 come back and discuss them?

11 MS. McCAMMON: Yes.

12 CHAIRMAN PENNOYER: But \$8,600, do I hear a
13 proposal? Marilyn.

14 MS. HEIMAN: I move that we fund the
15 documentary on intertidal resources for 8.6.

16 MS. SEE: Second.

17 CHAIRMAN PENNOYER: It's been moved and
18 seconded that we fund the project for the documentary film, at
19 least the set-up part of it for \$8,600. Is there any further
20 discussion? Commissioner Rue.

21 MR. RUE: Mr. Chairman, as I said earlier, I
22 think this is a valuable project. I think actually the whole
23 Council believes it is a valuable project and thought next
24 year, you know, the funding was going to be something we would
25 do for next year, but I like the idea of getting going on it,

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1 so that we don't miss either an opportunity to get some
2 important footage. So I think it's a good opportunity to get
3 moving on it, we ought to fund it.

4 MS. McCAMMON: Mr. Chairman.

5 CHAIRMAN PENNOYER: Yes, Ms. McCammon.

6 MS. McCAMMON: I just had one correction on the
7 spreadsheet, it shows that there's an additional 111,000 for
8 FY02 and that's incorrect, that should be zero, so the total
9 project is 120,400, just to clarify that.

10 CHAIRMAN PENNOYER: Thank you. Well, I think
11 we're all saying that we're glad that this opportunity is
12 brought to our attention. And so it's been moved and seconded,
13 is there any objection to this proposal?

14 (No audible responses)

15 CHAIRMAN PENNOYER: Hearing none, the proposal
16 is passed. And we now, I think, have acted on all of the
17 deferred project amounts or do you have one more?

18 MS. McCAMMON: Well, no, just one more. If you
19 could do just a generic motion that says, these project
20 proposals are adopted with the following conditions. If a
21 principal investigator has an overdue report from the previous
22 year, no funds may be expended on a project involving that PI,
23 unless the report is submitted or a schedule for submission as
24 approved by the Executive Director. And a project's lead
25 agency must demonstrate that requirements of NEPA are met

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1 before any project funds may be expended with the exception of
2 funds spend to prepare NEPA documentation.

3 CHAIRMAN PENNOYER: Does that require a formal
4 motion?

5 MS. McCAMMON: Yes.

6 CHAIRMAN PENNOYER: Does anybody care to make
7 that motion?

8 MR. RUE: I move that.

9 MS. McCAMMON: Motioned.

10 MR. GIBBONS: I second it.

11 CHAIRMAN PENNOYER: Okay, it's been moved and
12 seconded that we adopt the language as read into the record by
13 the Executive Director. Is there any discussion?

14 (No audible responses)

15 CHAIRMAN PENNOYER: Is there any objection to
16 that?

17 (No audible responses)

18 CHAIRMAN PENNOYER: Hearing none, that is
19 adopted. Thank you for reminding us of that.

20 Okay, the next item on the agenda, then, I believe, is
21 the status of the Small Parcel Program and other Habitat
22 Protection Opportunities by Molly McCammon.

23 MS. McCAMMON: Eyak reimbursement.

24 CHAIRMAN PENNOYER: I'm sorry?

25 MS. McCAMMON: Eyak reimbursement. We're

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1 before lunch still, number 6, Eyak Proxy Vote Costs.

2 CHAIRMAN PENNOYER: Oh, I'm sorry, we are
3 before lunch, you're right. I jumped ahead too far. Okay, you
4 going to lead that discussion?

5 MS. McCAMMON: Yes.

6 CHAIRMAN PENNOYER: Would you please do so.

7 MS. McCAMMON: On December 30th, '98, the
8 Council authorized an amount not to exceed \$100,000 in
9 additional funds, as needed, for documented expenses incurred
10 by Eyak for the additional ratification vote that was required
11 for the purchase agreement and the closing of the land
12 transaction with the corporation. Last summer Eyak submitted a
13 request for nearly \$160,000 worth of expenses, these were all
14 reviewed by Traci Cramer, the Director of Administration.
15 Consistent with -- the Council did take action on \$100,000 of
16 these documented expenses last fall and there is one little
17 error in this memo, Eyak has received the \$100,000 for costs
18 attributed to the ratification vote, less \$3,150 compensation
19 received for timber use to construct the dam near Cordova.

20 So in going through all of the expenses there are an
21 additional \$29,854 worth of documented expenses that were
22 incurred by Eyak for the additional ratification vote. These
23 do not include expenses associated with the escrow account,
24 these are not expenses associated with tracking expenses, other
25 land acquisition expenses. There were an additional \$8,000

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1 worth of expenses that have not been documented to date.
2 My recommendation is that the Council approve the
3 \$29,854 of documented expenses and consider those part of the
4 purchase price. And I would recommend that the Council take
5 action on that today.

6 CHAIRMAN PENNOYER: Are there questions?

7 (No audible responses)

8 CHAIRMAN PENNOYER: Are the makers of this
9 proposal aware of your judgment on -- since it's less than they
10 requested?

11 MS. McCAMMON: Yes.

12 CHAIRMAN PENNOYER: Has this been discussed
13 with them?

14 MS. McCAMMON: Yes.

15 CHAIRMAN PENNOYER: Mr. Tillery.

16 MR. TILLERY: Just on the 8,000 in questioned
17 costs, are those going to come back to us again or if we do the
18 29, are they done?

19 MS. McCAMMON: In the fall I asked that if
20 there was any additional documentation that it be provided for
21 the December meeting, it was not. We postponed until this
22 meeting. I told them, at that time, we'd be taking this up,
23 any documentation should be provided, none has. I was in
24 contact late last night with a representative of Eyak who asked
25 to still be able to provide some documentation. I suggested

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1 that the Council would want to see it all at once and offered
2 to take this off the agenda today. And they said, no, they
3 would rather see the action taken today. So this is.....

4 MR. RUE: So there is chance that we might see
5 something in the future?

6 MS. McCAMMON: No, I don't think so.

7 MR. RUE: Oh, okay.

8 MS. McCAMMON: I think this is it.

9 MR. RUE: Is there a motion on the table?

10 CHAIRMAN PENNOYER: Not yet.

11 MS. McCAMMON: No.

12 CHAIRMAN PENNOYER: Anybody care to make a
13 motion?

14 MR. RUE: I move that we pay Eyak the
15 additional \$29,854 for documented expenses incurred for the
16 ratification of the vote required by the purchase agreement.
17 Is that enough?

18 CHAIRMAN PENNOYER: Can I have a second?

19 MR. GIBBONS: I'll second that.

20 CHAIRMAN PENNOYER: Moved and seconded we pay
21 \$29,854 to Eyak for the stated purposes. Does anybody wish to
22 add anything to that? Mr. Tillery.

23 MR. TILLERY: Mr. Chairman, I support payment
24 of this. I think that it is money well spent and I think it is
25 justified. I would say that I think the Council has to make

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1 its financial plans and move on and that in voting in this
2 amount I would think that it is very, very unlikely that I
3 would expect to see any additional request come back to the
4 Council.

5 CHAIRMAN PENNOYER: Thank you. Any further
6 comment?

7 (No audible responses)

8 CHAIRMAN PENNOYER: It's been moved and
9 seconded, anybody object to the motion?

10 (No audible responses)

11 CHAIRMAN PENNOYER: Hearing none, the motion
12 passes. Thank you.

13 Secretary, I think the next items it -- Executive
14 Director, is that the 2001, 2002 Work Plan Funding?

15 MS. McCAMMON: That's correct, Mr. Chairman,
16 we're currently putting together the invitation for FY2001
17 project proposals. You can see by the table that's included in
18 your packet that we have been experiencing steadily declining
19 Work Plans. The Work Plan for this year is now closer to 8.4
20 thousand [sic], than 8.2. The recommendation for next year in
21 talking to the Chief Scientist and the Science Coordinator is
22 six million. If all of the proposals that are currently in the
23 works and anticipated to go forward next year do go forward
24 they would cost approximately \$4,000,000, so this would leave
25 \$2,000,000, approximately, for new projects.

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1 It's further belt tightening, but I think it's going to
2 be necessary in the future to get to something that's
3 sustainable over the longer term.

4 The FY02, you can see there's a question mark there and
5 that recommendation will actually depend a lot on what comes
6 out of the Investment Working Group in terms of how do we get
7 to being able to implement a five-year rolling average, so that
8 once funding does come from the reserve endowment that instead
9 of having earnings that are really high one year and low the
10 next year that we have some kind of stable funding, we'd use
11 some kind of a five-year rolling average. But until we get
12 that history of investments we may have to be more conservative
13 at the beginning than you might later on in the programs. So I
14 think it's better to get leaner now.

15 CHAIRMAN PENNOYER: Thank you. Questions on
16 this item? We need to take no action here today then? This is
17 informational?

18 MS. McCAMMON: I would actually ask for your
19 vote on this because it is something we will be including in
20 the Work Plan invitation.

21 CHAIRMAN PENNOYER: Okay. You want a target
22 then for.....

23 MS. McCAMMON: Yes.

24 MR. RUE: Before we.....

25 CHAIRMAN PENNOYER: Commissioner Rue.

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1 MR. RUE: The FY02 you have a question mark.
2 Did you say that you expect that to be about the same?

3 MS. McCAMMON: Not necessarily, it depends on
4 what recommendation comes out of the Investment Working Group.

5 MR. RUE: Okay.

6 MS. McCAMMON: And one of the reasons is that
7 most foundations, in order to have kind of consistent, stable,
8 funding do, like, a five-year rolling average, which is what
9 the Permanent Fund.....

10 MR. RUE: Okay, he was whispering in my ear, so
11 I was having.....

12 MS. McCAMMON: Right. Which is what the
13 Permanent Fund does. It might mean, if you wanted to do five
14 percent of your income per year, instead of that you might do
15 three percent one year, four percent the next year. You might
16 take it more conservatively until you build that up.

17 MR. RUE: Got you. That's what I thought you
18 were talking about.

19 MS. McCAMMON: Yeah.

20 CHAIRMAN PENNOYER: Okay. Do you need a motion
21 then?

22 MS. McCAMMON: Yes.

23 CHAIRMAN PENNOYER: May I have a motion?

24 MR. RUE: I move that we set a target of
25 \$6,000,000 for FY01 Work Plan.

00089

1 CHAIRMAN PENNOYER: Second or a question?

2 MS. HEIMAN: Well, I had a comment and I can do
3 it as a friendly amendment, that.....

4 CHAIRMAN PENNOYER: The motion has not been
5 seconded yet.

6 MR. RUE: No, it hasn't been.

7 CHAIRMAN PENNOYER: Either second it or.....

8 MR. GIBBONS: I'll second it.

9 CHAIRMAN PENNOYER: Okay, seconded for at least
10 purposes of discussion. So, Ms. Heiman, would you want to make
11 your comment or a friendly amendment?

12 MS. HEIMAN: My comment is that clearly there's
13 things that come up and it's hard to estimate exactly a number
14 and I just wanted to clarify that this is an target and that we
15 don't -- and obviously when there's six votes that the Council
16 does whatever it will, as they just did earlier, but I just
17 wanted to make sure that this doesn't tie us to not doing
18 something that we decide is very important and that people
19 don't use this number to say, no, no, you can't, it's
20 6,000,000, so I would either just say that we clarify as a
21 target and only a target or that we put sort of a plus or minus
22 that gives it a little bit of a flexibility.

23 MR. RUE: In fact, I thought I used the word
24 target for exactly the reason Marilyn is suggesting, it's a
25 target.

00090

1 MS. McCAMMON: Mr. Chairman.

2 CHAIRMAN PENNOYER: Yes.

3 MS. McCAMMON: We had a lot of discussion about
4 whether we should put a range of 6-7,000,000, but when you do
5 have the range, the tendency is to go to the upper end of the
6 targeted range. And so it seemed to be -- in all honestly,
7 it's going to be really tough in the next few years to kind of
8 hold the line on this. And it's going to be tough to tell
9 people we're sorry, but we think there's more benefit in the
10 longer term to being really conservative about funding projects
11 in the shorter term. And I think we can get there easier by
12 having a single target rather than a range, since we all have a
13 tendency to go up.

14 MR. RUE: Does the word target do it?

15 CHAIRMAN PENNOYER: But the sense of the word
16 target though.....

17 MS. McCAMMON: Target. It is a target.

18 CHAIRMAN PENNOYER: It's still our intention
19 that it stay down in this general range?

20 MR. RUE: Yeah, I agree, though, with Marilyn.

21 MS. HEIMAN: Yeah, and I agree, but I just
22 wanted to clarify my voting for it, that I'm not limiting
23 myself to six, it might be 5.5 million, it might be 6.2, but I
24 just wanted to be very clear about that.

25 CHAIRMAN PENNOYER: Okay. Ms. See.

00091

1 MS. SEE: Because some of the big projects have
2 been winding down, and you may have mentioned this, is the
3 2,000,000 roughly for new projects comparable to this year's?

4 MS. McCAMMON: Yes. Yes, we've had about
5 2,000,000 for new projects this year.

6 MS. HEIMAN: And I think it's a good target.

7 CHAIRMAN PENNOYER: I'll find out about sharks
8 next month. Okay, thank you very much. It's been moved and
9 seconded that we approve the target of 6,000,000 for spending
10 plan for next year with various provisos and in our ability to
11 do what we feel like when we get the projects back, but this is
12 a general target goal. Is there any further discussion on
13 this?

14 (No audible responses)

15 CHAIRMAN PENNOYER: Is there any objection to
16 this motion?

17 (No audible responses)

18 CHAIRMAN PENNOYER: Hearing none, the motion
19 passes.

20 MR. RUE: It's a little target, right? It's
21 not one of those big targets?

22 CHAIRMAN PENNOYER: In my budget 6,000,000 is a
23 big target.

24 (Laughter)

25 CHAIRMAN PENNOYER: Okay, the next item is --

00092

1 now we have gone to the after lunch items and we're under the
2 small parcels, I think, right?

3 MS. McCAMMON: That's correct.

4 CHAIRMAN PENNOYER: Okay.

5 MS. McCAMMON: And you do have a memo behind
6 the tab labeled Small Parcel. And the memo has three parts.
7 Part one identifies offers that have expired, as well as
8 earmarked funds that have not yet resulted in offers. And,
9 basically, this is coming back to you with a status report on
10 where we are with all of those that are currently in the hopper
11 and what kind of action we think should be taken on those.

12 Part two describes some additional habitat protection
13 possibilities that are kind of in the works, that are potential
14 activities.

15 And part three provides a brief status of our work on a
16 program for 2002 and beyond.

17 Part one is the only one that we're recommending action
18 on at this meeting. You can go directly to the second page and
19 that's expired offers and earmarked funds. And in section one
20 of this there are a number of parcels whose offers have
21 actually expired, either in December or January 15th. And
22 these include seven of the Kodiak tax parcels, KAP-2012 Brown's
23 Lagoon, and KAP-1045 Termination Point.

24 In talking to the sponsoring agencies, we consider that
25 there's enough life to these that, although offers maybe should

00093

1 be renewed because appraisals are changing at the moment, but
2 at least the funds should continue to be earmarked for this
3 purpose. And there's a suggested recommendation on the next to
4 the last page for this.

5 Item two.....

6 CHAIRMAN PENNOYER: I'm sorry, where's the
7 recommendation for this?

8 MS. McCAMMON: On page five. Recommended
9 action at January 31st meeting on page five.

10 MR. RUE: Do we want to do that now and then go
11 on to the parts -- is there a reason to not act now? Do we
12 want to hear about the other two and then.....

13 MS. McCAMMON: Well, the others also require
14 action.

15 MR. RUE: Oh, they do?

16 MS. McCAMMON: These do, yes. Duck Flats and
17 Stariski in number three.

18 MR. RUE: Okay.

19 MS. McCAMMON: The Duck Flats and Jack Bay
20 parcels, these are three parcels that were also scheduled to go
21 off the list. The university reappraisal is due in March 2000.
22 Given that one of these is a State parcel that would have to go
23 before the Legislature, hopefully before the end of this
24 session, it seemed that leaving it on the consideration list
25 until July 1st was appropriate. But I think we will know by

00094

1 July 1st whether these are going to stay on and actually happen
2 or whether they're totally off the list and futile.

3 Number three, Kenai 1086, Stariski. At our August
4 meeting I was directed to identify a date by which this parcel
5 would come off the list of consideration if an agreement was
6 not reached. I think what's happening with this parcel is a
7 difference in opinion in terms of value and in talking with
8 DNR, the sponsoring agency, they would greatly like to acquire
9 it. It will probably be one of those parcels that requires the
10 land owner to test the waters out in the real market place to
11 see what price they actually -- to get a more realistic
12 expectation of the value.

13 So those are the ones.....

14 CHAIRMAN PENNOYER: Where was that parcel?

15 MS. McCAMMON: That's Stariski.

16 CHAIRMAN PENNOYER: The Stariski parcel.

17 MR. RUE: Number three, Kenai.

18 MS. McCAMMON: Right up there. So those are
19 the ones that actually need action. There was some additional
20 information that you asked for earlier, for example, you asked
21 how things were progressing with the money set aside for the
22 Tatitlek homesites, and there is a status report on that here.
23 But basically none have been processed yet. The appraisals
24 were just completed in late December, land owners are being
25 notified of the appraised values and they should be getting a

00095

1 pool of willing sellers. There are 77 shareholder lots
2 arranged from \$12,000-17,000. There are 87 corporation-owned
3 lots and the appraisals for those are about half that, because
4 only the Forest Service and the State have the right to
5 purchase these.

