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1 EXXON VALDEZ OIL SPILL
2 TRUSTEE COUNCIL
3 Meeting

4 Wednesday, July 5, 2000
5 10:30 o'clock a.m.
6 Fourth Floor Conference Room
7 645 G Street
8 Anchorage, Alaska

9 TRUSTEE COUNCIL MEMBERS PRESENT:

10 STATE OF ALASKA - DEPARTMENT	MR. FRANK RUE
11 OF FISH AND GAME:	Commissioner
12 (Chairman)	
13 U.S. DEPARTMENT OF COMMERCE	MR. JAMES BALSIGER
14 NOAA/NMFS: (Telephonically)	Director, Alaska Region
15 STATE OF ALASKA -	MR. CRAIG TILLERY
16 DEPARTMENT OF LAW:	Trustee Representative
17	for the Attorney General
18 U.S. DEPARTMENT OF INTERIOR:	MS. MARILYN HEIMAN
19 (Telephonically)	Special Assistant to the
20	Secretary for Alaska
21 U.S. DEPARTMENT OF AGRICULTURE -	MS. MARIA LISKOWSKI
22 U.S. FOREST SERVICE	for MR. DAVE GIBBONS
23 (Telephonically)	Trustee Representative
24 STATE OF ALASKA - DEPARTMENT	MS. MICHELE BROWN
25 OF ENVIRONMENTAL CONSERVATION:	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. PAULA BANKS	Administrative Assistant
6 MS. DEBBIE HINNIGH	Special Staff Assistant
7 MR. ALEX SWIDERSKI	State of Alaska,
8	Department of Law
9 MS. GINA BELT	Department of Justice
10 MR. KEN HOLBROOK	U.S. Forest Service
11 MR. BUD RICE	National Park Service
12 MS. CATHERINE BERG	U.S. Fish and Wildlife Svc.
13 MR. GLENN ELISON	U.S. Fish and Wildlife Svc.
14 MS. MARIANNE SEE	Alaska DEC
15 MR. BILL HAUSER	ADF&G
16 MS. CLAUDIA SLATER	ADF&G
17 MS. CAROL FRIES	ADF&G
18 MR. MARK KUWADA	ADF&G
19	(Telephonically)
20 MR. BARRY ROTH	U.S. Department of Interior
21 MR. BILL HINES	NOAA/NMFS
22 MR. BRUCE WRIGHT	NOAA/NMFS

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1 P R O C E E D I N G S

2 (On record - 10:51 a.m.)

3 CHAIRMAN RUE: I apologize for being late,
4 this is Frank Rue, I've been tasked to chair, so why don't
5 we go ahead and make sure who we got on line and then we'll
6 go through the agenda. Here in Anchorage we have Michele
7 Brown from DEC; Craig Tillery from the Department of Law;
8 and myself, Frank Rue from Department of Fish and Game.
9 Who do we have on line? And, of course, Molly McCammon,
10 the Executive Director.

11 MR. BALSIGER: In Juneau, Maria Liskowski
12 is here and Jim Balsiger, Bill Hines and Bruce Wright are
13 also sitting in.

14 CHAIRMAN RUE: Okay, great.

15 MS. HEIMAN: I'm on line, Frank, this is
16 Marilyn.

17 CHAIRMAN RUE: Hi, Marilyn.

18 MS. RIEDEL: Monica Riedel is on from
19 Cordova.

20 CHAIRMAN RUE: Okay.

21 MS. SLOTNICK: And this is Neil Slotnick
22 calling in, in Anchorage.

23 CHAIRMAN RUE: Okay. So who's representing
24 the Forest Service today, I missed that?

25 MS. McCAMMON: Maria.....

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1 CHAIRMAN RUE: Maria is.

2 MS. McCAMMON:but I don't have a
3 letter of delegation, yet, Maria.

4 MS. LISKOWSKI: You should have it, they
5 copied it to you, it was issued on the 29th.

6 MS. McCAMMON: I have no copy of it in hand
7 here. I left a message asking for someone there to fax it
8 to me, but I haven't gotten it.

9 MS. LISKOWSKI: Ken Holbrook should have it
10 and he's supposed to be there at the meeting.

11 MS. McCAMMON: He's here and he doesn't
12 have it either, he never got a copy either.

13 MS. LISKOWSKI: Well, I'll have someone fax
14 it to you, Molly, it's been signed.

15 MS. McCAMMON: Great, thanks.

16 CHAIRMAN RUE: So we'll assume we have a
17 delegation for Maria. Okay, why don't we look at the
18 agenda? Has everyone had a chance to look at the agenda?
19 Any suggestions on the agenda?

20 (No audible responses)

21 CHAIRMAN RUE: Okay, then I guess the
22 agenda is approved. Second order of business, then, is to
23 approve our May 22nd, 2000 meeting notes. Do I hear a
24 motion?

25 MR. TILLERY: I so move.

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1 CHAIRMAN RUE: Okay. Any second?

2 MS. BROWN: Second.

3 CHAIRMAN RUE: All right. Any comment,
4 discussion on the meeting notes?

5 (No audible responses)

6 CHAIRMAN RUE: Okay, any objection to
7 adopting the meeting notes?

8 (No audible responses)

9 CHAIRMAN RUE: Okay, hearing no objection
10 the meeting notes from May 22nd are adopted. This takes us
11 to the Executive Director's report. Molly, would you like
12 to.....

13 MS. McCAMMON: Mr. Chairman, actually, I
14 would defer. We had a public comment period schedule for
15 10:45, so it's probably better to go ahead with that.

16 CHAIRMAN RUE: Okay.

17 MS. McCAMMON: And then there's a couple of
18 things I wanted to bring to your attention, but I could do
19 those afterwards.

20 CHAIRMAN RUE: Okay. Why don't we do that.
21 Due to the late hour or minute, we'll go ahead with the
22 public comment. How many sites do we have on line, Molly?

23 MS. McCAMMON: We have Juneau, Cordova,
24 there's somebody that wants to -- Monica Riedel wants to
25 testify from Cordova. There's a couple of folks here in

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1 Anchorage.

2 Brian Andrews, did you want to testify Brian?

3 (No audible responses)

4 MS. McCAMMON: He's in Juneau. I don't
5 know if he's called in yet.

6 CHAIRMAN RUE: Okay. So Juneau, Cordova
7 and Anchorage.

8 MS. McCAMMON: I think that's it.

9 CHAIRMAN RUE: Okay. We have quite a few
10 people in Anchorage to testify, so why don't we start here
11 in Anchorage. And the first person on the list is Robert
12 -- I think it's Dilley; is that right?

13 MR. DILLEY: Thank you.

14 CHAIRMAN RUE: Okay, Robert. And how much
15 time would we like to give you, five minutes? Does that
16 work?

17 MR. DILLEY: Would 10 be okay, no more than
18 10?

19 CHAIRMAN RUE: Trustees, what do you think,
20 10 minutes? If we give everyone 10 minutes we'll be here
21 for quite a while.

22 MS. HEIMAN: Three minutes.

23 CHAIRMAN RUE: Three. Why don't we try
24 five, see what you can get done in five.

25 MR. DILLEY: From when I start talking?

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1 CHAIRMAN RUE: This will make you be
2 efficient, how about that. Yeah, once you start talking.
3 You can pass things out.

4 MR. DILLEY: Thank you.

5 CHAIRMAN RUE: Oh, okay, great. I think
6 we've heard -- this is good.

7 MR. DILLEY: I don't think I have enough
8 for everybody, but.....

9 (Pause)

10 CHAIRMAN RUE: We're waiting, some material
11 is being passed out, for those of you on the
12 teleconference, before Mr. Dilley gets started. Okay.

13 MR. DILLEY: Thank you very much.

14 CHAIRMAN RUE: You ready to go?

15 MR. DILLEY: Yes, sir, thank you.

16 CHAIRMAN RUE: Great, go ahead.

17 MS. McCAMMON: You have to turn the
18 microphone on there. There's a little note there right in
19 front of you.

20 MR. DILLEY: All right, can you hear me
21 now?

22 CHAIRMAN RUE: Sounds good, go ahead.

23 MR. DILLEY: Okay, thank you. My name is
24 Robert Dilley, President of Econo Painting, Inc., and I
25 made a presentation for public comment back on January 13th

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1 of this year. And I have solicited for a project in the
2 physical [sic] year 2001, project number 01549, an Alaskan
3 whaling wall for Prince William Sound. At the time back in
4 January we were requested from Begich Towers, Incorporated
5 to get Wyland up here to do their building. We secured
6 that paint job through Begich Towers, but Wyland said that
7 there were too many windows, although the comprehensive
8 package was exquisite and he wanted to see if I could find
9 another building there that was acceptable. We found a
10 building, we found an owner. I've been to Whittier City
11 Council meetings, Whittier City Council members have given
12 me the total go ahead with their blessing. I have letters
13 of non-objection, I have the owner's approval, I have
14 Wyland's go ahead, I have all of the necessary information
15 to complete this. There's been lots of brochures and lots
16 of letters and lots of literature lately that's been read
17 that states that possibly the opening of the Whittier
18 tunnel could affect this restoration process promised by
19 the Trustee Council.

20 It's my understanding that a lot of people feel
21 that there is a significant possibility the restoration
22 process could be retarded with this tunnel opening. We
23 look at this as a positive opportunity to enhance the
24 awareness through interpretive display and illustration as
25 required in the Exxon Valdez Trustee Council's agenda for

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1 what they do in business, I guess, in general. And so I
2 think we meet that criteria.

3 The scientific merit that the scientists' review
4 board said that they failed to see the merit of it
5 scientifically, and that's most likely my fault, technology
6 sometimes passes the tradesman up. They're out in the
7 field working and I don't think I made too good of an
8 initial paperwork package, although I have about two feet
9 of paper all the way from Craig Mapkin, the oceanic expert
10 in the area, to Wyland, City of Whittier, Anchorage, I've
11 kept everybody in the loop. All has gone well to this
12 point, the only flaw that I see is the recommendation from
13 the scientific review board to not fund this project.

14 As you can see over here, an illustrative display
15 says a lot. That's a local artist's work here in town and
16 Butterfield and Butterfield appraise it at \$18,000 and a
17 local appraiser appraised it at \$2,500, so everybody has a
18 different take or a different feel for appraisals and value
19 and worth. The AB killer whale pod significantly lost lots
20 of their members, they are in the unrecovered area right
21 now. We feel recovery, at this point in time, is
22 scientifically great through genetics, through the
23 scientific merit that goes hand and hand with everything,
24 but we feel the key to keep the loop together, to keep the
25 circle tight and closed is to have the Trustee Council take

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1 their responsibility in funding this project which will
2 stop any bleeding that might be done through the tunnel.
3 There are people that are going to be visiting Whittier
4 that would never be able to specifically get hands-on to
5 the AB killer whale pod. The illustrative display drawn up
6 from Wyland would be through help with Craig Mapkin. The
7 entire building, all four walls will have 13 whales on it,
8 it's a centerpiece of town.

9 Economically last week out there in Whittier when I
10 was trying to fish, I'd go out to Salmon Run 1 where we had
11 been for many, many times, there aren't any fish, there
12 aren't any people, it's so beautiful out there and I think
13 it's time that the Exxon Valdez Trustee Council paid
14 Whittier back and help preserve the rest of the whales.
15 Somebody there will see that whale wall someday that will
16 be able to do something for us.

17 Thank you for your time.

18 CHAIRMAN RUE: Thank you very much,
19 Mr. Dilley. Any questions for Mr. Dilley from Council
20 members?

21 (No audible responses)

22 CHAIRMAN RUE: Okay. I appreciate you
23 coming and giving us your presentation.

24 MR. DILLEY: Thank you.

25 CHAIRMAN RUE: Thank you. Okay, I think I

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1 actually only have one other person here in Anchorage to
2 testify. Let me ask if Mary Lou Pratt put a line, does
3 that mean no testify or yes?

4 MS. PRATT: No.

5 CHAIRMAN RUE: That means no, okay. Why
6 don't we go ahead and finish here, we've got one other
7 person in Anchorage and that's David Rose and then we'll
8 move to the other sites. Mr. Rose.

9 MR. ROSE: Unfortunately my sight is -- so
10 I'm not sure what I should do here.

11 CHAIRMAN RUE: The little speaker that's on
12 the top of the.....

13 MS. McCAMMON: That's so you'll be on the
14 teleconference. Can you help him with that, Paula?

15 MR. ROSE: Okay.

16 CHAIRMAN RUE: See the little.....

17 MR. ROSE: Yeah, if someone would just turn
18 it on for me, I'd appreciate it.

19 MS. McCAMMON: It's on.

20 CHAIRMAN RUE: It's on.

21 MR. ROSE: Okay. Mr. Chairman, my name is
22 David Rose, I'm the Chairman and CEO of Alaska Permanent
23 Capital Management Company. I want to thank you for the
24 opportunity to appear and particularly thank staff who was
25 kind enough to copy us on the Bill Wurts report and giving

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1 us a feel for where staff is headed with respect to the
2 management of Trustee monies. You may feel that you get
3 inundated a little bit from the private sector in this last
4 week or so with letters, but I'll tell you all
5 organizations and agencies are not as diligent about
6 keeping the entire community in the loop as your staff has,
7 so we hope that you don't feel pressured by a late
8 appearance by members of the private sector.

9 I do want to talk to you a moment about your view
10 as fiduciaries and then our view as to some of the things
11 that we think is going on. First of all, as Trustees you
12 do have a fiduciary responsibility, you have both a
13 cooperative total organization responsibility as well as an
14 individual responsibility as fiduciaries. And, indeed, you
15 can be subject to suit, one way or the other, if you don't
16 prosecute your fiduciary responsibilities with a degree of
17 prudence and caring. Remembering always that you can
18 delegate some authority, you can delegate some
19 responsibility, but as fiduciaries you cannot delegate
20 accountability. You must be fully in control of the
21 process that involves the investment of your money. You
22 have no duty to Department of Revenue, no duty to the State
23 of Alaska, specifically. Your duties as fiduciaries are to
24 the Trust and you must use your best judgment to prosecute
25 that duty as best as possible without any care, one way or

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1 the other, to other elements, other than be true to the
2 fund.

3 One of the tenants of institutional investing is
4 the concept of dual reporting. When you have a fiduciary
5 responsibility you don't just give all your money to one
6 individual, one group of people and say, run my money, you
7 know, I'm out of it, I don't have to be bothered by this
8 stuff. You have responsibility for checks and balances and
9 internal controls, and typically you have a responsibility
10 for the reporting cycle, that is, the custody of your
11 assets, and for the investments of your assets. And
12 generally both sides make reports and generally those are
13 both reconciled to make sure that no money, no assets fall
14 through the crack. If you have one person doing the
15 custody and the investing then you run the risk of some
16 people who have gone by the way, like Behrends Brothers and
17 others where the fellow who keeps the books is also the
18 fellow who is investing. This is not a good institutional
19 process. You should insist on separate custody and you
20 should insist that those reports come directly to you. And
21 that if you want your money manager to reconcile the
22 reports, then they ought to reconcile the two, but there
23 should be no intermediary between the custodian and
24 yourself.

25 Secondly, you should have the right to hire and

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1 fire the custodian. That's the person, the bank or
2 institution that holds your assets and your cash. You
3 should have the complete control over that custodian to
4 hire him and fire him as you wish because they are your
5 assets and they must be directly under your control.

6 Thirdly, the assets of the trust should be in your
7 name, the Trustee Council, not any other nominee. They are
8 your assets and they should not be commingled to the extent
9 where they lose the identity. If you wish to have those
10 assets out, you should not have to beg or plead for anyone
11 to release them. You can control the custodian, you
12 control your assets. And any system which removes that
13 control from you can create great grief, particularly if
14 you have a conflict with the entity that's holding your
15 money.

16 One thing that's really important is the reporting.
17 There is some question about you being -- if you work with
18 the State of Alaska, being in a commingled fund. The only
19 way you can guarantee that those monies are in that
20 commingled fund, aren't temporarily borrowed, aren't
21 temporarily used, is a good solid reporting system. And
22 you should be able, on a regular basis, to get a list of
23 your assets, a chronological report of every transaction
24 within your account. You should be able to get a statement
25 of capital gains and losses and you should get a statement

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1 of cash reconciliation that tracks every bit of cash that
2 goes through your account.

3 And, again, if you're not getting this kind of
4 report or these kinds of reports, then you ought to demand
5 them. Just because you've been invited to participate in a
6 particular existing system, does not mean you have to
7 compromise your abilities as Trustees to manage and
8 exercise your fiduciary responsibilities.

9 One other point is if you are going to elect to
10 have the State of Alaska manage your money, you should be
11 aware of the turnover in that organization. Ross Kinney,
12 number one guy, Mr. Storer, number two guy, Michael Chung,
13 number three guy, have all left since you have engaged in
14 conversations with the State of Alaska. You now have
15 Mr. Jenks, who is heading up a team that is somewhat
16 untested and, number two, has very little experience
17 managing to the aggregate index which is apparently the
18 benchmark which you have selected to match to.

19 If someone was selecting a manager to manage their
20 money, they would not look at a brand new group, untested,
21 untried, and I think the recommendations from the
22 Department of Revenue that you proceed on these matters
23 are, perhaps, just a little bit clouded by their own self
24 interest as a bureaucracy because I can assure you that
25 nobody would put \$100,000,000 or more with a crew that has

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1 been newly formed and, in fact, that a crew, up until last
2 month sent billions of dollars to State Street on temporary
3 management because the State could not accommodate the
4 management program for the retirement program. And so they
5 farmed out, I think, about \$3,000,000,000, now I understand
6 that's come back. But they didn't even have the
7 capability, a month ago, to manage their own assets, let
8 alone solicit more assets from you.

9 Let me conclude by just -- and that, I think, is as
10 I view it from your position as fiduciaries. You have a
11 right and a duty to insist on what makes you comfortable
12 and you feel succeeds as a fiduciary execution of your
13 responsibilities. Not to accept something that's been
14 cobbled together and said you have to have this, this is
15 all we offer and if you don't go with us you're dead in the
16 water. Well, let me assure you there are other State
17 agencies who know how to handle money, not the least is
18 which Alaska Industrial Development Authority, Alaska
19 Housing Finance Corporation, all of which have a firm
20 understanding of checks and balances in the fiduciary
21 system.

22 Let me just tell you one thing from our view in the
23 private sector and the reason you've gotten some letters.
24 The State of Alaska Treasury does not use local banks for
25 custody, they keep all their money back in Massachusetts or

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1 Quincy, Mass. or New York with State Street. No Alaska
2 bank will benefit from any of that investment process.
3 They don't use Alaska brokerages. When they place orders
4 to buy and sell securities of billions of dollars a year,
5 none, zero, not one penny is placed in the Anchorage
6 community through Anchorage brokers. They simply deal
7 Outside.

8 And, lastly, of course, the State of Alaska has
9 made the determination if you invest your money with them
10 then they will manage it in-house, which means that
11 contractors, like me, who manage a billion and a half of
12 Alaskan money, and do it very responsibly with some very
13 pleased clients, will have no opportunity to compete. So
14 when you make the decision to give this money to Alaska
15 State Department of Revenue, you mandate an Outside bank,
16 you mandate that the brokerages in Alaska will not benefit
17 in any way, and you mandate that firms, like mine, are cut
18 out because they decide to use internal management.

19 For all of these reasons I hope your discussion
20 later on today will center around your responsibilities and
21 what you need out of a system, not what the State wishes to
22 give you. And if you don't like the package that the State
23 offers, then ask them to modify it, then ask them to
24 include local banks for custody, ask them to include local
25 brokerages, ask them to consider firms like mine. All of

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1 us, whether it's the bank, my company, the brokerages
2 simply want an opportunity to compete. To compete. Now,
3 we may lose but we want an opportunity to compete. And
4 what you do by going directly to the Department of Revenue
5 is you cut all of us out in your local community and that
6 money winds up in Massachusetts and New York and a whole
7 bunch of other places, none of it in Alaska.

8 Now, let me make it real clear, your fiduciary
9 responsibility does not include worrying about Alaska
10 business. As a fiduciary you have to do what's right for
11 you, for a fiduciary. But if you're a little bit concerned
12 about the letters that have been coming in to the
13 Governor's office and here, it's because you have been
14 generous enough to give us a chance to comment. And so
15 we've commented and we certainly appreciate the fact that
16 you've done that, we certainly would appreciate the fact
17 that you would be cognizant of your independent
18 responsibilities as Trustees and do what's best as a
19 fiduciary, not as what's best or convenient for the State
20 of Alaska.

21 I'd be pleased to answer any questions.

22 CHAIRMAN RUE: Okay. Thank you, Mr. Rose.
23 Do any of the Trustees have questions of Mr. Rose?

24 (No audible responses)

25 MR. ROSE: Thank you, Mr. Chairman.

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1 CHAIRMAN RUE: Craig. Mr. Tillery has.....

2 MR. TILLERY: I don't think I have a
3 question, but I do have a comment, which is I very much
4 appreciate the time that you took to prepare the materials
5 that you sent us. They have been very helpful, they have
6 helped me formulate questions and I appreciate the time
7 that the others in your industry have also taken to present
8 those, they were very much appreciated.

9 MR. ROSE: Thank you. And we appreciated
10 being included. Sometimes we get a little snappish, but
11 it's not because we are naturally that way, we very seldom
12 get a chance to participate in these kinds of things.

13 Thank you.

14 CHAIRMAN RUE: Thank you very much.

15 MS. HEIMAN: Frank.

16 CHAIRMAN RUE: Yeah, Marilyn.

17 MS. HEIMAN: This is Marilyn Heiman from
18 the Department of Interior. Dave, I wanted to thank you,
19 also, for your comments, and I did read what was submitted
20 in our notebook from all the financial institutions. I was
21 just curious if you were going to be around when we have
22 our discussion, if you have the time to do that.

23 MR. ROSE: I will not be, Marilyn, but Mary
24 Lou Pratt will be here.

25 MS. HEIMAN: Oh, and she works with you?

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1 MR. ROSE: Yes, she does.

2 MS. HEIMAN: Okay, great, thank you.

3 CHAIRMAN RUE: Okay, any other questions?

4 (No audible responses)

5 CHAIRMAN RUE: No? Okay. Let's go to the
6 Cordova site, we've got Monica Riedel; is that correct?

7 MS. RIEDEL: Yes, thank you, Frank. My
8 name is Monica Riedel, I'm the Executive Director for the
9 Alaska Native Harbor Seal Commission located in Cordova.
10 And I would just like to present a few comments regarding
11 our scientific project and also about the GEM Project.

12 First of all, I'd like to thank the Trustees for
13 your continued support for the community-based biosampling
14 project, it's now in its fifth year. And through this
15 project we have garnered lots of other support for this
16 work. So your help has gone a long way, we received a lot
17 of support from NMFS, National Marine Fishery Service,
18 ADF&G Subsistence Division, University of Alaska-Fairbanks
19 School of Fisheries and Ocean Sciences and we're looking
20 forward to working with the SeaLife Center and National
21 Science Foundation. We have 80 certified biotechnicians
22 throughout Alaska, which started from this program. And
23 last year we also signed a co-management agreement between
24 the National Marine Fisheries Service and the Harbor Seal
25 Commission. The co-management agreement has provisions in

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1 there for an action plan which will involve working
2 together to address harbor seals with regards to
3 conservation, harvest monitoring, population monitoring and
4 research.

5 I'd like to encourage your continued support for
6 this biosampling program. As we speak it is a very
7 critical piece to the expanded program. We're looking
8 towards expanding in Southeast and helping them start a
9 Youth Area Watch Program based on what we've done here in
10 the spill area.

11 Harbor seals are an important major subsistence
12 resource and we'd like to try, as much as we can, to keep
13 local people involved in this research. And, furthermore,
14 we'd really like to be part of the bigger picture with the
15 GEM Program. And as you know that the biosamples have
16 contributed toward the understanding of changes in the gulf
17 ecosystem through the stomach samples. And we've worked
18 very, very hard to inform the public on the work that we're
19 doing. And also we've worked with a huge, well, I guess
20 not huge amount of scientists, but I think the major
21 scientific players in the research field with regard to
22 harbor seals.

23 So with that I would like to finish by saying
24 thanks again for your support and I'd encourage you to
25 continue the support, particularly when it encourages

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1 community involvement in the research.

2 And I'd be happy to answer any of your questions
3 that you may have.

4 CHAIRMAN RUE: Thank you very much, Monica.
5 Are there Trustee Council members who'd like to ask Monica
6 any questions?

7 (No audible responses)

8 CHAIRMAN RUE: No, not from Anchorage.

9 Anyone on line?

10 (No audible responses)

11 CHAIRMAN RUE: No. Okay. Well, thank you,
12 Monica, appreciate that. Is there anyone else in Cordova?

13 (No audible responses)

14 CHAIRMAN RUE: Okay, I'm not hearing
15 anyone. Let's go to Juneau, we've got two folks signed up,
16 Brian Andrews. Is Brian there, does he want to testify?

17 (No audible responses)

18 CHAIRMAN RUE: No?

19 MS. McCAMMON: No.

20 CHAIRMAN RUE: Apparently not. That's it,
21 okay. That's it for.....

22 MS. McCAMMON: Is there anyone else on
23 line?

24 CHAIRMAN RUE: Is there anyone else on line
25 that would like to give the Council their comments?

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1 MS. RIEDEL: Mr. Chairman, this is Monica
2 again. I did miss something. I would like to ask a
3 question to the Council.

4 CHAIRMAN RUE: Okay, go ahead.

5 MS. RIEDEL: And I guess I would like to
6 know how are we doing with the other scientific projects
7 with regards to community involvement? I just kind of
8 throw that rain check out or that little check out there to
9 see, you know, just how we're doing. I know a lot of the
10 projects are -- some of them are subsistence oriented, but
11 I'd just like to see how the other major bulk of the
12 projects are including community people in their research.

13 CHAIRMAN RUE: Maybe I can ask the
14 Executive Director, is there a quick answer to that or is
15 that a fairly involved.....

16 MS. McCAMMON: Well, Mr. Chairman, I think
17 what Monica said is correct, that the major ecosystem
18 projects are all winding down and right now are just in the
19 final report status.

20 CHAIRMAN RUE: Uh-huh.

21 MS. McCAMMON: A number of the other
22 projects that are ongoing are -- we're just completing a
23 lot of work that was started initially. I mean certainly
24 the harbor seal biosampling program is one of the, I think,
25 big successes of the Council in terms of really actively

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1 involving community folks in actual scientific monitoring,
2 and we do see that as an important part of future
3 monitoring under GEM. We are looking at other aspects of
4 how to get communities more closely involved, what kinds of
5 things they can do in terms of contaminants monitoring, in
6 terms of herrings, seabirds, other kinds of things. It's a
7 long process, we're not there yet. Folks like Monica have
8 been really helpful in getting us, at least, part way
9 there. But in terms of developing the long-term monitoring
10 plan for GEM, community involvement has to be a key part of
11 that and it's still under development.

12 CHAIRMAN RUE: Yeah, right. I know we
13 tried to write that into the GEM Plan.

14 MS. McCAMMON: Yeah.

15 CHAIRMAN RUE: Appreciate the.....

16 MS. RIEDEL: Thanks, Molly, and please let
17 me know if I can help in this area in anyway, I think it's
18 of the utmost importance to us as a fishing community and
19 people that actually rely on the resources to be involved,
20 and I'd be happy to help where needed.

21 MS. McCAMMON: Good.

22 CHAIRMAN RUE: Okay. Thank you, Monica.

23 MS. HEIMAN: Frank, could I just add

24 something?

25 CHAIRMAN RUE: Yeah, go ahead, Marilyn.

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1 MS. HEIMAN: Monica, I just wanted to make
2 sure -- I'm sure you aware of our schedule for GEM and the
3 National Research Council's reviewing proposal and will be
4 sort of finalizing that work in October, and I'm sure
5 you're following that schedule along with us and I
6 encourage you to do that.

7 CHAIRMAN RUE: Okay.

8 MS. RIEDEL: Yes, except I'm still pretty
9 far out of the loop, I think. Maybe you guys should come
10 down to Cordova and give a little update -- I know you've
11 done this already, too, Molly, but I think the feeling is
12 that we still feel pretty far away from the project and I
13 think it just needs to have a little more attention towards
14 it. That's just my personal feeling.

15 CHAIRMAN RUE: Monica, maybe.....

16 MS. McCAMMON: Monica, I'll give you a call
17 later because we're in the process now of scheduling the
18 focus group for the Prince William Sound area, so I'll give
19 you a call.

20 MS. RIEDEL: Great, thank you very much.

21 MS. McCAMMON: Yeah.

22 CHAIRMAN RUE: Good. That sounds good.

23 Okay. I think we have one other person signed up and
24 that's Teresa Obermeyer.

25 MS. OBERMEYER: Yes, sir. How are you,

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1 Mr. Rue.

2 CHAIRMAN RUE: Good.

3 MS. OBERMEYER: So nice to see you.

4 CHAIRMAN RUE: You weren't here for the
5 instructions, so why don't I -- what I've asked everyone to
6 do is try to limit their comments to five minutes.

7 MS. OBERMEYER: Oh, sure.

8 CHAIRMAN RUE: And, hopefully, on the
9 subject of the Trustee business today.

10 MS. OBERMEYER: Oh, yeah, it's about our
11 small state. And I'd like to commend Mr. Rose's comments.
12 I am so pleased that Mr. Rose is involved in this. How are
13 you today, sir?

14 MR. ROSE: I'm great.

15 MS. OBERMEYER: You know, Mr. Rose is
16 amazing to me. He is not in good health and yet continues
17 on and does really well. He's an inspiration. And so what
18 I'd like to simply talk about briefly -- and would you be
19 kind enough, Mr. Rue, to let me know when I have just about
20 one minute left?

21 Teresa Obermeyer and I come when I can. We live in
22 such a small town. I want to say this, we live in a place
23 that is not a place to raise children now. And I always
24 would like to make example out of myself. When my 18-year-
25 old, who had just turned 18, can have headlines for weeks

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1 in newspapers all over our state and have over 20 letters
2 to the editor only in the Anchorage Daily News, and I don't
3 know in other parts of the state what went on, simply
4 because he became the best and brightest. My son became
5 first in his class and it's all very long, but I could
6 never in my life imagine what people will do in the name of
7 children. This is an education, ladies and gentlemen.

8 But may I get to these documents that I gave you
9 because, you see, all of this is so long that I feel I have
10 to give you written documents in order to really have you
11 understand what I'm explaining. And what I'd like to say
12 is I, first of all, invite all of you to come to what I
13 think might be, and I laugh so darn hard, my fifth
14 fabricated trial. Do you know how many millions have been
15 spent to attempt to silence me? And I really am at the
16 point where I don't care what these people do anymore.

17 We spent -- and I'd like anyone that has children
18 to think about if your child came home in tears and said
19 somebody made something up against him, would you help your
20 child? Of course you would. I spent \$4,000 on that and
21 I'm not paying any more lawyers, I don't care. I will go
22 over and talked to my dear friend Brant McGee and see if he
23 can help me. I've gone to the ACLU, they get all the
24 information and they're supposed to care about freedom of
25 speech. I haven't been allowed to speak in front of the

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1 Anchorage School Board for a year and no one does anything.
2 Ladies and gentleman, I really am starting to say I
3 live in Nazi Germany. I cannot imagine what people think.
4 And it seems like everyone goes through motions and no one
5 does anything. So I'm hoping that I might motivate you. I
6 hope that local people will finally have some
7 opportunities. When I even hear what Mr. Rose says about
8 Quincy, Massachusetts, New York, it makes me really angry.
9 I live in such a small town, when are we going to have any
10 opportunity?

11 CHAIRMAN RUE: One minute.

12 MS. OBERMEYER: Okay, let's get to AIDA.
13 It's kind of juicy, ladies and gentleman. Now, let me ask
14 you if you know politics the way I do. I grew up in
15 politics in a major city and when you know politics, the
16 main thing is, did they spell your name right? Now, I
17 think everyone in the state knows how to spell my name, I
18 think I have more name recognition than all the other
19 mayoral candidates combined, and I'm saying like five times
20 as much. And, yet, I want to say this, I got 1.86 percent
21 of the vote.

22 Then I get my documents from AIDA and I allege that
23 Andy Eker manipulated the mayoral election. Now, how he
24 did it, the whys and wherefores of it, ask him yourself.
25 How did Andy get 13,300,000 bucks on April 26th, that's my

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1 question. And where do we get in line? Hand me
2 13,300,000, I'd be glad to take it.

3 So, Mr. Rue, would you come to my trial tomorrow?
4 As your wife sits on the State Board of Education and she
5 is implementing a high school qualifying exam that is put
6 out by Exxon and being graded in Monterey, California by
7 McGraw, Hill Book Publishers, ask her. Ask her yourself.
8 And, of course, I can't get all the contractual
9 arrangements, these are private businesses, but it's time
10 that local people grade a test.

11 CHAIRMAN RUE: Okay.

12 MS. OBERMEYER: What about it?

13 CHAIRMAN RUE: Well.....

14 MS. OBERMEYER: Isn't that a thought?

15 CHAIRMAN RUE: That's a thought.

16 MS. OBERMEYER: Did you have a question,
17 sir?

18 CHAIRMAN RUE: I didn't, but your time is
19 up. Let me see if other Trustee Council members have a
20 question of Ms. Obermeyer.

21 MS. OBERMEYER: And thank you for hearing
22 me.

23 CHAIRMAN RUE: Okay. Thank you very much.
24 All right. I don't see anyone else on the list for public
25 testimony. Do we want to do one more round around?

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1 Cordova? Assuming no one else is in Cordova. Juneau?

2 (No audible responses)

3 CHAIRMAN RUE: Why don't we move on to our
4 next agenda item, which is the Executive Director's report.

5 MS. McCAMMON: Thank you, Mr. Chairman.

6 Just a few things I wanted to make note of. One is in your
7 packet, it's the financial report of May 31st, 2000, which
8 indicates the balances in the Liquidity account and in the
9 Restoration Reserve account.

10 I sent to all of you, you should have received
11 this, it was dated June 19th, a memo and an outline of a
12 final report of phase one of the Restoration Program. And
13 this is an issue that we've discussed over the past several
14 years. There were some questions at a recent restoration
15 work force meeting about the status of this report and kind
16 of where we were headed with it. I put together the memo
17 and asked if there were any questions or comments, if
18 anyone wanted to discuss it at this meeting. I haven't
19 heard from anyone, but I did just want to remind you that
20 this is still underway, we're still taking this approach,
21 if you do have any comments or concerns about it, I'd
22 appreciate hearing them.

23 I think there was some question when I labeled it
24 "Final Report." That was a working title only, it
25 certainly doesn't indicate that the Council is going out of

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1 business or that this is the final hurrah of the Trustee
2 Council. It's primarily of the program pre-GEM, pre-
3 October 1, 2002. But it's trying to get a lot of the early
4 years documented and put into an organizational format as
5 we kind of approach the next phase of the Restoration
6 Program.

7 We're losing a lot of institutional history right
8 now and in the past couple of years. Just in my own staff
9 alone I'm losing people this week. Talk about staff
10 turnover. This is Traci Cramer's last Trustee Council
11 meeting, she is leaving State employment on Friday and
12 leaving the state on Sunday. So I won't say anything more,
13 otherwise I'll get too emotional on that one. The last day
14 for Joe Hunt was on Monday, he departed the state Monday
15 night. Rebecca Williams last day was Monday, she hasn't
16 departed the state yet, but will in the next month or so
17 and is on her way.

18 So with this final report, working title only, what
19 we're trying to do is capture some of the institutional
20 knowledge of the early days, after the spill, the damage
21 assessment, the settlement, the early days of the
22 Restoration Program and then describe the evolution of the
23 process over the last -- in the program over the last 10
24 years. So, again, if you have any comments or questions
25 about that.

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1 The other thing that I wanted to bring you up to
2 date on was the National Research Council review of GEM.
3 The Council did meet here in Anchorage for two days, two
4 and a half days, a portion of those meetings were closed,
5 but the majority of them were opened. We, as staff, gave
6 them a presentation, Bob Spies, Phil Mundy and myself,
7 about the document that they're currently reviewing. That
8 afternoon we helped them schedule some reports from various
9 sectors of the constituents interested in the program, just
10 to give them a flavor of what some people's views are of
11 the future of GEM and what it could do for the state. And
12 I think they got a good flavor of that.

13 They heard from Clarence Pautzke with North Pacific
14 Management Council, some of the State agencies, the Federal
15 agencies, some members of the community, Gary Kompkoff,
16 Patty Brown-Schwalenberg. And I think they got a good
17 sense of the program and also the broad interest in looking
18 at this fund for lots of different purposes related to the
19 overall ecosystem health of the spill-affected region. So
20 I think they did get a sense that there's a wide variety of
21 interests looking at this potential fund.

22 They are planning their next meeting in Alaska in
23 Anchorage in October. They don't have specific dates,
24 they're looking at two different weeks, trying to see which
25 one gets the most of their members available. And they

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1 will be looking for some additional speakers in attendance
2 at that time. But I think they're well on their way in
3 terms of looking at the document and the review program.

4 Today there are two major issues on the agenda,
5 basically what to do with the small parcel program over the
6 next two years, and then also a discussion on the joint
7 trust funds investment management. There is a meeting
8 scheduled for August 3rd, and at that time, the funding for
9 the FY2001 Work Plan is on the agenda. It's also possible
10 we may have something on Koniag at that time. We would
11 certainly like to. But some of the earlier public comments
12 related to projects that will be before you on August 3rd.

13 So with that, if there are any questions or
14 additional things you'd like to hear reported on, I could
15 go right into small parcels.

16 MS. HEIMAN: Mr. Chairman.

17 CHAIRMAN RUE: Go ahead, Marilyn.

18 MS. HEIMAN: Thank you. I was wondering,
19 Molly, did you say August 3rd is our next meeting?

20 MS. McCAMMON: That's correct.

21 MS. HEIMAN: I see. I'm.....

22 CHAIRMAN RUE: We checked your schedule,
23 they said you were around. Just kidding.

24 MS. McCAMMON: We did actually, but.....

25 MS. HEIMAN: No, I'm not around. Okay.

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1 Well, I will work with you on that later.

2 MS. McCAMMON: Okay.

3 CHAIRMAN RUE: Okay. Do any other Council
4 members have questions of Molly or do we want to move right
5 into small parcels? Or we could -- I assume we're going to
6 work right through lunch to get through this agenda.

7 MS. McCAMMON: We do have lunch coming,
8 yes.

9 CHAIRMAN RUE: To get through our agenda?

10 MS. McCAMMON: Yes. If we need to, we can
11 take a short break.

12 CHAIRMAN RUE: Okay. Members of the public
13 can starve, I guess. Okay. Anyone -- should we just go
14 ahead and move through small parcel program? Do you want
15 to take a short break to get a cup of coffee or just keep
16 rolling?

17 MS. HEIMAN: Keep rolling.

18 CHAIRMAN RUE: Okay, we're going to keep
19 rolling. I may stand up and get a cup of coffee, but I've
20 got good ears I can hear from across the room.

21 So, Molly, you want to walk through small parcels?

22 MS. McCAMMON: Yes. At your January 31st
23 meeting, at that time, the Council specified that all funds
24 designated for specific small parcel purchases through 2002
25 would be undesignated effective June 15th, 2000 and

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1 available for reallocation. That all unspent funds, I
2 should say. So we went through, working with the various
3 agencies as to the status of each of the small parcels for
4 which funds had been designated in the past. And of the
5 \$6,314,900 that had been designated for small parcels
6 through 2002, that 1.864 million has already been spent.
7 There is a total of \$4,450,900 that has not been spent.

8 There are -- and I can go through the status of
9 these. There are, I think, two options before the Trustee
10 Council today. One option is simply to save the unspent
11 funds to wait and see what some of the larger priorities,
12 especially those that have been on the table for the last
13 couple of years, to see which ones might happen in the next
14 year or two and just to have those monies available at that
15 time.

16 There was also some interest expressed by a number
17 of the Trustee agencies to use some of the funds in the
18 near term to meet some of the agency management issues that
19 have developed over the last couple of years and some of
20 their priorities. And attached as a draft recommendation
21 or a draft option is the possible allocation of those funds
22 based on my discussion with various land managing, land
23 owning agencies.

24 For the most part these are parcels that have
25 lower, I call them, intrinsic habitat values. The parcels

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1 themselves, for the most part, maybe are as rich for their
2 specific habitat value as others that the Council has
3 addressed in the past. But in all cases they meet some
4 particular management need of the sponsoring agency.
5 Either they're an inholding in an existing conservation
6 unit and protection of these parcels ensures that those
7 lands will remain in a wild, undeveloped state and won't
8 cause future management problems down the road. They may,
9 in some cases, provide some additional access to rivers
10 that have no access or very little public access at this
11 point and may also be subject to future degradation. They
12 all have some specific values from that perspective.

13 The parcels that have the highest habitat values
14 and which have been the highest priorities for the Council,
15 and these are things like the Leisnoi lands, Termination
16 Point, Long Island, the lands along the lower Karluk River,
17 additional high priority lands along the Kenai River. For
18 the most part at this particular time they're not
19 available, they do not appear to be ready for action at
20 this particular time. That is not to say they couldn't be
21 or wouldn't be six months from now or a year from now, but
22 at this particular time they're not.

23 So based on that.....

24 CHAIRMAN RUE: Maybe I could ask a process
25 question of the other Trustee Council members. I assume

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1 today's a decision, I note. Today's a decision meeting, we
2 want to make some decisions. How do we want to work
3 through this? I think the recommendation gives us a good
4 template to work from. I guess one suggestion would be to
5 kind of go through the things that Molly has proposed, talk
6 about them, if they're ones that there seems to be a
7 consensus on we could get a sense of the consensus and then
8 if there are those that we don't agree on, we could put
9 those aside or come to an agreement and then at the end
10 vote on a package or do you want to go through and vote one
11 at a time? I have a feeling people may want to visit and
12 revisit things, because it is sort of a package and things
13 are interrelated.

14 MS. HEIMAN: Mr. Chairman.

15 CHAIRMAN RUE: Yeah, Marilyn.

16 MS. HEIMAN: I think those options are good
17 options. I also think that maybe because this is the first
18 time we've been able to discuss this as a group that it
19 might be something that we just discuss today, get people's
20 views and thoughts. If we can come to a decision on a
21 whole package, I think that's great, but if we can't, I
22 think that we should not rush to try to make a decision
23 today. I'd rather have us have consensus and, you know,
24 come up with a full package that everyone can support.

25 CHAIRMAN RUE: Others? Craig.

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1 MR. TILLERY: I concur with what Marilyn
2 said.

3 MR. TILLERY: He's agreeing with you,
4 Marilyn.

5 MS. HEIMAN: Okay.

6 CHAIRMAN RUE: Michele is as well. Okay,
7 so we'll work towards consensus, but not press to have to
8 make it today. Make the decision today.

9 MS. McCAMMON: Well, any action requires
10 consensus, so consensus is good.

11 MS. HEIMAN: Right, but I guess, Molly,
12 what I'm trying to say is that I would rather not take
13 parts and pieces of this and pull a package together today,
14 I'd rather hear people's views and then, you know, take the
15 time to bring this back in a new package that would meet
16 everybody's approval. Do you understand the difference?

17 MS. McCAMMON: Yes. I think the only thing
18 I should say is that if the Council takes no action today
19 on anything, the only thing that's in place, that is
20 currently on the table as of today, would be closure of the
21 Tatitlek homesites, I believe, and closure of an existing
22 -- and if you do take the Larsen Bay, Kodiak Island
23 Borough, those are probably at the table, too.

24 MS. HEIMAN: Those are separate actions
25 though, right?

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1 MS. McCAMMON: Well, it's all part of the
2 package.

3 CHAIRMAN RUE: Yeah, I.....

4 MS. HEIMAN: I wouldn't mind separating
5 those two items out, if we didn't take action on the
6 overall habitat.

7 CHAIRMAN RUE: I'll tell you what, we may
8 sit here and talk about what we're going to do and not have
9 time to do what we're going to do, so why don't we move
10 through them? And I think if we all agree on something we
11 ought to just act on it, is my feeling, but let's see where
12 we go.

13 MR. BALSIGER: I'm sorry, this is Jim
14 Balsiger and it's my newness here that requires me to ask
15 this question, but are some of these parcels in jeopardy if
16 we don't act today? Are they going to go someplace else?

17 MS. McCAMMON: No. No, I think that.....

18 CHAIRMAN RUE: I think that's a good
19 question. I'm glad to hear no, but it just.....

20 MS. McCAMMON: I think the answer is no.

21 CHAIRMAN RUE: All right. Any other
22 thoughts?

23 (No audible responses)

24 CHAIRMAN RUE: So we'll go ahead and move
25 through the pieces and decide at the end if we want to act

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1 on certain things or not or hold off until August. Molly,
2 you want to walk us through?

3 MS. McCAMMON: Okay. Well, if you turn to
4 the draft, Executive Director's preliminary, preliminary
5 recommendation for discussion purposes only.

6 CHAIRMAN RUE: I don't have that in my
7 book.

8 (Laughter)

9 MS. McCAMMON: You have it right there,
10 draft right there. Draft, page one. The parcels for which
11 purchase agreements have been signed, an unspent balance of
12 \$73,000, these are five Larsen Bay shareholder parcels for
13 which the purchase agreements have been signed but deals
14 have not closed for various reasons. And the
15 recommendation that I have is to not reallocate the funds,
16 to keep the funds allocated for these particular parcels
17 and that Department of Interior will work to close the
18 deals. And they are expected to do so in the next few
19 months.

20 CHAIRMAN RUE: Okay. Does everyone have
21 the paperwork, do you know the ones we're looking at here?

22 MS. HEIMAN: Yep.

23 CHAIRMAN RUE: Okay. Any comments on that
24 piece?

25 (No audible responses)

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1 CHAIRMAN RUE: Nope. Okay.

2 MS. McCAMMON: Okay, number two, the
3 parcels for which purchase agreements have not been signed,
4 the unspent balance of 300,000. Offers have been made, but
5 purchase agreements have not been signed. And these are
6 for 13 Tatitlek homesites for \$180,000 and \$120,000 for
7 parcel Prince William Sound 1028, a Valdez Duck Flats
8 parcel. The recommendation is to not reallocate these
9 funds and work to close the deals. The Council made the
10 offer on May 22nd for the Tatitlek homesites, these offers
11 will expire on September 1st, 2001. The Forest Service is
12 working to close those deals as soon as possible.

13 The one Valdez Duck Flats parcel, the offer was
14 made last summer and will expire September 1, 2001, there's
15 been a title problem, but I believe it's either resolved or
16 will be very shortly and they expect to close on this
17 parcel in the next month or so.

18 CHAIRMAN RUE: Okay. Anyone have a
19 question, comment on that?

20 (No audible responses)

21 CHAIRMAN RUE: Okay, I assume silence is a
22 yes vote. I'm just kidding. Okay.

23 MS. McCAMMON: All right. Number three,
24 parcels for which offers have expired or for which funds
25 have been earmarked but no offer was made. This is the

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1 bulk of the funding, over nearly \$4,000,000. And I'll go
2 through these item-by-item. The first one, AP 145,
3 Termination Point. The Council had previously made an
4 offer of \$1,865,000 for this parcel. That offer has
5 expired. The appraisal has recently been reviewed and
6 updated as of this past May and the value is now down to
7 \$1.5 million. The recommendation is to reallocate those
8 funds. How to do so is further on. But it would be based
9 on the Council's understand that this remains a high
10 priority and should be actively pursued, but the likelihood
11 of it happening in the next six months to a year is not
12 high.

13 CHAIRMAN RUE: I have a question. If we
14 reallocated the 1.8 million and, let's say, in two years
15 this offer suddenly was accepted or it had some life, where
16 we would have to go to get money?

17 MS. McCAMMON: Well, first of all, you
18 would have to make a new offer because your offer has
19 expired.

20 CHAIRMAN RUE: Okay.

21 MS. McCAMMON: That's number one. And,
22 secondly, when we get to reallocating the funds as follows,
23 the recommendation is that this be considered under the
24 grant language with the Conservation Fund/Nature
25 Conservancy, so there would be funding available there. In

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1 addition, from the 55,000,000 set aside by the Restoration
2 Reserve resolution there would be a portion of those funds
3 that could be used for small parcels. So there's funding
4 there also.

5 MR. TILLERY: Mr. Chairman.

6 MS. McCAMMON: And you do have a
7 letter.....

8 CHAIRMAN RUE: Mr. Tillery.

9 MS. McCAMMON:that was received today
10 from Leisnoi regarding this issue.

11 CHAIRMAN RUE: And we don't have that in
12 our packet?

13 MS. McCAMMON: No, but it's in front of
14 you.

15 CHAIRMAN RUE: It is?

16 MS. McCAMMON: Yes, it should be, there was
17 a pile.

18 CHAIRMAN RUE: There was a pile of them?
19 They didn't keep going this way.

20 MR. TILLERY: No, they did.

21 MS. HEIMAN: And could you quickly, in one
22 sentence, summarize what the Leisnoi letter says, since I
23 have not received any fax?

24 MS. McCAMMON: Basically they have hired
25 Roy Jones to work with them to see if there's some kind of

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1 resolution that could be done to basically -- so that they
2 solve their title problem and possibly come up with a
3 larger comprehensive protected package. They're actually
4 meeting with their board of directors this coming weekend.
5 I think they may be giving some further direction and start
6 discussing this issue in greater detail with their
7 shareholders at that time. But they're still very
8 interested in pursuing something in the future and would
9 like to see the Council continue to keep this as a
10 priority. They would like to see the money formally
11 earmarked and that would take Council action to do that.

12 CHAIRMAN RUE: Craig had a question or a
13 comment.

14 MR. TILLERY: Just to clarify where we are
15 in this. I know that under this it talks about, for
16 example, Termination Point, it says reallocate funds and
17 then with the Larsen Bay shareholder Kodiak Island, do not
18 reallocate. My understanding is that all of those have
19 essentially expired because of the Council's more recent
20 action and with respect to Kodiak Island, Larsen Bay, it's
21 not a question of do not reallocate, it is a question of
22 reallocate, but reallocate to the same project, so it's all
23 kind of off now and it's all back on the table.

24 MS. McCAMMON: That's correct.

25 CHAIRMAN RUE: We have to put it back on

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1 the table.

2 MR. TILLERY: Right, right, we have to take
3 an affirmative action to do anything, it doesn't default
4 and stay where it is.

5 MS. McCAMMON: That's correct.

6 CHAIRMAN RUE: Okay. Is everyone clear on
7 that? Good point, great. Any other questions on the
8 Termination Point parcel and its status?

9 (No audible responses)

10 CHAIRMAN RUE: We're not voting yet, so --
11 all right, Larsen Bay.

12 MS. McCAMMON: Larsen Bay, this is from the
13 original million dollars that was included as part of the
14 Shugak Island package years ago for tax parcels from Kodiak
15 Island Borough and the 10-acre Larsen Bay shareholder
16 parcels. At the time it was unclear if all of these funds
17 would be or could be potentially spent for this purpose.
18 Since we've undergone this review effort, Fish and Wildlife
19 Service has submitted a request for Council approval at
20 this meeting to spend \$659,800 of the funds for 46 of these
21 parcels. Two additional parcels have been identified for
22 the balance of the funds and they will be submitted for
23 Council consideration at a later date. So, Mr. Tillery,
24 you're probably correct, it would be to -- the
25 recommendation is to allocate these funds for the past

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1 purpose or whatever.

2 CHAIRMAN RUE: Okay.

3 MS. McCAMMON: And you do have that under
4 Kodiak parcels in your packet as a separate action item.

5 CHAIRMAN RUE: Craig.

6 MR. BALSIGER: Sorry, I didn't quite follow
7 that, the action would be to allocate the funds; is that
8 what you said, Molly?

9 MS. McCAMMON: Well, it's.....

10 CHAIRMAN RUE: Jim, I think that's
11 technically what we agreed.

12 MS. McCAMMON: Yes.

13 CHAIRMAN RUE: Everything is off the table,
14 so we have to put it on the table.

15 MR. BALSIGER: So, basically, somehow we
16 have to put together another offer to these land owners for
17 that land?

18 MS. McCAMMON: Well, this is before the
19 Council, anyway, for action today, the Council has not
20 taken action on this. That's the next item under Kodiak
21 parcels in the packet.

22 MR. BALSIGER: Okay, I got it, under number
23 five.

24 MS. HEIMAN: I guess I just want to
25 clarify, and I think people agree with this, with a small

00048

1 note. We have to take action to allocate -- we have
2 allocated these funds and we will probably take action to
3 reallocated them, I guess, is the right term.