6 So given these prices the available funds could be used
7 for approximately 12-25 lots out of a total of about 160 lots.
8 So there is the potential in the future that the Forest Service
9 might be interested in additional lots there.

10 You also asked for a update on the Kodiak tax and
11 Larsen Bay shareholders' parcels. For the tax parcels, this
12 was originally \$1,000,000 total and then it got divided into
13 two kind of subaccounts, the tax parcels and the shareholder
14 parcels. The tax parcels, the original allocation was 355,000.
15 Offers have been made on eight parcels. Willing sellers have
16 been identified for an additional 10 parcels with an estimated
17 cost and the Fish and Wildlife Service has expressed interest
18 in reprogramming a certain portion of that for a parcel on
19 Kiliuda Bay. And if that parcel doesn't prove possible, for a
20 parcel on Sturgeon Lagoon and one on Kaguyak Bay.

21 But as shareholder parcels the original allocation was
22 645,000. Offers have been made on 21 parcels for 314,000,
23 leaving a balance of 331,000. They have willing sellers for an
24 additional 14 parcels and Fish and Wildlife Service has
25 expressed interest in reprogramming the remaining funds for the

00096

1 parcel on Kiliuda Bay. That is not on the table for
2 consideration today, they're still looking at the habitat
3 benefits report. That may come back at a later time, sometime
4 later this month.

5 CHAIRMAN PENNOYER: So no action is needed on
6 those last two items?

7 MS. McCAMMON: So no action on that.

8 CHAIRMAN PENNOYER: Okay.

9 MS. McCAMMON: So those are the items that are
10 currently on the list that I'm reporting back to you where we
11 are. And the goal was to find out if there were any kind of
12 additional funds there that were not being used, were not
13 needed, would be available for some other purpose. And then to
14 give the status of where we were on some of these -- the
15 acquisitions that have been in the works for quite a while.

16 CHAIRMAN PENNOYER: Basically what you're
17 proposing then is that there would not be any additional funds
18 available if we took the action to defer these until July 1st,
19 correct?

20 MS. McCAMMON: That's correct, it's basically
21 continuing to earmark those funds for the current projects.

22 CHAIRMAN PENNOYER: Including Termination Point
23 and.....

24 MS. McCAMMON: Yes.

25 CHAIRMAN PENNOYER:other parts that are

00097

1 -- ownership questions are still out there?

2 MS. McCAMMON: Yes.

3 CHAIRMAN PENNOYER: Okay. Do I have a motion?

4 MR. RUE: I was waiting for Craig to make this
5 motion.

6 MS. HEIMAN: I guess I just have a couple of
7 questions.

8 MR. TILLERY: Yeah.

9 MR. RUE: It's complicated.

10 MS. McCAMMON: It is complicated and we tried
11 to simplify it as.....

12 CHAIRMAN PENNOYER: Questions on it?

13 MS. HEIMAN: Yeah, and it's been explained to
14 me three times and I still have questions, so I apologize. My
15 understanding is there's about 6.2 million dollars that is sort
16 of in the hopper of projects that have been proposed or -- I
17 don't know if they're all included in this part one or not.
18 But that there is approximately that amount of money. This is,
19 my guess, only a portion of that money?

20 MS. McCAMMON: That's correct.

21 MS. HEIMAN: Are there other projects that
22 aren't listed here that are ongoing in the hopper?

23 MS. McCAMMON: Well, actually are they all on
24 here?

25 MS. SCHUBERT: I think they're all on there.

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1 MS. McCAMMON: Well, it's actually less than
2 6.2 because 6.2 included the Blondeau parcel and that's no
3 longer on here. And it included one other one I think or two
4 other ones. Sandra, do you want to come up to the table?

5 MR. RUE: This is small parcel status.....

6 CHAIRMAN PENNOYER: Where did the 6.2 number
7 come from?

8 MS. SCHUBERT: This is Sandra Schubert speaking
9 with the Trustee Council. I can't, like, go through and name
10 specifically, but since that 6.2 was first designated a couple
11 of those parcels closed completely, so they've moved out of our
12 active list, you know, the money, of course, has moved with
13 them. And then there are some other parcels that are in the
14 works that aren't in this part one of the memo because they are
15 proceeding according to schedule. All that's in part one are
16 ones that Council members had earlier asked questions about or
17 asked for more information on. But all of that 6.2 has been
18 designated for specific parcels.

19 MS. McCAMMON: If you want a status report just
20 on those parcels, we can give it, but we don't have that
21 completely set up. And the significance of the 6.2,
22 Mr. Chairman, is that when we put together our cash flow in
23 terms of which funds were already in the hopper versus
24 55,000,000 for habitat after 2002, last spring 6.2 million was
25 all the parcels that were in the works plus the support costs

00099

1 for that. And in the legislation that was passed by Senator
2 Murkowski and Stevens it is contingent -- that authority is
3 contingent on not spending more than that amount or the
4 55,000,000.

5 MS. HEIMAN: Right.

6 MS. McCAMMON: So there are some actually
7 statutory restrictions now.

8 CHAIRMAN PENNOYER: An additional thing is
9 anything of the 6.2 that's unspent goes over to the research
10 side of it in 2002?

11 MS. McCAMMON: Unless it's designated.

12 CHAIRMAN PENNOYER: Unless it's designated?

13 MS. McCAMMON: Yes, otherwise, yes.

14 CHAIRMAN PENNOYER: So what we have to play
15 with here, apparently, is the items that are listed here that
16 don't add up to 6.2 million dollars, they add up to -- what is
17 the total on the ones that you laid out here? Do you know what
18 the total amount is of these project that we're just deciding
19 whether to defer action on or not?

20 MS. McCAMMON: Those are all included within
21 the 6.2 million.

22 CHAIRMAN PENNOYER: That's this. I mean these
23 by themselves only total about, what 3,000,000, three and a
24 half million, something like that?

25 MS. McCAMMON: Correct, because there are also

00100

1 a number of parcels that are already just currently in the
2 works and there weren't any questions about them.

3 CHAIRMAN PENNOYER: Well, I understand, but
4 those aren't available, those are in the works.....

5 MS. McCAMMON: Right.

6 CHAIRMAN PENNOYER:they're going. These
7 are the parcels -- if you decided not to proceed on any of the
8 parcels on the list right now, of the 6.2 we have access to
9 about three and a half; is that right?

10 MS. McCAMMON: Well, actually more than that.
11 You also have access to the remaining funds for the tax
12 parcels, kind of the unearmarked funds for the tax parcels and
13 the unearmarked funds for the shareholders' parcels.

14 MS. SCHUBERT: And that little bit of support
15 cost money.

16 MS. McCAMMON: And a little bit of support cost
17 money. And that's why.....

18 CHAIRMAN PENNOYER: Okay.

19 MS. McCAMMON: We don't have it organized by
20 that 6.2 and if you wanted it specifically on that, we can do
21 that, but.....

22 MR. RUE: Right, it can be tough.

23 CHAIRMAN PENNOYER: I don't know if you need
24 the 6.2, but the question is sort of what do we -- do you have
25 additional protection opportunities here and the money to do

00101

1 those has to exist within whatever is left of the 6.2.

2 MS. McCAMMON: Right.

3 CHAIRMAN PENNOYER: So the question is how much
4 money is here, this is yet unspent.....

5 MS. HEIMAN: Right.

6 CHAIRMAN PENNOYER:that we can evaluate
7 -- maybe we shouldn't even take this motion until we look at
8 the additional protection possibilities and discuss them
9 relative in their merits to delaying funding on these. I don't
10 know if that's what you're getting at or not.

11 MS. HEIMAN: Well, the first part of what you
12 were saying is what I was getting at. The second part, I think
13 that there was an interest and that's what Molly and Sandra
14 have done in continuing these, although I'm a little worried --
15 not worried, but -- I guess I'll state very straight out front
16 what my view is. What I would like to do is move as quickly as
17 possible as we can on projects we know we want to do now so
18 that we know what's left over, so that we can take those
19 actions prior to 2002 when the money is split between the two
20 pots. And that I think that because that money could rollover
21 into the GEM, which would, of course, be a good purpose too,
22 but since it is an opportunity and we know we do have many
23 parcels out there that people are interested in, small parcels,
24 and some medium parcels, that we take a look at those and make
25 sure. The only way we can do that is by people moving quickly

00102

1 on action on the projects and that's why I like Molly and
2 Sandra putting dates by which we would reassess these projects,
3 whether they're going to happen or not.

4 I guess what I would ask is that we would find out for
5 sure whether these are likely and I don't know if 7/1 is soon
6 enough so that we can get on and finish some things up by the
7 end of the year. So on those that I think -- I would ask the
8 Council members for their agencies, for those that they think
9 there's not a very high likelihood that we would just give a
10 shorter time line, you know, and sort of put some pressure on
11 folks out there to make things happen so we know what we have
12 available for the rest of the year.

13 So that's my pitch.

14 CHAIRMAN PENNOYER: Shorter than July 1st?

15 MS. HEIMAN: Yeah, and I don't know if that --
16 I don't know what the appropriate date is, I just.....

17 CHAIRMAN PENNOYER: Well, for example, in the
18 legal hassle over Termination Point and Long Island and
19 wherever else, those likely to be solved before July 1st? Or
20 is that likely to even be solved by July 1st?

21 MS. HEIMAN: I don't know.

22 CHAIRMAN PENNOYER: That's the bulk of the
23 money.

24 MS. HEIMAN: And if it -- go ahead.

25 CHAIRMAN PENNOYER: Mr. Tillery and

00103

1 Mr. Gibbons, you want to shed some light on this?

2 MR. TILLERY: My question was what about the
3 dates for the Tatitlek homesites and the Kodiak and Larsen Bay
4 shareholder parcels, are there any kind of dates for those?

5 MS. McCAMMON: There are no dates for those,
6 no.

7 MR. TILLERY: Is that something you also would
8 want to see with some -- I mean, should we just kind ask for a
9 reassessment on July 1, just for everything?

10 MS. HEIMAN: Right, unless there's some that
11 people think they would like to do even quicker than that.
12 Maybe that's quick enough.

13 MR. TILLERY: I think that's probably
14 about.....

15 MS. McCAMMON: Mr. Chairman, for example -- for
16 clarification on that, for example, the tax parcels, we have in
17 the report here that willing sellers have been identified for
18 an additional 10 parcels. That doesn't mean that by July 1st
19 we'll have purchase agreements for those 10 parcels, so I don't
20 know what you mean by actual action.

21 MR. TILLERY: I guess I think, Mr. Chairman,
22 that my point would be that July 1 you're able to present to
23 the Council sufficient information that we can make a judgment
24 as to whether to extend it farther. And if the answer is we
25 don't have a purchase agreement, but we talked, we have an

00104

1 appraisal, you know, we're pretty close, then I think we vote
2 to extend. If the idea is they want 3,000,000 and, you know,
3 it's worth 200,000, maybe we say this one is not going
4 anywhere.

5 CHAIRMAN PENNOYER: Mr. Gibbons.

6 MR. GIBBONS: Yeah, I agree with that, too. If
7 they come back and say, yeah, we're doing a title search just
8 to clear title on this to reach an agreement, I mean, that's
9 making progress, you know, so I agree with that.

10 MS. McCAMMON: I would appreciate any kind of
11 message you could give to the agencies to try to move forward
12 with these as quickly as possible, because some of these, in
13 all honesty, even ones that have been approved, have been in
14 the works for over two years now.

15 MR. TILLERY: I think the message is July 1,
16 let's have a good reason if they're not ready or just about.

17 MS. McCAMMON: Okay.

18 CHAIRMAN PENNOYER: And even the public may
19 weigh in on some of this, but by July 1 all bets are off,
20 that's what I'm hearing, and you better had made up your mind
21 what you want to do and have some type of clear track of where
22 you're going on it or that's it.

23 MR. TILLERY: Or a compelling -- or a logical
24 explanation as to what they have.

25 CHAIRMAN PENNOYER: Yeah, or a compelling

00105

1 reason to continue, yeah.

2 MR. GIBBONS: Mr. Chairman.

3 CHAIRMAN PENNOYER: Yeah, Mr. Gibbons.

4 MR. GIBBONS: I'd like to speak to Tatitlek
5 homesite a little bit. The appraisal was due in October, we
6 just got it just before Christmas, right around Christmastime
7 and so we're now notifying those people if they do want to sell
8 for that price. But you'll notice in here we did have a ringer
9 come up in the appraisals. In the purchase agreement the
10 Tatitlek owned lots can only be sold to the State and the
11 Forest Service and so when the appraisal went through that
12 reduced the price of the fair market value of the lots by 50
13 percent, so those might be difficult to convince Tatitlek
14 to.....

15 MR. TILLERY: Yeah, you know, that's the same
16 thing.....

17 MR. GIBBONS: That wasn't the intent, but.....

18 MR. TILLERY: That's the exact same thing you
19 did with the timber purchases where you reduced the value
20 because we were going to have a conservation easement, so we
21 couldn't cut it if we got it. It doesn't make sense, we're
22 never going to be able to do those parcels, I assume, at this
23 price, right?

24 MR. RUE: They need new instructions or
25 something.

00106

1 MR. TILLERY: Is there some way to.....
2 MR. GIBBONS: It sure makes it difficult, I can
3 tell you that much because they look at the lot right next door
4 and it's 15,000 and it's 7,500 for this one.
5 MR. TILLERY: Yeah, so.....
6 MR. GIBBONS: I talked to legal counsel and it
7 wasn't the intent of the purchase agreement to do that, but
8 that's what the appraisers saw in it.
9 MR. TILLERY: Well, you've got until July 1 to
10 fix it, I think, is the.....
11 MR. RUE: Yeah, I hope you look into that
12 because it's sort of cutting our nose off to spite our face.
13 MR. GIBBONS: I've got a concept that I think
14 will work, but I'll need to talk to you.
15 CHAIRMAN PENNOYER: Are we ready for a motion?
16 MR. RUE: Is there a motion?
17 CHAIRMAN PENNOYER: Does somebody wish to make
18 it? Mr. Tillery, would you care to try to make a motion on
19 this?
20 MR. TILLERY: Mr. Pennoyer, I would move that
21 the dates, to the extent that there are dates for purposes for
22 earmarking this money be extended until July 1, 2000. To the
23 extent that these parcels do not have dates, I would suggest
24 that those small parcels also be given a July 1, 2000 date by
25 which the Executive Director is to report back on the status of

00107

1 each of the parcels and the Council will review them at that
2 time.

3 CHAIRMAN PENNOYER: Do I have a second for
4 that?

5 MR. RUE: Second.

6 CHAIRMAN PENNOYER: Moved and seconded.

7 Ms. Heiman, you want to talk about.....

8 MS. HEIMAN: I will say that I support that if,
9 in fact, we have a meeting on July 1. See what I mean? I
10 don't want to waste -- and not even meet until August, and we
11 have this information. I'm a little worried about timing and
12 being able to move into other projects by the other fiscal
13 year.

14 CHAIRMAN PENNOYER: Accept July 3rd or.....

15 MS. HEIMAN: Yeah, I would accept -- I just
16 want to make sure that -- I'm worried about July 1, I think
17 July 1 is too long. I think July 1, and it's also right before
18 4th of July and then we're not going to be having a meeting
19 until after, you know, until the 15th and so it's just pushing
20 things. And I would rather.....

21 CHAIRMAN PENNOYER: How about make it late June
22 or early July? Or do you want an exact date?

23 MR. RUE: Question on the intent.

24 CHAIRMAN PENNOYER: Commissioner Rue.

25 MR. RUE: My intent in voting for this was that

00108

1 the money is only authorized until July, we could meet in May
2 and talk about where we are; is that right?

3 MS. HEIMAN: Oh, I see, because it's a State --
4 it's a fiscal year.

5 CHAIRMAN PENNOYER: You may not know because
6 somebody won't.....

7 MR. RUE: Well, we've only authorized the money
8 to be around until July 1. And then by July 1 -- was the
9 motion that by July 1, prior to July 1 we would have met to
10 determine whether we're going to continue earmarking the funds?

11 MR. TILLERY: Well, the idea would be that
12 essentially these funds have -- these people having a July 1 --
13 the agencies and the land owners have until July 1 to get their
14 act together and present us with something that shows that
15 there's reason to keep that money earmarked for that parcel.

16 MR. RUE: Okay.

17 CHAIRMAN PENNOYER: I think we have a problem
18 if we send this type of notice out and somebody sits on it
19 until June 29th and then all of a sudden on June 23rd we take
20 the money away and if they're.....

21 MR. TILLERY: I think that's right. My sense
22 of it is that they really have until July 1. And I think
23 that's fair.