4 MS. McCAMMON: These have been allocated in
5 the past, your action in January said that any funds
6 unspent would be undesignated, unallocated as of June 15th,
7 so it now takes.....

8 CHAIRMAN RUE: We sunsetted. We sunsetted
9 our actions.

10 MS. McCAMMON: Did a sunset on it.

11 MS. HEIMAN: Okay.

12 CHAIRMAN RUE: So we have to act again.

13 MS. HEIMAN: Okay.

14 CHAIRMAN RUE: Okay.

15 MR. TILLERY: Mr. Chairman.

16 CHAIRMAN RUE: Craig.

17 MR. TILLERY: This one kind of brings -- in
18 looking through this whole recommendation and so forth, the
19 one item that I feel particularly strongly about moving
20 forward on is these Kodiak parcels. What's the process?
21 Are we in the position where we want to discuss that and
22 move things now or are we going to go through the whole
23 thing and then come back to it? I notice it's a separate
24 agenda item, are we going to take it up separately? How
25 are we doing this?

00049

1 CHAIRMAN RUE: Molly, what was your
2 thought?

3 MS. McCAMMON: Well, I had it as a separate
4 agenda item, but we could certainly do it now, too. I mean
5 you have all the back-up material, there is a resolution
6 that goes with it.

7 MR. TILLERY: My recommendation would be
8 that we go through, just as Frank is doing now, though the
9 entire parcel [sic] and then for anything that somebody
10 wants.....

11 MS. McCAMMON: You want to take action on.

12 MR. TILLERY:take action on, we come
13 back to it later, so we have the whole.....

14 CHAIRMAN RUE: We've heard the whole deal.

15 MR. TILLERY: Right.

16 MS. McCAMMON: Okay.

17 CHAIRMAN RUE: And we understand where
18 balance is. Is that all right with Jim, Marilyn?

19 MS. HEIMAN: Yep.

20 MR. BALSIGER: Yep.

21 MS. McCAMMON: Okay. Going on to C, the
22 Valdez Duck Flats and Jack Bay. These are parcels.....

23 CHAIRMAN RUE: Before we go on.

24 MS. McCAMMON: Yes.

25 CHAIRMAN RUE: I'm assuming folks will

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1 bring up concerns, issues as we go, debate, discussion, is
2 that okay? Good. Okay, sorry.

3 MS. McCAMMON: These parcels have been on
4 the list for a number of years, they are owned by the
5 University of Alaska, except for one of them is owned --
6 these are the three University of Alaska ones. These
7 parcels still remain a priority and the recommendation is
8 for the pilot program grantee to continue purchase
9 negotiations for these parcels. Part of the problem has
10 been that there's a difference in value between the
11 appraisal that was commissioned by the Forest Service for
12 these parcels and the estimate of value by the University
13 of Alaska. They are in the process of converting their
14 estimate of value to a full fledged USFLA/USPAP approved
15 appraisal that they have committed to obtaining by July
16 24th. And I do have a letter from the university
17 committing to that. And depending on the results of that
18 appraisal, it would go through Federal and State review and
19 if the appraisal was reviewed and approved then it would be
20 up to the Council to look at that information and see if
21 they wish to still make an offer for those parcels.

22 CHAIRMAN RUE: Okay.

23 MS. McCAMMON: I think that given the fact
24 that this has been a very lengthy, somewhat contentious
25 process thus far, in discussing this with the agencies, we

00051

1 thought this would be a good one for a pilot project.

2 CHAIRMAN RUE: Start them off easy.

3 MS. McCAMMON: Yes.

4 CHAIRMAN RUE: Good.

5 UNIDENTIFIED VOICE: Did they ask for a

6 pilot?

7 CHAIRMAN RUE: Flying blind. Who's your

8 co-pilot is the question.

9 MS. McCAMMON: The pilotee. Okay. D.....

10 CHAIRMAN RUE: Okay, any questions on this?

11 (No audible responses)

12 CHAIRMAN RUE: No.

13 MS. McCAMMON: D, the Stariski Creek. The
14 recommendation is to reallocate the funds or to use these
15 funds for something else. The parcel remains a priority
16 and protection should be pursued, but purchase, at this
17 time, seems unlikely. And the biggest difference has been
18 a difference in the estimated value of the parcel and the
19 landowner expectation for value to be received. And the
20 feeling is that this may change over time, but that's kind
21 of the current status of it.

22 And then E, Tatitlek homesites, \$25,600, this is
23 the remaining of the funds that were originally committed
24 for this purpose and the recommendation is -- I have down
25 here, do not reallocate the funds, but it would be to

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1 allocate the funds for the same purpose and use for
2 additional offers.

3 CHAIRMAN RUE: Are there specific -- on
4 this Tatitlek homesite, are there specific homesites that
5 are going to be pursued or is this just a general look for
6 them?

7 MS. McCAMMON: Well, for that amount of
8 money there's only going to be one or two parcels.....

9 CHAIRMAN RUE: Two or three, yeah.

10 MS. McCAMMON:that you could do for
11 that. And they have received some additional.....

12 CHAIRMAN RUE: Interest.

13 MS. McCAMMON:interest since the
14 Council last took action.

15 CHAIRMAN RUE: Okay. Any questions on
16 those?

17 (No audible responses)

18 CHAIRMAN RUE: No. Okay, let's keep going
19 then.

20 MS. McCAMMON: The support costs, there was
21 a certain portion allocated for this over this two-year
22 period, the unspent balance is \$96,600 and the
23 recommendation is to use this through Project 126 for any
24 appraisals, title searches, hazmat surveys, things like
25 that. But if the Council does take action on reallocating

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1 any of these funds it's likely that additional funds would
2 need to be allocated for that purpose.

3 (Marianne See in for Michele Brown - 11:58 a.m.)

4 CHAIRMAN RUE: Okay.

5 MS. McCAMMON: So now I could go through a
6 suggested reallocation of these funds, a possibility if it
7 was in your interest, at all, to pursue this.

8 CHAIRMAN RUE: I'm assuming no one has
9 questions on the support costs. Are we ready to go on to
10 the proposed reallocation, the 3.2 million?

11 MS. HEIMAN: Yes.

12 CHAIRMAN RUE: Okay, go ahead, Molly, thank
13 you.

14 MS. McCAMMON: The initial recommendation
15 on the Koniag conservation easement is in our preliminary
16 discussions and the Council has not taken action on this,
17 but the negotiating team has been working on this, was to
18 suggest a payment of \$300,000 to extend the conservation
19 easement on the Koniag, Karluk and Sturgeon River lands
20 from December 15th, 2001 to October 15th, 2002, when the
21 main offer would kick in. That's a 10-month period that
22 basically those lands would be unprotected. So the
23 negotiating team has suggested to Koniag a payment of
24 \$300,000 for that interim protected period. This is before
25 the 2002 date when the Restoration Reserve decision goes

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1 into place and requires a payment prior to that.

2 I had originally thought that since this was during
3 this interim period that these funds would come out of
4 basically this pot of money. However, looking back at the
5 language in the legislation from Senator Murkowski and in
6 the resolution adopted by the Council last year it very
7 clearly states that any funds for -- and it specifically is
8 for the Koniag lands, including those presently subject to
9 the Koniag non-development easement, including, but not
10 limited to the continuation or modification of such
11 easement has to come out of the \$55,000,000 pot that gets
12 established on October 1, 2002.

13 So these funds actually could not be reallocated
14 from this source of funding, it would have to come in the
15 future from that potential pot of money.

16 MS. HEIMAN: There is an additional 300,000
17 that can be reallocated that you have in this?

18 MS. McCAMMON: That's correct.

19 CHAIRMAN RUE: So does that mean that the
20 easement.....

21 MS. McCAMMON: So delete A.

22 CHAIRMAN RUE: Okay. Boy, if we could have
23 said that right at the beginning it would have helped.

24 MS. McCAMMON: Take it off.

25 CHAIRMAN RUE: But is there going to be a

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1 hiatus with the easement then?

2 MS. McCAMMON: Well, I think this is -- the
3 question is, has always been, if the Council could take
4 money from the habitat protection fund that gets
5 established on October 1, 2002. And it isn't -- there is
6 no specific language related to that in the resolution.
7 It's been my understanding in discussions with various
8 legal counsel that they believe it is possible to do that
9 as long as the accounting is such that it clearly comes
10 from that pot of money. In addition, when the Council took
11 action last year on setting up this fund and deciding how
12 much would go to future habitat and how much would go to
13 long-term research, it was done on the basis of assumptions
14 and a cash flow plan that was used as an attachment to that
15 resolution. And that attachment assumes that fund would be
16 in place unspent for a certain period of time earning
17 interest and that interest would be used -- would go
18 towards the entire fund. And so I believe that if the
19 Council believes you can access those funds, you would also
20 have to account from the habitat fund, kind of the lost
21 interest potential, if you were to take the money out early
22 for specific purchases.

23 So, for example, if you wanted to spend this
24 \$300,000 before October 1, 2002, that's 10 months early,
25 you would also have to take out whatever interest that

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1 particular amount of money would have earned during that
2 10-month period and account for it out of the 55,000,000.

3 MS. HEIMAN: Did we have these discussions
4 with Koniag?

5 MS. McCAMMON: I don't think they care
6 where the money comes from. No, not that particular one,
7 no.

8 MS. HEIMAN: Well, I guess, I mean -- I
9 guess I'm confused. You've just thoroughly confused me,
10 Molly. I guess what I'm wondering is if this 300,000 comes
11 out of the 55,000,000, which doesn't really become
12 available to 2002, if they want to be paid for that
13 easement earlier for that period of time in between, they
14 need to understand that it will lessen the amount later. I
15 guess that -- am I totally missing the point here?

16 MS. McCAMMON: No, I don't think it lessens
17 the amount later, what it does is if the Council were to
18 take the 300,000 on December 2001, which is what we're
19 currently -- the negotiating team is currently talking
20 about, Koniag would still get that 300,000 on that date,
21 however, the \$55,000,000 would be 55,000,000 minus 300,000
22 minus -- it's more of an accounting process on our part,
23 minus the lost interest. We'd have to figure out how to
24 account for that lost interest. And let's just say it's
25 eight percent or something like that, it would be -- so, in

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1 effect, the Council action is 324,000 or so, but Koniag
2 still only gets the 300,000.

3 MS. HEIMAN: Okay, well, I'll leave it up
4 to you to figure out how we're going to make up the.....

5 MS. McCAMMON: It's more of an accounting
6 on how we show things.

7 CHAIRMAN RUE: Is Koniag the only parcel
8 that this affects?

9 MS. McCAMMON: At this point it is, unless
10 the Council were to take action on other things that go
11 above the amount, the four and a half million that's
12 currently been earmarked for various habitat things.

13 CHAIRMAN RUE: So we have four -- wait a
14 minute. I maybe should know this, but we have \$4,000,000
15 to spend for the next year and a half on habitat, period?

16 MS. McCAMMON: Four and an a half million
17 dollars, yes.

18 CHAIRMAN RUE: Period?

19 MS. McCAMMON: And anything beyond that has
20 to come out of the 55,000,000.

21 CHAIRMAN RUE: Okay. But now we have to
22 pay ourselves interest.

23 MS. McCAMMON: Yes.

24 MR. TILLERY: Anything beyond that
25 effectively reduces money available for small parcel

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1 endowment type projects.

2 MS. McCAMMON: For GEM.

3 CHAIRMAN RUE: Right.

4 MR. BALSIGER: So I understand that the
5 300,000 sort of reserves the Koniag from any other source
6 -- any other person from buying it and would be able to
7 purchase it in a couple of years. Do we have any idea what
8 the purchase price will be in a couple of years?

9 MS. McCAMMON: Yes, we have been working on
10 that and what we've been talking about, Jim, is setting up
11 -- they actually are not in a position now to purchase
12 these lands and what they are looking for is extending the
13 easement over a 10 to 20 year period. In the meantime the
14 Council would put a certain amount of money into a fund,
15 have it set aside and, if, after 10 years they decide they
16 would like to purchase those lands then they would do it
17 for the amount of money in that fund.

18 MR. BALSIGER: Oh, yeah, I remember some of
19 that now, thank you.

20 CHAIRMAN RUE: Now, I assume that if Fish
21 and Wildlife Service had other monies you could do it out
22 of those other monies, it might be cheaper, like criminal
23 monies.

24 By the way, Marianne See has joined us replacing
25 Michele Brown. Is this going to be for the rest of the

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1 day, Marianne?

2 MS. SEE: No, just for right now.

3 CHAIRMAN RUE: Just for a short time, okay.

4 MS. HEIMAN: I think we should keep moving
5 and as to this Koniag thing, as we discuss Koniag, because
6 I don't know if I.....

7 MS. McCAMMON: It requires no action at
8 this time, it'll come back.

9 CHAIRMAN RUE: It's off the table, so we'll
10 deal with it later.

11 MS. HEIMAN: Yep.

12 CHAIRMAN RUE: There may be other options.
13 Okay. Molly, B, is that one off the table, too?

14 MS. McCAMMON: Okay. Well, the
15 recommendation is when we were looking at how to -- if the
16 Council wanted to reallocate some of these funds how best
17 to do it. It seems that there were two potential kind of
18 avenues for activity. One is having things done by the
19 Trustee agencies and once a parcel is set it seems more
20 appropriate for the Trustee agencies to actually take
21 action, they either have things underway or they're
22 prepared to act on them.

23 The other avenue is that we have been, at your
24 request, doing some initial discussions with the
25 Conservation Fund and Nature Conservancy for a potential

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1 grant to manage the long-term habitat program, effective --
2 but those funds wouldn't be available until October 2002.
3 And it would be helpful if we could get this -- if the
4 Council chooses to do so, to get this program underway
5 before that time so some of the issues could be worked out
6 during this interim period and if, for some reason, either
7 the Council or the Conservation Fund decided that it really
8 wasn't working out, people could back out at that time or
9 modify the program as needed.

10 So we looked at things as to what would be maybe
11 more appropriate for the agency to do and what things might
12 be good for this grant for the Conservation Fund. So there
13 are kind of two avenues here. When you look at the Trustee
14 agency activities we discussed with the major land
15 management agencies, and that's the Forest Service,
16 Department of Interior, Alaska Department of Natural
17 Resource, and although they don't own lands they do have an
18 interest and often manage lands, Department of Fish and
19 Game. And this is a tentative recommendation.

20 For the Forest Service to allocate an additional
21 \$200,000 for purchase of homesites in Two Moon Bay. These
22 would add to the \$205,600 already allocated to this
23 purpose. In your additional materials today there is also
24 a letter from the Forest Service indicating that \$200,000
25 in Federal restitution funds would be used for this

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1 purpose. So together with those 200,000, the funds already
2 allocated and an additional 200,000, this would -- could
3 potentially reach all the needs for homesites owned by
4 shareholders. The Forest Service has indicated that they
5 would look to either a land exchange with Tatitlek
6 Corporation for the corporation owned parcels or if the
7 Cara bill were to be passed, possibly use that as a future
8 source of funding. So you do have that letter there.

9 So the recommendation is \$200,000 for this purpose.
10 Department of Interior.....

11 CHAIRMAN RUE: Hold on. Just a second,
12 Molly, we got a question. Craig.

13 MR. TILLERY: Well, it's more of a comment.
14 At the last meeting the Forest Service brought forward
15 these parcels, they brought them in very much isolated and
16 at the time the question was raised as to whether we should
17 be expending \$180,000 on those parcels. Given that they
18 weren't really part of -- seemed to be part of a connected
19 plan to group parcels together to have some impact on
20 restoration. At the time Mr. Pennoyer asked where
21 additional money was coming from for the other parcels,
22 because the Forest Service had portrayed these parcels as
23 being just an initial step in order to keep encouraging
24 people to come forward.

25 Mr. Gibbons replied that the \$25,000,000 small

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1 parcel habitat acquisition program that kicks in in 2002
2 would be the Council's source of funding for those monies.
3 This is not -- and that they would -- I recall specifically
4 that he said that they would be competing with other small
5 parcels in that program. This 200,000 is not part of that
6 plan. I, for one, would be very reluctant to approve any
7 money for those small parcels outside of coming under the
8 small parcel endowment program that comes in 2002. And I
9 would particularly be reluctant without seeing anything --
10 money coming from other sources to protect those parcels
11 for fear we're going to end up with yet more isolated piano
12 keys on this.

13 So that's my views.

14 MS. McCAMMON: Well, that was one of the
15 reasons why I asked for the letter in writing from the
16 Forest Service committing the restitution funds because
17 they had given a verbal commitment on that. But if you'd
18 like further detail.....

19 MR. TILLERY: Would that be this letter?

20 MS. McCAMMON: Yes.

21 (Michele Brown returns - 12:08 p.m.)

22 MR. TILLERY: The one that says the source
23 of the funds and other methods that can be used would be
24 restoration funds?

25 MS. LISKOWSKI: Mr. Chairman.

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1 MS. McCAMMON: The Forest Service was
2 allocated a million dollars from Federal restitution funds
3 for small parcels and this happened, I think, six years
4 ago. Not all of those funds have been spent. However, it
5 does take -- they would have to get the commitment through
6 the Washington policy group, so they cannot completely
7 commit it without that action, but it's anticipated.

8 MS. LISKOWSKI: Mr. Chairman.

9 CHAIRMAN RUE: Yeah.

10 MS. LISKOWSKI: This is Maria and if I can
11 just comment on that issue? And the Federal policy group
12 has committed to the small parcel program, but what we
13 would need to do for the specific Tatitlek parcels is, of
14 course, get that specific approval on a parcel-by-parcel
15 basis or a group of parcels, just as the Council goes
16 through and approves a specific resolution for each small
17 parcel that it approves. So the funding has been set aside
18 for the small parcel program out of the Federal restitution
19 dollars and we feel fairly confident that it would be
20 approved.

21 MS. HEIMAN: I would agree with what Maria
22 is saying. This is Marilyn. I've been having discussion
23 on that with folks in D.C. just very recently.

24 CHAIRMAN RUE: Okay. Craig, do you have
25 any.....

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1 MR. TILLERY: No.

2 CHAIRMAN RUE: Does that allay your

3 concern?

4 MR. TILLERY: Oh, no, absolutely not, I
5 would like to see the -- I mean, again, it's money. What I
6 would like to see is -- the commitment they have is to come
7 forward with more money to buy parcels to fill in these
8 things. I would like to see those parcels starting to be
9 purchased with real dollars and then have the Forest
10 Service be essentially competing with any other proposals
11 for money out of the endowment when we can come in and
12 perhaps provide money that needs to complete a block of six
13 or whatever it is that makes -- you know, we can come in
14 and be the linchpin in a deal.

15 CHAIRMAN RUE: All right. That's.....

16 MS. McCAMMON: And not for the next two
17 years.

18 MR. TILLERY: And not.....

19 MS. McCAMMON: Not 'til 2002.

20 MR. TILLERY: Again, that's what -- yes,
21 that's correct, that would be -- that is my view at the
22 moment and that's what Mr. Gibbons indicated at the last
23 meeting was the plan.

24 CHAIRMAN RUE: Okay. Any other discussion
25 of Tatitlek?

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1 (No audible responses)

2 CHAIRMAN RUE: Maria, was that the plan two
3 years from now?

4 MS. LISKOWSKI: Well, I'd have to say that
5 I haven't had a specific discussion with Dave on that
6 particular issue, I don't recall him saying that at the
7 last Council meeting, but he may well have and so I can't
8 address that particular issue that Craig has raised.

9 MR. TILLERY: You might want to check pages
10 36 and 37 of the transcript.

11 CHAIRMAN RUE: It seems like the Forest
12 Service would be free to use the other money in the interim
13 to close some deals, too. If we decide not to put part of
14 these funds to the small parcel.

15 MR. TILLERY: And there remains the 25,000
16 also that they.....

17 CHAIRMAN RUE: Right, that's up top, that
18 we already talked about.

19 MR. TILLERY: Yeah.

20 CHAIRMAN RUE: Any other discussion on this
21 one? We can always come back.

22 (No audible responses)

23 CHAIRMAN RUE: Okay.

24 MS. McCAMMON: Moving on to the Department
25 of Interior. When we first started.....

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1 CHAIRMAN RUE: When do we want to --
2 actually I'm sorry, Molly, to interrupt again. When do we
3 want to take a break and grab something to eat?

4 MS. HEIMAN: Actually, you know, it's 4:10
5 where I am and I'm hoping to get through this meeting, you
6 know, as quickly as possible, so I.....

7 CHAIRMAN RUE: You don't want us to eat,
8 Marilyn.

9 MS. HEIMAN:if you guys could eat
10 while we work that would be better, I think.

11 CHAIRMAN RUE: Oh, we're going to, but we
12 need to take five minutes to walk out of the door and grab
13 a sandwich.

14 MS. HEIMAN: Okay, I don't have a problem.
15 You want to just finish this proposal?

16 CHAIRMAN RUE: We got a lot on the -- we're
17 going to spend another 20 minutes.

18 MS. HEIMAN: Let's quickly walk.....

19 CHAIRMAN RUE: Okay, let's keep going.

20 MS. HEIMAN: Put it all on the table and
21 then you guys can take a five-minute.....

22 CHAIRMAN RUE: I'm the only hungry one,
23 I'll stand it.

24 (Laughter)

25 CHAIRMAN RUE: Let's go.

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1 MS. McCAMMON: Okay. When we first started
2 this process.....

3 CHAIRMAN RUE: We're getting grumpier,
4 Marilyn.

5 MS. McCAMMON:a part of it.....

6 (Laughter)

7 MS. McCAMMON: People are likely to vote
8 yes on full stomachs, more likely.

9 CHAIRMAN RUE: That's right, you want us
10 sleeping, you want us sleeping and full.

11 MS. McCAMMON: When we first started this
12 process we also looked around and contacted the agencies
13 and asked them whether there were any potential
14 acquisitions or protection packages, kind of, out there.
15 And the Fish and Wildlife Service did give us a list of, I
16 think, about 40 or 50 parcels. I asked them to pare it
17 down as to which ones were either their top priorities or
18 the one they thought most likely to go forward and the list
19 here of these seven parcels is what they came up with.
20 They have requested that these parcels, these have all been
21 submitted, they've been evaluated, they ranked low, they're
22 asking that these parcels be designated parcels meriting
23 special consideration and go forward.

24 They had requested one additional parcel, however,
25 that one is being purchased by the Conservation Fund and

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1 will be gifted to the government. In addition, AP 290, the
2 Russian Church, Mitrofanina Bay, that's right now off the
3 table, they're having some discussions with Bristol Bay
4 Native Corporation over that.

5 The funding that I put down here, \$300-400,000 is
6 probably not enough if all of these were to go forward, but
7 it's enough to do a significant number of these if they
8 were to happen in the next six months. And you do have all
9 the maps and back-up information on these in your packet.

10 MS. HEIMAN: I'm just curious, Molly, is
11 Glenn Elison in attendance today?

12 MS. McCAMMON: Yes, Glenn is here.

13 MS. HEIMAN: I don't know if we need to go
14 through these right now, I'd rather just walk through the
15 whole proposal and then go through the specifics later, if
16 that's okay with everyone else.

17 CHAIRMAN RUE: Well, actually we've been
18 going into the details as we went, so.....

19 MS. HEIMAN: That's why it's taking so
20 long.

21 CHAIRMAN RUE: I know. Go ahead, Craig.

22 MR. TILLERY: If I could just make a
23 representative comment. We were talking about the DOI
24 parcels at this point, right, the Russian Church ones?

25 CHAIRMAN RUE: Right.

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1 MS. McCAMMON: Right.

2 MR. TILLERY: I'd make a representative
3 comment and explain my concerns because I think this is one
4 that needs to come back. And, for example, on the Three
5 Saints Bay, I notice that the restoration benefits say
6 they're are no eagle nests, areas may provide nest sites in
7 the future. The surrounding lands provide food source
8 important for eagles. Harlequin ducks and pigeon
9 guillemots use the intertidal and nearshore lands of the
10 whole bay, the Three Saints Bay, not this parcel but the
11 bay.

12 On this Metrokin -- oh, I'm sorry, on the Roderick
13 Carlson, it says no known bald eagles' nests, the stream
14 contains spawning pink salmon, but I couldn't detect a
15 stream on this one, it might have been an error or maybe
16 the map is just not very good. Harlequin ducks may use the
17 waters of the bay but surveys of the species have not been
18 conducted. River and sea otter forage in nearshore waters
19 and streams of the area. There doesn't seem, to me, to be
20 much restoration support for these. And I think in order
21 to go forward on these parcels individually there need to
22 be a better restoration basis for them than certainly I've
23 seen.

24 I would also be interested in knowing a little bit
25 more about the threat of development, there is mention of

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1 lodges could be built, but most of these seem so remote
2 they're way down the Alaskan Peninsula and they don't
3 appear to be -- I don't see anything that specifically
4 talks about where, you know, great fishing areas around
5 them are, certainly there aren't any located on any of
6 these parcels that I could tell or something that would
7 attract development, so I would like to see more
8 information on these along those lines.

9 CHAIRMAN RUE: Okay. Any other comments on
10 these parcels?

11 MS. HEIMAN: Well, I would like to make a
12 comment, very quickly, and that is that our original list
13 had quite a few more in-holdings within Kodiak Island,
14 which we think are very important for protecting habitat.
15 We removed those because of an understanding that I got
16 from several conversations with Molly that the Council was
17 really not that interested in continuing to purchasing in-
18 holdings in Kodiak, on the refuge. And so I asked our
19 folks to go back and come up with some areas that were of
20 interest to the Fish and Wildlife Service that were
21 important and some of these happened to be additions to the
22 Maritime Refuge and also these are coastal areas.

23 I think that there were some good cases made and
24 even though some of these seem remote, they are in the oil
25 spill area, the oil spill went a long way down the Aleutian

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1 Chain, so, you know, I don't know if I would like to ask
2 Glenn to comment now or you guys -- why don't we have Glenn
3 up, but if you guys want, this could take some time, so
4 maybe we should take a break while we do that and then you
5 guys can get lunch.

6 CHAIRMAN RUE: Well, hold on. Do you folks
7 want to hear -- Craig, why don't you go ahead?

8 MR. TILLERY: My point wasn't so much to
9 get into and ask on an individual basis on these particular
10 parcels, but to simply say that, based on the documentation
11 I've seen, I think they need more support and I'd be happy
12 to hear that later, but it's probably not necessary to do
13 it today, it would take a heck of a.....

14 CHAIRMAN RUE: Okay.

15 MS. HEIMAN: But, I mean, you made the
16 comments and I feel like I have to stand up for our
17 parcels, I mean, we have species that are recovering and
18 species that were harmed by the oil spill that are
19 protected by purchase of these lands and so I guess I have
20 a hard time when I hear that these don't have any value.

21 MR. TILLERY: But it doesn't say that in
22 any of the documentation.

23 CHAIRMAN RUE: So maybe, Marilyn, what he's
24 suggesting is this be postponed until August, early August,
25 decision and in the meantime Glenn or others on your staff

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1 put together the documentation.

2 MS. HEIMAN: That's why I laid out my
3 position early on in this, which was that we should
4 postpone the whole thing, except for the particular, you
5 know, these other parcels that were already allocated in
6 the front end of this. I'm not prepared for anything of
7 this proposal unless we support all of it, and that is why
8 I made the comments at the beginning. I'm not willing to
9 take anything off the table specifically unless we take the
10 whole thing off the table.

11 MR. TILLERY: Right. No, and I'm not
12 asking it be taken off.

13 CHAIRMAN RUE: Okay.

14 MR. TILLERY: Yeah.

15 CHAIRMAN RUE: All right. Craig is not
16 asking it be taken off the table, just more documentation,
17 so.....

18 MS. HEIMAN: Yes, and I'm very happy to
19 provide that.

20 CHAIRMAN RUE:for the sake of speed
21 -- Molly.

22 MS. McCAMMON: Mr. Chairman, I just wanted
23 to clarify Marilyn, and for the record also, that the
24 concern that I had heard from a number of Trustees wasn't
25 so much just Kodiak parcels, but the concern was in-

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1 holdings that had value just as -- because they were in-
2 holdings and not that they didn't have other values and
3 that that was the concern.

4 CHAIRMAN RUE: Right. Okay. I'm a little
5 concerned that because something was put in a package it
6 now becomes one for all or all for one and nothing -- but,
7 anyway, we'll get to that. Go ahead, DNR has the parcels,
8 next one.

9 MS. McCAMMON: Department of Natural
10 Resources has two requests, actually, and one of them is in
11 your packet, this is for KENAI 146, the Hopkins parcel,
12 which is in Kachemak Bay State Park. And there's a request
13 that it be designated a parcel meriting special
14 consideration. And then separate information was given to
15 you today for two parcels on the Ninilchik River, KENAI 309
16 and 310 and there is a request that also those be made
17 parcel meriting special consideration. And the
18 recommendation now that the second request has come in is
19 that actually one of these be used as part of the grant
20 program.

21 CHAIRMAN RUE: One of them, one of the --
22 which?

23 MS. McCAMMON: Either Hopkins or the
24 Ninilchik River parcels or the.....

25 CHAIRMAN RUE: Okay. And the total stays

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1 the same with all three?

2 MS. McCAMMON: Yes.

3 MS. HEIMAN: What confuses me is why is it
4 such a -- oh, maybe, are we on the DNR, is that the 150 to
5 500,000?

6 CHAIRMAN RUE: Right.

7 MS. McCAMMON: Yes.

8 MS. HEIMAN: I'm confused about why there's
9 such a broad range of dollars there.

10 CHAIRMAN RUE: Can you explain that?

11 MS. McCAMMON: I think because if the
12 request was just for the Ninilchik River parcels the
13 estimate was the lower amount, but the estimate for Hopkins
14 is 500,000.

15 MS. HEIMAN: And will Hopkins be part of
16 this or part of the conservation.....

17 MS. McCAMMON: Well, that's a question.

18 MS. HEIMAN: I see.

19 MS. McCAMMON: And we still.....

20 CHAIRMAN RUE: Which one are we suggesting
21 -- Molly is suggesting one of the, either Hopkins or
22 Ninilchik be part of the pilot grant.

23 MS. McCAMMON: Or it could actually be the
24 Fish and Game one, it could be the Anchor River ones, too,
25 but one additional State parcel or suite of parcels be used

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1 in the grant.

2 MS. HEIMAN: And why is that?

3 MS. McCAMMON: Because it allows us to work
4 out some of the issues in developing this grant in terms of
5 either government ownership and agency management, so I
6 think it's helpful to have because each agency, especially
7 on the Federal side, have different roles and different
8 requirements. The State agencies have the same rules for
9 ownership but there are some different concerns that the
10 Fish and Game might have than DNR might have.

11 CHAIRMAN RUE: Okay. So at this point it's
12 still 150 to five and probably two out of the three. I
13 would assume you could lower the number if we pull one of
14 them out later and put it into the pilot program that
15 number should change.

16 MS. McCAMMON: Yes.

17 CHAIRMAN RUE: Okay.

18 MS. McCAMMON: And then Fish and Game has
19 three parcels on the Anchor River and they have requested
20 that these be designated parcels meriting special
21 consideration and there is information on these in your
22 packet.

23 CHAIRMAN RUE: Any questions so far on
24 those?

25 (No audible responses)

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1 CHAIRMAN RUE: Okay. Support costs, it's
2 kind of what we talked about before.

3 MS. McCAMMON: Support costs is an unknown
4 at this point, it depends on what the Council wants to do.

5 CHAIRMAN RUE: Right.

6 MS. McCAMMON: At this point there -- if no
7 action is taken that probably the 126 budget would be zero
8 for next year is my guess or very close to zero.

9 CHAIRMAN RUE: Uh-huh. Okay. All right.

10 I think this might be a good time to take a quick break
11 because we're going to go into a major issue, unless there
12 are any more questions on the State parcels because the
13 next agenda item is to go into the pilot program, so I
14 think we ought to be clear-headed and not starving to death
15 when we do that.

16 MS. McCAMMON: Okay.

17 CHAIRMAN RUE: All right. You picked the
18 person with the wrong metabolism to run this meeting. So
19 you guys going to hang on, Jim?

20 MS. McCAMMON: Paula, do you just put it on
21 hold or do we call back in?

22 And how long of a break are we taking?

23 CHAIRMAN RUE: Let's take five minutes to
24 get a sandwich.

25 MS. McCAMMON: Probably longer.

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1 CHAIRMAN RUE: Ten minutes. Ten minutes
2 and then we're going to come right back to work, so Jim and
3 Marilyn and.....

4 MR. BALSIGER: Okay.

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

6 (On record - 12:40 p.m.)

7 CHAIRMAN RUE: This is Frank Rue, we're
8 back on the record. Marilyn, are you there? Jim?

9 MS. HEIMAN: Yep.

10 MS. LISKOWSKI: Juneau is here.

11 CHAIRMAN RUE: Maria. Okay, great. All
12 right. Molly, we were about to go into the next major
13 area.

14 MS. McCAMMON: Okay. The next major area.
15 Just going back real briefly, I know that Jim Balsiger had
16 asked if any of the parcels that were being discussed if
17 there were any threat or problems with any of them if they
18 might not be available if action was delayed. And I did
19 want to note that parcel -- Fish and Game's parcel KENAI
20 295, the Brookwood parcel on the Anchor River, that the
21 owner has plans underway for subdivision, I believe those
22 plans have already been approved and if he doesn't get an
23 indication from the Council of, at least, interest, he's
24 going to go ahead with subdivision. So I did want to note
25 that that one, in particular, does have that.

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1 MR. BALSIGER: Thank you.

2 CHAIRMAN RUE: I think Ninilchik also. My
3 understanding, the Ninilchik parcels, the realtor is -- I
4 mean those are up for sale, people are trying to buy them.

5 MS. McCAMMON: Okay.

6 CHAIRMAN RUE: So I think that's another --
7 those two, this is Frank, those are the two I'm aware of
8 that in the next month we might actually lose an
9 opportunity.

10 MS. McCAMMON: Okay. So Section C, the
11 grant to Conservation Fund/Nature Conservancy, this is
12 probably the most unformed portion of the proposal because
13 it's still in the early stages of development, but we have
14 begun discussions with these non-profits for the
15 possibility of administering and managing a grant for the
16 \$25,000,000 habitat part of the program, effective October
17 1, 2002. As we started laying out what would happen in the
18 next two years it seemed that there could be some
19 usefulness of having this grant start earlier and then
20 actually get some of the issues that might arise with it
21 fleshed out over the next two years. And even though it
22 wouldn't be -- in effect have it almost like a pilot to
23 work through some of these process -- acquisition process
24 issues.

25 And there are kind of two kinds of parcels that we

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1 were looking at, some of them were the longer term project,
2 such as the Leisnoi properties, Stariski Creek, the Lower
3 Karluk Village Council package, just as examples. However,
4 since these are -- who knows if these will happen in the
5 next two years, let alone the next 10 years. We also
6 started looking at some others that had more of a
7 likelihood of actually happening in the next two years.
8 And we were looking for some with the Forest Service, Fish
9 and Wildlife Service, Fish and Game and DNR, so that all of
10 the various agencies' issues and concerns could be
11 addressed over that period of time.

12 And so we put these -- for Forest Service the
13 Valdez Duck Flats and Jack Bay; for Department of Interior
14 the Pedersen parcel at Hook Bay; for the State the one
15 Valdez Duck Flats and then one other of the State's parcels
16 from number 5B. The Valdez Duck Flats is one that Fish and
17 Game is very interested in.

18 And the Council had made no decision that a grant
19 is what they want to do, that would have to come back to
20 the Council for action. We've been -- what happened, first
21 of all, was looking at the legal feasibility of doing
22 something of that nature. And in order to actually explore
23 the legal feasibility we had to actually start working
24 through the details of how you might do something like
25 this. There's still questions that haven't been fully

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1 developed. There's also a lot of questions on how you
2 would actually implement it, so that it met all the various
3 Federal and State requirements.

4 But it would be our goal to continue working on
5 developing that and have that to you for your consideration
6 and action, hopefully, by October.

7 CHAIRMAN RUE: So what you're asking us to
8 do today is to simply give you a blessing to go ahead with
9 that and be back to us in October?

10 MS. McCAMMON: Correct.

11 CHAIRMAN RUE: Okay.

12 MS. McCAMMON: And if, for some reason, or
13 for all kinds of reasons, the Council decides not to pursue
14 that avenue, then these are just parcels that the agencies
15 would continue to pursue as they have in the past.

16 MR. BALSIGER: The language in the
17 paragraph that suggests that if a grant is not reached --
18 grant agreement cannot be reached by mid-October, this
19 means agreement among the Trustees that we should pursue it
20 by grant? It seems unlikely that the whole grant can be --
21 all that stuff can be done by October.

22 MS. McCAMMON: No, it would be agreement to
23 move forward with the grant, so it would be either
24 agreement with the grantee, Conservation Fund/Nature
25 Conservancy or agreement by all six Trustees, correct.

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1 MR. BALSIGER: Thank you.

2 CHAIRMAN RUE: I guess these parcels --
3 this is Frank. These parcels that we've listed here are
4 just example parcels. If we wanted to keep working on some
5 of them is there any -- I assume we could do that. These
6 are all so far off in the distance that October won't hurt
7 them?

8 MS. McCAMMON: Well, I think the only
9 difference is whether you designate these that the Trustee
10 agencies would actively pursue and have the acquisition
11 costs and pursue the appraisals and things like that, or
12 whether the grantee would.

13 CHAIRMAN RUE: Okay. Right. Craig, you
14 have a question?

15 MR. TILLERY: The one problem, it seems to
16 me, I thought your point about some of these parcels you
17 really should give them a fair chance. And the parcels
18 which are most likely to give them a fair chance of coming
19 to a solution are the ones that I think Frank was
20 mentioning as actually have need to happen very quickly.
21 Is there a way to do that?

22 MS. McCAMMON: Well, part of the problem
23 when you look at, for example, the Forest Service, the only
24 ones that they have are either the Valdez Duck Flats or the
25 Tatitlek homesites. And the homesites are such that

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1 they've already done the appraisals, things are underway,
2 it doesn't make sense to have another entity to the
3 homesites at this point.

4 MR. TILLERY: But like Ninilchik, for
5 example, and Anchor River would be ones that, I think.....

6 CHAIRMAN RUE: Kind of naturals.

7 MR. TILLERY:would give them a very
8 fair chance to come through with something, but I'm not
9 sure there's time.....

10 CHAIRMAN RUE: Yeah.

11 MR. TILLERY:to set it up to have
12 those parcels.

13 MS. McCAMMON: If there's immediate threat
14 that's probably true, that immediate threat.

15 CHAIRMAN RUE: Yeah.

16 MR. TILLERY: Which is what I understood
17 we.....

18 CHAIRMAN RUE: Right. I'm trying.....

19 MS. McCAMMON: But I don't think there's an
20 immediate threat to the Hopkins parcel, that would be one.

21 CHAIRMAN RUE: Uh-huh.

22 MR. TILLERY: Right.

23 MS. McCAMMON: And I wasn't aware of the
24 other two Anchor River parcels, I'm not aware of any
25 particular threat on those, I'm not aware of anything on

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1 the Ninilchik, it hasn't come to our attention. It may be,
2 but it hasn't come to our attention.

3 CHAIRMAN RUE: It would be a threat.

4 MS. FRIES: Yes. A realtor called me on
5 Friday afternoon about 3:00 o'clock.

6 MS. McCAMMON: For which one?

7 MS. FRIES: For Ninilchik.

8 MS. McCAMMON: Ninilchik.

9 MS. FRIES: She was concerned because a
10 gentleman was coming back to make an offer. I don't know
11 if the offer was actually made or not. It was on one of
12 the lots.

13 MS. McCAMMON: Okay.

14 CHAIRMAN RUE: Okay. But that would be my
15 concern, is how do we get the right kinds of parcels that
16 have some probability of success, otherwise this definitely
17 won't work. That aren't so short-termed.

18 MS. McCAMMON: Well, there's not much on
19 the table.

20 CHAIRMAN RUE: Yeah.

21 MS. McCAMMON: I mean for the State parcels
22 the only other one, really, is the Hopkins parcel. There
23 may be, if the Old Harbor exchange goes forward, and I'm
24 not quite sure what the timing on that is, there's some in-
25 holdings within the lands that the State would be

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1 acquiring, that they're very interested in, so those could
2 -- and those have actually been submitted, the landowners
3 are willing sellers, so those could probably move fairly
4 quickly. But not in these next three months, but they
5 could in the next year.

6 CHAIRMAN RUE: There may be some other
7 Anchor River parcels, for instance, that we haven't
8 identified yet that in the next six months or three months
9 that could come up.

10 MS. McCAMMON: And that's why I think I did
11 put down any other parcels that the Council might add to
12 the list because there may be others over time.

13 CHAIRMAN RUE: Okay.

14 MS. LISKOWSKI: Mr. Chairman.

15 CHAIRMAN RUE: Yeah.

16 MS. LISKOWSKI: This is Maria. I have a
17 question. Is the intent with this grant that the terms of
18 the grant would come back to the Council for review?

19 MS. McCAMMON: Absolutely, yes, you would
20 have to approve the terms of the grant.

21 MS. LISKOWSKI: So it would seem to me that
22 some of these parcels that need immediate action or
23 potential immediate action could not even be pursued until
24 there was a grant agreement in place with the grantee.

25 MS. McCAMMON: That's correct.

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1 MR. MEIKLEJOHN: That's not quite correct.

2 MS. McCAMMON: Well, actually they

3 could.....

4 MR. MEIKLEJOHN: I mean, speaking for the
5 grantee we could get it either under option or under
6 contract.

7 MS. McCAMMON: But you would be doing it on
8 your own, not at the.....

9 MR. MEIKLEJOHN: That's correct.

10 MS. LISKOWSKI: We can't hear.

11 MS. McCAMMON: She can't hear, so if you
12 could come forward, Brad.

13 CHAIRMAN RUE: Maybe Brad Meiklejohn could
14 join us.

15 MS. McCAMMON: Yeah.

16 CHAIRMAN RUE: Is that all right with the
17 Council?

18 (No audible responses)

19 CHAIRMAN RUE: Great. Brad is here now.
20 He had a comment. Brad, go ahead.

21 MR. MEIKLEJOHN: Do you want me to spell my
22 last name? M-E-I-K-L-E-J-O-H-N, Alaska representative for
23 the Conservation Fund.

24 Maria, the Conservation Fund frequently will get
25 properties that are threatened, either under option or

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1 under contract, at our own risk. And some or all of these
2 properties may be ones that we could move on fairly
3 quickly. So I'm fairly confident that we can work out the
4 details later. If we can't then we can either drop our
5 contract or our option, but the reason we exist is to move
6 quickly on threatened properties.

7 MS. LISKOWSKI: So the Conservation Fund
8 would recognize that, without a grant agreement in place,
9 if it moved forward to acquire these properties there was
10 no guarantee in place that the Council would reimburse
11 those costs.

12 MR. MEIKLEJOHN: That's correct. And we
13 would, depending on how things look, we would buffer
14 ourselves with a long-term option or a long-term contract.

15 CHAIRMAN RUE: Well, actually.....

16 MS. McCAMMON: And they have actually done
17 this for Fish and Game with State restitution funds in the
18 past and other parcels for Fish and Wildlife Service.

19 MR. MEIKLEJOHN: That's correct.

20 CHAIRMAN RUE: Yeah. This is Frank again.
21 I guess one observation I'd make is if we set aside funds
22 and we say these are key parcels, it seems to me we said
23 the money is there and whether it's executed under an
24 agreement -- a grant or if it's executed as we have other
25 individual parcels, it's not the same level of risk, see

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1 what I mean? It seems to me we could decide that a grant
2 doesn't work, but if there are three parcels that they have
3 an option on that we think are highly appropriate, we could
4 end up working out a deal with those, too.

5 MR. MEIKLEJOHN: Right.

6 CHAIRMAN RUE: So I think there are two
7 avenues to get there. If we think these are important
8 parcels. Okay.

9 MR. MEIKLEJOHN: I just want to make one
10 additional comment. I hope we don't design this program to
11 fail and see this as a dumping grounds for problem deals.
12 And I hope you kind of give us something that we can sink
13 our teeth in and show some early success. And sometimes
14 these things take a while to come to fruition. If you're
15 judging us on a week by week basis, you know, we may not
16 have success to show by the end of this year, but sometimes
17 persistence pays off and it may be six months or a year
18 before we get these deals done, so kind of keep that in
19 mind as you set up your evaluation framework.

20 CHAIRMAN RUE: I have a question. Maybe
21 Brad wants to stay here. I'd always hoped that this could
22 this could be a very flexible program where, you know, the
23 Conservation Fund or Nature Conservancy could do things
24 that we can't do with property owners and figure out a way
25 that we could maximize the benefit of our dollars, give

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1 landowners flexibility that we can't give them and perhaps
2 even, and I don't know if this is possible, manage
3 properties in a way that allows funds to be returned -- I
4 don't even know if this is legal, you all may have already
5 decided, attorneys may have already decided that there's no
6 way to, for instance, buy a 50-acre parcel and keep the 25
7 acres that are really critical to restoration and sell the
8 other 25 and put it back into the fund. And that's the
9 kind of thing that.....

10 MR. TILLERY: Mr. Chairman, that's exactly
11 one of the reasons that I would look forward to working
12 with a non-profit group and the Kenai River Ranch was an
13 excellent example of that.

14 CHAIRMAN RUE: Right.

15 MR. TILLERY: At the time we ended up
16 buying a lot of valuable roadside property in order to get
17 the whole parcel and if we could have segregated off the
18 riverfront, sold it back, and had more money.

19 CHAIRMAN RUE: Right. So I'm hoping when
20 we work through this agreement we don't just come up with a
21 way to replace the State folks who have been negotiating
22 these things, but rather we create an agreement that allows
23 us to take advantage of the flexibility, et cetera, of the
24 Conservation Fund and Nature Conservancy, so we can
25 actually get places we couldn't go otherwise.

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1 MR. TILLERY: Uh-huh.

2 MS. BROWN: Exactly.

3 CHAIRMAN RUE: So that's just thoughts as
4 we move ahead.

5 MR. MEIKLEJOHN: Okay. That's not a
6 question, right?

7 CHAIRMAN RUE: Because that's the exciting
8 part.

9 MR. MEIKLEJOHN: Yeah, and we have a lot of
10 different tools that we like to bring to deals. What
11 you're talking about sort of falls under the category of
12 sustainable development, protecting the critical habitat
13 areas and allowing development in the non-critical habitat
14 areas.

15 CHAIRMAN RUE: Conservation easement on
16 part or not, but.....

17 MR. MEIKLEJOHN: Yeah. Mix of easements,
18 fee, donations, we bring a lot of different tools to the
19 transactions and we try to be as creative as possible to
20 make the dollars go as far as we can.

21 CHAIRMAN RUE: Okay. And I guess I'll
22 close with that, but just the idea that whatever agreement
23 we get doesn't fetter them so much that there really is no
24 advantage.....

25 MS. McCAMMON: Right.

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1 CHAIRMAN RUE: and it just doesn't get
2 us any more than we would get with going and negotiating
3 with individual landowners. All right, I'm done. Anyone
4 else have comments on this proposal? Or guidance?

5 MS. McCAMMON: There's one last item,
6 number six.

7 CHAIRMAN RUE: Okay. And then I have one
8 idea I want to throw out.

9 MS. McCAMMON: And the recommendation is
10 that all unspent small parcel funds remain committed to
11 habitat protection until September 30th, 2002. On October
12 1, 2002 if the amount in the long-term research and
13 monitoring fund or the GEM fund is less than 125,000,000,
14 the unspent small parcel funds will be transferred to the
15 GEM fund to bring the total in the fund to 125,000,000.
16 Any remaining small parcel funds above 125,000,000 will be
17 transferred or obligated to the habitat protection grant
18 for the long-term habitat protection fund.

19 And one of the things when the March 1 resolution
20 was adopted by the Council last year, and this is also
21 referred to in the Federal statute this last fall. It was
22 assumed that those funds would be spent on habitat between
23 now and October 1, 2002, it did not take -- it was silent
24 or basically anything that was unspent would be considered
25 as part of the remaining balance of funds, remaining

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1 unobligated settlement funds, available on October 1, 2002.

2 So I think the question is if the Council further
3 obligates them, does that obligation, if it's not brought
4 to fruition by October 1, 2002, or if, no matter what
5 happens, if they aren't spent on habitat or between now and
6 2002 whether they would be able to go into the habitat
7 fund?

8 MS. HEIMAN: That was our shadow Council
9 member who proposed that, I presume?

10 MS. McCAMMON: No, in fact, it wasn't.

11 CHAIRMAN RUE: No, I feel the Council
12 suggested it. So what's the -- why would we -- if I
13 understood what you said, Molly, this is Frank again, why
14 would we have a deal that we were committed to have an
15 automatic sunset on October 1; is that what you said?

16 MS. McCAMMON: Right now, if none of these
17 habitat projects that we've been talking about happen for
18 this four and a half million between now and October 1,
19 2002, that money goes into GEM. It goes for research.

20 CHAIRMAN RUE: If it's not -- I'm sorry, if
21 it's not done what by October 1?

22 MS. McCAMMON: If it's not spent.

23 CHAIRMAN RUE: If it's not spent.

24 MS. McCAMMON: Obligated, spent. And the
25 question is what is obligate.

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1 CHAIRMAN RUE: Okay. If we made an
2 offer.....

3 MS. McCAMMON: Is it a purchase agreement,
4 is it an offer, is it earmarked, is it.....

5 MR. TILLERY: Well, obligated actually
6 isn't a word that matters in my understanding of the
7 statute, it's remaining. It's whether it's a remaining
8 fund.

9 MS. McCAMMON: It's what you consider
10 remaining. There will be remaining funds that are
11 obligated for research projects already and those were
12 considered obligated as of that time, so I don't know, it's
13 how you determine you want to interpret it.

14 CHAIRMAN RUE: Is that.....

15 MS. McCAMMON: There will be other
16 remaining funds that are obligated, but are remaining as of
17 that date that are not just habitat funds, there will be
18 other contractual research items that go beyond -- that
19 cross over that fiscal year.

20 CHAIRMAN RUE: Craig.

21 MR. TILLERY: That's correct, but those
22 funds then fit under the category of what the money can be
23 used for, the money can be use for marine research program,
24 so I don't see it as being an issue. The problem that I
25 see is if you have monies that aren't part of a purchase

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1 agreement on October 1, 2002, if you don't -- if you want
2 to leave them available for habitat, and they're not part
3 of the 55,000,000, then I believe you violate our
4 investment authority law.

5 CHAIRMAN RUE: If you don't have a purchase
6 agreement, did you say?

7 MR. TILLERY: Purchase agreement. The act
8 talks about other than payments which the Council is -- it
9 provides an exception for payment for which the Council is
10 currently obligated through purchase agreements. And
11 actually it even talks about only with the Kodiak Island
12 Borough, Afognak Joint Venture and Eyak, but.....

13 CHAIRMAN RUE: So we have a time clock
14 ticking here?

15 MR. TILLERY: Right, we do have a time
16 clock ticking.

17 CHAIRMAN RUE: Is everyone clear on that?
18 So why don't we.....

19 MS. McCAMMON: Well, I think there is
20 a.....

21 CHAIRMAN RUE: Is this really an
22 informational deal today; is there a proposed action here?

23 MS. HEIMAN: Well, I would like to make a
24 recommendation. Actually I'd to make a motion.

25 CHAIRMAN RUE: You're always welcomed to

00094

1 make a motion or a recommendation we prefer, but go ahead.

2 MS. HEIMAN: Well, I'll do it in the form
3 of a recommendation, then we can decide if we want, you
4 know, to do it. There are these Kodiak parcels which is
5 the 710,700, the Larsen Bay shareholder Kodiak Island
6 Borough parcels that we have, I guess, done everything
7 except for -- we have offers, what is it? Looking through
8 this very quickly here, sorry. I believe these are part of
9 the million that was allocated originally for Kodiak and we
10 are very close to finalizing them and they are part of the
11 first tab that's called Kodiak parcels. I would like us to
12 take action on those today.

13 Craig, do I have the right ones?

14 MR. TILLERY: Yes.

15 CHAIRMAN RUE: Well, I guess I'm ready -- I
16 mean a motion on that is fine, but I'd like to finish this
17 item if we could, first, make sure we know what we're doing
18 with six before we go back and start deciding we're going
19 to authorize spending money on part of the package. Is
20 that okay with everybody? I'm not clear on six yet, on
21 what we need to do today or is this just informational?