24 MS. HEIMAN: And so we won't have met before
25 then, we'll be after that?

00109

1 CHAIRMAN PENNOYER: Well, you could meet before
2 then, but I don't know how you would reach a conclusion.

3 MR. RUE: It's only earmarked until July 1, so
4 if we meet after July 1 none of this money is earmarked, we'd
5 have to act on every piece.

6 CHAIRMAN PENNOYER: It's gone.

7 MR. RUE: It's gone.

8 CHAIRMAN PENNOYER: Unless we re-up it.

9 MS. HEIMAN: Oh, I see what you're saying.
10 Well, that's almost a deadline in itself, but you better --
11 after it's all gone because none of it rolls over; is that
12 right?

13 MS. McCAMMON: Well, Mr. Chairman,
14 theoretically all of this money is gone now, because it all
15 expired in December and January.

16 CHAIRMAN PENNOYER: Some of it.

17 MS. McCAMMON: Some of it, about 3,000,000
18 would.

19 MR. TILLERY: Realistically it doesn't matter,
20 we're just putting a date out there, because you still take six
21 votes.

22 MS. HEIMAN: Well, I would like to amend it to
23 be 6/1 then, a friendly amendment if that will be of -- just so
24 that we meet in June before that time line.

25 CHAIRMAN PENNOYER: Do I hear a compromise,

00110

1 June 15th?

2 MR. TILLERY: The date is not -- you know, it's
3 frankly been some of the Federal parcels that have had the
4 biggest problem in getting their times down, so.....

5 MS. McCAMMON: Well, one of the reasons for
6 July 1 was that if anything did require State legislative
7 authorization, the budgets are signed and effective July 1,
8 although actually they still probably wouldn't even be signed
9 even if you had a purchase agreement.

10 MR. TILLERY: But the budget would have been
11 passed by even June 15th and the sense of this is if we got the
12 money and we got the budget passed we're going to say extend
13 it.

14 MS. McCAMMON: The budget will be passed by May
15 15th.

16 MR. TILLERY: So I've got no problems with June
17 15th.

18 CHAIRMAN PENNOYER: June 15th is the
19 compromise?

20 MS. HEIMAN: Well, actually -- I'm sorry to be
21 so specific about the date. I guess what I would really like
22 to give direction to is that the staff and the folks that work
23 on these parcels would really know what's going on by mid-June
24 so that when we met in early July it was all ready to go,
25 because I just don't want to have this linger on and on, that's

00111

1 all. And I'm going to be very clear about this when we get to
2 it as well.

3 CHAIRMAN PENNOYER: The money is gone -- now,
4 is all the money gone, even these others that don't have dates
5 on them by June 15th?

6 MS. McCAMMON: That was the motion.

7 CHAIRMAN PENNOYER: Is that the proposal? So
8 it's off the table? Anybody who signs a deal on June.....

9 MR. TILLERY: It's supposed to establish a
10 date, but the effect of saying it's gone is -- I mean it takes
11 six votes to approve one of these anyway, it would take six
12 votes to put something back on the table in August or
13 September. So there's no.....

14 CHAIRMAN PENNOYER: But June 15th.....

15 MR. TILLERY: But June 15th.....

16 CHAIRMAN PENNOYER:is the last time
17 somebody can sign a deal?

18 MR. TILLERY: Yeah, without coming back to
19 the.....

20 CHAIRMAN PENNOYER: Okay, without coming back
21 to the Council.

22 MR. TILLERY: Well, they can't -- I don't think
23 any of these things are approved without -- everyone of them is
24 subject to Council approval, aren't they?

25 CHAIRMAN PENNOYER: But the authorization to

00112

1 even make a deal.....

2 MS. McCAMMON: Two of them have been.....

3 MR. TILLERY: The authorization to basically
4 pursue it, to do another appraisal, all that sort of thing,
5 would be gone.

6 CHAIRMAN PENNOYER: All right. That's pretty
7 hard notice, I think. June 15th all right on that?

8 MR. GIBBONS: I've got a comment, Mr. Chairman.

9 CHAIRMAN PENNOYER: Mr. Gibbons.

10 MR. GIBBONS: I don't have a problem with some
11 of these on here, even, you know, like the Duck Flats or Jack
12 Bay for the Forest Service. But I do have a concern on the
13 Tatitlek homesites because the appraisal was just done just
14 before the first of the year. The time frame involved with
15 these versus the other ones are greatly shorter and so I do
16 have concern including Tatitlek homesites, lumping that into a
17 deadline of July 1st.

18 CHAIRMAN PENNOYER: June 15th.

19 MR. GIBBONS: June 15th, that's even more
20 concern.

21 CHAIRMAN PENNOYER: Well, the only thing I'd
22 say about that is the fact that if you have a real compelling
23 reason you can come back and get six votes to put it back on
24 the table.

25 MS. HEIMAN: Yeah, and we'll put it back -- I'm

00113

1 sure we would.

2 CHAIRMAN PENNOYER: I guess.

3 MS. HEIMAN: Any of them that's true of.

4 MR. TILLERY: And, again, I don't have a
5 problem with that because you've got five, six months,
6 whatever, between now and then and all you've got to do is to
7 show that these things are headed somewhere to keep it going.

8 MR. GIBBONS: As long as that's -- if we show
9 that there's some movement on it and that's sufficed for the
10 Trustee Council.

11 CHAIRMAN PENNOYER: And if you, again, thought
12 that there was some compelling reason that would put a dash of
13 cold water on the deal, and the money would sort of go away and
14 you wanted a meeting June 1st, I guess you could come back and
15 ask us for a teleconference to do something different at that
16 date. For that -- some particular parcel, if you thought the
17 advertisement was going put a chilling effect on the deal.

18 MR. RUE: I guess I'm going to repeat the
19 motion for me and perhaps ask Ms. McCammon.....

20 CHAIRMAN PENNOYER: The maker of the motion
21 wants to repeat the motion. Ms. McCammon, would you
22 repeat.....

23 MR. TILLERY: Can we read that back?

24 CHAIRMAN PENNOYER:the motion -- would
25 you read back the motion?

00114

1 MR. RUE: Well, and I guess what I'm getting
2 at, Mr. Chairman, is what -- the Executive Director is going to
3 send a notice out to us and then, I guess, everyone who's doing
4 a deal, who will then be sending to the folks we're talking to
5 and say, hey.....

6 CHAIRMAN PENNOYER: Okay. Would you care to
7 rephrase it, please?

8 MS. McCAMMON: Mr. Chairman, part of it -- I
9 mean, this is what we tried to do for this deadline. I mean we
10 started last September asking agencies what's real out there,
11 what really has life in it and what -- the answer we got is
12 everything has some life in it.

13 MS. HEIMAN: You're too nice, Molly, you've
14 just got to cut it off.

15 MS. McCAMMON: I can go through the list right
16 now and tell you what's real and what's not and what's going to
17 happen in the next year or two realistically.

18 CHAIRMAN PENNOYER: Nobody's arguing against
19 doing this, we're just saying we'd like the motion broken down
20 into pieces so everybody understands what's in it.

21 MS. HEIMAN: I think what we're asking for is a
22 clean slate.....

23 CHAIRMAN PENNOYER: I guess June 15th and start
24 over.

25 MS. McCAMMON: Okay.

00115

1 MS. HEIMAN:so we know -- we have an
2 opportunity to look at things come July 1, and I think that's
3 what Molly has been trying to get to, right?

4 MS. McCAMMON: We've been trying and I'm glad
5 we have the agencies cooperation now in doing it.

6 CHAIRMAN PENNOYER: June 15th is the clean
7 slate. And the way this works is slightly.....

8 MR. RUE: Is that how the motion reads?

9 MS. McCAMMON: The motion reads is that those
10 that don't have a date are now earmarked until June 15th and --
11 yeah, and even if anything did have a date it's now changed to
12 June 15th.

13 CHAIRMAN PENNOYER: Everything on this
14 list.....

15 MR. GIBBONS: That's with the caveat that if
16 progress is being shown that that money would then.....

17 CHAIRMAN PENNOYER: But you'll have to come
18 back here to do that.

19 MR. GIBBONS: Yeah.

20 MS. McCAMMON: The Council still has to take
21 action on that.

22 CHAIRMAN PENNOYER: So everything on pages one,
23 two and three and -- everything in part one, listed in part one
24 has now got a June 15th deadline. If it had expired it's
25 extended to June 15th, if it hasn't expired, it's deadlined on

00116

1 June 15th. And with the ability to come back and revisit that
2 as quickly as possible at that point, based on a report from
3 the Executive Director.

4 MR. GIBBONS: Point of clarification. I heard
5 part one of -- three parts of part one.

6 MR. TILLERY: Right.

7 MS. HEIMAN: Yeah, all of part one.

8 CHAIRMAN PENNOYER: Yes.

9 MS. McCAMMON: Right.

10 CHAIRMAN PENNOYER: All of what's labeled part
11 one in pages one, two and three in here are all covered by
12 that.....

13 MS. McCAMMON: Right.

14 CHAIRMAN PENNOYER:until you get down to
15 this additional protection possibilities.

16 MS. McCAMMON: Right.

17 MR. RUE: And everyone's.....

18 CHAIRMAN PENNOYER: It's been moved and
19 seconded the June 15th date.

20 MS. HEIMAN: I have one more point of
21 clarification.

22 CHAIRMAN PENNOYER: Yes.

23 MS. HEIMAN: And it's a question for Sandra or
24 Molly. Are there other parcels out there that we need to give
25 that 6/15 date to that are not listed in part one?

00117

1 MS. McCAMMON: Well, I was looking through
2 this, there are a number of all those KAP shareholder parcels
3 that are all pending title opinion from the Solicitor, but I
4 don't think those are -- we have purchase agreements signed on
5 those. So those wouldn't be included in that because they're
6 just.....

7 CHAIRMAN PENNOYER: They're in the mill.

8 MS. McCAMMON: They're already in the mill.

9 MS. HEIMAN: So everything else in the 6.2
10 million is included, has that same 6/15 date, except for
11 Koniag, is what I would say.

12 MR. RUE: What do you mean except Koniag?

13 MS. HEIMAN: Oh, we can do Koniag, too.

14 MR. RUE: I'm sorry, you said except Koniag,
15 what do you mean by that?

16 MR. GIBBONS: Yeah.

17 CHAIRMAN PENNOYER: I'm sorry I didn't
18 understand the Koniag reference. It's not in here now.

19 MR. TILLERY: Koniag is not part of this, not
20 this.

21 MS. HEIMAN: It's not?

22 MR. GIBBONS: It's a large parcel.

23 MR. TILLERY: It's a large parcel.

24 MS. HEIMAN: Is there any other large parcel
25 money out there, hidden that I don't know about? It's just

00118

1 Koniag is the only thing.

2 MR. TILLERY: That's the only one out there.

3 MS. HEIMAN: Okay, forget about Koniag.

4 CHAIRMAN PENNOYER: I think Koniag comes under
5 the additional protection possibilities, doesn't it?

6 MS. McCAMMON: No, it's separate.

7 MS. HEIMAN: Yeah, it's a separate parcel, it's
8 a large parcel not small.

9 MR. RUE: Right. Everything under part one.

10 MS. McCAMMON: Yeah.

11 CHAIRMAN PENNOYER: Right, page one, two and
12 three in the memo identified as part one, all the items in
13 there, expired offers, Kodiak tax parcels, Brown's Lagoon,
14 Termination Point, Duck Flats, Jack Bay, Stariski, Tatitlek
15 homesites, Kodiak tax and Larsen Bay shareholder parcels are
16 all included in the now June 15th deadline, which either
17 extends an expired deadline or expires a non-deadline.

18 MR. RUE: Right. And the coach turns to a
19 pumpkin and we have to put it back.

20 CHAIRMAN PENNOYER: You have to put it back --
21 right, you have to put the pumpkin back in the coach or
22 whatever.

23 MR. RUE: Yeah.

24 CHAIRMAN PENNOYER: It's been moved and
25 seconded, anybody have any further questions on the context of

00119

1 this or the detail?

2 (No audible responses)

3 CHAIRMAN PENNOYER: And, obviously, the June
4 15th, if anything happens in the short term, the Executive
5 Director would inform us of progress. Any agency can bring
6 back on the table something they think would be needed back on
7 before we hit June 15th. And we'll meet as soon as possible
8 after June 15th?

9 MS. McCAMMON: Okay.

10 CHAIRMAN PENNOYER: Commissioner Rue.

11 MR. RUE: Did we ask Molly and her staff to
12 give us an accounting of the 6.2 million at that time, too?

13 MS. McCAMMON: We will.

14 MR. RUE: That would be good.

15 CHAIRMAN PENNOYER: Good point. Moved and
16 seconded that we basically adopt a June 15th deadline for all
17 the items in part one of the memo. Is there any objection to
18 the motion?

19 (No audible responses)

20 CHAIRMAN PENNOYER: Hearing none, the motion
21 passes. Thank you.

22 MR. TILLERY: Mr. Chairman.

23 CHAIRMAN PENNOYER: Yes.

24 MR. TILLERY: I have another small parcel
25 question if we can still take that. Given that we've got these

00120

1 deferred projects coming, I'm suspecting we're going to be
2 doing a court request shortly. And since we've got people here
3 if I could find out the status of any small parcels that need
4 to go, particularly the 17 tax parcels that have been deferred,
5 do we know what the timing is of those?

6 MR. SHUCK: We should be coming to Molly with
7 certification this week for roughly \$200,000, 12 of the
8 Conservation Fund parcels we're buying. The other remaining
9 five of those we're working on clearing title. We're also
10 including one private shareholder parcel.

11 MR. TILLERY: Okay. And that'll -- I don't
12 have to do anything faster than that for the deferred project
13 stuff, so we can wrap those into it.

14 MS. McCAMMON: I think that should be okay. I
15 know Traci's working on the court request now.

16 MR. TILLERY: Okay.

17 CHAIRMAN PENNOYER: I've lost track of the
18 fact, do we have anybody on the phone or not?

19 MS. R. WILLIAMS: No, sir.

20 CHAIRMAN PENNOYER: Okay, so we can just take
21 comments from the audience then without going to the table.
22 Thank you.

23 Okay, so why don't we proceed then, I guess, with part
24 two, additional protection possibilities, do you want to go
25 through the rest of this memo, given the answers already given

00121

1 to you?

2 MS. McCAMMON: Yes. Part two, one of the
3 things we were looking at is that if any of those parcels
4 within the 6.2 million were not going to happen, what other
5 potential opportunities might be out there during the next two
6 years for future Council action. And so we did put together a
7 list of some potentials there, this is not meant to be an
8 all-inclusive list, it only identifies those parcels that have
9 been brought to my attention, there may be other parcels out
10 there that other people are aware of, but I think it's a fairly
11 good universe of what's out there.

12 It includes a parcel that DNR.....

13 CHAIRMAN PENNOYER: Excuse me, Molly, given the
14 motion we've taken though, there's no money for any of these,
15 this is just for information purposes?

16 MS. McCAMMON: That's correct, informational
17 purposes.

18 CHAIRMAN PENNOYER: So after June 15th, these
19 are some of those we'd be considering?

20 MS. McCAMMON: That's correct.

21 CHAIRMAN PENNOYER: If they have any additional
22 nominations they ought to be in their pocket by that time or
23 circulated to us? Thank you.

24 MS. McCAMMON: That's correct.

25 CHAIRMAN PENNOYER: Go ahead, I'm sorry.

00122

1 MS. McCAMMON: So DNR has requested that the
2 Hopkins parcel be considered a parcel meriting special
3 consideration, it's already gone through the review process and
4 scored a three. DOI has identified over 2,500 additional acres
5 of inholdings, roughly 35 small parcels in the Kodiak Alaska
6 Peninsula and Alaska Maritime Refuges which they would like to
7 acquire. Estimated value of those parcels is nearly 4,000,000.
8 They also have a 9,000-acre parcel in the Kenai Refuge
9 estimated four and a half million.

10 If the State/Old Harbor Native Corporation land
11 exchange is completed, DNR has indicated interest in acquiring
12 some of the roughly eight to 10 remaining inholdings in the
13 Kiliuda Bay area. Three of them have already been submitted
14 through our process and reviewed for their habitat benefits.
15 There's still the Sitkalidak Island conservation easement
16 issue. As part of the Old Harbor acquisition the Old Harbor
17 Corporation agreed to reserve 65,000 acres of land on
18 Sitkalidak as a private wildlife refuge. There was no
19 discussion as to what that conservation easement would look
20 like. The corporation is seeking compensation for what they
21 call an enhanced easement, which they say would be a stronger
22 conservation easement than they had originally planned.

23 If Koniag phase two purchase is completed, Interior has
24 indicated interest in some additional Koniag inholdings in the
25 refuge that would be considered part of the entire phase two

00123

1 acquisition. Forest Service has indicated that they might be
2 interested in some additional Tatitlek homesites in the future.
3 Karluk Village Council is interested in beginning discussion of
4 protection of approximately 800 acres of village council lands,
5 including the weir on the Karluk River. They also have an
6 additional 650 acres of lands around Sturgeon, Grant and
7 Halibut Lagoons.