22 MS. HEIMAN: Right, and I think -- I'm sort
23 of bummed out, I'm disappointed that this was combined with
24 the whole thing given that there are concerns by the State
25 regarding some of the parcels in this proposal because this

00095

1 really isn't -- I don't see it as, you know, a proposal for
2 the future, this is just finalizing something that we were
3 in the process of doing, even though we had this June 15th
4 deadline, you know, this is a project that's been ongoing,
5 it's being finalized, so I guess I see it as a separate
6 part of this whole package.

7 CHAIRMAN RUE: I think, Marilyn, we can get
8 to that in a second, I think maybe a lot of folks agree
9 with you and maybe all of us do, but.....

10 MS. HEIMAN: Okay.

11 CHAIRMAN RUE:I guess I want to make
12 sure we're done with number six on this list.

13 MS. HEIMAN: I just want to be on the line
14 when this happens, that's all.....

15 CHAIRMAN RUE: You will be.

16 MS. HEIMAN:and I'm running out of
17 time.

18 CHAIRMAN RUE: Oh. When do you run out of
19 time?

20 MS. HEIMAN: Well, I mean, I probably need
21 to leave here by 5:30, which is in one half-hour.

22 CHAIRMAN RUE: Okay. Let's finish with six
23 and then we can entertain a motion. Or, Craig, do you
24 have.....

25 MR. TILLERY: I just have a suggestion,

00096

1 which is I would think that it might be useful for the
2 Department of Law and Department of Justice to come up with
3 a view as to whether monies, other than the 55,000,000, can
4 be -- monies can be designated out of this 4.2 some million
5 into sort of a future habitat purchase but we're not
6 actually having a piece of land that we bought.

7 CHAIRMAN RUE: I would appreciate that so
8 we have a very clear understanding of our legal limits for
9 this money, because that could certainly color my
10 recommendation if I know that in 12 months this money goes
11 away or doesn't.

12 MR. TILLERY: Yeah. And this investment
13 authority is absolutely critical to the future success of
14 both the habitat program, but particularly the GEM Program,
15 I mean we have to have it. And we don't want to risk
16 losing that authority.

17 CHAIRMAN RUE: Okay. I don't think -- do
18 we need a motion for that? I don't think so. How about
19 that, everyone okay with the Department of Justice and
20 Department of Law looking at this remaining small parcel
21 money?

22 MR. TILLERY: I'd like the record to
23 reflect the Department of Justice was nodding her head.

24 CHAIRMAN RUE: Department of Justice was
25 nodding her head up and down.

00097

1 MR. BALSIGER: Mr. Chairman.

2 CHAIRMAN RUE: Yes.

3 MR. BALSIGER: I think that's a good idea,
4 except I guess I would hope we would phrase it completely
5 neutrally because it's clear that we want the flexibility,
6 so instead of asking them what can we do, let's discover
7 whether we can go with what we want to do.

8 CHAIRMAN RUE: All right. My assumption is
9 we would like to have the maximum flexibility to commit to
10 purchase small parcels and not be hamstrung by this sunset
11 date.

12 MR. BALSIGER: Something to that effect.

13 CHAIRMAN RUE: Roughly. Got it?

14 (Laughter)

15 CHAIRMAN RUE: I thought that was so
16 eloquent. Oh, well, maybe not.

17 (Laughter)

18 CHAIRMAN RUE: Marilyn, is that all right?
19 Anyone else want to -- I think Craig got the idea.

20 MR. TILLERY: And Gina.

21 CHAIRMAN RUE: And Gina. Okay. Marilyn,
22 did you want to -- I think there's several parts of this
23 thing that people want to act on today, yes or no? Sounds
24 like the Kodiak parcels we'd like to act on and I would
25 suggest there's a couple of these others that are at risk.

00098

1 So, Marilyn, if you have a motion you want to entertain on
2 Kodiak this would be a good time to do it before you leave.

3 MS. HEIMAN: All right. I would like to
4 move that the Exxon Valdez Oil Spill Trustee Council -- for
5 the allocation of funds, I might need help on wording this.

6 MS. McCAMMON: There's a resolution in the
7 packet, Marilyn, I don't know if you have it there.

8 MS. HEIMAN: In the original packet?

9 CHAIRMAN RUE: Yeah.

10 MS. McCAMMON: In the original packet, yes,
11 under Kodiak parcels.

12 MS. HEIMAN: Yeah, resolution, we the
13 undersigned and all that?

14 CHAIRMAN RUE: Yep.

15 MS. McCAMMON: That's it. You could refer
16 to it and cut to the chase on page three, funds for Fish
17 and Wildlife Service to offer to purchase, blah, blah,
18 blah.

19 CHAIRMAN RUE: We're leafing through this
20 resolution proposal. It looks like a good resolution to
21 me, Marilyn, if you'd like to just reference it.

22 MS. HEIMAN: Okay, I would like to move the
23 resolution entitled "Resolution of the Exxon Valdez Oil
24 Spill Trustee Council Regarding Certain Kodiak Island
25 Borough and Additional 10-acre Parcels."

00099

1 CHAIRMAN RUE: Okay. Do I hear a second?

2 MS. BROWN: Second.

3 CHAIRMAN RUE: We got a second from
4 Michele. Any discussion on this motion? Craig Tillery
5 would like -- go ahead.

6 MR. TILLERY: Yes, Mr. Chairman, in the
7 last paragraph of the motion there were some items that I
8 had some questions about. One of them has to do with
9 language on the third, fourth, fifth, sixth line that says,
10 and any such additional cost related to closing as are
11 recommended by the Executive Director and approved by the
12 Trustee Council. I just want to be sure -- that's not
13 language that's typically in one of these resolutions and I
14 wanted to be sure that they understood that as a result
15 they would have to come back in front of the Trustee
16 Council to obtain any additional closing costs.

17 Secondly, and actually the line above it, it
18 talks.....

19 MS. McCAMMON: It has been in the past. I
20 thought that was.....

21 MR. TILLERY: Well, Alex and I went back
22 and looked at all the resolutions we could find and we
23 couldn't find it.

24 MS. McCAMMON: We haven't had that in the
25 past?

00100

1 MR. SWIDERSKI: It's been in some of the
2 large parcel ones, but.....

3 MS. McCAMMON: But not in the small parcel?

4 MR. SWIDERSKI:but not in the small
5 parcels.

6 MS. McCAMMON: And I think the idea was if
7 there was any -- to come back if there were any survey
8 costs or any additional costs that were totally unexpected.

9 MR. SWIDERSKI: Yeah, there was one that
10 had it in there because of surveys.

11 MS. McCAMMON: Surveys.

12 MR. TILLERY: I think it was -- yeah, it
13 was either AJV or Shugak or something.

14 MS. McCAMMON: Okay. Because I know I had
15 seen that language before.

16 CHAIRMAN RUE: But you don't think this
17 should -- are you suggesting an amendment?

18 MR. TILLERY: I'm suggesting.....

19 MS. McCAMMON: Do you want that deleted?

20 MR. TILLERY:that that language be
21 deleted.

22 CHAIRMAN RUE: So there's a proposal.....

23 MS. HEIMAN: I do not have a problem with
24 that.

25 CHAIRMAN RUE: All of that language, where

00101

1 would you.....

2 MS. McCAMMON: For withdrawal of the
3 purchase price, delete and any such additional costs...and
4 approved by the Council.

5 CHAIRMAN RUE: Starting with and.....

6 MR. TILLERY: And approved by the Council,
7 right. Through the Council.

8 CHAIRMAN RUE: Through the Council. Okay,
9 did everyone get that deletion, proposed amendment? Sounds
10 like a friendly amendment.

11 MS. McCAMMON: Where the 46 aboved
12 referenced parcels.

13 CHAIRMAN RUE: Oh, you have to drop that
14 too?

15 MS. McCAMMON: No, that would stay in.

16 CHAIRMAN RUE: No, no, no, that stays in,
17 that stays in.

18 MS. HEIMAN: Let me just double check with
19 my attorney. Barry, is that okay?

20 MR. ROTH: Yeah.

21 MS. LISKOWSKI: Mr. Chairman, could you run
22 by that delete again?

23 CHAIRMAN RUE: Okay. For you on the line
24 it says, for withdrawal of the purchase price, at that
25 point you delete, and any such additional costs related to

00102

1 closing as are recommended by the Executive Director and
2 approved by the Trustee Council.

3 MS. LISKOWSKI: There's also reference to
4 funds necessary for closing costs in the therefore
5 paragraph on the third page.

6 CHAIRMAN RUE: Hold on, let's get back
7 there. One, two, three.

8 MS. McCAMMON: Okay.

9 CHAIRMAN RUE: Therefore -- so we have to
10 delete it there as well?

11 MS. McCAMMON: Yeah.

12 CHAIRMAN RUE: Where does it say that? I'm
13 not tracking, where is it?

14 MS. LISKOWSKI: It's the third line down in
15 the therefore paragraph.

16 CHAIRMAN RUE: So what are you suggesting,
17 Maria? What would you delete?

18 MS. LISKOWSKI: I'm just suggesting that
19 whatever you end up deleting in the other paragraph has to
20 be consistent here.

21 CHAIRMAN RUE: Oh, put a period after 46
22 parcels.

23 MS. McCAMMON: What you would do is 46
24 parcels, pursuant to the following conditions.....

25 MR. TILLERY: Right.

00103

1 MS. McCAMMON:and delete the
2 remaining language.

3 CHAIRMAN RUE: Everything in between.

4 MS. McCAMMON: Everything in between.

5 CHAIRMAN RUE: Everyone got that, 46

6 parcels and pursuant, got you.

7 MS. McCAMMON: Yeah.

8 CHAIRMAN RUE: All right. Craig, you have

9 another suggestion?

10 MR. TILLERY: One more. Above that last --

11 in the last paragraph above that last line it says, and

12 Natural Resource Division of the United States Department

13 of Justice to petition the district court. And I would

14 suggest we insert the words, or to take such other steps as

15 may be necessary for withdrawal of the purchase price. And

16 the reason is because we have set in process a procedure by

17 which we will no longer be petitioning the district court,

18 hopefully.

19 MS. McCAMMON: Uh-huh.

20 CHAIRMAN RUE: So insert after purchase

21 price.....

22 MR. TILLERY: No, insert after district

23 court.

24 MS. McCAMMON: After district court.

25 CHAIRMAN RUE: After district court.

00104

1 MS. McCAMMON: Right there.

2 CHAIRMAN RUE: Geez.

3 MR. TILLERY: Insert or take such other
4 steps as may be necessary.

5 CHAIRMAN RUE: Okay, everyone got that?

6 (No audible responses)

7 CHAIRMAN RUE: All right, everyone got
8 that.

9 MR. TILLERY: Now, go down a couple of
10 lines where it says, reference parcels from the district
11 court registry account and I would say, or any outside
12 account. I would insert that language.

13 CHAIRMAN RUE: And why would you do that?

14 MR. TILLERY: Again that takes into account
15 the fact that we are going to have -- hope to have a
16 different money investment scheme.

17 CHAIRMAN RUE: Oh, right. Right. Okay.

18 Any problem with that? Everyone got that? Or any
19 other.....

20 MS. HEIMAN: I just want to ask, does the
21 73,000, these purchase agreements signed but deals not
22 closed, are they included in these?

23 MS. McCAMMON: No, they're not.

24 CHAIRMAN RUE: That's already.....

25 MS. HEIMAN: Is that part of that million

00105

1 also?

2 MS. McCAMMON: Yes.

3 MS. HEIMAN: Can I add that to the motion?

4 Does anyone any objection to me adding that?

5 MS. McCAMMON: It would be a separate

6 motion.

7 MS. HEIMAN: I'll do a separate motion.

8 CHAIRMAN RUE: Okay, anything else on this?

9 Okay, Craig has one more.

10 MR. TILLERY: Couple more. Okay, in the
11 last sentence, these amounts represent the only amounts due
12 under this resolution to the sellers by the United States
13 from the joint -- I would insert the word trust, so it
14 would say the joint trust fund. And I would delete the
15 words, in the district court registry. And then I would
16 continue on and in the next to the last word, after joint,
17 I would insert trust in front -- in that, so it would say
18 joint trust funds there, too.

19 CHAIRMAN RUE: Okay. Did everyone hear

20 that?

21 MR. TILLERY: And these are all changes to
22 just kind of conform with the new regime.

23 CHAIRMAN RUE: Okay.

24 MR. TILLERY: What we hope to be the new
25 regime.

00106

1 MS. McCAMMON: Which reminds me,
2 Mr. Chairman, that there are probably a number of other
3 parcels that the same kind of action is going to have to
4 come back to the Council before money is actually sought
5 from whichever account we end up with.

6 CHAIRMAN RUE: Meaning.....

7 MS. McCAMMON: That will take Council
8 action. For some things that -- for example, the Tatitlek
9 homesites, theoretically, they don't come back to the
10 Council again, we just go to the court for the funds for
11 them, but in this case, if this language is like this in
12 that resolution also, you'd have to come back for Council
13 action also.

14 CHAIRMAN RUE: Right.

15 MR. TILLERY: And the difference between
16 then and now is we now have a court order that sets this
17 other thing in place.

18 CHAIRMAN RUE: Right.

19 MR. TILLERY: I would suggest that perhaps,
20 unless there's somebody.....

21 MS. McCAMMON: We look though all of those
22 and we can just do a blanket, generic motion.

23 MR. TILLERY: A generic one, yes.

24 CHAIRMAN RUE: That would be good. But
25 that's for the next meeting or do you want do it now?

00107

1 MR. TILLERY: Next meeting.

2 CHAIRMAN RUE: Okay. Did you catch all of
3 those, are those friendly amendments?

4 MS. HEIMAN: Yes, those are acceptable.

5 CHAIRMAN RUE: And the second also agrees
6 they're friendly amendments?

7 MS. BROWN: Yes.

8 CHAIRMAN RUE: All right, any other
9 discussion on the motion?

10 (No audible responses)

11 CHAIRMAN RUE: Okay. All those in favor
12 signify by saying aye.

13 IN UNISON: Aye.

14 CHAIRMAN RUE: Those opposed?

15 (No opposing responses)

16 CHAIRMAN RUE: Okay, motion passes. All
17 right.

18 (Marianne See in for Michele Brown at 1:11 p.m.)

19 MS. HEIMAN: Now, could I do the separate
20 motion on the 73,000 which is part of the same deal and
21 same money, but it just -- these are purchase agreements
22 that have been signed, but the deals have not been closed,
23 that's for 73,000 for Kodiak Island Borough and additional
24 10-acre parcels.

25 CHAIRMAN RUE: Okay.

00108

1 MS. McCAMMON: It's number one in the
2 draft, yeah.

3 CHAIRMAN RUE: Yeah, I'm looking the -- but
4 we don't have a motion drafted for that?

5 MS. McCAMMON: No, it would just be to
6 continue to allocate funds for those parcels, that would be
7 it.

8 CHAIRMAN RUE: Okay. Is there.....

9 MS. HEIMAN: I would like to move that.

10 CHAIRMAN RUE: Is there a second?

11 MR. BALSIGER: I'll second.

12 CHAIRMAN RUE: Okay. Any discussion on the
13 motion to allocate \$73,000 for the one, two, three, four,
14 five parcels in Kodiak that have purchase agreements that
15 have already been signed but deals not closed?

16 (No audible responses)

17 CHAIRMAN RUE: Okay. All those in favor
18 say aye.

19 IN UNISON: Aye.

20 CHAIRMAN RUE: All those opposed?

21 (No opposing responses)

22 CHAIRMAN RUE: Okay, the motion carries. I
23 guess I would like -- I guess Chairman can't move, can we.
24 Can we move things?

25 MS. McCAMMON: There's also -- I don't know

00109

1 if the Forest Service wants action on their Tatitlek
2 homesites.

3 CHAIRMAN RUE: We would have to do that --
4 you said to continue on in the recommendation?

5 MS. McCAMMON: Yes. There was an offer
6 made in May for these, but the funds haven't been spent.

7 MS. HEIMAN: They fall under a separate
8 category, these and the Tatitlek homesites in that they
9 were already ongoing and were moving forward.

10 MS. McCAMMON: This is the 180,000 for the
11 ones that were.....

12 MS. HEIMAN: Right.

13 MS. McCAMMON: 2A.

14 MS. HEIMAN: These are the ones we agreed
15 to last time, right?

16 MS. McCAMMON: Correct.

17 MS. HEIMAN: I would like to make that
18 motion even though I'm not the Forest Service.

19 MS. LISKOWSKI: Well, Mr. Chairman, I'm
20 wondering why would we need a motion if they were
21 already.....

22 MS. HEIMAN: Everything expired as of June
23 15th.

24 MS. LISKOWSKI: I thought there was
25 language in the Tatitlek resolution that dealt with that

00110

1 particular item that says that the funding did not expire?

2 MS. McCAMMON: I'd have to go look at the
3 language, I don't know. I don't remember that, but.....

4 MS. SCHUBERT: The resolution
5 (indiscernible - away from microphone) offer expires
6 September 1, 2001, so does it kind of (indiscernible).....

7 MR. TILLERY: Right, but it would supersede
8 the previous -- the Council's other resolution that cause
9 these things to expire. I don't think we need it either, I
10 think they're fine.

11 CHAIRMAN RUE: Okay, the opinion is they're
12 fine. If it isn't we could, perhaps, have a
13 teleconference.

14 MS. McCAMMON: Fine.

15 CHAIRMAN RUE: Okay, if someone finds out
16 they're not fine, maybe we could have a teleconference.

17 MS. McCAMMON: But we probably have to
18 check because the request is probably from CRIS, so
19 probably have to check that part of it.

20 CHAIRMAN RUE: We will double check that,
21 Maria, and just in case Molly can always convene.....

22 MS. McCAMMON: Okay.

23 CHAIRMAN RUE:a special
24 teleconference.

25 MS. McCAMMON: Okay. And what about Prince

00111

1 William Sound 1028; is that the same, your same view of
2 that? Prince William Sound 1028?

3 CHAIRMAN RUE: The Valdez Duck Flats
4 parcel.....

5 MS. McCAMMON: The Valdez Duck Flats.

6 CHAIRMAN RUE:120,000, we made an
7 offer the expires September 1; is that okay?

8 MS. McCAMMON: That was actually before the
9 January.....

10 MR. TILLERY: Before the other one, right,
11 which then amended it essentially. So.....

12 MS. McCAMMON: So you do have to take
13 action on this one.

14 MR. TILLERY:I think that's right.

15 CHAIRMAN RUE: So we do have to take action
16 on the Valdez Duck Flats.

17 MR. TILLERY: That's my view.

18 CHAIRMAN RUE: All right. At least one
19 opinion in Anchorage thinks we need to take action on
20 Valdez Duck Flats. I recommend that if we have one opinion
21 that we go ahead and do it to cover ourselves. So,
22 perhaps, Mr. Tillery, you can make a motion or does that
23 run against -- counter to your.....

24 MR. TILLERY: I move that we continue to --
25 that we reallocate monies for -- it's 120,000 for parcel

00112

1 PWS 1028, Valdez Duck Flats, to expire September 1, 2001.

2 CHAIRMAN RUE: Okay. Do I have a second?

3 MS. HEIMAN: Second.

4 CHAIRMAN RUE: Okay. And that's PWS 1028

5 parcel.

6 MS. McCAMMON: Correct.

7 CHAIRMAN RUE: Okay. Any discussion on the

8 motion?

9 (No audible responses)

10 CHAIRMAN RUE: If not, all those in favor

11 signify by saying aye.

12 IN UNISON: Aye.

13 CHAIRMAN RUE: Opposed?

14 (No opposing responses)

15 CHAIRMAN RUE: Motion carries. The only
16 other issue I guess I'd like to ask the Council to consider
17 is we've got two parcels, perhaps, three. We got the
18 Brookwood parcel, KENAI 295 and then the Ninilchik parcels
19 that are in jeopardy in the next month if we postpone those
20 until the August meeting. So I guess I would like to make
21 a motion that we authorize funds to enter into a purchase
22 agreement for the Brookwood, KENAI 295 parcel and the
23 Ninilchik which is a separate piece of paper.

24 MS. McCAMMON: KENAI 309.

25 CHAIRMAN RUE: KENAI 309 and 310 and the

00113

1 total amount would be -- do we have an amount on that?

2 MS. McCAMMON: There's an estimate.

3 CHAIRMAN RUE: Okay, the estimate is.....

4 MS. McCAMMON: They would have to be made
5 parcels meriting special consideration.....

6 CHAIRMAN RUE: Right.

7 MS. McCAMMON:and then go forward for
8 appraisal.

9 CHAIRMAN RUE: Okay. That they be made
10 parcels meriting special attention and go forward for
11 appraisal. Then would they come back to us?

12 MS. McCAMMON: Yes.

13 CHAIRMAN RUE: And then they would come
14 back to us for final approval. And that's the motion.

15 MS. SEE: Second.

16 CHAIRMAN RUE: Any discussion on the
17 motion?

18 MS. HEIMAN: Yeah, this is Marilyn. Well,
19 actually, I'll hold my -- does anybody else have
20 discussion?

21 MR. BALSIGER: I might have drifted off a
22 little bit, but this motion now would just go out to get
23 another better appraisal of the value of these lands,
24 properties?

25 CHAIRMAN RUE: It would allow us to

00114

1 negotiate -- get an appraisal, do all we need to do and
2 actually come up with a purchase agreement, that's my
3 understanding.

4 MR. BALSIGER: But it's not a decision to
5 make an offer yet?

6 MR. TILLERY: No.

7 CHAIRMAN RUE: Well.....

8 MS. HEIMAN: You're basically going down
9 that road when you do all of that.

10 MR. SWIDERSKI: You don't know how much the
11 offer will be.

12 MR. TILLERY: Right.

13 MS. McCAMMON: No, because for the.....

14 CHAIRMAN RUE: You got to have appraised
15 value.

16 MS. McCAMMON: Right, I mean, when you get
17 the appraised value you may decided that it's more money
18 than you want spend for the particular parcel or that
19 you're not longer interested, but it does commit the
20 Council -- it's one further step down the road.

21 MR. TILLERY: It commits you to spending
22 money for an appraisal.

23 MS. McCAMMON: Although that brings up the
24 other question, too.

25 CHAIRMAN RUE: Which is?

00115

1 MS. McCAMMON: Appraisal money.

2 CHAIRMAN RUE: We may have to have a motion

3 on.....

4 MS. McCAMMON: I have no idea.

5 CHAIRMAN RUE: You're saying we need a

6 motion on having appraisal money available?

7 MS. McCAMMON: Well, I'm just not prepared

8 to say that the State has sufficient funds to add the

9 additional costs of these appraisals that they have within

10 their current budget, so I don't know.

11 CHAIRMAN RUE: Huh. Boy. Pending having

12 enough money for appraisal, my motion -- can I amend my

13 motion?

14 MS. McCAMMON: You're the Chair.

15 CHAIRMAN RUE: Pending the -- yeah, I'm the

16 Chair, I can do anything I want.

17 (Laughter)

18 CHAIRMAN RUE: Pending is the wrong word,

19 but assuming there's enough money for appraisals

20 authorizing us to move forward with appraisal and a

21 purchase agreement that would come back before us for

22 approval.....

23 MS. HEIMAN: I guess, Mr. Chairman, before

24 we vote on this, I would like to find out if there's a way

25 that we could let them know that we are interested in

00116

1 discussing this, but I guess I feel the same way as I did
2 earlier, which is that we try to keep these new parcels
3 that we're proposing together as a package. And that if
4 there's a way for us to let them know that we're interested
5 and that we will be probably taking action within the next
6 month, that that would be how we would present it, rather
7 than actually taking the motion on this separate item.

8 CHAIRMAN RUE: Well, I didn't get a second
9 for my amendment, so I'm not even sure we have a motion in
10 front of us. You're suggesting we not do this motion and
11 we look to a different vehicle to show our interest. I
12 think we will risk -- you know, the vaguer our interest the
13 less likely someone is to hold off selling a parcel is my
14 concern. So the more tangible we can be, more concrete we
15 can be that, yes, we've committed X dollars, we've set
16 aside X dollars for these parcels pending appraisal and
17 coming to an acceptable purchase agreement. To me that's a
18 pretty tangible commitment and folks would be willing to
19 actually not put them on the market and go to a realtor
20 during the height of the fishing season when everyone is
21 really wanting a good fishing spot and they're all excited
22 and the realtors are probably pushing these things right
23 now while folks are down on the peninsula enjoying the
24 summer.

25 So my concern is if we're too intangible the

00117

1 opportunity is gone.

2 MS. LISKOWSKI: Mr. Chairman.

3 CHAIRMAN RUE: Yeah, Maria.

4 MS. LISKOWSKI: A question here clarifying
5 the meaning of your motion. Do you intend that the motion
6 actually allocate or earmark dollars for the actual
7 acquisition or is it solely -- if we were voting in favor of
8 this motion would it solely be voting in favor of
9 allocating dollars to appraisal costs.

10 CHAIRMAN RUE: Mr. Tillery is going to
11 answer the question for me.

12 MR. TILLERY: My understanding of what you
13 asked is simply that we would make these parcels meriting
14 special consideration which would allow us to appraise them
15 if there are appraisal funds available in the budget.

16 MS. HEIMAN: All it would do.....

17 MR. TILLERY: It would not earmark, it
18 would not allocate, it would not make an offer, it wouldn't
19 say we're going to buy them, it would only be to allow us
20 to use available funds for an appraisal. That's what I
21 understood the motion to be.

22 CHAIRMAN RUE: And that's my understanding,
23 too, because it had to come back to us anyway.

24 MS. LISKOWSKI: Thank you.

25 MR. BALSIGER: In that case, I'll second

00118

1 it, if you're still lacking one.

2 (Laughter)

3 CHAIRMAN RUE: Actually I have a second for
4 the original motion. We are saying that we've got money in
5 the bank though. That un - I guess that's unspoken.

6 That's fine. But we don't know if we have appraisal money;
7 is that what you said, Molly?

8 MS. McCAMMON: I think that.....

9 MS. FRIES: I'm getting down to the wire, I
10 need to get an estimate for the appraisals.

11 CHAIRMAN RUE: Huh. We're not sure we have
12 appraisal money. Well, if we don't have appraisal money we
13 can't do it, okay? So that's it. The motion is to make
14 these parcels meriting special attention, go ahead with the
15 appraisal, assuming we've got money in the account to do
16 that. And, to me, that shows a good faith commitment to
17 the owners that we're serious. That if everything works
18 out, as we always say, a purchase could be negotiated.
19 Okay?

20 MS. McCAMMON: I think it should be clear
21 -- this is especially, I think, for Jim Balsiger, since
22 this is his first experience with the habitat program, that
23 when the Council does this is what they are saying is, yes,
24 this is a priority parcel, yes, we would like to see it
25 protected, yes, we are prepared to spend funds to have it

00119

1 appraised and then depending on what the appraised value
2 ends up being whether that is a price that is acceptable to
3 the Trustee Council for the restoration value anticipated
4 from that parcel and whether it's an acceptable price to
5 the landowner, then you decide then whether you go forward.

6 CHAIRMAN RUE: Right.

7 MS. McCAMMON: If that price is agreeable,
8 in almost all cases, the Council has gone forward with
9 acquisition of the parcels.

10 CHAIRMAN RUE: Right. So that's sort of
11 the unwritten part of the motion, Jim.

12 MR. BALSIGER: I understand that part, but
13 I guess I don't know why we don't -- if we're that
14 interested we don't say in the absence of having sufficient
15 funds for the appraisal that somehow you allocate or
16 withdraw or fund it for the appraisals at least.

17 CHAIRMAN RUE: Well, perhaps that something
18 we can do with the -- there's another motion Molly
19 suggested we need to do with support costs and I'm not sure
20 if that falls under that as well.

21 MS. McCAMMON: Depends on what other
22 actions you take today.

23 CHAIRMAN RUE: Okay. I'll tell you what,
24 Jim, at this point why don't we -- I guess I would suggest
25 my motion stand as is, pending adequate money we move it.

00120

1 We make it a parcel meriting special attention and we move
2 ahead to the appraisal, assuming we got money for
3 appraisal. Really, that's the motion. How about that?

4 MS. HEIMAN: And it's for which parcel?

5 CHAIRMAN RUE: Brookwood on the Anchor
6 River, KENAI 295 and the two parcels on the Ninilchik,
7 KENAI 309 and KENAI 310.

8 MS. HEIMAN: Because I don't even see those
9 on this list.

10 MS. McCAMMON: Those were faxed to you
11 separately, Marilyn, because we got the request after the
12 packet went out.

13 MS. HEIMAN: I don't have that in front of
14 me unfortunately.

15 MR. TILLERY: They're listed under DNR.

16 MS. SEE: They're on the list.

17 MS. McCAMMON: They're on the list on page
18 three under DNR.

19 CHAIRMAN RUE: Right.

20 MS. HEIMAN: Ninilchik.....

21 MS. McCAMMON: Ninilchik River, KENAI 309,
22 Icicle Seafoods and KENAI 310, Swartzes Enterprises, but
23 the back-up information was faxed to you separately there
24 this morning.

25 CHAIRMAN RUE: Yeah, they're right at the

00121

1 mouth of the Ninilchik.

2 MS. HEIMAN: I have to say I am very -- can
3 I speak to this motion?

4 CHAIRMAN RUE: Yeah.

5 MS. HEIMAN: Or where are we in the motion?

6 CHAIRMAN RUE: I think we've got it clear
7 now what it is and please speak to it.

8 MS. HEIMAN: I couldn't be more supportive
9 of purchasing lands in this area, however, I feel that we
10 do need to look at all of these parcels equally or at the
11 same time and I understand that there's a concern here with
12 parcels being sold within the next month, which I truly
13 doubt would happen, however, I do feel like we should send
14 a message to them that we're interested but we have not
15 finalized our package and we will be doing that in August
16 and I just can't support this.

17 CHAIRMAN RUE: I guess I have, as the maker
18 of the motion, I just view a parcel at the end of the
19 Alaska Peninsula which has none or very little risk of
20 anything happening in the next month very differently. And
21 to suddenly make this a package I find very troubling, that
22 we have folks who feel bound that this package has to all
23 go at once or not at all, to me, is troubling.

24 MS. HEIMAN: I'm not saying that the whole
25 package. I think we have to come up with what we think is

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1 a fair proposal. I haven't even had the time to read or
2 review these last two -- the details of the last two that
3 are listed in your motion and so I feel a little bit like
4 this is the first time it's really ever been before the
5 Council and I would really like to be able to send them a
6 message that we're interested, but -- and I think you're
7 right that this is a much more serious situation as far as
8 timing than something that doesn't have pressure. However,
9 I think that we need to look at this whole proposal as a
10 whole, this is how we've been dealing with it to date.

11 CHAIRMAN RUE: Marianne See has something
12 she wanted to say. She's now sitting in for Michele again.

13 MS. SEE: Yeah, and Michele and I spoke
14 before she had to leave the meeting. We are concerned
15 about the immediacy of the situation with those parcels
16 that have already been identified in this motion as being
17 parcels that simply may not be available for much longer,
18 so in seconding the motion we were reflecting that concern
19 that if these parcels are in danger of being purchased
20 right away we want to make sure that there's an opportunity
21 to demonstrate progress towards a negotiation.

22 But it also may be -- and, Marilyn, if you didn't
23 see the information ahead of time I can see certainly
24 appreciate your concern in not feeling familiar with the
25 issue. If there is a need for additional time on this,

00123

1 would it make sense to try to have something in a more
2 interim time frame than waiting a whole month, if this
3 meeting were to be not adjourned, but to be continued --
4 recessed is the word I'm looking for, so that this portion
5 could be concluded through teleconference. I know that's
6 not the most desirable way to go about things but I am
7 concerned about delay on those parcels.

8 CHAIRMAN RUE: Mr. Tillery had something.
9 I'm going formal now.

10 MR. TILLERY: Mr. Chairman, I agree with
11 Marilyn that having just gotten this information on these
12 two Ninilchik ones recently, actually I have some questions
13 about the ones on the Anchor, too, where I wanted some
14 additional information on those. And really haven't had
15 enough time to look at those and were the motion to be one
16 to allocate funds to those parcels, I would not support it
17 because I haven't had enough time to judge these against
18 the merits of other ones. But, however, what I see the
19 motion doing is being limited to simply providing --
20 allowing us to go forward with an appraisal, assuming money
21 is available. Appraisals are relatively inexpensive for
22 these small parcels on the road system and really it only
23 put them in the same -- it just brings them up with parcels
24 like Duck Flats or Stariski or something like that.
25 They've already had appraisals, it doesn't mean we're going

00124

1 to buy them. And because the motion is limited in what it
2 does then I can support the motion.

3 CHAIRMAN RUE: Okay.

4 MS. HEIMAN: Mr. Chairman.

5 CHAIRMAN RUE: Yeah, Marilyn.

6 MS. HEIMAN: I felt exactly that way, as
7 Craig just said, until Molly explained to Jim, thinking
8 that he needed the explanation, but I truly learned a lot
9 from that explanation that she just gave that once you go
10 forward to provide the monies for an appraisal that you
11 basically, if both parties agree, you're basically moving
12 forward and that's why -- that explanation is what gave me
13 some reservations.

14 CHAIRMAN RUE: I think, if I could, I think
15 what Molly said is we have not in the past -- if we've come
16 up with an acceptable price decided no. We always have
17 that option, you know, folks -- is that what you -- that
18 was the intent of what you said, I think.

19 MS. McCAMMON: Well, I think my spin on all
20 of this would be that if you decided to go ahead with this
21 motion, what you are saying, in effect, is that all things
22 being equal you are deciding because these have the risk of
23 being sole developed that you think that they have higher
24 restoration value than the others on the list at this point
25 and that's why you're having these go forward. I mean,

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1 that would, in essence, be the judgment call, I think, that
2 you're making there. And it maybe.....

3 CHAIRMAN RUE: It's an opportunity cost.

4 MS. McCAMMON:it's an opportunity,
5 it's a judgment, it's an assessment that, yes, that given
6 what is on the table there that these might be a lost
7 opportunity and that given that and all other things being
8 equal you would rather pursue -- you want to pursue this
9 opportunity.

10 MR. TILLERY: Mr. Chairman.

11 CHAIRMAN RUE: Yeah, Craig.

12 MR. TILLERY: I don't think we're saying we
13 want to pursue this opportunity to fruition, but we're
14 saying we don't want to foreclose ourselves from pursuing
15 this opportunity and, therefore, we need to move forward,
16 at least with the appraisal, which can be a timely step and
17 would have the -- not only would it put us in a position to
18 move forward once we get the whole package together, we can
19 see everything and make judgment about it. It puts us in a
20 position to do something, but in addition it also sends the
21 necessary signal to the landowners that they should wait.

22 CHAIRMAN RUE: And it gives us a cost, it
23 gives us a sense of what the price of these things are, are
24 they even worth talking about any more?

25 MR. TILLERY: Yeah.

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1 MS. McCAMMON: And should there be an
2 appraisal on the other ones, too, so that you can actually
3 assess all of them together and what the appraised value is
4 on all of them? I mean, then you would have all the
5 information that you would want to make a judgment on how
6 you want to best -- if you want to spend any money on
7 those.

8 CHAIRMAN RUE: I think, if I could, in my
9 mind given the risk in the next few weeks of losing an
10 opportunity for restoration it's work making a limited
11 commitment of funds to appraisal, leaving ourselves all the
12 other options we'd have to vote on. I don't see the same
13 risk with the other one and we can move -- if folks feel
14 this has to be a package we can vote the package up or down
15 and the each would move ahead at its own speed. Those that
16 aren't at risk of something happening in the next four
17 weeks.....

18 MS. HEIMAN: Could I make an alternative
19 motion?

20 CHAIRMAN RUE: An alternative -- you can
21 make an amendment to the motion -- you can propose an
22 amendment to the motion.

23 MS. HEIMAN: All right, I'll do it that
24 way. I would like to propose that we do appraisals on the
25 ADF&G properties that -- all the ones listed for ADF&G and

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1 all the ones listed on ADNR and of the DOI properties the
2 first three, and that we move forward with an appraisal on
3 all of those -- have the Tatitlek homesites been appraised?

4 MS. McCAMMON: Yes.

5 MS. HEIMAN: They have, okay. So it would
6 be DOI, the top three, KAP 281, KEN 283 and KAP 285 and
7 then the ADNR parcels as well as the ADF&G parcels and that
8 we move forward with appraisals, the specific amendment,
9 same as it was, add those others.

10 CHAIRMAN RUE: Now, do I need a second on
11 that proposed amendment?

12 MS. HEIMAN: It's an amendment.

13 CHAIRMAN RUE: We're kind of breaking new
14 legal ground here. It's basically a new motion. Any
15 second on that?

16 MR. BALSIGER: I'll second, I guess, the
17 elaborate amendment to the original motion; is that how
18 we're viewing this?

19 MS. HEIMAN: Yes.

20 CHAIRMAN RUE: Sounds like it, so now we
21 will.....

22 MS. HEIMAN: It's like an elaborate
23 amendment to the original motion, but may get to.....

24 CHAIRMAN RUE: It's basically you're adding
25 three parcels to the motion.

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1 MS. HEIMAN: I'm adding actually.....
2 MS. McCAMMON: More than that.
3 CHAIRMAN RUE: You're adding.....
4 MS. McCAMMON: She's adding the other two
5 Anchor River parcels, the Hopkins parcel and the three DOI
6 parcels.
7 CHAIRMAN RUE: Did you mean to include the
8 Hopkins parcel?
9 MS. HEIMAN: Yes. Unless you don't want it
10 included, you guys are the State.
11 CHAIRMAN RUE: So basically the motion is
12 to add five parcels to this.....
13 MS. HEIMAN: Is the Hopkins the one you
14 wanted to move to the other -- to the pilot project?
15 CHAIRMAN RUE: Yes.
16 MS. HEIMAN: Okay, then I would remove the
17 Hopkins.
18 CHAIRMAN RUE: Okay, so it was the
19 Ninilchik -- well, actually it was just Ninilchik is the
20 only one in there.
21 MS. HEIMAN: Okay.
22 CHAIRMAN RUE: So it's really adding the
23 two.....
24 MS. McCAMMON: The other two Anchor Rivers.
25 CHAIRMAN RUE:the Yeger, Elliot

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1 parcels and then the KAP 281, KENAI 283 and KAP 285.

2 MS. HEIMAN: Yep.

3 CHAIRMAN RUE: So adding those three plus
4 KENAI 293 and KENAI 294.

5 MS. HEIMAN: That's right.

6 MR. TILLERY: Wait a minute.

7 MS. HEIMAN: Move ahead for appraisals on
8 all of them.

9 CHAIRMAN RUE: To move ahead for appraisal
10 on those. So the motion is to add those, oh, I don't want
11 to use that, five more parcels. And we have a second to
12 that. So is everyone clear on what the proposed amendment
13 is?

14 MR. BALSIGER: I guess just one more time
15 if you could. Are we looking at appraisals for six parcels
16 now?

17 CHAIRMAN RUE: One, two, three.....

18 MS. McCAMMON: Eight.

19 CHAIRMAN RUE: No, I get seven, how did you
20 get -- oh, yeah, eight, because there are two.....

21 MS. HEIMAN: Eight. Eight total.

22 CHAIRMAN RUE: Correct.

23 MS. HEIMAN: Including the one we're
24 dealing with.

25 MR. BALSIGER: Including KENAI 309 and 310?

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1 MS. HEIMAN: Yes.

2 CHAIRMAN RUE: My assumption is people will
3 just do the ones they could if the money wasn't available
4 in the next month.

5 MS. SEE: Could we get a clarification on
6 the DOI numbers for the proposal?

7 MS. McCAMMON: 281, 283 and 285, KAP.

8 CHAIRMAN RUE: Well, one of the is KEN, is
9 that a misprint?

10 MS. McCAMMON: Oh.

11 CHAIRMAN RUE: Is that a misprint,
12 Metrokin, Chiniak Bay?

13 MS. McCAMMON: Actually that should be KAP.

14 CHAIRMAN RUE: That should be KAP.

15 MS. McCAMMON: Because that's Chiniak Bay,
16 yeah.

17 CHAIRMAN RUE: Okay. Everyone clear on the
18 motion or the amendment to the motion?

19 (No audible responses)

20 CHAIRMAN RUE: So now that would be there
21 would eight parcels that, if there's funding available in
22 the next month to go ahead with appraisals, they could go
23 ahead and do appraisal in the next month.

24 MS. HEIMAN: And I would even offer that
25 given money available that the KENAI parcels be the

00131

1 priority.

2 CHAIRMAN RUE: The Anchor?

3 MS. HEIMAN: Yeah, the two items, the
4 Ninilchik River and the KEN 309 and 310 be the priorities.

5 CHAIRMAN RUE: Okay. So there's a further
6 amendment to the amendment. KENAI 295, KENAI 309 and KENAI
7 310 are the priorities given funding. Okay?

8 MR. BALSIGER: Yeah, I can't write fast
9 enough. KENAI 295, KENAI which?

10 CHAIRMAN RUE: KENAI 309 and KENAI 310
11 would be the priority parcels for the next month to use
12 whatever appraisal dollars may be available.

13 MR. BALSIGER: Thank you.

14 CHAIRMAN RUE: Okay. So that is okay with
15 the seconder?

16 MR. BALSIGER: Yes.

17 MS. SEE: Yes.

18 CHAIRMAN RUE: So that's the amendment.

19 Any discussion on the amendment?

20 (No audible responses)

21 CHAIRMAN RUE: Okay. All those in favor
22 say aye.

23 IN UNISON: Aye.

24 CHAIRMAN RUE: Those opposed?

25 (No opposing responses)

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1 CHAIRMAN RUE: Okay. So now we got the
2 motion amended, let's vote on the motion. Okay, all in
3 favor aye.

4 IN UNISON: Aye.

5 CHAIRMAN RUE: Opposed?

6 (No opposing responses)

7 CHAIRMAN RUE: Okay, the motion carries.

8 Thank you, Marilyn.

9 MS. HEIMAN: Well, thank (indiscernible)

10 I would also like to ask, do we want to do anything
11 on this -- the last section on the grant to Conservation
12 Fund today?

13 CHAIRMAN RUE: I think we did, we don't
14 need to take any formal action. My understanding is
15 they're going to go ahead and try to get something worked
16 out by October and I guess give us reports at the meetings
17 of any progress.

18 MS. HEIMAN: Molly, do you feel you have
19 the authority with what we've done to do that?

20 MS. McCAMMON: Yes. The only thing that
21 could -- the might be different is if there's any action on
22 any of these parcels. For example, if the university comes
23 forward with their appraisal and it looks like an
24 acceptable appraisal, then that would come back to the
25 Council for your consideration, but otherwise we would just

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1 go forward with putting together the terms of a draft grant
2 proposal and bring that back to you.

3 MS. HEIMAN: Can I ask one other question?
4 If there is not enough money to do these appraisals.....

5 MS. McCAMMON: We would come back at the
6 August 3rd meeting with an additional request.

7 MS. HEIMAN: Okay. Okay, that sounds good.

8 CHAIRMAN RUE: Okay. Was there another
9 money action item we needed to take, Molly? You seemed
10 concerned about something else that we thought we had but
11 because of the June 15th sunset, we might have left -- had
12 something fall through the cracks?

13 MS. McCAMMON: I think we're okay.

14 CHAIRMAN RUE: Okay. Good. I just had on
15 really quick thing before we move into the next one and
16 that's I'd like to ask if folks are interested in having
17 staff work on putting together an idea, a proposal, not
18 now, but just I want to see if there's any interest in us
19 fleshing it out, for committing to a restoration fund,
20 which would be money that not -- wouldn't necessarily buy
21 parcels, but would do things like the 50/50 cost share
22 we've done on the Kenai River with landowners who want to
23 repair their property to make it healthy again and repair
24 the habitat. We're sort of into the purchasing of
25 easements and land, but a little bit of money set aside to

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1 go towards fixing up damaged properties, I think, could be
2 an interesting idea in the spill area, and maybe expand
3 some of the successes we've had on the Kenai. I know the
4 Department of Interior has been involved in that, we've
5 been involved in that, DNR, parks has been involved that.
6 It's been a very -- and I think the public really likes it,
7 I think the -- and it could do a lot for damaged resources,
8 so I would have staff work with Molly to come up with an
9 idea if you all would like to entertain it in the next few
10 months.

11 MS. LISKOWSKI: Mr. Chairman.

12 CHAIRMAN RUE: Yeah.

13 MS. LISKOWSKI: The question on that, is
14 the intent to take the funding for such a program out of
15 the small parcel program?

16 CHAIRMAN RUE: Not necessarily, it could be
17 out of the 55,000,000, we could talk about that.

18 MS. McCAMMON: What, the habitat fund or
19 the research monitoring and general restoration part?

20 CHAIRMAN RUE: Habitat fund, it would be
21 out of the habitat fund.

22 MS. HEIMAN: Mr. Chairman.

23 CHAIRMAN RUE: Yeah.

24 MS. HEIMAN: I actually support the idea
25 and on the Kenai I think it has worked very well. But on

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1 the Kenai there usually is a situation where we improve or
2 protect the habitat and then it is protected in perpetuity.
3 And I would hope that any program that we come up, that
4 once we have protected to improve habitat, that it would be
5 protected in perpetuity like, you know, what's required on
6 the Kenai parcels.

7 CHAIRMAN RUE: Actually I'm not sure it
8 protected in perpetuity, but we can look into that.

9 MS. HEIMAN: I guess because of the zoning
10 requirements that they've done in the Kenai of the set-
11 backs, much of what we're doing is right along the
12 shoreline and, they can't redevelop these, see what I'm
13 talking about?

14 CHAIRMAN RUE: That assumes Kenai Borough
15 zoning is in perpetuity, I'm not sure that I would say
16 that. I'd be nervous if that was my perpetuity. Okay.
17 Well, that could be -- well, that's concerns.

18 MS. HEIMAN: I guess I would like that to
19 be considered as we develop any ideas.

20 CHAIRMAN RUE: Okay. All right. I just
21 wanted to throw it out and see if there was any real
22 problem with it.

23 MS. HEIMAN: I'd hate to have us improve
24 habitat and have someone then log it or something like
25 that.

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1 CHAIRMAN RUE: Okay. All right. I guess
2 that's enough on that subject and I'll work with Molly to
3 see if we can come up with some idea.

4 MS. McCAMMON: And, Mr. Chairman, I'm
5 assuming that you mean both public and private lands.

6 CHAIRMAN RUE: Yes.

7 MS. McCAMMON: Okay.

8 CHAIRMAN RUE: And it would be maybe a cost
9 share type thing.

10 Okay. The next item on our agenda is the reason we
11 all came here, right? The joint trust funds investment
12 management. I'm only 15 minutes behind. Molly, do you
13 want to lead us through that?

14 MS. McCAMMON: Yeah. Okay. Mr. Chairman,
15 I actually have a fairly lengthy presentation that I want
16 to make because I'd like to have a lot of the information
17 that we gathered over the last six months on the record.
18 If the Council does take any action today or considers
19 taking action, but I think it's appropriate to go through
20 the process that the Council has used over the past six
21 months.

22 As you know, the Council is responsible for the
23 management and investment of the EVOS joint trust funds.
24 These funds are used by the governments for purposes of
25 restoring, replacing, enhancing, rehabilitating or

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1 acquiring the equivalent of natural resources and services
2 lost or injured as a result of the 1989 oil spill.

3 In 1995 we commissioned an independent audit of the
4 trust funds and they audit determined the that Council was
5 paying excessive fees for investment of the joint trust
6 funds in U.S. Treasury securities within the Court Registry
7 Investment System. It was also determined that a higher
8 rate of return could be achieved by investing elsewhere.
9 And this was also further confirmed by a 1998 Government
10 Accounting Office audit.

11 The Trustee Council first attempted to have the
12 Court Registry Investment System fees waived, we were
13 unsuccessful in doing that. Over time the fees have been
14 reduced because the amount of funds in the account have
15 been -- were smaller, but they are still considered
16 excessive for the type of investment class that's being
17 currently used.

18 For over two years the Council sought congressional
19 authority to invest the funds in other accounts, both
20 within or outside of the U.S. Treasury. That authority was
21 obtained in December 1999 within Public Law 106-113, which
22 says that the joint trust funds may be deposited in the
23 U.S. Department of Interior's Natural Resource Damage
24 Assessment and Restoration Fund, accounts outside the
25 United States Treasury or both. Any funds deposited in an

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1 outside account may be invested, and I quote: "only in
2 income producing obligations and other instruments or
3 securities that have been determined unanimously by the
4 Federal and State Natural Resource Trustees for the Exxon
5 Valdez oil spill to have a high degree of reliability and
6 security."

7 Following passage of this law, the Restoration
8 Office staff immediately began working to develop the
9 policies that would guide Trustee Council's decision. We
10 did this with the assistance of the Alaska Department of
11 Revenue Treasury Division which as invested the EVOS funds
12 received for projects administered by the State since 1992.
13 The Department has also provided financial advice to the
14 Trustee Council on its investment within the Court Registry
15 Investment System since 1994, especially those of the
16 Restoration Reserve.

17 Dave Rose and Mary Lou Pratt at Alaska Permanent
18 Capital Management Company also provided us advice early in
19 this process and we're very grateful to them for doing so.

20 To assist in this effort we called together an
21 informal working group to advise me in order to give you,
22 the Trustee Council, informed advice. This group consisted
23 of one State Trustee, Craig Tillery from the Alaska
24 Department of Law, one Federal Trustee, Marilyn Heiman with
25 the U.S. Department of Interior, the Federal Budget

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1 officer, Bob Baldauf from the Department of Interior, the
2 Department of Interior Solicitor, Barry Roth, Bob Storer,
3 who was then Chief Investment Officer for the State of
4 Alaska, Division of Treasury and is now head of the Alaska
5 Permanent Fund and Peter Bushre, former Chief Financial
6 Officer for the Alaska Permanent Fund, now a private
7 consultant.

8 This group met for the first time on January 6th,
9 2000 and laid out a plan for developing the policies and
10 strategies needed by the Council to take advantage of the
11 new congressional authority. At a meeting on January 31st,
12 2000, the Council discussed draft investment policies.
13 Those policies were adopted on February 29th, 2000. They
14 provide the Council with a comprehensive set of guidelines
15 for the proper management of its investment decisions and
16 include descriptions of responsibilities of the Trustee
17 Council, the Executive Director and Restoration Office
18 staff, the Investment Working Group, auditor, legal
19 counsel, bank custodian, investment consultants and
20 managers.

21 Those policies also addressed the issues of
22 indemnification, delegation of authority and ethics and
23 conflicts of interest. They set strategic asset allocation
24 policy in general and individual account program objectives
25 and policies. They state that the principal investment

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1 objective is to provide adequate liquidity for ongoing
2 restoration purposes and preserve the inflation adjusted
3 value of the principal while realizing competitive total
4 rates of return.

5 At its March 16th, 2000 meeting the Trustee Council
6 began its discussion of an asset allocation plan, discussed
7 options for future payout schedules, as well as the roles
8 of bank custodians, investment consultants and managers.
9 This included a review of capital market return and risk
10 assumptions developed by the Alaska Department of Revenue,
11 Division of Treasuries consultant Callan Associates and
12 those assumptions were dated January 2000.

13 On April 24th the Council adopted an asset
14 allocation plan for the period 2000 to 2004 and discussed
15 possible options for future trust fund payouts. The
16 adopted asset allocation consists of a mixture of domestic
17 equities, international equities and domestic fixed income,
18 with a median expected return of eight and quarter percent
19 with a standard deviation risk of 10.59 percent.

20 At that time the Council also requested the Alaska
21 Attorney General and the U.S. Department of Justice to
22 petition the U.S. District Court for Alaska to allow for
23 the deposit of the joint trust funds or any portion of them
24 in accounts outside of the Court Registry Investment
25 System. Those motions were filed on June 2nd and the

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1 orders approved by Judge Holland on June 7th.

2 In the meantime, the investment working group had
3 been looking at options for managing the joint trust funds.
4 Since these were public funds in which the State of Alaska
5 has a substantial interest, use of the Alaska Department of
6 Revenue was one obvious option, especially since several of
7 the Federal Trustees had expressed a greater comfort level
8 in use of a government entity for this purpose. We
9 actually looked very closely at use of Interior's Natural
10 Resource Damage and Assessment Fund also, but those funds,
11 even though the fees would have been cheaper than use of
12 the Court Registry Investment System, investments were
13 still limited to Treasury securities, and so we did move on
14 and look for other options.