8 Lesnoi has hired Roy Jones as counsel and is interested
9 in pursuing a package that would include Termination Point,
10 Long Island and potentially thousands of acres in the Chiniak
11 area. Over the long term it's possible that the remainder of
12 Pauls and Laura Lakes, Afognak Lake and other additional
13 Afognak Joint Venture lands, additional land along the Kenai,
14 Kasilof and Anchor Rivers, all of these may become available in
15 the future. There is nothing on the table now, but there might
16 be in the future.

17 Additional inholdings within the refuge system and the
18 national parks, Lake Clark and Kenai Fjords may also become
19 available and there may be other parcels, such as Middleton
20 Island, which is south of Prince William Sound, which we
21 haven't considered part of the spill area, but if we're looking
22 at a little bit broader North Gulf area, might be considered
23 possible.

24 CHAIRMAN PENNOYER: That's unique.

25 MS. McCAMMON: So these are all things -- there

00124

1 is nothing that is a definite in here, probably, other than the
2 Hopkins parcel, at this point, but they're all possibilities
3 for the next couple of years, depending on the availability of
4 funding.

5 CHAIRMAN PENNOYER: Thank you. I imagine you
6 want to go through the part three then?

7 MS. McCAMMON: Yeah, the Council also, at your
8 October meeting, directed us to start thinking about the long-
9 term future of the program and we're starting to look at three
10 scenarios for Council consideration sometime later this spring.
11 One would be a hands-on kind of status quo proposal, the
12 Council would maintain its current hands-on role in program
13 administration and governance. Kind of going to the opposite
14 end would be a hands-off approach where the program
15 administration, governance and the funds would be transferred
16 to a non-profit organization. And then there could be
17 considered a hybrid proposal in the middle where some
18 administrative functions would be delegated or contracted to a
19 non-profit organization. The Council would continue to manage
20 funds and authorize appraisals and purchases.

21 So we've been meeting with the Restoration Office staff
22 and a number of the Trustee agency staff met with
23 representatives from Nature Conservancy and Conservation Fund.
24 We're starting to explore what some of the opportunities might
25 be and what some of the advantages or disadvantages would be.

00125

1 We'll be looking at that and trying to get as much information
2 at this point that we can, we're kind of at a fact-finding
3 point right now. And we would be looking at a program that
4 could be applied to both small parcels and something larger
5 than that, too. So we'll be coming back to you in the future
6 on that.

7 CHAIRMAN PENNOYER: Okay. Are there any
8 questions of the Executive Director on this or the last item?
9 Commissioner Rue.

10 MR. RUE: On this last item, I assume counsel
11 is talking about what we're allowed to delegate in term of our
12 trust responsibility?

13 MS. McCAMMON: Right.

14 MR. RUE: Okay.

15 MS. McCAMMON: Yeah, the legal questions will
16 be a big one there.

17 MR. RUE: Right.

18 CHAIRMAN PENNOYER: Okay, any other questions?

19 (No audible responses)

20 CHAIRMAN PENNOYER: And we've taken the
21 recommend action that you already have at the latter part of
22 this memo, correct?

23 MS. McCAMMON: Right, that's it.

24 CHAIRMAN PENNOYER: So this closes the portion
25 of the agenda on the status of Small Parcel Program and Other

00126

1 Habitat Protection Opportunities?

2 MS. McCAMMON: Yes.

3 CHAIRMAN PENNOYER: Fine. We then proceed to
4 the next item on the agenda which is Gulf Ecosystem Monitoring
5 Program, GEM. Outside of some recommendations that we change
6 the name, which I think is a little bit tongue-in-cheek, do you
7 want to go ahead and lead us through this thing, Molly?

8 MS. McCAMMON: In your packet are three items,
9 one is a memo which describes our outreach efforts in the last
10 two months. The other is a draft executive summary and the
11 third are draft proposed revisions to the October 22nd version
12 of the GEM document.

13 If you recall at the meeting on October 22nd, we came
14 to you with a draft GEM Program and at that time you said to
15 take it out for public review and comment and continue working
16 on it. Since that time the Science Coordinator, Phil Mundy,
17 and myself have made presentations in Anchorage, Cordova,
18 Homer, Valdez, Soldotna, Port Graham, Kodiak, Fairbanks and
19 Seward. We've met with everyone from the Board of Fisheries to
20 the Cook Inlet and Prince William Sound Regional Advisory
21 Councils, the Council's Public Advisory Group, community
22 facilitators, the Science Center at the University of Alaska
23 School of Fisheries and Ocean Sciences faculty, just a host of
24 groups. We have a number of meetings that are currently being
25 developed with the Kodiak Audubon Chapter, the Alaska Oil and

00127

1 Gas Association Resource Development Council and CDFU in
2 Cordova, among others. We've also talked to dozens, if not
3 more than 100 individuals. So we've had a lot of outreach with
4 folks over the last two months in terms of this program.

5 And I think what we can safely say is that everyone is
6 unanimously enthusiastic about the program. They all have a
7 lot of questions about how it would actually work and what it
8 would actually fund. A lot of people question whether it might
9 be too ambitious and wanted to know, basically, how it would
10 work. And I think actually implementing it is going to be a
11 whole other challenge. But one of the things that became clear
12 in our discussions is that the one thing we were really missing
13 was an executive summary, was a document that went through and
14 very succinctly, within a matter of a few pages, described what
15 we were talking about and really describe the program.

16 And so the three-page document in your packet here is
17 our best first start at an executive summary. We would get
18 questions from people about the program and we'd say, oh, it's
19 in there, in, you know, Section 29(z) and at the bottom. And
20 they say, well, I don't really see it there or whatever, so
21 this was a chance to really put it all together. What this has
22 helped us do, I think, is further articulate the goals of the
23 program and on page two you'll see that we have taken -- what
24 were before we had a whole set of primary goals and then
25 secondary goals, we put those all together and we have gotten

00128

1 it down, basically, to five major goals. And detect,
2 understand, predict, inform and solve. And this, basically,
3 has subsumed all the other goals that we had before, but I
4 think it's a good way of describing to the public what the
5 program is all about.

6 To be able to serve as an early warning system to
7 detect change in the marine ecosystem, coastal watershed out to
8 the Central Gulf, to understand what is causing those changes,
9 to predict -- to be able to use that information to predict the
10 status and trends of what's happening in the future. To inform
11 the public, resource managers, industry, policy-makers,
12 whomever, so that they can respond to those changes in their
13 resources. And then, lastly, to solve, to develop tools,
14 technologies, information systems that can help managers and
15 the public and regulators improve management of resources and
16 public use of those resources.

17 We also did a little fine tuning of.....

18 CHAIRMAN PENNOYER: One question, Molly.

19 MS. McCAMMON: Yes.

20 CHAIRMAN PENNOYER: One of the huge problems
21 here is ambition versus funding.

22 MS. McCAMMON: That's correct.

23 CHAIRMAN PENNOYER: Pretty obviously the
24 \$5,000,000 isn't going to come close to real ecosystem
25 monitoring working on an area the size of the North Gulf of

00129

1 Alaska, so a large part you mention in here in other places is
2 the coordinative goal, and that's not in your primary goals; is
3 that a problem or not?

4 MS. McCAMMON: Well, we call these the
5 programmaticals and there are a set of institutional goals.
6 And the institutional goals are the leveraging of funds, the
7 showing leadership in setting priorities, identifying gaps,
8 encouraging efficiency and integration.

9 CHAIRMAN PENNOYER: Why do you -- if you're
10 spending money in a program for peer review and coordination
11 that you're going to basically attempt to leverage other
12 people's work and give oversight to other people's work in some
13 ways, why isn't that a programmatical -- in other words, it's a
14 goal of the program.....

15 MS. McCAMMON: Uh-huh.

16 CHAIRMAN PENNOYER:and you're spending
17 money in the program to do this and it's going to be a major
18 part of your function, is perhaps providing peer review to
19 other people's programs, in a way. We're asking them to buy
20 into it anyway, whether they do or not. So I'm not sure if
21 that's a programmatic or an institutional goal.

22 MR. TILLERY: It seems to me that that's one
23 way to carry out these five that are listed. One way you spend
24 your own money and do projects and another way is that you try
25 to influence other organizations to spend their money to solve

00130

1 these things, so I.....

2 CHAIRMAN PENNOYER: And does that say that
3 clearly in here somewhere in some of the goals?

4 MR. TILLERY: I think right above it it talks
5 about it.

6 CHAIRMAN PENNOYER: I'm sorry?

7 MR. TILLERY: I said right above it it talks
8 about the leveraging and so forth.

9 MS. McCAMMON: It probably doesn't say it
10 clearly enough.

11 CHAIRMAN PENNOYER: I'd be confused if I read
12 this.....

13 MS. McCAMMON: Uh-huh.

14 CHAIRMAN PENNOYER:and thought we were
15 going to do all of this for 5,000,000 bucks a year because
16 you're not going to.

17 MS. McCAMMON: Uh-huh.

18 CHAIRMAN PENNOYER: But you could if a
19 substantial part of that money or a significant part of that
20 money -- I better not say substantial not to the type of peer
21 review organization discussion you're going to have with other
22 agencies who want to come in, and other people who want to come
23 in and bid on the money. And part of the cost of doing that is
24 to put your whole program out there to show why it coordinated
25 with this and you're not just doing a university spot funding

00131

1 of things you think are priority, they might be shopping around
2 town to other places for the money. I don't know, it.....

3 MR. RUE: I think Craig made a good suggestion
4 that perhaps Molly can incorporate somewhere in that write-up,
5 which is part of accomplishing these programmatic goals will be
6 the planning and coordination and thinking that we'll be doing
7 that'll help bring other money to bear on these questions.

8 CHAIRMAN PENNOYER: I didn't want to interrupt
9 you, but when you got to the goals it seemed to me.....

10 MS. McCAMMON: No, I agree with you.

11 CHAIRMAN PENNOYER:that people up front
12 ought to look at this.....

13 MR. RUE: Yeah.

14 CHAIRMAN PENNOYER:and realize to come to
15 the table they're going to have to bring something else to the
16 table. And that's true particularly of us and other agencies,
17 State and Federal agencies, going to have to come in and
18 basically open up your program, at least in these areas for the
19 discussion.

20 MR. RUE: I read that in here, right, but I
21 don't think it would hurt to emphasize it more.

22 MS. McCAMMON: I'll take a look at how to show
23 that because -- I mean certainly -- well, for one thing we're
24 hoping that it'll be closer to 10,000,000 a year than 5,000,000
25 with good investments. But certainly, I mean, this part of

00132

1 leveraging synthesis information involvement could be a very
2 significant part of the program, I mean, even cost-wise.

3 CHAIRMAN PENNOYER: As I recall back to the
4 table you had back here, even at our greatly reduced level
5 right now, we're at eight point, I think you said, four, 8.4
6 million and that's pretty far up on this list and we're at a
7 well-cutback program on research right now.

8 MS. McCAMMON: Well, the other thing is that
9 8.4 million doesn't include the administrative costs and any
10 \$5-10,000,000 program is going to have to include the
11 administrative costs, too.

12 CHAIRMAN PENNOYER: That's true. So I think
13 it's just a point -- and mostly I want people to look at this
14 and sign off on it, to buy into the concept that you're going
15 to do these things, but you're going to do it through a
16 coordination and aggregation, whatever, with the work going on.

17 MS. McCAMMON: Uh-huh.

18 CHAIRMAN PENNOYER: Anyway, I'm sorry, I didn't
19 mean to interrupt you, but when you got to the goals, I read
20 the goals and thought we're not going to do that for that
21 amount of money.

22 MR. RUE: Yeah.

23 MS. McCAMMON: Uh-huh.

24 CHAIRMAN PENNOYER: And by that time we should
25 have already up front told people this is not that, we're

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1 talking about a \$50,000,000 investment between all the agencies
2 and groups out there that are spending money on sea lions to
3 God knows what else.

4 MR. RUE: I think that's a good point. I was
5 going to mention -- I'm glad you used the word inform instead
6 of educate so we had an acronym that didn't mean anything.
7 Otherwise we would have been in trouble.

8 MS. McCAMMON: Well, I was kind of looking the
9 other way but DUPIS was kind of.....

10 CHAIRMAN PENNOYER: Some of us need education.

11 MR. RUE: Go ahead.

12 CHAIRMAN PENNOYER: Okay.

13 MS. McCAMMON: Oh, DUPES. Someone suggested
14 also that we change predict to forecast and then it could be
15 DUFIS, but whatever.

16 CHAIRMAN PENNOYER: I believe one of our
17 scientist is actually forecasting pink salmon in Prince William
18 Sound not based on pristane, so I don't know why he stuck his
19 neck out that far.

20 MR. WRIGHT: Are you calling him a dufis?

21 CHAIRMAN PENNOYER: What?

22 MR. WRIGHT: Are you calling him a dufis for
23 doing that?

24 CHAIRMAN PENNOYER: No. All right.

25 MS. McCAMMON: The paragraph above the goals

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1 there's a slightly revised mission statement. I think the
2 original mission statement was to foster a healthy and
3 biologically diverse ecosystem in the Northern Gulf through
4 greater understanding of how its productivity is influenced.
5 This one includes, and it could definitely use some, I think,
6 smoothing out, but includes the concept of sustainability of
7 human use of the resources. That was something that we heard
8 from a number of folks that they wanted to make sure that that
9 was -- that that was an important element and that that was
10 included.

11 CHAIRMAN PENNOYER: And you have, as Craig
12 said, the last sentence in there shows some of this
13 coordinative thinking.

14 MS. McCAMMON: Right, and we can -- I'll
15 highlight that and play around with that.

16 The other thing that was changed somewhat in here was
17 in response to discussion from a number of folks is clarifying,
18 a little bit, the concept of the working model. And we know
19 that the program will have a long-term monitoring element of it
20 and that to have a monitoring program that makes sense you need
21 to have at least some concept or some model of what you're
22 trying to -- or have a system of what you're trying to monitor
23 because that's what you base what you monitor on. And this one
24 was developed with a lot of discussion from all the folks
25 within the agencies and a number of folks in the scientific

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1 community. We've had some further refinement of it, but
2 basically it uses the PDO, the Pacific Decadal Oscillation, as
3 the basis for an understanding of decades where the Gulf is
4 warm and windy with lots of precipitation and under those
5 conditions offshore grazers, such as salmon, do well, which is
6 the current situation. The coastal grazers, such as seabirds
7 and seals, do not thrive.

8 In other decades the Gulf is cooler and less windy with
9 less precipitation and under those conditions salmon do not do
10 as well, but inshore birds and seals are favored. In addition,
11 overlaid on top of these are the El Ninos and La Ninas and then
12 you also have a long-term warming trend in the North Pacific.
13 And on top of that you add to it -- add to the natural
14 environmental changes also the effects of local or possibly
15 even large scale perturbations caused by human activities, that
16 could be fishing, that could be contaminant pollution, habitat
17 loss, degradation and things of that nature. So this would be
18 kind of a working model.

19 And, you know, we've thought a lot about how this would
20 actually work and actually on the board over here,
21 conveniently, is a little bit of a concept of how we kind of
22 look at things. And if you look at things from the top,
23 seabirds, marine mammals, fish, and then you get into a lower
24 level of zooplankton, phytoplankton, then you get into the
25 physical oceanography, kind of where you're taking

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1 temperatures, salinity, wind, current, things of that nature.
2 Trying to decide what are the sentinel key measurements within
3 those groups. The sentinel species and then what of those
4 things do you measure. And there's going to be a balance
5 between looking at things locally, regionally and then also
6 gulf-wide.

7 And when we put together this matrix of who monitors
8 what and what GEM actually monitors versus the other agencies,
9 I think we'll be looking at some kind of a matrix like that.
10 And then we'll also have to be looking at what are the major
11 stresses or potential threats to each of these groups on kind
12 of a local, regional and gulf-wide basis and, again, do some
13 kind of a balance in terms of responding to those kind of
14 issues. And it's one of those thing trying to keep people --
15 local people involved, they want to see what's happening to the
16 resources in their own back yard, but they also know that the
17 resources in their own back yard are affected by what's going
18 on in the Central Gulf. And it will be a balancing mix of
19 those in the future.

20 But when we started talking about this, this is what
21 we, kind of what we meant when we said we'd be getting together
22 in these smaller groups to figure out, okay, if we are going to
23 do seabirds, what is it about seabirds, where are we going to
24 monitor and what parameters are we going to monitor. What are
25 the threats to seabirds, what do we need to know in addition to

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1 just measuring populations to them. And the same with marine
2 mammals, fish and zooplankton, phytoplankton level and then
3 down into the basic measurements.

4 So this is kind of the next stage once we get the first
5 document done, the kind of a start of here's what an initial
6 monitoring plan would look like and this would be kind of the
7 basis of going out for the first invitation or RFP.

8 MR. RUE: I don't see your sharks on there,
9 Steve.

10 (Laughter)

11 MS. McCAMMON: So what would be helpful to get
12 from you today is -- this is kind of our -- we were hoping that
13 today we would come to you with the next draft all polished
14 and, you know, with a red bow on it and you would just kind of
15 bless it and it would go out to the National Research Council
16 tomorrow, and you can see we're not there yet. Fortunately the
17 Council is delayed also, so we have a little bit of time, but
18 it would be very helpful to get a sense from you here that
19 we're still on the right track here and to proceed with the
20 next full-blown version.