15 The Department of Revenue agreed that, if
16 requested, they would manage the joint trust funds
17 consistent with the investment policies of the Trustee
18 Council. However, in order to evaluate this option more
19 thoroughly, I contracted with a nationally known
20 consultant, Bill Wurts and Associates to objectively review
21 the performance and abilities of the Department of Revenue,
22 especially regarding their organizational structure, equity
23 and fixed income management practices, asset modeling
24 procedures and the custody and safe keeping and accounting
25 functions.

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1 You have all received copies of Mr. Wurts' report,
2 which was discussed, in-depth, at your meeting of May 22nd.
3 His conclusion was that turning the investment management
4 and custodian administrative responsibilities over to the
5 Alaska Department of Revenue, Division of Treasury would
6 appear to be a relatively safe and extremely cost effective
7 method of investing the Council's assets.

8 At the May 22nd meeting the Trustee Council adopted
9 a payout schedule for future research monitoring and
10 general restoration projects. Following this meeting, I
11 distributed Mr. Wurts' report to anyone in the investment
12 community who had contacted me in the past year regarding
13 the Trustee Council's investment future. I indicated that
14 based on the Wurts' report, initial discussion by the
15 Trustee Council and advice from the investment working
16 group, as well as an attorney general's opinion related to
17 use of the Alaska Department of Revenue, that I was
18 preparing to recommend to the Trustee Council that they use
19 the Alaska Department of Revenue to provide for
20 custodianship, management and investment of the joint trust
21 funds. I asked them to review Mr. Wurts' report and if
22 they had any additional information that might be useful to
23 the Trustee Council in reaching their decision, to provide
24 it to me in writing. And in your packet today, you have
25 copies of all of the correspondence.

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1 I should mention that Kim Honei of McKinley Capital
2 also called and although she didn't submit comments in
3 writing, she said, and I quote, the recommendation works
4 well for you guys given the fees, good luck.

5 Also included in your packet is the Alaska
6 Department of Revenue's response to me on issues that were
7 raised in the correspondence. I've also distributed copies
8 for you of the responses from Alaska Department of Revenue,
9 Commissioner Wilson Condon directly to those
10 correspondence.

11 In evaluating the information provided thus far,
12 including the comments by several individuals in the Alaska
13 investment community and the Department of Revenue's
14 response, based on this information, I'm recommending that
15 you take action today on the draft resolution in your
16 packet resolving for the joint trust funds to be
17 transferred to an account to be administered by the Alaska
18 Department of Revenue, Division of Treasury.

19 There is a draft resolution in here for you to look
20 at and discuss further. But before you deliberate and look
21 at that and discuss this issue, there are a number of
22 individuals that I have asked to speak to you today.
23 First, there is a presentation by the Alaska Department of
24 Revenue Deputy Commissioner Neil Slotnick and Chief
25 Investment Officer John Jenks. Next, I've asked the two

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1 non-trustee agency representatives on the investment
2 working group, Bob Storer and Peter Bushre, to speak to
3 you. Craig Tillery will describe, in greater detail, the
4 Attorney General's opinion on investment of EVOS joint
5 trust funds in a state account. And Gina Belt with the
6 U.S. Department of Justice is prepared to discuss the June
7 7th court order. And I think, given that information, we
8 also have some representatives of the private investment
9 community here, and if there are any questions of them, I'm
10 sure they'd be happy to provide any information. And then
11 hopefully you'll be -- have the information you need to
12 consider my recommendation today.

13 CHAIRMAN RUE: Okay. Thank you, Molly.
14 Are there any questions of Molly before we get started on
15 the next presentations? Marilyn, are you still with us?

16 MS. HEIMAN: Yes, I got a little reprieve.

17 CHAIRMAN RUE: Oh, good. Okay. We won't
18 ask from whom. Neil, are you here to lead the
19 presentation?

20 MS. HEIMAN: I'd say it's one of your
21 former employees.

22 CHAIRMAN RUE: Okay, Neil Slotnick is here
23 with John Jenks.

24 MR. SLOTNICK: Thank you, Mr. Chairman.
25 I'm Neil Slotnick. I'm the Deputy Commissioner of Revenue.

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1 Mr. Jenks has prepared a presentation for you. I came
2 today largely to introduce myself, although I know most of
3 the state trustees very well. I don't think I know all of
4 the Federal.

5 But I've been with the Department of Revenue since
6 February of this year, before that I worked for the
7 Attorney General's Office for about the last 10 years,
8 since 1991, representing the Department of Revenue since
9 1994. And as an introduction to the Department of Revenue,
10 I can recommend to all of you that you look at the Treasury
11 Division's investment policy and procedures, we've
12 documented -- or the Department of Revenue has documented
13 all of its investment policies, the history behind these
14 investment policies. Most of this is appendices that you
15 wouldn't actually have to read but there is several --
16 there's descriptions in here of all the polices and the
17 genesis for those policies. Just to give you an example,
18 when we switched benchmarks from the corporate to the
19 aggregate for fixed income investing, if that's something
20 that interests you, the rationale for that is carefully
21 documented in here and you can read that, it's well-
22 described, as is all of our policies in here.

23 A couple of points I just wanted to make very
24 briefly before I turn this over to John for his
25 presentation. I wanted to just address the question of

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1 reports and the question of turnover within the Department
2 of Revenue/Treasury Division staff. On reports, that's
3 something that my staff works on all the time. Reports are
4 prepared for all the fiduciaries who invest with the
5 Department of Revenue by the State Comptroller's Office. I
6 believe your staff has been working closely with Betty
7 Martin and Tim Davenport. I brought along a couple of
8 reports just to show you, these are the type of reports
9 that I get all the time. There's the spreadsheets showing
10 return for each of the fiduciaries, you would be over here
11 under the other invested assets where we see advanced
12 tuition payment, university, Alaska Student Loan, all
13 across here it's Alaska Public Employees and the Children's
14 trust, the public school trust, all of these entities for
15 which we invest including, of course, the general fund.
16 They produce, this is again, Tim Davenport and Betty
17 Martin's work, all kinds of drafts showing returns. And
18 then you've heard a little bit about the concept of
19 pooling, I think, and this shows returns for each of the
20 investment pools, domestic equity pool, the international
21 equity investment pool and cumulative as well, it's each
22 month. So all kinds of reports that are available to you
23 and, I believe, as I said, your staff has worked with my
24 staff to determine which reports the Trustee Council needs
25 and that includes reports coming directly from the

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1 custodian as well as from the staff of the Department of
2 Revenue. If there's questions you have regarding
3 information you're not seeing in the reports, give me a
4 call or have Molly give us a call and we can work through
5 that, I'm pretty sure.

6 The other question I just wanted to address was the
7 question of turnover, which is, of course, a very good
8 question. It is true that this spring that the Chief
9 Investment Officer, Bob Storer, moved over to the Permanent
10 Fund, and that our senior Investment Officer, Michael Chung
11 left the state for a job opportunity in Seattle but we were
12 very fortunate to have John Jenks, our third senior
13 Investment Officer with the Department, after a long
14 process that included a nationwide search, because Chief
15 Investment Officer is a very important position in the
16 Department of Revenue, it's a very important position in
17 the state so we did do a nationwide search. We received
18 many applications and we had a parallel process, actually,
19 reviewing these. The Pension Investment Board, which is
20 our largest fiduciary and has, you know, billions of
21 dollars that are managed through the Department of Revenue,
22 they also went through the resumes, they also -- the Board
23 also conducted interviews, at the same time, there was a
24 parallel process where the Commissioner of Revenue and I
25 and a third member of the search committee interviewed the

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1 candidates, went through the resumes and interviewed the
2 finalists, and as luck would have it, after that process,
3 it was whittled down, it was agreed that John Jenks was the
4 most qualified candidate. He has 12 years of investment
5 experience. He's worked as a senior Investment Officer for
6 the Department of Revenue as well as over at the Alaska
7 Permanent Fund, so he had a variety of experience. Perhaps
8 one of the strongest things that the Commissioner and I
9 found in John's favor was the fact that this body of work
10 that you see here was really largely a product of John's
11 workmanship as a senior investment officer over the last
12 few years. His ability to distill, to work through this
13 information, document what the Department of Revenue has
14 done and explain it in plain English made him a very strong
15 candidate as far as we were concerned.

16 John can talk to you a little bit about his staff
17 that he's hired since then. I will mention that the issue
18 was raised of the fixed income portfolio of the Pension
19 Investment Board, that that was moved under a temporary
20 stewardship for the time during which John was searching
21 for a senior investment officer to take Michael Chung's
22 place. Perhaps you could say that was an excess of caution
23 but that was -- it was the request made by the Pension
24 Investment Board and we supported that request to put those
25 funds under a temporary stewardship but with the same

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1 mandate, with the same investment strategy as had been
2 developed by the staff of Department of Revenue. The money
3 was put out to State Street to manage, again, with the
4 strategy that had been developed by the Department of
5 Revenue, it was for up to six months and it was to remain
6 there while John filled out his staff and as you know John
7 was able to complete that process in much, much less time
8 than that. We now have on-board, a senior investment
9 officer to manage the fixed income portfolio as well as the
10 staff that serves under him so the Pension Investment Board
11 has voted unanimously that we no longer need that
12 stewardship just after a couple of months of stewardship.

13 So with that, I'm certainly here to answer
14 questions. I heard this morning at the comment period, Mr.
15 Tillery and I believe Ms. Heiman mentioned that they would
16 have some questions for us. I know that John has a
17 presentation prepared to talk about the portfolio
18 management section of the Treasury Division, so unless
19 there's some questions for me right now, I'll turn it over
20 to John.

21 CHAIRMAN RUE: Are there any questions of
22 Deputy Commissioner Slotnick? Okay, go ahead, John.

23 MR. JENKS: Thank you very much. I hope
24 you all have copies of this presentation. Great. First of
25 all, not many people realize there's actually this much

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1 plain English that relates to investments but it really was
2 quite an accomplishment, I'm quite proud of it, I think the
3 Department is as well and it is good reading. I should
4 mention, by the way, I brought this up and urge you all to
5 take a look at it. It is available on-line. You can
6 download the entire Blue Book, as we call it, if you wish
7 or you can take parts of it and if you would like to get
8 something in hard copy you can certainly give me a call and
9 I can provide that to you.

10 We would like to thank you for this opportunity to
11 speak to the Council. Usually when someone from the State
12 Treasury Division has come before you to speak, either to
13 the whole Council or to the Investment Working Group, it's
14 been on a very specific investment area that you have been
15 researching, whether it's asset allocation or fixed income
16 strategies or any number of other specific areas you've
17 addressed during your process of thinking about
18 investments. This was an opportunity, really, for me to
19 discuss the Treasury Division in more general terms, talk
20 about our capabilities and the assistance that we have been
21 able to offer to other governmental entities and so I'm
22 really excited about that opportunity.

23 So on page two, we've got the, you know, requisite
24 organizational chart and there's a couple points I'd like
25 to make here. Number one is that on our organizational

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1 chart we have outside fiduciaries, meaning outside the
2 Treasury Division and we are used to responding to and
3 dealing with those outside fiduciaries. This is not a
4 unique situation that you are looking at when dealing with
5 the Department of Revenue, we have a number of these
6 relationships already in place where other state or
7 governmental entities have used some or all of our
8 services.

9 The other thing is that below the Deputy
10 Commissioner of Treasury slot, there are really four boxes.
11 You have seen the Chief Investment Officer in the form of
12 Robert Storer or myself primarily but some of these other
13 boxes are very, very important and shouldn't be, sort of,
14 treated, A, just as a box or B, treated lightly. The debt
15 manager is not an issue for you, that individual is
16 responsible for issuing debt for the state. But the cash
17 manager, Michelle Daugherty, is a position that, you know,
18 you should be comforted that there are very qualified
19 people working there. They control the movement of cash.
20 So that is a -- they have very specific and carefully
21 thought out procedures to deal with the movement of cash,
22 to make sure it gets to the right place and gets there at
23 the right time and is authorized to -- any movement is
24 authorized. So it's a very important safekeeping catch
25 there, that cash can't just move, and that this person is

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1 independent of the investment operations, a separate
2 entity. She has a staff of seven to assist her in doing
3 that. She does that for all of the state. But should this
4 arrangement that you have negotiated go forward, you know,
5 Molly might want to move some money on your behalf and she
6 would, in a sense, talk to these people to move it, not me.

7 The State Controller, Betty Martin, is responsible
8 for the accounting functions and for the custody
9 arrangements for all of the assets that Treasury manages.
10 She has a staff of six that assist her directly in that,
11 more importantly, she has State Street bank with a very
12 large staff there that handles the significant amount of
13 the accounting work as well as external, again, separate
14 entity from the people who deal with the investment
15 process. And you have seen me and before me you saw Bob
16 Storer, there have been some discussion about the staff
17 that handles the investments for the Department of Revenue,
18 I'm somewhat embarrassed about all the nice things that
19 Neil said about me, just the last -- two weeks ago I,
20 likewise, embarrassed Lee Livermore at the Pension
21 Investment Board meeting when I described all of his
22 capabilities, I think he's still a little embarrassed. He
23 is the individual, the senior Investment Officer who is
24 front line responsible for the fixed income investments.
25 And to say that we were very fortunate to get him would be

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1 a bit of an understatement, 20 years of experience,
2 seasoned professional, very fortunate. It was just an
3 opportunity where interests aligned perfectly and we were
4 able to get him on board and I'm very, very excited to have
5 him on board. There are eight other staff members besides
6 that so it's a real group.

7 So what do all these people do? On page three, you
8 have the funds that are under management. You know, is
9 this a real organization and if you look down at the bottom
10 line, a little over \$19 billion is managed through the
11 Department. A significant amount of it is, as Neil alluded
12 to, is the Alaska State Pension Investment Board but there
13 are several billions of dollars in the constitutional
14 budget reserves and we have a number of other entities like
15 the Children's Trust or the International Airport System or
16 the Retiree Health Insurance Fund that are kind of outside
17 and outside what people think of as the general kind of
18 government, the general fund, if you will. So there are a
19 number of entities. We actually manage funds for over a
20 hundred different funds, 24 of which have individual asset
21 allocations so that the risk and return investment
22 situation has been tailored to an individual fund or an
23 individual fiduciary's needs.

24 Page four talks about the asset classes that
25 Treasury uses to implement the investment policies of these

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1 entities and the kind of dollars that are involved in any
2 of them, almost 5.6 billion in domestic equities, for
3 instance. A little over 7.5 billion in fixed income. So I
4 know there was some discussion about some amount of fixed
5 income assets for a short period of time being handled
6 under a stewardship mandate but an additional four billion
7 -- a little over four billion that the Department continued
8 to manage with its existing staff and the rest of that
9 staff, aside from just Lee Livermore, is a very good staff
10 and the Commissioner was comfortable in continuing that
11 management with the staff that was in place. And I was
12 comfortable telling him that that was an appropriate thing
13 to do. I think it's a very good staff.

14 There are several asset classes that are on this
15 list that are not, right now, offered to anyone other than
16 the retirement system but they are private equity and real
17 estate along with international fixed income and have
18 characteristics that make it a little difficult to
19 implement for smaller funds. We continue to look at these
20 asset classes on a regular basis and at some time in the
21 future we may figure out a way to make other investment
22 opportunities available to everything from the
23 constitutional budget reserve to the Children's Trust to
24 potentially the Trustee Council. And if we figure out a
25 way to do that we will let you know by way of information

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1 or presentation that those are additional capabilities that
2 we can share.

3 Page five, we talk about how does Treasury invest
4 this 19.3 billion and how do we provide the individual
5 funds with flexibility. We, in a sense, do so by using
6 institutional mutual fund-like investing. In a sense we
7 have created internal mutual funds to the state for the
8 purpose of providing flexibility and ease of use,
9 efficiency, cost savings for the various participants and
10 that has worked extremely well. That was implemented in
11 the early '90s and has been a very effective way for the
12 Department to meet its many challenges in a very efficient
13 way.

14 Additionally, size benefits everybody, from the
15 largest to the smallest participant. It benefits by the
16 fact that we can negotiate fairly low fees and where we do
17 have fixed costs, they could be spread out efficiently over
18 a large number of users. It provides for additional
19 investment choices. We continue to work to try and
20 increase the choices that are available to any governmental
21 entity that we invest for and we'll continue to do so in
22 the future. And finally, it provides -- it does provide
23 tremendous access to expertise. Not only do we have a big
24 enough internal staff to provide for specialized staff
25 people who know things very, very well and can achieve a

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1 level of focus that might not otherwise be possible in our
2 size. We also have access to a tremendous amount of
3 external expertise and we use that any time we see a need.

4 Additionally, we are a huge user of technology. I
5 don't think there are many groups out there that like the
6 development of technology more than the Department of
7 Revenue, certainly the portfolio management area. Betty
8 Martin has, along with her six accountants, she has two
9 people who are responsible just for data processing systems
10 to keep those systems up and running for us. We use them
11 tremendously to, in a sense, have real-time access to
12 information, opinions, market activity. It is a wonderful
13 thing.

14 Page six has another organizational structure, in a
15 sense, different, from the Department. It's kind of the
16 organizational structure of how people fit together in
17 filling that whole fiduciary process of investment. I
18 think one thing to note here is that in a sense this is a
19 generic table because I actually borrowed this from another
20 presentation we were doing for another of our outside
21 fiduciaries. And so, you know, we think of how we organize
22 ourselves between a fiduciary, it could be the Commissioner
23 of Revenue, it is in many cases, it could be the Alaska
24 State Pension Investment Board or it could be the
25 Children's Trust or the university, it potentially could be

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1 the Exxon Valdez Oil Spill Council. We are used to
2 interacting with those fiduciary staff and see that role
3 and so how we've structured ourselves, I think, is
4 consistent with being able to not only meet that obligation
5 but having done so over a number of years.

6 The other thing to point out is under the other
7 staff yellow circle, that's where the accounting staff is.
8 We don't have the cash management people in there. They
9 don't report through the Chief Investment Officer to
10 whatever fiduciary we might be dealing with. They could
11 report directly to whatever fiduciary and that fiduciary
12 should feel totally comfortable calling the comptroller
13 directly, calling the cash manager directly and not have
14 any -- any need, necessarily, to go through the Chief
15 Investment Officer, even though, in a lot of these
16 arrangements, the Chief Investment Officer has been kind of
17 the point person to get to know the entity. There is no
18 reason why the fiduciary staff can't go straight to any of
19 those staff people.

20 Page seven, and you could really spend hours on
21 this in a sense, it's really the heart of revenues and
22 investments efforts. But the Council's talked about it to
23 some extent and the Investment Working Group has spent
24 hours and hours on this process. We use this process and
25 we have talked to you about this process because we think

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1 it's a -- it is the viable fiduciary process to go through
2 this, the whole investment cycle and we advise a number of
3 entities to use something like this. You can chart it out
4 in a number of ways, to use this process, whether you're
5 talking to us or whether you're talking to any number of
6 external people. This is a very valid process of how to go
7 about an investment process.

8 Two quick points, we put, kind of the first thing
9 you come to, is consider the specific needs of the
10 beneficiaries. That's the first box in the upper left-hand
11 corner. I think that's an important part of our investment
12 philosophy. Whether we're talking about the general fund
13 or the Children's Trust. It's, you know, what are we
14 supposed to be doing for the beneficiaries. Our fiduciary
15 standard is the best financial interest for anybody that we
16 invest for and so we really start right there and that's
17 the key, I think, if I want to make a point about this,
18 other than you need this process. From our point of view,
19 that's the key.

20 Page eight, just briefly on our philosophy for
21 asset management structure. Once you've decided what you
22 want to invest in, you know, what structures do you put in
23 place, well, we think you're supposed to do a few things.
24 You're supposed to really suit the investment structure to
25 the individual asset class. So we do things very different

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1 in our real estate investment effort than we do in our
2 fixed income investment effort because the demands of the
3 asset class are quite different so we try and be careful to
4 be specific in matching the challenges of the investment
5 asset class with the appropriate capabilities. And we work
6 on that all the time.

7 You definitely need to be diversified and you need
8 to think about the diversification, not only is it
9 appropriate, is it not enough, is it too much, on the
10 individual asset but for some types of investments, do you
11 have enough managers and for private equity, for instance,
12 where we think it's important to have any significant
13 number of individual managers where, in other asset
14 classes, it's of no real significance at all, so it's
15 important to make those distinctions, again, on an asset-
16 by-asset class basis.

17 We always think about cost benefits, in a sense
18 that we want to balance out and get, in a sense, value for
19 people's management dollars. I mean the public has charged
20 us with the responsibility of investing a lot of money and
21 we want to do so in a very efficient way and so we're very
22 careful with our expenses but also mindful that if there's
23 a significant benefit then it's appropriate to make
24 expenditures, I think. The fact that we use active
25 management for international equity, for instance, which is

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1 a relatively expensive thing for our Department to do
2 really matches up with the fact that we think there's a
3 very significant benefit for doing it that way and so a lot
4 of times we're trying to do things that are very, very cost
5 efficient, at other times you have to remember what is the
6 benefit here and sometimes you need to spend a little
7 money, that's an area where we think it's appropriate to do
8 so, and so we engage external active international equity
9 for that purpose. And we employ specialized managers where
10 it's appropriate, both in equities and international
11 equities as well as some of our other specialized asset
12 classes for the retirement system.

13 If we have no reason to think we can develop or
14 develop more efficiently an expertise, then we don't try.
15 We're going to try and get the best people and the best
16 value on line.

17 Page nine, because of one area where there have
18 been questions, just really touches, real briefly, on the
19 fixed income strategy that the Department has in place,
20 without getting into any great details. In a sense the
21 strategy, to put it in baseball terms, because it's
22 baseball season, I like baseball, you know, our strategy is
23 a singles and doubles kind of strategy. To be very
24 methodical, to be very careful, not trying to hit the big
25 home run, you're just trying to add a little value here

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1 again and again, again, a repeatable, do it again, careful,
2 methodical process. And so our whole philosophy has kind
3 of been built around that. And three big points, I think,
4 covers the philosophy and then we can talk about it at
5 great length, if you want, it has been already, I know, so
6 I won't waste a lot of time on it. But we concentrate on
7 intermediate investments. In the fixed income, they're
8 not the glory of the long bond but over time, and when
9 we're talking about time, we're talking about 20, 30 or 40
10 years, a long period of time where we've looked and thought
11 about this, you know, they provide lower risk and higher
12 returns than some of the longer maturity investments, that
13 on the surface one might think, oh, that's the way to
14 really add value. Over the long term, we think, with lower
15 risk, we can produce somewhat higher returns by
16 concentrating in intermediate type bonds. And that really
17 means five to 12 years kind of bonds for an aggregate-type
18 portfolio, one that you would consider as kind of an
19 endowment.

20 We really think it's important to remember that, at
21 the end of the day, 20 years from now, the money that you
22 have will be effectively -- most of it will come from
23 interest on interest. So if you can get just a little bit
24 more interest on day one and you earn interest on that
25 interest over the next 20 years, I mean, that in a sense,

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1 wins the day. That's, again, a whole bunch of a singles in
2 a row is the idea, to be very methodical, to be very
3 disciplined. If you can get a little additional interest
4 on day one rather than capital gains and trading
5 activities, if we can just get a little more interest and
6 then earn interest on that over time, we'll be very
7 effective. And I think the results will show.

8 Finally, we do have a concentration on corporate
9 bonds and mortgage-backed securities. We think that they
10 offer higher returns than treasury bonds over time. They
11 provide actually similar risk to treasury bonds in
12 aggregate over time, and there is only a very slight drop
13 in diversification with corporate bonds compared to
14 treasury bonds when you match them up with equities as you
15 have in your proposed investment asset allocations where
16 you have equities and bonds. So, while we don't want to do
17 something in one asset class that undoes the benefits of
18 diversification in another so we're trying to think
19 holistically about diversification.

20 And one point on mortgage-backs, because I know
21 there was a question on the change in the benchmark, from
22 the Lehman government corporate to the Lehman aggregate
23 index. The Lehman aggregate index has a little over 30
24 percent mortgage-backed securities in it where the
25 corporate -- and that's in addition to what is in a

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1 corporate index and so that's the difference between those
2 two indexes. The Department's been using and investing in
3 mortgage-backed securities activity for 10 years so that
4 benchmark change was really just a benchmark change. It
5 wasn't adding a new security or a new type of investment
6 that the Department hadn't been using for a long period of
7 time. And it will result in a slightly higher percentages
8 of mortgages being in most of our investment portfolios but
9 it's certainly not something new to the Department, it's
10 been something that we've been doing for a long period of
11 time.

12 On page 10, real briefly, what does Treasury do,
13 kind of tying it back to you, what do we do for the Exxon
14 Valdez Oil Spill Trustee Council now? Well, we've assisted
15 the Council and its staff since 1994 with various asset
16 modeling and other investment advice when we were
17 solicited. We have managed fixed income assets for the
18 Council since 1992. During that whole time we've been
19 providing what we think are appropriate accounting and
20 custody and financial reporting services. And we manage
21 trust assets that were approved, I think, Molly, you
22 already pointed this out that the State agent -- approve
23 for State agency expenditure that haven't been yet on
24 behalf of the Trustee Council.

25 Potential additional services, clearly, people are

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1 contemplating a significant increase in the -- kind of the
2 volume, if you will, of custody performance and reporting
3 and accounting services, not necessarily any significant
4 increase in the quality of those, with the exception that
5 you will be getting some different reports as you might
6 expect when you invest in new asset classes like equities
7 or international equities which have their own reporting
8 specifics and idiosyncracies and those reports are
9 available directly from the custodian as well as a number
10 of them that come from the Department of Revenue and those
11 will all be made available.

12 MS. HEIMAN: Mr. Chairman.

13 CHAIRMAN RUE: Yes, Marilyn.

14 MS. HEIMAN: This is Marilyn, I'm going to
15 have to sign off now.

16 CHAIRMAN RUE: Okay. Do you have anyone
17 sitting in for you?

18 MS. HEIMAN: I believe Barry Roth is on the
19 line.

20 CHAIRMAN RUE: Barry.

21 MR. ROTH: Yes, I am.

22 CHAIRMAN RUE: Okay, so Barry, you're the
23 designated hitter?

24 MR. ROTH: Yes, I am.

25 CHAIRMAN RUE: Okay, great.

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1 MS. HEIMAN: Thank you very much, bye-bye.

2 CHAIRMAN RUE: Thank you.

3 MR. JENKS: Baseball is catching on.

4 CHAIRMAN RUE: Pinch-hitter is really

5 right.