21 CHAIRMAN PENNOYER: Molly, I'm sorry I forgot,
22 the National Resource Council is funded for how much to do this
23 and by whom?

24 MS. McCAMMON: By the Trustee Council.

25 CHAIRMAN PENNOYER: How much?

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1 MS. McCAMMON: The project is 200 and....

2 MS. SCHUBERT: Two fifty or sixty, I think.

3 MS. McCAMMON:260,000, I think. Since
4 they're getting started late they probably won't spend that
5 this year is my guess.

6 CHAIRMAN PENNOYER: And they expected the
7 document when?

8 MS. McCAMMON: They expected it February 1st,
9 they know now it's about April 1st.

10 MR. RUE: What was the total cost of their
11 review that came in?

12 MS. McCAMMON: Their review over 10 [sic] years
13 I think is 400,000 or so.

14 MR. RUE: Over?

15 MS. McCAMMON: Over two years. And most of
16 that is travel and some staff time. There are large committees
17 for travel up here.

18 MR. RUE: Right.

19 CHAIRMAN PENNOYER: Have they formed a
20 committee yet or adopted names or do you know who it is?

21 MS. McCAMMON: No, they've been -- they don't
22 have a chairman yet. They put a call for nominations and they
23 got a very large number, so they will have no problem getting a
24 full committee.

25 CHAIRMAN PENNOYER: Okay.

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1 MS. McCAMMON: The question was getting a good
2 chair.

3 CHAIRMAN PENNOYER: And what do you want us to
4 do here today because we have the whole list.....

5 MR. RUE: Tell her they're on the right
6 direction.

7 MS. McCAMMON: Tell us we're on the right
8 track, say this looks good.

9 CHAIRMAN PENNOYER: I think they would
10 appreciate comments if we have them.

11 MS. McCAMMON: Comment, yes, definitely.

12 CHAIRMAN PENNOYER: Do you wish to make other
13 comments? You don't want to read the whole thing to us,
14 presumably we've looked at it. Anybody have comments on the
15 details presented here or the executive summary?

16 MR. TILLERY: I think this is generally on the
17 right track and I've had some specific comments that I've
18 already made. I saw an earlier draft of this, so I guess I
19 don't think it's probably worth me going through this point-by-
20 point at this time, but I guess my view is that it is on the
21 right track, it is in the right direction and I think you ought
22 to keep going.

23 CHAIRMAN PENNOYER: Do you wish to highlight
24 any particular things for us that were a concern to you in
25 terms of making choices?

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1 MR. TILLERY: My comments -- really,
2 substantively, I think this is just fine. They are more
3 questions of emphasis language, whether some things should come
4 first or second. It's just to the point of emphasis, that sort
5 of thing, but substantively I think this is good.

6 CHAIRMAN PENNOYER: Okay. Ms. McCammon, do you
7 want to outline anything particularly for us you'd like our
8 input on at this point, other than the general fact that it's
9 going the direction most of us think it should be going?

10 MS. MCCAMMON: Well, I think the big question
11 that we've heard about this is how much emphasis gets put on
12 determining natural biological change versus how much do you
13 determine human impacts. And we've had a lot of discussion
14 just within the staff and reviewing the scientific literature
15 on this and it's one of those things you can't really tell the
16 one without the other almost. I mean you really can't tell
17 what influence people are having on populations and on systems
18 without knowing what natural variation is. And, certainly, if
19 -- I mean the oil spill has been one of the biggest lessons of
20 that, and some of the biggest arguments have been over whether
21 the change that we're seeing is all within natural variation or
22 whether it really was a cause and effect from the oil spill.

23 And, yet, what people do in terms of their effects on
24 resources and on the system and whether it's contaminants and
25 pollution, habitat degradation, fishing, you know, toys and

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1 effects, whatever, they often tend to be localized effects on
2 resources that people care about and are most immediately
3 visible to them. And sometimes they're things that the
4 resource agencies and the management agencies are better able
5 to respond to. But in order to actually see whether there's an
6 effect from there you have to know what the natural population
7 is doing and what kind of change is going on there.

8 So I think all throughout this program there's going to
9 be a balancing act in determining how much goes into which area
10 and what you actually measure and how much on local scale
11 versus a larger scale. And we don't have the money to do a
12 hugely comprehensive program, but hopefully we can develop
13 something where we get some indications and some signals of
14 what's going on that might lead you and others where to put
15 more emphasis in the future.

16 So I think that that's going to be the biggest
17 challenge in actually developing a long-term program.

18 CHAIRMAN PENNOYER: Is there anything in this
19 draft that says anything different from what you just said?

20 MS. McCAMMON: No.

21 CHAIRMAN PENNOYER: So between the executive
22 summary and what's in here, generally your concept of sort of
23 we don't know what it is yet, but we'll know it when we see it,
24 is in there. This doesn't.....

25 MS. McCAMMON: I think so.

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1 CHAIRMAN PENNOYER:include any direction
2 as we determine, as we do research?

3 MS. McCAMMON: That's correct.

4 CHAIRMAN PENNOYER: Anybody have other comments
5 on this? Again, I agree with Mr. Tillery, I don't think
6 specific editorial comments are needed, we can submit those
7 individually, if you wish to, but anything of substance and
8 direction or emphasis? Yes, Commissioner Rue.

9 MR. RUE: I agree this is going the right
10 direction and I guess I'd be interested in starting to think
11 about how we're going to talk about that chart, because that's
12 going to be the most interesting -- I mean, that's going to be
13 the next interesting, not the most interesting, but how do you
14 begin developing the model and laying out the matrix, not only
15 what we're interested in, but how sort of through time and
16 space different species go here and there, but then who's
17 already looking at them, so we know who's already worrying
18 about salmon or whatever and you can put all those pieces
19 together that start getting at what you just said. So the
20 process we're going to go through, I'd be interested in your
21 thoughts, not today, but sometime start talking about how we,
22 as a Council, are going to go through looking at those issues
23 and begin developing our plan or our model. Because that's
24 going to be a critical element.

25 MS. McCAMMON: This is almost like GEM, Phase

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1 II.

2 MR. RUE: Right.

3 MS. McCAMMON: Yeah. We've done some of the
4 initial work on that by starting the preliminary database of
5 showing who's doing what, where, when. What kind of
6 measurements are being taken, who's responsible for them, under
7 what program and where, so we've got some initial frame work
8 like that being developed. But this is, yeah, this part is
9 going to be the challenge here.

10 MR. RUE: No one is looking at the world like
11 that.

12 MS. McCAMMON: No.

13 CHAIRMAN PENNOYER: You got a time frame for
14 going to the NRC of April 1st, do you have a time frame for
15 getting back to us for a final look at the document before it
16 goes to them?

17 MS. McCAMMON: I would hope somewhere between
18 March 1st and March 15th.

19 CHAIRMAN PENNOYER: Okay.

20 MS. McCAMMON: As I look at the chief writer
21 over there.

22 MR. RUE: Will NRC begin getting into that
23 phase, too, or is it they'll look at the GEM Plan as is?

24 MS. McCAMMON: They won't in the initial --
25 we've actually talked about maybe looking at their contract and

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1 having them look at that. Initially when we talked about this
2 we didn't think it was appropriate to have this national group
3 tell us exactly where we should be monitoring things in Alaska
4 waters, but that was on a scale that was much finer than going
5 to a large group like that. I think it's more the approach.
6 And one of the things with the document that goes to the NRC
7 will probably be a cover letter that asks them specifically for
8 some advice on specific questions, and one of them will
9 probably be as we make up this kind of a plan, here's the kind
10 of approach we're going to take, what kind of advice or input
11 would you give in developing that?

12 CHAIRMAN PENNOYER: Ms. Heiman.

13 MS. HEIMAN: I just have a quick question about
14 the NRC, is this the first time we're going to the NRC to do
15 any work for the EVOS Trustee Council?

16 MS. McCAMMON: Yes.

17 MS. HEIMAN: And what is the total budget we're
18 putting out for it?

19 MS. McCAMMON: Four hundred and some odd
20 thousand.

21 MS. HEIMAN: And was that approved as part of
22 our last meeting and I missed it or.....

23 MS. McCAMMON: It was approved in August.

24 MS. HEIMAN: NRC as a peer review of this?

25 MS. McCAMMON: Yes.

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1 MS. HEIMAN: Okay, I remember, yeah.

2 CHAIRMAN PENNOYER: Further questions of

3 Ms. McCammon?

4 (No audible responses)

5 CHAIRMAN PENNOYER: Okay, I think you've heard,
6 we generally are very pleased with the effort and there's a lot
7 of work that's gone into this. I'm looking forward to seeing
8 another draft between March 1st and the 15th and as to the
9 diagram that you're going to come up with that tells us what
10 influences what and who's doing what, I'm looking forward to
11 seeing it, too. I filled one of my walls with sea lions.....

12 MR. RUE: I like the wall.

13 CHAIRMAN PENNOYER: You've seen that one on my
14 wall.

15 MR. RUE: Yeah.

16 CHAIRMAN PENNOYER: It jokingly says, you want
17 to take what to influence what?

18 Okay. I think there's one other item here. And
19 perhaps we can take a short break before we go into the
20 financial section, but the other kind of coexisting research
21 fund out there right now is North Pacific Research Board. This
22 group has expressed an interest in that before and I think,
23 now, I may have some information on where that is, and perhaps
24 you can go ahead and say what you know at the moment as far as
25 the status of the funding particularly.

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1 MS. HEIMAN: I might not have all the dates,
2 but as I understand it, we are finalizing discussions with the
3 State -- Department of Interior with the State about some lines
4 that -- Craig probably could explain this better than I, but
5 boundary lines and that is going to -- of the refuge actually,
6 the Arctic National Wildlife Refuge, and where the State's
7 lines are, so those -- that all sounds funny that we need to do
8 that, but the court master is requiring that we do that prior
9 to getting the funds. So once the funds -- that meeting is
10 going to take place, I think, in early to mid-February and
11 hopefully we'll have some closure soon thereafter and then --
12 and I think Bruce Botelho will be there and John Shively and
13 U.S. Fish and Wildlife Service and BLM will be there as well.
14 It will take, I think, 90 days to release the funds after those
15 final determinations are made, so it might not be until early
16 June until we have the money in hand. But I did have some
17 conversations with Steve and other folks on Senator Stevens'
18 staff and they're excited and interested in us starting to talk
19 about those issues, so -- and a lot of us serve on that panel
20 as well, so I think it make sense to start getting going on
21 that before the money is available so that we have a plan in
22 place.

23 CHAIRMAN PENNOYER: If you recall the
24 legislation is still a panel of 19 bodies who vote the majority
25 to make the decision on the process with people nominated

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1 directly by the States of Washington, Oregon and Alaska and
2 then a group of specified positions, such as the head of naval
3 research, I think, and a few others. And the money is the
4 interest off of the basic settlement money, so we are probably
5 not going to have actually any amount of funds in hand, really,
6 until next year, I would presume, in terms of anything we could
7 spend on projects.

8 Mr. Tillery.

9 MR. TILLERY: Yeah, the way I understand it
10 works is you -- given this timetable, you would end up starting
11 next fiscal year with the interest that was earned from June
12 until September.

13 CHAIRMAN PENNOYER: Oh, really, okay.

14 MR. TILLERY: And so you would only have four
15 months of funding, and it's based on a percentage of the amount
16 of money in the escrow, so I don't -- I know I got that
17 somewhere, but I'm not sure how much that would be, but it's
18 not going to be a lot for this whole next fiscal year, next
19 Federal fiscal year.

20 CHAIRMAN PENNOYER: Yeah.

21 MR. TILLERY: The following year you're going
22 to have a full year of interest and have a lot of money.

23 CHAIRMAN PENNOYER: Yeah, and the other proviso
24 is that there's no investment strategy legislation, as I
25 understand, like we had for Exxon, so the amounts may be --

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1 well, the base amount may be more than we put aside for this,
2 the actual funding amount available is going to be less, but
3 you can have that in perpetuity and that's -- in addition to
4 that -- well, I think there's no administrative structure like
5 the Trustee Council in place, there's a body to vote, but
6 there's no discussion on how it would be administered, who
7 makes decisions, who carries forth the work and so forth. How
8 it's coordinated, no peer review structure in place or anything
9 like that. And so I think, at the moment, I think the
10 legislation reads that we're supposed to convene this thing and
11 I think my general druthers, if we could find a way to do it,
12 would be convene it before all this money is in the coffers so
13 we'd be starting down the track of some of the coordination and
14 items as soon as the people are generally named and available,
15 if we can find a way to fund their travel and so forth. But
16 other than that, I can't predict where it's going to go, except
17 that we're on a 2002 schedule here for GEM, 2003, this is
18 probably not that much ahead of it the way things are going,
19 2002 or whatever, because they are still not.....

20 MS. HEIMAN: About the same time, probably.

21 CHAIRMAN PENNOYER: Yeah, there's no plan or
22 anything developed or anything like that, at the moment, it's
23 just an ability to choose priority research projects. So
24 there's a lot of work to be done and that might mirror it and,
25 of course, the North Pacific Research Board potentially covers

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1 all of the Arctic Ocean, Bering Sea and Gulf of Alaska, so
2 these two have a lot of overlap.

3 Anyhow, I just thought people might be interested in
4 hearing that that's finally on the horizon, it looks like it's
5 going to happen, but it ain't happened yet.

6 Okay, why don't we take about a five, 10-minute break
7 and then come back and do the financial part.

8 MS. McCAMMON: 3:00 o'clock.

9 (Off record - 2:50 p.m.)

10 (On record - 3:04 p.m.)

11 CHAIRMAN PENNOYER: Okay, everybody is here. I
12 think the last item on the agenda for this afternoon is
13 investments, although obviously if anybody has anything else to
14 bring up you can do so. So, Ms. McCammon, you want to lead us
15 through that part?

16 MS. McCAMMON: Yes.

17 CHAIRMAN PENNOYER: And I noticed we have 3:00
18 to 5:00, but I would hope could do it a little bit faster than
19 that also.

20 MS. McCAMMON: That would be -- the operative
21 time was 3:00 o'clock.

22 CHAIRMAN PENNOYER: The operative time is now
23 here.

24 MS. McCAMMON: And it's now here. As directed
25 at the December meeting, a working group has been meeting over

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1 the last two months to develop policies and guidelines to
2 govern investments of the Joint Trust Fund. The working group
3 includes Trustee Marilyn Heiman, Trustee Craig Tillery, Barry
4 Roth and Bob Baldauf from Department of Interior, Traci Cramer
5 and myself from the Restoration Office staff. In addition,
6 we've been fortunate to have Peter Bushre, Chief Financial
7 Officer of the Alaska Permanent Fund, recently retired, who is
8 here with us in Anchorage. And on the phone we have Bob
9 Storer, Chief Investment Officer for the State of Alaska and
10 the newly appointed Executive Director of the Alaska Permanent
11 Fund; it that it, Bob?

12 MR. STORER: That is correct.

13 MS. McCAMMON: Congratulations.

14 MR. STORER: Thank you.

15 MS. McCAMMON: And Bob is on the phone from San
16 Francisco where he's attending a meeting down there, which is
17 why we had to schedule this for 3:00 o'clock.

18 During our discussions it became clear that there are a
19 number of milestones and decision points that we have in order
20 to provide prudent and productive investment of the Joint Trust
21 Fund. We've been working on a draft of an investment policy
22 document and that is the first such step. What I included
23 below is a suggested time line describing the major milestones,
24 so that you get an idea of where this decision is in terms of
25 others.

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1 Most of what we have planned for you is to provide you
2 a draft at a meeting and not ask for your action at that
3 meeting, but give you time to ask questions, look at it, and
4 then we can see where we might need to do some additional work
5 or some additional explanation and give you time to ponder
6 things before actually having things come up for a vote. So
7 the meeting today would be to discuss the draft investment
8 policies of the Joint Trust Fund. The next meeting, which
9 could be sometime in the month of February, you would adopt
10 those policies, the next meeting you could discuss income
11 producing obligations and other instruments and securities for
12 the purposes of developing an Asset Allocation Plan. The next
13 meeting you would actually adopt an Asset Allocation Plan and
14 discuss the role of the investment consultant and investment
15 managers. The next meeting you could select an investment
16 consultant. The next meeting you would select investment
17 managers in consultation with the investment consultant. And
18 then, hopefully, by July 2000, at the very latest, we would
19 transfer the Joint Trust Funds and implement the Asset
20 Allocation Plan.

21 During the time we've been doing this, the Department
22 of Law and Department of Justice have also been working on a
23 draft court order that would be used to actually implement the
24 transfer of funds. So that is also in the works and currently
25 under review. They've also been investigating whether or not

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1 to transfer the Joint Trust Funds into a temporary holding
2 account within the State Department of Revenue before taking
3 final action on the Asset Allocation Plan. We're still trying
4 to get all the information that we need before providing you
5 with a recommendation on that, but I would think probably
6 within -- at this next meeting we might be able to make a
7 recommendation. So that will come back before you.

8 So what you have is the investment policies draft, it's
9 a fairly lengthy document, 16 pages. Peter Bushre is here to
10 walk you through this and Bob Storer is here to chime in and
11 provide additional guidance as we go through this.

12 CHAIRMAN PENNOYER: Okay, thank you. Peter, do
13 you want to proceed on that then?

14 MR. BUSHRE: Thank you, Mr. Chairman. Ladies
15 and gentlemen, this document that Molly has referred to is a
16 first step establishing an investment management process that
17 stands the test of prudence and appropriateness. And as a
18 first step it is appropriate to identify the responsibilities
19 of all of the parties involved and the process that will be
20 used in the management of the funds that you're going to
21 receive. Specifically the adoption of the standard of prudence
22 and a process for actually managing these funds.

23 If I may just walk through this document very quickly,
24 it proceeds from the general to the specific. And you'll find
25 that in the first few pages an introduction, Council

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1 responsibilities in general, that it sounds very familiar
2 because it's purely boiler plate, but to the casual reader and
3 to those who are not a member of this Council or directly
4 involved in the administration of the Council, it's necessary
5 just to set the stage, if you will.

6 We begin to get into the specifics of an investment
7 policy with the mission statement, it's very brief, but it
8 merely says that it is this Council that establishes policies
9 and sets the direction and provides the oversight and
10 stewardship. And you'll see as this discussion progresses you
11 do that primarily through delegation to staff and to
12 independent contractors.

13 And then we have a brief statement about your
14 objectives in very, very general terms. Superior performance,
15 obviously. And then using the word "good" many times in
16 relation to financial reporting, custody, manager selections,
17 asset allocation awareness in new investment alternatives. I
18 would like to point out, though, that even here at the outset,
19 in speaking in general terms, that we do make reference to
20 education and training, because it's imperative for this
21 policy, for you, as a Council, to be comfortable with it, to
22 feel like it isn't something strange and unknown. That you
23 feel that this is a document that you understand and that you
24 can work with. And the Permanent Fund Board, pension fund
25 boards, regularly update their knowledge of the policies and

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1 procedures that they've adopted through continuing education
2 and training.

3 We then make reference to the statutes that created
4 this Council and the Joint Trust Funds and have a brief
5 discussion on the administration, which is a primarily a
6 discussion of Molly's office and staff and their
7 responsibilities. And this is first example of delegation that
8 the Council has created.

9 Then the document goes into a lengthy but bulleted
10 discussion of the responsibilities of each of the parties.
11 Without belaboring the point, I would just point out that we
12 have addressed the Council, the Executive Director and her
13 staff, the Investment Working Group of which I'm a member and
14 Bob Storer is a member, auditors, your legal counsel, your bank
15 custodian, your investment consultants and your investment
16 managers. And we will get into more detail on them a little
17 bit later.

18 Following this section we have a somewhat detailed
19 discussion concerning the responsibilities of the Council which
20 centers on the adoption of what's known as the prudent investor
21 rule. And that is best described in this quote that is on page
22 eight of my copy, that those responsible for the stewardship of
23 these funds would do so and behave in a manner that a prudent
24 investor would behave. In other words, you wouldn't bet on the
25 horses, you wouldn't speculate in the commodities market, you

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1 would buy generally accepted investments that have proven over
2 time to provide a reasonable return.

3 This is really the crux of the Council's responsibility
4 and the investment policy. That the policy be that of a
5 prudent investor. And we have a little discussion of what that
6 means over the next page and a half. And again we make a
7 reference to continuing education.

8 Now, one thing I need to point out is this document is
9 not quite complete at this point because when it was put
10 together we did not have, and we just received today, some
11 material on a Federal Code of Ethics and information with
12 respect to indemnification of Council actions under Federal
13 law. It is my understanding that there isn't any. So this
14 document that you see before you dwells on State law. We'll
15 incorporate what we just received from Federal attorneys so
16 that you have a more complete document, but we didn't have a
17 chance to do so prior to this meeting.

18 On page 10, although it's short, delegation of
19 authority is a critical part of the execution of the investment
20 policy document because, obviously, the Council itself is not
21 going to be making buy and sell decisions of stocks and bonds.
22 And you will execute the policies that you adopt by delegating
23 the authority to do so to others, either staff or to outside
24 contractors. And this particular paragraph states, as a matter
25 of policy, that you're going to do that and it's a very

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1 critical part of the investment policy document.

2 The code of ethics, again, is only the State and we
3 will incorporate what we have just received from the Federal
4 attorneys in the next draft.

5 And at this point, at the bottom of page 11, beginning
6 on page 12, we begin to get into what is actually investment
7 policies. That is strategic asset allocation policy, that's
8 the next step. After you're comfortable with the investment
9 policies in general, the procedure for executing those
10 policies, the responsibilities that have been defined, who is
11 going to do what, in other words. Once you're comfortable with
12 that and have reached agreement that this is the way that you
13 should proceed, the next step is to adopt a strategic asset
14 allocation policy. And that's simply how much of the total of
15 funds under investment are you going to want to put into
16 different types of investments, stocks, for example, bonds, for
17 example.

18 What would be the structure of its management? How
19 would you go about selecting managers? How would you fire
20 them? Because unfortunately not everybody you hire is going to
21 do a good job, some will do an outstanding job and some will
22 fall flat on their face and, over time, you'll find that you're
23 going to need to replace those that fall flat on their face.

24 If you decide that you want to enhance the return, and
25 I should point out that the enhancement is very marginal, it's

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1 a small amount of money, but it can be done and most
2 institutional funds lend their securities, in addition to
3 investing them. This does not commit you to doing so. Nothing
4 in this document commits you to doing so, but it states the
5 ground rules if, in fact, you decide to do so. And then how
6 you would rebalance the portfolio.

7 At this point we get into the individual program
8 objectives of the Joint Trust Funds. And the Investment
9 Working Group has identified two investment mandates. And this
10 makes a big difference in your asset allocation and a big
11 difference in how you proceed to manage these funds. One is a
12 long-term endowment, it's the funds that will be left over
13 after everything is done that you'll be investing for the
14 foreseeable future to generate an income stream and not to use
15 the principle that's being invested, something like the
16 Permanent Fund and we address the concept of inflation-proofing
17 in here as well.

18 When the time horizon is long it mandates a far
19 different approach to investing than when the time horizon is
20 short and that is the other investment mandate that we have
21 identified and that would be one for what Molly and staff have
22 termed the liquidity account. The money that you're using on
23 an ongoing basis, fiscal year after fiscal year. That has to
24 be kept short because you're going to spend it.

25 Now, we understand that there are pending negotiations

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1 for the purchase of certain land that may or may not be
2 completed within the short term. Our advice is that as long as
3 there's a reasonable chance that these could be completed
4 within the short term that the money needs to be kept short,
5 and this is the approach that Bob and his staff have used with
6 the Constitutional Budget Reserve. As long as there's a
7 reasonable chance that the Legislature could appropriate those
8 funds and use them, then that money has to be in short-term
9 investments so that they're available. And so when I say
10 available I mean so that you would avoid the possibility of
11 suffering a serious loss if you had to liquidate those funds
12 and the market had gone against you.

13 Then, and finally, the last section, which is really
14 the meat of this whole investment policy document is your
15 statement of investment objectives and policies. Those are to
16 provide adequate liquidity for your ongoing short-terms needs;
17 to preserve an inflation-adjusted value for your long-term
18 endowment needs; to realize competitive rates of return; and
19 incur minimal levels of risk in realizing those rates of
20 return. It's a balancing act. You want as much as you can get
21 for as little risk as you can take.

22 And somewhere you will find when you begin to look into
23 the details of asset allocation that there's a happy medium.
24 You'll find scenarios that give you more risk than you're
25 comfortable with, but they give you a much higher return.

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1 You'll find scenarios that give you much less risk than you
2 feel ready to assume that give you a very low return.
3 Somewhere in between there's something that the Council will
4 find fits the purposes that you've established in your
5 investment policy and objectives.

6 It's an individual decision and I'd like to reiterate
7 again the whole purpose of this exercise is that you, as a
8 Council, must be comfortable with what you adopt before you go
9 on to the next step. You establish a time horizon for these
10 two mandates and then establish benchmarks. And the purpose of
11 a benchmark is simply to measure your performance, to -- when
12 you say, have I done a good job in my stewardship of these
13 funds, you have to have yardstick to compare yourself with.

14 For example, at the Permanent Fund large cap domestic
15 stock portfolios compared with the S&P 500, and we have
16 actually, on the next page, outlined what those benchmarks
17 might be. We've also, by default, listed what we thought, as a
18 group, would be appropriate investment vehicles for the
19 investment of these funds.

20 Now, there are two ways to manage investments, one is
21 passive and one is active. The Permanent Fund and pension
22 funds use both. You may wish to use both, too. Passive, of
23 course, is simply that you buy an index, you buy the S&P 500
24 and you go up with it and down with it. Active, you try to
25 beat that index, you try to go up higher than it goes when it's

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1 rising and you try to fall less than it falls when it's
2 falling. We've outlined benchmarks that would be appropriate
3 for both management styles.

4 And the, finally, identified asset class segments for
5 passive investment management and active investment management.

6 So that's a brief walk-through, it's probably more of a
7 sprint through this document. As Molly pointed out, our
8 purpose in bringing it to the Council at this point is to give
9 you the chance to begin thinking about it, begin discussing it,
10 so that perhaps in a month's time you'll be in a position to
11 actually adopt something. We as the working group, and I think
12 Molly would agree with me, need to have some dialogue before we
13 get to the point where you're actually going to adopt the
14 policy, we need to see what the feelings of the Council are,
15 what the reaction is to some of these points that are outlined
16 in this document, so that we can revise it, so that when you do
17 it out to policies, it's final policy.

18 I'll be happy to address any questions that members may
19 have.

20 CHAIRMAN PENNOYER: Commissioner Rue.

21 MR. RUE: Thank you very much, that was a very
22 good summary of the document. It's a well-written, concise,
23 actual summary of an approach. The debate I have going on in
24 my own mind is, as a Council, how our investment strategy ought
25 to track with our multiple objectives, one of which is the

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1 return and having money to do research, the other is sort of
2 the restoration objective and investing in activities that
3 might be actually working counter to our long-term objective of
4 restoring the Sound and the resources. In other words, if we
5 invest in companies that are polluting or cutting down trees
6 that we're trying to buy tomorrow or -- it's sort of -- no,
7 really it's that moral dilemma of, you know, we got the prudent
8 investor strategy of realizing a return on the investment, but,
9 you know, maybe we should only invest in oil companies that
10 have double-hulled tankers and I'm serious. That's the debate,
11 I think, we as a Council ought to at least -- that's the one I
12 would like to have at some point.

13 CHAIRMAN PENNOYER: Are you suggesting Exxon
14 stock or what?

15 MR. RUE: That might be a one -- no, really,
16 that might be a perfect investment to the prudent investor
17 because you're going to realize -- and maybe that is still one
18 the Council wants to make or wants to have the debate, but
19 that's the debate I have, is should we direct our investments
20 towards those activities, businesses that fulfill our mission
21 to restore the Sound. And I know there are funds out there
22 that look at, quote -- I mean, for instance, we're going to
23 have a sustainability label on Alaska salmon fisheries, so the
24 folks who want to buy the resource know that it comes from a
25 sustainable fishery. We're hoping that folks will invest their

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1 cash and, therefore, companies will become supportive and
2 everyone will support the idea of sustainable resource
3 industry. We, as a Council, perhaps ought to -- I think we
4 ought to look at that issue and discuss that as part of our
5 investment mission. And it might run counter to the other
6 mission we have as the prudent investor of maximizing -- I
7 don't know if maximizing income was the right term, but the
8 idea that we ought to try realize the highest return from our
9 investment that a prudent investor would, without betting on
10 the horses or buying junk bonds.

11 MR. BUSHRE: Maximizing return and minimizing
12 risk. Those four words are the prudent investor rule.

13 MR. RUE: Okay.

14 MS. HEIMAN: Would you like the subcommittee to
15 come back with a recommendation on that or would you like to
16 discuss it as a full.....

17 MR. RUE: I just -- I'm wondering if other
18 members of the Council want to even discuss that issue. It
19 comes up for me, I don't know if other people think it's worth
20 discussing, but I certainly think it's -- we ought to think
21 about that, it's a lot of money, we could influence people's
22 behavior by how we invest, as well as what we study. Molly's
23 rolling her eyes at me.

24 MR. STORER: Mr. Chairman.

25 CHAIRMAN PENNOYER: Yes.

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1 MR. STORER: This is Bob Storer, if I may jump
2 in with a suggestion. The retirement system has the attorneys
3 -- or actually the Department of Revenue has representatives
4 from the Attorney General's office look at that issue, it's an
5 important issue. For example, we have a Children's Trust Fund,
6 can we or can we not exclude tobacco stocks in that fund, as an
7 example. And I think it's an important discussion, I think one
8 suggestion might even be to have representatives from the
9 Attorney General's office that worked on that come before this
10 body and discuss that issue.

11 MS. McCAMMON: What was their decision?

12 CHAIRMAN PENNOYER: Question about.....

13 MR. RUE: Did they invest in tobacco stocks,
14 I'm curious now?

15 MR. STORER: I'm sorry?

16 MR. RUE: Did they invest in tobacco stocks?

17 MR. STORER: The initial conclusion was they
18 could exclude something like tobacco stocks, it's a lengthy
19 discussion why. Upon revisiting it, in fact, they found that
20 they could not exclude tobacco stocks, so it is a worthwhile,
21 it's a very interesting discussion and how the Attorney
22 General's office came to that conclusion might illustrate some
23 of the issues that this body might have to deal with.

24 CHAIRMAN PENNOYER: Having a representative of
25 that office at this table, Mr. Tillery, would you care to

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1 comment on that or something else?

2 MR. TILLERY: No, actually I don't.

3 (Laughter)

4 MR. TILLERY: And I don't have a problem with
5 that, but I guess my comment was I would suspect that a decent
6 percentage of this would be in sort of passive benchmark type
7 funds, like S&P 500, Russell 3000, whatever it is. Those you
8 don't have the ability, really, to exclude stocks and so my
9 question is how much would we -- is it worth having this
10 debate? How much would we anticipate we'd be picking and
11 choosing individual kinds of stocks?

12 MR. BUSHRE: Well, if I could chime in to what
13 Bob has said. My information is a little more historic than
14 his, and by that I mean it's older, because I don't have
15 anything from the Permanent Fund to bring you that's current on
16 that subject, but to answer your question, Mr. Tillery, you can
17 buy funds that are tobacco free, oil free, EPA free, South
18 Africa free, everything free, but the danger there.....

19 MR. STORER: Everything except free.

20 (Laughter)

21 MR. BUSHRE: It's everything except free and
22 you'll end up with very little stocks to invest in. The
23 Permanent Fund Board of Trustees wrestled with this same issue
24 every since the Permanent Fund Board came into existence. The
25 first issue to come before them was South Africa free. In

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1 1989, of course, it was double-hull tanker free or single-hull
2 tanker free or oil company free and so on. The Board made a
3 conscious decision in the '80s to invest for purely economic
4 reasons, to leave social issues to others. And to buy the S&P
5 500 you will be buying stock of Exxon, you will be buying stock
6 of Philip Morris. So that's my little historical perspective.

7 CHAIRMAN PENNOYER: Commissioner Rue.

8 MR. RUE: Mr. Chairman, I think -- I would see
9 that we are a little more analogous to the Children's Fund than
10 the Permanent Fund, I mean, I think -- for the Permanent Fund
11 Board it's sort of the world is your oyster, but it seems to me
12 we have a very singular purpose as a Trustee Council, which, at
13 least to me, raises the issue. Now maybe it's a moot issue if
14 the attorneys say you can't exclude anything, but I don't know.

15 MR. BUSHRE: Well, to buy the S&P 500, if I
16 may, Mr. Chairman, you would be forced, as Mr. Tillery has
17 pointed out, to buy these stocks that you may find
18 objectionable.

19 MR. RUE: Right.

20 MR. BUSHRE: To not buy them, you don't have
21 the S&P 500, you have something else, a hybrid of the S&P 500,
22 you have everything else that's in it, but that.

23 MR. RUE: Right. And we don't have a passive
24 and active management, we could pick all passive or all active
25 or.....

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1 MR. BUSHRE: Which can be done, that's true. I
2 mean, that's part of the decisions that you'll need to make.

3 MR. RUE: Right.

4 CHAIRMAN PENNOYER: Before we go any farther
5 down this path, Ms. McCammon, what is the time frame on all of
6 this? Because there's liable to be all sorts of questions of
7 this nature, although this is a basic one, so are you going to
8 send something back to us when? And do you want input before
9 then of this nature and what do you need at this point to
10 decide on what we do next.

11 MS. McCAMMON: Yes, what I would like is
12 suggested comments to this within a week, 10 days, back to us
13 so that we can -- and these can be editorial, substantive,
14 whatever, so that the work group can take these and then work
15 out any issues that develop as a result of the comments. And
16 then, based on those comments, bring you back a revised draft
17 for possible consideration and with that there may be certain
18 questions or policy decisions that follow along with this.
19 There may be a draft, but there may be two or three decisions
20 that could go one of several ways, in which case we would
21 highlight those and then try to get those resolved. And then
22 we would, to the extent we can, answer any questions, work out
23 any issues in advance of the final decision. But I would hope
24 within about 10 days or so, a week to 10 days that we could get
25 some comments back.

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1 CHAIRMAN PENNOYER: And that generally fits
2 into your time frame in your memo?

3 MS. McCAMMON: Then if we could have a meeting
4 to take the action by the end of February would be very
5 helpful.

6 CHAIRMAN PENNOYER: And then that leads to the
7 implementation of the Asset Allocation Plan in July?

8 MS. McCAMMON: Yes.

9 CHAIRMAN PENNOYER: So all of the
10 decisions.....

11 MS. McCAMMON: And I'd like to keep moving on
12 that track as soon as possible.

13 CHAIRMAN PENNOYER: Okay.

14 MS. McCAMMON: But it's also, as Peter said, I
15 think, that everyone has to feel comfortable with what we're
16 doing and where we're going.

17 CHAIRMAN PENNOYER: Commissioner Rue.

18 MR. ROTH: Mr. Chairman, Barry Roth. It might
19 be worth noting from the Federal employees' standpoint where we
20 have what's called the TRIS banking plan, we only have three
21 possible investments we can make right now, one of which is the
22 S&P 500 fund, so -- which is what the majority of Federal
23 employees actually invest in perfectly proper, it's just worth
24 note -- I mean, it's also had the largest returns over the last
25 number of years for the Federal employees. It's probable that

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1 your two Federal counterparts and yourself are in that S&P 500
2 fund.

3 MS. McCAMMON: Well, I'm sure the State
4 employees also are, I'm sure the retirement system is the S&P
5 500 and the Permanent Fund.

6 MR. RUE: We all get a Permanent Fund Dividend,
7 too.

8 (Laughter)

9 CHAIRMAN PENNOYER: I think the Commissioner
10 does not return whatever percent his Permanent Fund Dividend
11 check had done to these other investments.

12 MR. RUE: And as an individual.....

13 CHAIRMAN PENNOYER: It's not a consideration as
14 an individual, yeah.

15 MR. RUE:as an individual, that's fine.

16 MR. TILLERY: Mr. Chairman, I had a question.

17 CHAIRMAN PENNOYER: Mr. Tillery.

18 MR. TILLERY: Part of this document really
19 deals with saying that we have these choices we have to make
20 investment policies, we have to balance risk versus -- then
21 when you -- but when you get down into the benchmarks, you have
22 established a benchmark for endowment purposes of total
23 annualized returns of four percent in excess of inflation.
24 Does that almost determine, though, your other decisions and
25 should we have that number in this document or is that part of

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1 another.....

2 MR. BUSHRE: Well, that's your choice really
3 and, Bob, please chime in on this discussion. That is the
4 benchmark that the Permanent Fund has adopted, four percent
5 over inflation, and it's probably good, at this point, to
6 establish what you expect, what you're shooting for in terms of
7 a return. But the main purpose of this document is to identify
8 all the things you need to do for the management and
9 stewardship of these funds. Once that is done, then we would
10 start actually doing them, such as adopting an asset allocation
11 strategy and that will be driven by the benchmark return
12 objective that you've adopted. It's an investment objective
13 and if you would feel more comfortable in putting that in a
14 separate document to be adopted subsequent to this document, it
15 can be done.

16 MR. TILLERY: I guess the reason that I'm a
17 little bit cautious about this, of course the Council votes and
18 if we've established a benchmark unanimously then to sort of go
19 contrary to that we would have to go unanimously, and I'm
20 little concerned -- it just seems to me that that benchmark
21 almost determines that allocation to some extent.

22 MR. BUSHRE: Well, it does but within the
23 limits of risk. You can achieve that with different asset
24 mixes and different levels of risk.

25 MR. STORER: Mr. Chairman, this is Bob Storer

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1 again.

2 CHAIRMAN PENNOYER: Yes, go ahead.

3 MR. STORER: To some degree that's a point well
4 taken. I think that, for example, if you adopt an asset
5 allocation of four percent real rate of return, probably means
6 a minimum investment of about 50 percent of the portfolio in
7 the equity market, be our U.S. and international. Sort of if
8 one wants guidance of what is a reasonable real rate of return
9 they can look to the endowment funds, the Permanent Fund, the
10 retirement system and typically they adopt a goal of four to
11 five -- somewhere between four and five real rate of return,
12 Five percent, as you might expect, gets a little more
13 aggressive. But it must be recognized that there's clearly a
14 long-term investment time horizon embedded in a decision for a
15 four percent real rate of return.

16 MR. BUSHRE: Bob, would you agree that this
17 could be split into two documents, one of investment policies
18 and one of objectives? The objectives would be a much shorter
19 document and there you would state what your return objective
20 is, because you have to have that before do an asset
21 allocation.

22 CHAIRMAN PENNOYER: Mr. Tillery, follow-up?

23 MR. TILLERY: No, I think that that makes a
24 little bit more sense. I'm just wondering that this -- we
25 would be doing prematurely adopting something that maybe is a

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1 little bit more down the road. Unless maybe I don't understand
2 the timetable for adoption.

3 MR. BUSHRE: Well, it's the very next step down
4 the road.

5 MR. TILLERY: After this?

6 MR. BUSHRE: After this.

7 MR. TILLERY: After policies.

8 CHAIRMAN PENNOYER: Again, on the timetable,
9 you'd like a response on this in 10 days and then you'd bring
10 it back to us in another draft or is that.....

11 MS. McCAMMON: Yes.

12 CHAIRMAN PENNOYER: Okay.

13 MR. BUSHRE: Bob, I don't want to be putting
14 words in your mouth, so if you have some thoughts on this,
15 please chime in.

16 MR. STORER: Okay. I didn't hear your last
17 comments, Peter, so I'm not real sure what they were, but I
18 have heard the idea of putting together a real -- and thoughts
19 in writing within 10 days and if one has concerns about the
20 implications of the three, four or five percent real rate of
21 return they can be addressed.

22 MR. BUSHRE: My statement, Bob, was that the
23 investment objectives of the real rate of return could be
24 separated from this investment policy document and adopted
25 separately, but that it would need to be done before we begin

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1 work on asset allocation.

2 MR. STORER: That's not unfair, you could have
3 -- as you do the work on the asset allocation respective funds,
4 you could have resolutions that apply the asset allocation that
5 is unique to each fund and within that resolution you could
6 articulate a stated real rate of return in that document.

7 CHAIRMAN PENNOYER: Okay. Commissioner Rue.

8 MR. RUE: Yes. It's my understanding that
9 we'll each give our written comments within 10 days, since we
10 want to try and adopt a policy by February, which starts
11 tomorrow. Right? Or is it the day after tomorrow?

12 MS. McCAMMON: Right, tomorrow.

13 MS. SEE: It's tomorrow.

14 MR. RUE: I guess I'm interested if other
15 Trustee members would like to discuss the issue I put on the
16 table and have any sort of a presentation of options? A
17 mission and objectives that include some sort of, you know,
18 tracking with our responsibility to restore the -- have a
19 healthy ecosystem out there versus one that's purely focused on
20 the financial return and investment and the prudent manager
21 concept. I'd be interested in hearing the Department of Law
22 talk about why the Children's Trust -- what their debate was on
23 tobacco. I'd be interested in hearing, you know, if we had a
24 mission statement that included the responsibility to maintain,
25 what are we calling it now, a healthy ecosystem out there?

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1 How could we drive our investments to achieve that goal as
2 well? And how much would it limit us or not, and could we
3 expect any kind of return close to a more openended investment
4 strategy that didn't take into account those issues. And maybe
5 it can all be put to bed if it turns out you can't -- well, I
6 guess you can do that, but I'd like some sort of presentation,
7 unless others think it's -- I'm just whistling in the wind here
8 and no one else is interested.

9 MS. HEIMAN: I think we're interested in this.
10 Just seeing what the options are would be very helpful, so that
11 we can fully consider it and then we can get that as something
12 that -- regardless what the decision is, we can then say that
13 we did fully explore that issue. I think it's important that
14 we do so.

15 CHAIRMAN PENNOYER: Right.

16 MR. RUE: How do we move ahead exploring that,
17 do you need a mission statement rewritten? Or just an
18 alternate mission statement that includes our goals that we
19 have for GEM, I think is -- or for our Restoration Plan.

20 MS. McCAMMON: No, we'll just do some further
21 research on it and maybe what we can do is just do it in the
22 form -- can we do it in the form just of a summary document,
23 Peter, of the experience that others have had with these issues
24 and what's kind of their final conclusion?

25 MR. BUSHRE: I'll contact the Permanent Fund

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1 and see if they still have the research that was done 10 years
2 ago on the Exxon Valdez.

3 MS. McCAMMON: Because there was a discussion
4 on whether, after the spill, whether to have Exxon stock.

5 MR. BUSHRE: Yes.

6 MS. McCAMMON: Right.

7 MS. HEIMAN: And did we continue to have Exxon
8 stock?

9 MR. BUSHRE: Yes.

10 MS. McCAMMON: Yes.

11 MS. HEIMAN: But I believe you said that was
12 because the goal was maximizing financial gain.

13 MR. BUSHRE: Yes.

14 MS. HEIMAN: And that was a very specific goal
15 and that may not be the only goal we want to consider here.
16 And did we have specific Exxon stock or just a part of a
17 passively managed fund?

18 MR. BUSHRE: No, we had specific Exxon stock.

19 MR. STORER: The Permanent Fund had 862,000
20 shares of Exxon as of.....

21 MR. BUSHRE: There's a memory for you.

22 (Laughter)

23 MR. TILLERY: Didn't we abstain in our vote or
24 something? We did take some active step with that stock as I
25 recall.

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1 MR. STORER: May I answer?

2 MR. TILLERY: Sure.

3 CHAIRMAN PENNOYER: Yes.

4 MR. STORER: You are correct, the Board was
5 actually split. I worked at the Permanent Fund at the time and
6 the Board was split on what action to take and so they -- it
7 was around proxy time and so the Board, there were three
8 options, for or against management and there was an abstain box
9 and so the Board voted to abstain and asked me to write a
10 letter encouraging Exxon to be good corporate citizens of
11 Alaska and express their concerns that they would move in that
12 direction in the future.

13 MR. RUE: I guess what I'm looking for is if we
14 added that goal to our objectives or to our mission in our
15 objectives, how it might influence our potential earning power
16 and if there's anyway to get at that. One, if it's legal to do
17 that and, second, how it might affect our.....

18 CHAIRMAN PENNOYER: How would you rewrite the
19 goal, the mission statement?

20 MS. McCAMMON: I'm not sure we need to do that
21 unless you -- if we bring you back information on, number 1,
22 whether it can be done, number 2, what are the financial
23 ramifications of doing it.

24 MR. RUE: That's what I'm getting at, right.

25 MS. McCAMMON: And the third thing after that

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1 would be after looking at those if you still decide to do it
2 how would you change the document to reflect that.

3 MR. RUE: Right.

4 MS. McCAMMON: And I kind of see that as kind
5 of the end product.....

6 MR. RUE: Exactly.

7 MS. McCAMMON:if you decide to go down
8 that route.

9 MR. RUE: Yeah. I wasn't sure if you could get
10 at number 2 without us doing a little bit more work, but if you
11 think you can get a sense of what the investment law -- I mean,
12 your loss of opportunity might be, that would be great.

13 CHAIRMAN PENNOYER: How do you want to proceed
14 on this timetable-wise and everything else? We're going to get
15 comments back in 10 days on a specific document, but you can't
16 really comment on a specific document entirely until you get
17 some answers like this.

18 MR. RUE: Well, I think on this existing
19 document if folks had some questions like Craig had a very good
20 observation, I think, on the rate of return and things like
21 that, that can be useful.

22 CHAIRMAN PENNOYER: And so this would just be a
23 holding pattern, we've approved the new draft, but pending --
24 when will this analysis come back to us, I guess, is my.....

25 MS. McCAMMON: We'd try to get it to you within

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1 a week or so.

2 CHAIRMAN PENNOYER: Oh, okay, that's good.

3 MS. McCAMMON: I'm sure the information isn't -
4 should be that difficult to find.

5 MR. RUE: Then can we have a teleconference?

6 MR. TILLERY: Yeah, we need to somehow -- how
7 do we logistically work this?

8 MS. SEE: Teleconference.

9 CHAIRMAN PENNOYER: Yeah, because we're not
10 going to make decision -- although no final decision is going
11 to be made for awhile, you don't want a document going out that
12 implies you're going to do something different.

13 MS. McCAMMON: We'll just give it as here's the
14 information that you asked for kind of memo to you.

15 CHAIRMAN PENNOYER: I think if we have a
16 conference call in a couple of weeks or three weeks or
17 something like that to actually decide on this? This is not
18 just the numbers, it's going to need conscious decision on
19 whether that's how we want to pursue or not, and I don't if you
20 want to put out a document that says you aren't or are, if you
21 are or aren't, you know?

22 MR. RUE: Mr. Chairman, my understanding is we
23 were going to adopt policies in February, so I would assume
24 before we have a meeting to adopt any policies we'll get this
25 analysis.....

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1 CHAIRMAN PENNOYER: Okay, then the meeting.

2 MR. RUE:and then it seems to me at that
3 meeting we can then debate what we've seen and decide -- well,
4 we want a policy that includes some sort of statement about our
5 objectives as a Trustee Council versus we just want to go ahead
6 with a financial statement and set a mission that earns us
7 revenue.

8 CHAIRMAN PENNOYER: Absent re.....

9 MR. RUE: It really tracks with what we got
10 here.

11 CHAIRMAN PENNOYER: Absent resolution to that
12 point then, the comments on this draft are pending getting that
13 information.

14 MR. RUE: Right.

15 CHAIRMAN PENNOYER: Okay. And then we do
16 that.....

17 MR. RUE: Mr. Chairman, I think the basic
18 structure would be the same no matter which way you go, I think
19 it's an excellent sort of document about how you would deal
20 with this issue with whichever direction you went in terms of
21 investment policy or mission.

22 CHAIRMAN PENNOYER: Okay. Other comments?

23 Marilyn.

24 MS. HEIMAN: I guess since what we're doing is
25 trying to lay out a plan the meeting before each time so

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1 there's time for everyone to review it. In the February
2 meeting we'll be looking at a proposal for an Asset Allocation
3 Plan is my guess, so that we can then adopt it the following
4 meeting; is that correct?

5 MR. BUSHRE: No.

6 MS. McCAMMON: No.

7 MS. HEIMAN: Okay.

8 MR. BUSHRE: In the February meeting you would
9 be looking for a final investment policy document that you all
10 feel comfortable with and that you're ready to take action on.
11 The Asset Allocation Plan comes after you've adopted the
12 investment policy and the investment objective. To decide how
13 much you're going to want in stocks, as Bob Storer pointed out,
14 how much you want in bonds, to decide what your long-term rate
15 of return objective is.

16 MS. HEIMAN: Okay. So at the February meeting
17 we can spend more time on this four percent versus four and a
18 half or five percent for the rate of return over inflation or
19 should we decide that today? I mean, I would hate to have that
20 be a decision that's just made based on comments we wrote down
21 on the plan.

22 MS. McCAMMON: I would say there's no decision
23 today, but if your concern is what do we mean by a four
24 percent rate of return and why would we do that as opposed to
25 a three or a five, what you're asking for is, you know, kind of

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1 what is the justification for deciding various rates of return.
2 And so what we would do is provide additional information on
3 why you would do one over another. So if that's a concern that
4 has been noted, which I hear here, we need to provide that
5 information.

6 MS. HEIMAN: And I guess the question is does
7 the whole Council want to get that or is that something we can
8 do in subcommittee?

9 MS. McCAMMON: Or is that something simply you
10 can do now?

11 MS. HEIMAN: I'm asking the Council.

12 MR. BUSHRE: Well, I can't do it now.

13 MS. McCAMMON: Not off the top of your head?

14 MR. BUSHRE: Not off the top of my head. What
15 it involves is the Council or the Investment Working Group,
16 either one, looking at the implications of these different rate
17 or return objectives. What does three percent mean in terms of
18 how much you would have in bonds, how much you would have in
19 stock? What does five percent mean for the same types of
20 investments? And what level of risk or volatility in those
21 markets does that imply? What are the probabilities of
22 actually doing better or doing worse than these rate of return
23 objectives? This is a complex analysis and it's something that
24 we would need to contract.

25 MS. HEIMAN: Oh, I see. To review that. Well,

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1 I guess I'm not really sure how we're going to make this
2 decision about the rate of return over inflation, that's what I
3 guess I'm not sure about. Or is this the recommendation of --
4 we didn't get a chance to spend time on that in the committee,
5 we just didn't, we got up to this point, we had been through
6 writing this whole document and then we didn't really spend a
7 lot of time on it, so I guess I'm asking does the Council want
8 us to review that and make recommendations or is that something
9 we want to do in the full Council meeting?

10 CHAIRMAN PENNOYER: My impression was we came
11 back in February. The comments you submit are not engraved in
12 stone, but when we submit them, we want to make sure when we
13 get back here we have enough information in front of us in
14 February to make a decision on this document. And so if you
15 require that, whether you do it in the committee or it's done
16 independently and brought to us, we need to have that
17 information in front -- we don't want to get to the February
18 meeting saying, oh, it would have been nice if we had done
19 this, so the comments ought to lead us to the point of that.
20 And I think you're hearing we want the analysis of investment
21 strategy. Do you want to do it in the committee? I don't
22 know. Whether it's the committee or people independently --
23 the Executive Director just writing an analysis to get that
24 information to us. That's my impression that we do it in a
25 group, the analysis of the information would come via Molly.

00182

1 MS. McCAMMON: Mr. Chairman, maybe I can ask
2 Bob and Peter if they -- I mean, maybe it's as simple as saying
3 most university foundations, others that are running this kind
4 of a program that, you know, have grants and do this, typically
5 have this rate of return for this reason. I mean maybe it's as
6 simple as that.

7 MS. HEIMAN: That's the kind of -- I'm not
8 looking for hiring a consultant to give us different
9 allocations to tell us whether we want four or five, I guess
10 that more the kind of thing I'm looking for, what's the risk
11 involved with four versus five, you know, just general, not
12 specific.

13 MR. STORER: If I can make, I guess, two
14 suggestions. I am here at a conference put on by a shared
15 consultant firm that the retirement system and the Permanent
16 Fund use and I can -- I would like to pursue that question to
17 see what information they have in regards to how others use
18 those objectives or what their goals are, what the average is.
19 What I can do, be it at the committee or the Board level is I
20 do have asset allocation models and I can run models of a three
21 percent, a four percent, five percent, whatever one wishes, to
22 suggest what the asset allocation would look like. And one of
23 the things we do that might be helpful is not just look at risk
24 in terms of volatility, but actually the probability of a
25 negative return.

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1 For example, not many people realize it but the
2 Permanent Fund has a probability of close to a 25 percent
3 probability of a negative return in a single year. Over five
4 years that's reduced substantially, but I find that's helpful
5 for people to look at it in terms just simply a negative return
6 over a one or a five-year time horizon, and I can do that kind
7 of work.

8 MS. HEIMAN: And what does the Permanent Fund
9 use, four percent or something else?

10 MR. STORER: They use four.

11 MR. BUSHRE: Four.

12 MR. STORER: The retirement system as well.

13 MS. HEIMAN: Oh, well, that's enough
14 information for me right there.

15 (Laughter)

16 MR. BUSHRE: Mr. Chairman, I'd just like to
17 point out that as the new Executive Director of the Permanent
18 Fund and the current Chief Investment Officer of the pension
19 fund, Bob Storer has unlimited access to the resources you
20 would need to answer Marilyn's question.

21 MR. STORER: In about two weeks I'll be the
22 \$50,000,000,000 man.

23 (Laughter)

24 MS. McCAMMON: Mr. Chairman, I think this does
25 raise a question similar to what Craig has, which I still am

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1 not really clear of, is why you don't decide what your real
2 rate of return is and do your asset allocation at the same time
3 and why one comes before the other, because they both seem to
4 kind of drag each other?

5 MR. STORER: And, if I may, the answer to that
6 is yes, and the answer is also no. That real rate of return
7 objective is a very long-term objective and your asset
8 allocation decisions get revisited annually and are more of a
9 five-year time horizon. But you can well look at that before
10 you decide your final -- make the final decision.

11 MR. BUSHRE: If I could just observe, though,
12 unless you have some kind of target that you're looking at,
13 there's an almost infinite variety of combinations. Because
14 your rate of return objectives could vary between one and 10
15 percent. There's an awful lot of different ways that you can
16 achieve that.

17 MS. McCAMMON: But if your objective is maximum
18 return, minimum risk, I mean, we want to make as much money as
19 possible without losing any.

20 (Laughter)

21 MR. BUSHRE: Could you be a little more
22 specific? And that's the whole purpose of this exercise is
23 being a little more specific.

24 MS. McCAMMON: Uh-huh.

25 MR. TILLERY: I think, Mr. Chairman, that my

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1 main point was that this document, in a lot of ways, is kind of
2 a preliminary document that says we're going to do this, we're
3 going to do this and this. But this one thing struck me as
4 getting beyond preliminaries and being a very significant
5 decision that would have a lot of ramifications and, therefore,
6 it deserves to be looked at pretty carefully and closely.

7 CHAIRMAN PENNOYER: Okay. Do you have a
8 suggestion for the February meeting or you think that.....

9 MR. TILLERY: To be perfectly honest, I thought
10 that perhaps in this document one could place this language
11 about having a specific percentage of a total annualized return
12 will be determined prior to asset allocation determination,
13 something like that, and the, again, prior to asset allocation
14 we would make that determination, but maybe not in this
15 document. Or if we do it in this document, let's do it, but
16 let's do it based on knowledge that it's going to be driving
17 the risk that we're going to accept.

18 CHAIRMAN PENNOYER: Response, Peter? Does that
19 sound like a reasonable way of proceeding to you?

20 MR. BUSHRE: It certainly is. As I pointed out
21 earlier, and Bob seconded, you could certainly divide these two
22 issues and address the policies for adoption at your next
23 meeting and then get into a more in-depth discussion of a
24 specific rate of return target and the ramification of that
25 target.

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1 CHAIRMAN PENNOYER: It's hard to even have a
2 discussion on targets until you answer Commissioner Rue's
3 question which might come up with a whole new investment
4 strategy.

5 MS. McCAMMON: Might limit our target.

6 CHAIRMAN PENNOYER: We're talking two percent.

7 MR. RUE: What do you mean, like a 10 percent
8 return.

9 CHAIRMAN PENNOYER: One and a half.

10 MR. RUE: I guess my question, maybe what we
11 ought to do is if we're trying to do something quickly in
12 February, I'm not sure that we could get the kind of analysis
13 that the Permanent Fund could provide in looking at a three
14 percent, four percent.

15 MS. McCAMMON: I think they could.

16 MR. RUE: You think they could?

17 MS. McCAMMON: I think they could. Couldn't
18 we, Bob?

19 MR. TILLERY: I think we could get it in San
20 Francisco tonight.

21 MR. RUE: I mean, I thought it was great, some
22 of the suggestions that Bob Storer was suggesting about here
23 would be, you know, your one year, what is it, risk of negative
24 return and what sort of level of risk you might have to be out
25 there on if it was a five percent objective or a four percent

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1 objective, right? It sounds like that's fairly straightforward
2 and maybe some comparative funds wouldn't be very hard to get,
3 what other people have, we've already heard a couple, I mean,
4 right?

5 CHAIRMAN PENNOYER: Let's do that with the
6 knowledge that we don't actually have to put the number in
7 there at that point anyhow.

8 MR. RUE: Yeah, and hold that.....

9 CHAIRMAN PENNOYER: And then we hold that
10 discussion and if we decide to do it, we do it and if we decide
11 not to, then we go on to a more general statement and proceed
12 on to the next step.

13 MR. RUE: If it takes more time to get that
14 information.

15 CHAIRMAN PENNOYER: Right. Acceptable?

16 MS. McCAMMON: Uh-huh. (Affirmative)

17 MR. RUE: Can we leave that openended?

18 CHAIRMAN PENNOYER: Okay. Further questions on
19 the document in front of you? Do you need more clarification
20 now, recognizing you'll still have the opportunity over the
21 next week to comment in more detail if you wish? Anybody?

22 MR. RUE: I just like to thank the group that
23 put it together, it's a very good piece of work. Helpful.

24 CHAIRMAN PENNOYER: It is. Thank you,
25 Commissioner.

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1 MS. McCAMMON: Mr. Chairman.

2 CHAIRMAN PENNOYER: Molly.

3 MS. McCAMMON: It would be very helpful to have
4 Department of Justice and the Federal attorneys, since you have
5 the different agency attorneys look at these because we're
6 dealing with multiple attorneys there as opposed to just the
7 Department of Law, so getting that as soon as possible would be
8 really helpful, if there's anything we need to work out.

9 CHAIRMAN PENNOYER: Okay, thank you. All
10 right. Well, thank you very much for the presentation and
11 thank you very much for all the work. I hope we do justice to
12 it in our review and when you're back again, can do justice in
13 our comments.

14 Anybody else?

15 (No audible responses)

16 CHAIRMAN PENNOYER: Okay, thank you very much.
17 Molly.

18 MS. HEIMAN: I just want to personally and on
19 behalf of the Trustees also thank Peter Bushre and Bob Storer
20 for their work and commitment to this and willingness,
21 especially during very busy times to help us with our
22 investment strategies and we really appreciate it very much,
23 the level of professionalism that we have the opportunity to
24 have here.

25 MS. McCAMMON: We're very fortunate to have

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1 these two gentlemen volunteer their time for this. This is
2 above and beyond.

3 MR. BUSHRE: You're very welcome.

4 CHAIRMAN PENNOYER: I heard the word volunteer,
5 so.....

6 MS. McCAMMON: Yes.

7 (Laughter)

8 CHAIRMAN PENNOYER: We're good at that.

9 MR. RUE: We have two other funds that may need
10 your help.

11 MR. BUSHRE: Yeah, right.

12 CHAIRMAN PENNOYER: We need lots of volunteers.

13 Thank you very much.

14 MR. BUSHRE: You're very welcome.

15 CHAIRMAN PENNOYER: Okay, I'd ask do any of the
16 Trustees have further work that needs to come before us?

17 (No audible responses)

18 CHAIRMAN PENNOYER: Excuse me, going, going,
19 gone. Do we have any further work that needs to be before us
20 at this time? And I'm not going to declare a recess, but I'd
21 look for a motion to adjourn.

22 MS. OBERMEYER: Mr. Pennoyer, would you ask if
23 I could speak?

24 CHAIRMAN PENNOYER: I think we're not doing any
25 more public comment at this meeting, we already did that

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1 earlier.

2 MS. OBERMEYER: I would like to speak just for
3 a couple of minutes. Teresa Obermeyer, I come and it is
4 snowing and I couldn't get here this morning, so would you have
5 a moment? I didn't want you to be too tired though. And I'm
6 very sympathetic to a long day. Let's see what time it is.

7 CHAIRMAN PENNOYER: No, the point.....

8 MS. OBERMEYER: It's about five after four.

9 CHAIRMAN PENNOYER:the point is a lot of
10 us have other calls to make and things to do, and if we have
11 the time I'd like to be able to do some of those, so I'm not
12 sure. I'll ask for sense of the Council? My sense is we are
13 counting on adjournment and getting back, so unless you have
14 something.....

15 MS. OBERMEYER: Well, I regret that, sir.

16 CHAIRMAN PENNOYER: If it's pertinent.....

17 MS. OBERMEYER: Because I come as a volunteer
18 and do we know who I am? And they talk about the
19 Permanent.....

20 MS. HEIMAN: How about three minutes? Three
21 minutes.

22 MS. OBERMEYER: Pardon me?

23 MS. HEIMAN: How about three minutes?

24 MS. OBERMEYER: Thank you, Marilyn, would you
25 be kind enough because.....

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1 CHAIRMAN PENNOYER: Okay, could you hold it to
2 the time set then?

3 MS. OBERMEYER:I really do want to
4 compliment this wonderfully nice Mr. Bushre, but then I have to
5 criticize him. And I wanted to thank Mr. Rue. Mr. Rue, you
6 have impressed me so much today. And, you know, I'm like you
7 people, I'm nice, and look at the way my family's been treated.
8 And I don't know whether -- do you live here locally,
9 Mr. Pennoyer, in Anchorage?

10 CHAIRMAN PENNOYER: I have lived in Anchorage,
11 yes.

12 MS. OBERMEYER: Oh, you don't live here now?

13 CHAIRMAN PENNOYER: Not right at the moment.

14 MS. OBERMEYER: Because you see, sir, my son
15 now has been on every radio station in Anchorage, Alaska for
16 over two weeks. And just to bring up my son and I didn't ask
17 that my son be first in his class of 387 students, but my son
18 has lived a life too. I remember when my children were eight
19 and nine years old and they would walk down the street and
20 their friends would ride by on their bikes saying, your dad's a
21 flunky. This has been my children's growing up. And I don't
22 assume that Mr. Rue even knows that my son has -- he has had at
23 least three articles in the Anchorage Daily News, there have
24 probably been 10 letters to the editor. Since you're from
25 Juneau I'm not even sure you know. Do you know my son is now

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1 the butt of all jokes in Anchorage, Alaska? I mean this is how
2 sick these people are.

3 And then Mr. Storer, is he still on the line, comes on
4 and Mr. Bushre with their 27,000,000,000. So what? I couldn't
5 care less. And what I know is I'm asking that everyone in the
6 State get \$25,000 because I know the Permanent Fund is the joke
7 of the United States of America. What I'm positive of is I
8 have researched, and I don't whether you nice people get the
9 Permanent Fund document, they actually mail to me what they do.
10 So I overwat -- after a period of time I just threw it in a box
11 and then I said, well, what in the world does this mean. And
12 the only thing that made any sense to me is their individual
13 transactions and I don't know whether I passed some of this out
14 to you in past, I know I've given this to the Board of
15 Governors of the Alaska Bar Association, I've given it to the
16 American Bar Association Journal, I send it all over the United
17 States. I don't care who knows.

18 If you think I am embarrassed after I have had four
19 trials fabricated against me and I did want you to see that now
20 Bob is suing me. Mr. Cristal, whom -- I mean, it's appalling,
21 it's literally appalling what goes on. And, yes, I'm for
22 children and so that this thing that has gone on -- and,
23 Marilyn, would you always forgive and you're nice to let me
24 have a moment to say hello. But can we stop believing in the
25 Permanent Fund? What these people are doing is they are all --

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1 all of them, except Jim Sampson, and I want you to remember
2 Jim's name and call up and ask him what it means. Or let me
3 know, and I have the documents in my car, I can run down there
4 and get them if you want me to, because I was going to another
5 meeting to give them to some of the people there. I want us to
6 just start being thinking Americans. The fact that all these
7 people come up here and parade about all their Standards and
8 Poor, you see what they've really done is they have weakened
9 every institution in our great nation.

10 And what I also know is on Wednesday the FTC is going
11 to come out with an announcement that I just do not believe the
12 Ford Oil Company [sic] is going to be able to take over a 40-
13 year-old frontier that is the resource base for my great
14 nation. Can we simply start realizing how terribly we have all
15 been manipulated. And I want to let all of you know, and I
16 said to Mr. Tillery at the break, what a fine man Mr. Bushre
17 is, he really is nice, but you see, I also have to bring this
18 up. People that have really been only in Alaska, I just think
19 they have been so ripped off.

20 May I say, and I don't know what to say. I think they
21 will rationalize anything. I think some of these people really
22 think my husband flunked the Bar exam, I really do, after he's
23 written an essay test for 84 days of his life, he has paid
24 these people 28 times. And, Mr. Tillery, I know I've invited
25 you, go down there to one Board of Governors meeting and watch

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1 them and all their buddies from all over the United States by
2 reciprocity that never landed on our soil. I've watched them
3 do these things for over eight years.

4 And so I also say this, you'd have to see with your own
5 eyes what these people really do and I have seen that because I
6 have said why is this going on and I keep asking for answers.
7 And then I figured out what was going in the Permanent Fund,
8 you know, all their sick games.

9 So, lastly, how are you going to spend your 25,000, I
10 think we all have some very creative ideas.

11 And did you have a question at all, sir? Any
12 questions?

13 CHAIRMAN PENNOYER: Not at the moment, thank
14 you.

15 MS. OBERMEYER: Marilyn, did you have a
16 question?

17 MS. HEIMAN: No.

18 MS. OBERMEYER: So let's also be for 49,000
19 youngsters in the Anchorage School District, it's time for
20 thinking in these school buildings. And you're very nice to
21 hear me. Thanks, Marilyn. Have a great meeting.

22 CHAIRMAN PENNOYER: Thank you. Okay. Motion
23 to adjourn please.

24 MS. SEE: Motion to adjourn.

25 MS. HEIMAN: I so move.

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1 CHAIRMAN PENNOYER: Do I have a second?

2 MR. TILLERY: I'll second it.

3 CHAIRMAN PENNOYER: That means a State chairman
4 at the next meeting.

5 MR. RUE: No problem.

6 CHAIRMAN PENNOYER: Thank you.

7 (Off record - 4:08 p.m.)

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C E R T I F I C A T E

1
2 UNITED STATES OF AMERICA)
3) ss.
4 STATE OF ALASKA)

5 I, Joseph P. Kolasinski, Notary Public in and for the
6 State of Alaska and Owner of Computer Matrix do hereby certify:
7 THAT the foregoing pages numbered 3 through 195 contain
8 a full, true and correct transcript of the Exxon Valdez Oil
9 Spill Trustee Council's Meeting recorded electronically by me
10 on the 31st day of January 2000, commencing at the hour of
11 10:13 a.m. and thereafter transcribed by me to the best of my
12 knowledge and ability.

13 THAT the Transcript has been prepared at the request
14 of:

15 EXXON VALDEZ TRUSTEE COUNCIL, 645 G Street,
16 Anchorage, Alaska 99501;

17 DATED at Anchorage, Alaska this 8th day of February
18 2000.

SIGNED AND CERTIFIED TO BY:

19
20
21 _____
22 Joseph P. Kolasinski
23 Notary Public in and for Alaska
My Commission Expires: 04/17/00