6 MR. JENKS: The Council is also considering
7 using the Department to provide low cost domestic equity
8 and relatively low cost international equity investments.
9 Additionally, under potential additional services, I had
10 mentioned earlier, we look at things like real estate and
11 some of these other asset classes. We do so regularly as
12 part of keeping this kind of up to date as well as we just,
13 we should look at what else we can provide for all the
14 people and all the entities we invest for, and we continue
15 to look at real estate as the most likely next step where
16 we may be able to put a structure in place that makes
17 sense. But that is something that's kind of in the grey
18 because we really don't know at this point whether we can
19 effectively do that or not. But if we do, you know, we
20 will disclose that and make that aware to everyone, make
21 everyone aware of it that we handle funds for in case it
22 might make sense for them.

23 Now, really, that's kind of the.....

24 CHAIRMAN RUE: Okay. Thank you, that's the
25 presentation, are there questions? Neil, did you have

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1 something to add? Does the Trustee Council members have
2 questions for either John or Neil? It's a good
3 presentation. Craig.

4 MR. TILLERY: Actually just one thing, you
5 said you might add real estate, your investment classes
6 indicates almost \$690 million in real estate now, is that
7 different from what you might be.....

8 MR. JENKS: That would be different. Right
9 now that is real estate that's invested entirely for the
10 retirement systems and the legal structures and the
11 liquidity issues around the real estate investment, don't
12 lend, don't lend this type of investment to funds that
13 might require more liquidity or smaller increments. I mean
14 this 690 million may be, you know, a \$25 million office
15 building or a large apartment complex, a number of those
16 kind of investments that right now don't leave themselves
17 efficiently to being commingled. We're looking at some
18 other alternatives in the public area as well as other ways
19 to potentially make real estate available to a number of
20 our other endowments like funds that could certainly make
21 use of the real benefit, the diversification benefit that
22 comes from real estate investing and we're working on some,
23 not only some market issues but also some legal issues as
24 well to make that available to other entities but right
25 now, that, along with private equity, in this example here

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1 are strictly retirement system investments right now.

2 CHAIRMAN RUE: Go ahead.

3 MR. TILLERY: There have been a number of
4 questions raised by some of the private industry about
5 this, some of them, I believe I already know the answers
6 to, there was an issue raised about a philosophy issue of
7 whether the Trustee Council was leaving a government system
8 and why was it going back to a government system and my own
9 view is, it wasn't a philosophy issue, we left the system
10 because it was expensive and didn't offer us returns.
11 We're looking for a system that is less expensive and will
12 offer us returns. Moreover, I believe, that legally we're
13 required -- we don't take philosophy into account on this
14 and that's a point I'll get to a little bit later in terms
15 of the AG's opinion.

16 Other issues, like whether we hold securities in
17 our own name is not one that concerns me, although, I might
18 be interested in asking you if you think that's an issue
19 that should concern me. I would personally prefer we don't
20 hold it in our own names and I'm not sure whose name we
21 would hold it in if we did. The issue of leveraging or you
22 leveraging our monies, you using our monies; again, I don't
23 think you can legally do that but I would like for you to
24 be able to address that directly on the record.

25 Turnovers and reports, you've already addressed.

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1 The biggest thing, in addition to the leveraging of
2 monies or use of our monies to benefit other funds that I
3 would like for you to address specifically is the
4 separation of duties. That's one thing that has been
5 raised, it does concern me. If we're investing with the
6 State and we have custodian, we have investment and it's
7 all together, could you explain to us how there is a system
8 of checks and balances in there, a system of where one
9 person can't run amuck, so to speak.

10 So Mr. Chairman, those are my particular.....

11 CHAIRMAN RUE: Okay. Neil or John, did you
12 get all the questions, I heard several.

13 MR. SLOTNICK: Yeah, I think we've got
14 them. I wasn't jotting them down, were you? Well, let me
15 just address the question of the checks and balances and
16 separation, since that came up last. What we do have, as
17 John explained, we have the comptroller who works in the
18 Treasury Division but does not work for John. The
19 comptroller is separate. The comptroller's job is she
20 manages the custody which is actually an external third
21 party custodian, so there's yet another checks and balances
22 because the custodian bank provides its own reporting. It
23 keeps the book of record, the custodian bank does. And so
24 those reports, those accounting reports are available.
25 They would be available directly to you so you could see

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1 what the book of record for your assets were.

2 Then the comptroller provides two accounting
3 services, looks both at the custodian and checks up on the
4 custodian to make sure there's no mistakes in the
5 custodian's accounting, as well as monitors whether it's
6 the outside managers, whether it's the portfolio's
7 decisions, and the movement of money. And so then it
8 provides reports again on that. So that's the check, the
9 check is the comptroller does the accounting and then of
10 course we also have a third party external auditor as well,
11 and those reports are available to you.

12 So I don't know where you would get a better system
13 of checks and balances than that one that is set up.

14 John, did you have anything you wanted to add on
15 that?

16 MR. JENKS: No, I think you hit really the
17 high points, which is, you have, you know, the second
18 largest custodian operation in the United States as far as
19 global custodians go, or officially the book of records,
20 they're audited. You have a second controller -- well,
21 actually you sort of get the benefit of two separate
22 controllers. You have, what we refer to as the State
23 Comptroller which is a position in the Department of
24 Revenue but the State also has a State Controller who is
25 responsible for the State's books, in total. So the State,

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1 in a sense, audits the Department of Revenue, an
2 independent third party auditor, KPMG, audits our books and
3 audits State Street's books and then you have the
4 separation of legal responsibilities. In other words, I
5 can't make an accounting entry to cover up any dastardly
6 act I may have done. I don't have the power to do that and
7 the people who record those things wouldn't want to hear
8 from me. Nor do the people who do the accounting have the
9 authority to actually engage in any kind of transaction.
10 And then you have the cash control, the cash manager who
11 has the legal authority to authorize movement of money as a
12 third separate entity.

13 So I think we have tremendous separation of
14 responsibilities.

15 MR. TILLERY: And is this auditor, is the
16 independent auditor who -- you hire that independent
17 auditor; is that correct?

18 MR. JENKS: Yes.

19 MR. SLOTNICK: Yes.

20 MR. TILLERY: And then that independent
21 auditor reports to you or would give us a copy of the
22 audit?

23 MR. JENKS: That's correct.

24 MR. SLOTNICK: Yes.

25 MR. TILLERY: And that audit is sort of

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1 included within the existing fee arrangement?

2 MR. JENKS: That's correct.

3 MS. McCAMMON: Mr. Chairman.

4 CHAIRMAN RUE: Yeah, Molly.

5 MS. McCAMMON: In addition, the Council
6 will still retain its own independent auditor who will be
7 auditing their auditors still so.....

8 MR. TILLERY: That was my next question.

9 MS. McCAMMON: Yes.

10 MR. TILLERY: Was whether we'll still
11 have.....

12 MS. McCAMMON: Yes. L.G. Rafield right now
13 and that contract will -- we're getting it extended. It
14 will be good for another couple of years and then it will
15 be out for bid.

16 MS. CRAMER: Molly, if I can, this is Tracy
17 Cramer for the record. The custodian will be providing the
18 reports also to our audit firm. I've asked Revenue to make
19 that allowance so that L.G. Rafield, in fact, would receive
20 the same reports that the Trustee Council's receiving
21 directly from the custodian and then also the reports that
22 would be provided by the Division of Treasury would be
23 going to Max also.

24 CHAIRMAN RUE: Okay. Craig, did that get
25 at that question?

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1 MR. TILLERY: That got to my questions for
2 my purposes.

3 CHAIRMAN RUE: Okay.

4 MR. JENKS: I think you had a couple more,
5 too.

6 MR. SLOTNICK: Well, let me address the one
7 on leveraging funds, it won't happen. That will not
8 happen. We are not going to -- the Department of Revenue
9 will not use money that belongs to the Trustee Council for
10 any purpose whatsoever. It's just, you know, and it's
11 clearly documented within our policies, it would be illegal
12 and it's not going to happen.

13 MR. JENKS: We sort of try and be pretty
14 picky about that follow the law thing.

15 The other issue you had was about in a pooling of
16 assets and whether you wanted to have assets held in your
17 own name or custody in your own name. And there is an
18 argument that, all other things being equal, you might want
19 to do that. The State has thought about it a great deal.
20 A lot of investors, not just the State, you know, our way
21 of doing this is not unique. Lots of people do this for a
22 number of reasons. Whether it's administrative ease,
23 legal. In a lot of places, investing in emerging markets,
24 it's almost impossible to do it on your own even if you
25 were blank checkbook, you know, open checkbook, wanted to

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1 do it that way, I don't think you physically, probably
2 couldn't do it. There are other reasons for a lot of other
3 administrative and efficiency reasons why people kind of
4 commingle in trust type vehicles, where people's undivided
5 interests are carefully and separately accounted for and
6 it's a very effective strategy used by a significant number
7 of institutional investors.

8 CHAIRMAN RUE: Okay. Were those all the
9 questions you had?

10 MR. TILLERY: Those were my questions.

11 CHAIRMAN RUE: Okay. Do other folks here
12 have questions or are there -- Barry, Jim, do you all have
13 questions?

14 MR. BALSIGER: That was our digital
15 response there.

16 CHAIRMAN RUE: Good. It sounds like your
17 automated weather man.

18 MR. BALSIGER: No, we're happy, thanks.

19 MR. ROTH: No questions.

20 CHAIRMAN RUE: Okay. Well, great, then we
21 appreciate the presentation, it's very helpful. Molly.

22 MS. McCAMMON: Next we have Bob Storer on
23 line. And Bob has been a very helpful member of our
24 Investment Working Group and has just provided an enormous
25 amount of assistance working through this process. Bob.

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1 MR. STORER: Hello, members of the Council,
2 Molly, can you hear me okay?

3 MS. McCAMMON: Yes.

4 MR. STORER: Okay, great. Ms. McCammon
5 noted that you met January 6th, I would suggest that the
6 process started before January 6th. In early December or
7 November of last year staff came to me and really started
8 talking about a process. They recognized the need to
9 develop a process to come to the conclusions that you have
10 made. And so I would suggest it started before January
11 6th.

12 In our discussions we've noted, it was noted
13 earlier today that the fiduciary responsibility is solely
14 to the fund or I would suggest to the fund and the
15 beneficiary. The other thing that was noted early in the
16 process which is simply that, to define a process. To
17 define a process that's well articulated and stay with the
18 process, and this group did that. What they did initially
19 is the Trustees formed a committee, you had staff and you
20 had the Investment Working Group, and we all worked
21 together to develop an investment policy that was your road
22 map on how you would act in the investment policy to find
23 the roles and the responsibilities of Trustee, staff, and
24 Investment Working Group, consultants, managers and the
25 custodian. I know we just had the discussion on the

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1 custodian bank. I note that the process also defined
2 manager selection and the review of the process.

3 You have also reviewed asset allocation. You've
4 done that, you've looked at the capital markets, you've
5 talked about investment time horizon and you've talked
6 about return. I would remind you of a serious discussion
7 on return objectives. And one of the keys, one of the
8 important things you've done is when you've recognized and
9 needed more work you've pulled back, you've reevaluated and
10 then you've come forward with a conclusion. And there was
11 a very good discussion on what the real rate of return
12 objective would be for your funds, and that required some
13 extra meetings but it was time well spent.

14 You not only talked about the capital market
15 assumptions but you defined benchmarks, benchmarks to
16 measure your total fund as well as the performance of the
17 respective asset classes. You also saw the need for an
18 independent consultant's review and you acted as a
19 consultant in that capacity to review whether you should
20 expand the existing relationship with the Treasury Division
21 and you have completed that.

22 Again, I think the important thing is you've also
23 memorialized a process and a review process. Not just
24 completing your work, but you've memorialized that you will
25 review on a systematic basis, not only asset allocation but

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1 managers and managers' performance and the selection
2 process.

3 The one thing I'd like to conclude with, and I'd
4 open it up with questions, is really the basic role of a
5 fiduciary. You start with acting with care, skill and the
6 diligence of an expert, you've done that. You've done that
7 by educating yourself and you've done that by using outside
8 advisors with experience in development of policies and
9 institutional money management. You must act solely in the
10 interest of the planned participants and you have done that
11 as well. And you also must not favor one class of
12 beneficiaries over another and you've clearly, in the
13 review process, that's been your guidelines.

14 You must also act in accordance with the plan
15 documents, and that is the Holy Grail, you have set a
16 course and you'll follow that and that's the importance of
17 creating these plan documents that, again, memorialize the
18 review process.

19 What's the last piece, you must appropriately
20 diversify your investment, and now that you've defined your
21 investment time horizon, you are working towards
22 diversifying a portfolio so you can achieve your goal but
23 with a minimum of risk as well.

24 Those are my comments.

25 CHAIRMAN RUE: Okay, thank you very much

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1 Bob. Do Council members have questions of Mr. Storer? No,
2 thank you very much, that was great.

3 MS. McCAMMON: Peter. I'll ask Peter
4 Bushre, who was formerly with the Permanent Fund, who has
5 very graciously assisted us through this process also.

6 MR. BUSHRE: Thank you, Mr. Chairman. I'm
7 Peter Bushre for the record. Just for the, again, for the
8 record, I would like to give you a 30-second thumbnail
9 sketch of my background. I started in this business in
10 1976. I joined the State Treasury as State Comptroller,
11 moved over to Deputy Commissioner from Treasury in 1978,
12 the same position that Neil is filling today. In 1983 I
13 joined the Permanent Fund as its comptroller and in 1993
14 became the Chief Financial Officer which was a newly
15 created position at that time.

16 I mention that at the outset because I'd like to
17 underscore the point that I've seen many of these
18 investment policy and management selection processes go on.
19 I have not seen one, in my estimation, that is more
20 thorough and complete than the one you have just finished.

21 Molly mentioned that the Investment Working Group
22 had its first meeting on the 6th of January, that means
23 that it is one day shy of lasting six months. Bob pointed
24 out that the process actually began much sooner than that.
25 And, I, also, had conversations with Tracy last year on

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1 this subject.

2 For the benefit of the Trustees, just in case there
3 might be any concerns, I would like you to know that the
4 Investment Working Group, as one of its issues that were
5 considered were all of the various management and custody
6 options, such as, using the State Treasury, contacting
7 directly with the private sector, putting all of the money
8 in mutual funds or using a broker or series of brokers.
9 The latter two points were rejected by the Investment
10 Working Group for the specific reason that Mr. Tillery
11 brought up earlier and that was the separation of duties
12 and control. You see as a group and, personally, I feel
13 that one of the overriding issues here is that on the day
14 that the Trustee Council accepts delivery of these funds,
15 it takes on the responsibility and the administrative and
16 management task of investing them. Now, the Trustee
17 Council staff was formed for a different purpose. So one
18 of the things that you need is either someone who is
19 schooled in investment management on the staff or to get
20 that advice from outside. And this is one of the benefits
21 that the Investment Working Group saw in contracting with
22 the State Treasurer's Office.

23 The State Treasury would give you that expertise as
24 your agent, so to speak, as your representative to the
25 private sector community because they would also bring with

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1 them one of the big five custodian banks, State Street, a
2 whole series of private management firms and an investment
3 advisor.

4 For the price, as Mr. Wurts pointed out in his
5 report, you could not do better. So I would just like to
6 close my remarks with that comment and say that I've been
7 very impressed by the thoroughness that this Council has
8 given this issue. As Bob said, you would pull back from
9 time to time to consider different issues and then revisit
10 them. It's as good or better as anything that I have seen
11 in my experience and that includes the State Treasury and
12 the State retirement systems and the Permanent Fund.

13 So with that, Mr. Chairman, I'd be happy to answer
14 questions.

15 CHAIRMAN RUE: Okay, thank you very much,
16 Peter. Do any of the Council members have questions of
17 Peter? No, all right, thank you very much, I really
18 appreciate your putting that together for us.

19 MR. BUSHRE: You're very welcome.

20 CHAIRMAN RUE: So Molly, that brings us to
21 Attorney General, or the Assistant Attorney General.

22 MS. McCAMMON: It brings me to a one-minute
23 break but.....

24 CHAIRMAN RUE: One-minute break. I'll tell
25 you what, we will all take a five-minute break and we'll be

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1 back at 10 minutes of 3:00. Okay.

2 (Off record)

3 (On record)

4 CHAIRMAN RUE: Okay, we're back on line,
5 and since it's past Barry's dinnertime, we'll move right
6 along.

7 MR. ROTH: For the record, I'm at the
8 office, Frank.

9 CHAIRMAN RUE: Now we're going to drag this
10 meeting on for a couple of hours. Okay, Craig Tillery,
11 here, you're going to give us a presentation on the
12 Attorney General's opinion.

13 MR. TILLERY: The Department of Law was
14 asked by Commissioner Brown, on behalf of the Council, to
15 look at certain legal questions that might arise if the
16 money was invested with the state. Those are listed in a
17 memorandum of law that is contained in your notebook.

18 The first question was whether the money could be
19 appropriated, money invested with the State could be
20 appropriated or expended by the State without the expressed
21 authorization of the Trustee Council, the answer to that
22 question is, no, it cannot based both upon fiduciary law
23 but also upon the Federal law that controls the use of
24 these funds.

25 As a rule I'm just going to sort of go through and

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1 give you the questions and the answers. If somebody has
2 any specific questions, we can talk about them.

3 CHAIRMAN RUE: Okay.

4 MR. TILLERY: Other than a little bit of
5 detail on one of them.

6 CHAIRMAN RUE: Okay.

7 MR. TILLERY: And most of these had to do
8 with if the money's invested with the State, can the State
9 sort of unilaterally do something to impact these funds.
10 The question was whether the State could prevent the
11 Trustee Council, if it unanimously agreed to withdraw the
12 money, either all of it or part of it, could the State
13 prevent the Trustee Council from doing that and, again, the
14 answer to that is no. The Trustee Council controls the
15 disposition of this money.

16 Thirdly, and this has already been alluded to in
17 the discussion, could the State use the joint trust fund
18 monies as collateral, was the very specific question, but
19 more generally, could the State use the trust fund monies
20 for its own purposes without the expressed authorization of
21 the Trustee Council and, again, the answer to that is no.

22 Could the State direct the investment of the joint
23 trust fund monies into particular investments or types of
24 investments that were different from those desired by the
25 Trustee Council? That's an issue that has arisen, I think,

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1 in the past when there has been some suggestion of, well,
2 let's invest all the money in like Alaska real estate or
3 let's invest it in this, that or the other and, again, the
4 answer is no, they are required to invest it as directed by
5 the Trustee Council.

6 The next question that was raised was more of a
7 technical question. Would this agency fund, that the money
8 is put into, if it goes to the State, be a State fund, as
9 that term is used in A.S.37.10.071 and, if so, what does
10 that mean? And the answer to that is that it is, in fact,
11 a state fund as sued under that statute, and what that
12 means is that the Trustees would be something called
13 fiduciaries of a State fund if the money is invested
14 through the State. And the people who are, to whom some
15 responsibility is delegated for investment would also be
16 fiduciaries of a State fund. Now, that has some
17 consequences because fiduciaries of a State fund are liable
18 in case of a breach of duty owed to the fiduciary. Quite
19 clearly, the State Trustees could be liable under
20 37.10.071. I think there is a question and it is probably
21 likely that the Federal trustees would not be liable under
22 that statute because of their qualified Federal immunity.

23 However, the other point that that led to is the
24 fact that who would one be liable to, the statute talks
25 about the beneficiaries. In this case, it is our view that

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1 the beneficiaries of what we're calling a trust,
2 essentially some kind of a public trust, is really the
3 governments. And so any liability by the trustees would be
4 to the respective governments, not to the public at large.

5 One other issue that I'd like to mention under that
6 is that the A.S.37.10.071 establishes a standard for
7 investment. It defines the duty as a prudent investor rule
8 and then has an additional admonition to it that says you
9 must exercise a fiduciary duty in the sole financial best
10 interest of the fund entrusted to the fiduciary. After
11 looking at that and then looking at the Federal law, under
12 which we have authority to invest these funds, we believe
13 that the Federal law has that same qualification to it. So
14 in essence, what we're required to do is the prudent
15 investor plus rule, which is a prudent investor plus with a
16 focus on the sole best financial interests of the State, I
17 mean of the fund.

18 That, to a large extent, determines the answer to
19 the final question that we were asked to look at, which is,
20 may the Trustee Council take into account social issues in
21 making its investment decisions. Under the prudent
22 investor plus rule, this is an issue the State has
23 previously looked at in the context of the Children's Trust
24 Fund and the answer is no. Under this rule we must look
25 to, basically, financial betterment of the fund or the

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1 financial interests of the fund, and cannot take social
2 considerations into account. Sometimes social
3 considerations can lead to economic consequences and it is
4 possible to take those economic consequences into account.
5 For example, one may decide, let's don't invest in tobacco
6 companies because this huge threat of litigation, or gun
7 manufactures or something has a financial down side, a huge
8 financial down side to it. But that can be an economic
9 decision but it can't be a social decision. And again,
10 that kind of ties back into the standards set under both
11 Federal and State statutes.

12 That's sort of a summary of where we went in
13 looking at those questions, and if there are any other
14 questions I'll be happy to get back to you in a week or
15 two.

16 CHAIRMAN RUE: Okay. Does anybody want
17 Craig to get back to us in a week or two? Any other
18 questions? When you say -- not to dwell on it too much but
19 we would be -- the Federal trustees are off the hook, we're
20 not, but we're only liable to ourselves. How does -- I
21 guess what's the logic?

22 MR. TILLERY: Essentially that you're
23 liable to the -- one, we'd be liable to the government.
24 And I also should add that .071 provides for
25 indemnification for the Trustees in case of a breach of

00185

1 duty -- I mean in case they're liable, unless, and I don't
2 have it, I'd have to find the statute but there's a
3 qualification to that that makes that indemnification
4 virtually worthless.

5 MS. McCAMMON: Criminal malfeasance or
6 something of that nature?

7 CHAIRMAN RUE: You'd have to really blow
8 it.

9 MR. TILLERY: No, it's actually just unless
10 you breach the duty of care. It's kind of like, you're not
11 liable for breach of duty of care unless you breach the
12 duty of care. It gives with one hand and it kind of takes
13 away with the other.

14 Again, given what the Council intends to do, which
15 is primarily to invest in passive management kinds of
16 accounts, there's a very, very low risk.

17 CHAIRMAN RUE: As opposed to going after
18 junk bonds?

19 MR. TILLERY: As opposed to going after --
20 or guaranteed investment contracts or, you know, those
21 kinds of investments that have gotten people in trouble in
22 the past.

23 CHAIRMAN RUE: Okay, good. Any other
24 questions of Craig. Okay, great, thank you, Craig, that
25 was helpful.

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1 MS. McCAMMON: Gina.

2 CHAIRMAN RUE: The last one, Gina Belt's is
3 going to talk about the court order.

4 MS. BELT: Good afternoon. I'm not sure
5 how I drew last place especially given the riveting topic I
6 have to talk to you about. But as Molly indicated.....

7 MR. TILLERY: Cleanup hitter.

8 CHAIRMAN RUE: This is a good way to start
9 the presentation, now, we're all ears.

10 MS. BELT: As Molly indicated on April
11 24th, the Trustee Council passed a resolution asking the
12 Department of Law and Justice to petition the district
13 court to amend the current order that allows for the
14 investment of funds in the CRIS system. And Mr. Tillery
15 and I drafted a motion to do that and we worked with
16 Exxon's counsel to ensure that there would be no
17 objections, either at the time we filed the motion or in
18 the event that the Trustee Council votes to move the funds
19 out of the CRIS at that time. Judge Holland signed orders
20 in each of the government's cases on June 7th and I guess
21 there are about four important provisions of those orders
22 that I'll mention.

23 The first is that the orders maintain our existing
24 ability to invest in the CRIS accounts but they expand the
25 government's investment authority to include the Trustees'

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1 unanimous selection of an investment fund, either the NRDA-
2 R account or outside accounts into which the settlement
3 funds currently in the two CRIS accounts and any future
4 Exxon payments may be invested.

5 The second point is that the orders now allow the
6 governments to jointly apply to the court for transfer of
7 all or a portion of the funds that are currently in the
8 CRIS accounts into the NRDA-R or outside accounts. The
9 investment authorization language of the orders tracks that
10 of the legislation, i.e., that all money in an investment
11 fund shall be invested in income producing obligations and
12 other instruments or securities that have been determined
13 unanimously by the EVOS Trustees to have a high degree of
14 reliability and security. Under the orders, all income in
15 an investment fund is to be deposited back into that fund.

16 The third point is that the funds must stay in an
17 investment fund until the Trustees unanimously resolve to
18 spend them, a similar procedure to what currently exists.
19 At that point, the government must jointly notify the fund
20 and the court of any transfer to be made to the United
21 States or the State for purposes set forth in a Trustee
22 Council resolution resolving to expend the funds. This is
23 current to your similar practices and Mr. Tillery and I
24 anticipate that we will be the ones notifying the fund and
25 the court of the purposes to which the transfer of funds is

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1 to be put.

2 Finally, in the event of expiration of the Trustees
3 authority under the Federal legislation to invest in
4 investment funds, monies can be redeposited back into the
5 court registry and placed in the CRIS and be administered
6 as they have been to date.

7 If you have any questions, there's some nuances I
8 haven't mentioned but I'm hoping they won't really come up
9 until we actually have to do this. But if there are any
10 questions before then, I'd be happy to answer them if I
11 can.

12 CHAIRMAN RUE: Any questions of Gina? No.
13 Great, it must be the late hour. Thank you, that was good.

14 Okay, well, we are through the presentation part of
15 this session. We're now at the point of deciding whether
16 to take an action, correct, we have a draft resolution
17 before us, are we ready to discuss the draft resolution?
18 Anyone want to take off on this? No one? So we're done,
19 we're ready to adjourn?

20 MR. TILLERY: Mr. Chairman.

21 CHAIRMAN RUE: Ah, Mr. Tillery, thank you.

22 MR. TILLERY: For purposes of allowing us
23 to discuss this, I would move that we adopt the draft
24 resolution as contained in the packet, which would provide
25 that the funds be deposited in an outside account

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1 administered by the Alaska Department of Revenue, Division
2 of Treasury and provides for such other things as ease and
3 for investment of those monies.

4 CHAIRMAN RUE: Is there a second?

5 MS. BROWN: Second.

6 CHAIRMAN RUE: Okay, Michele will second
7 it. Everyone has that draft resolution in their packet,
8 has everyone had a chance to look at it and do we have any
9 discussion of that resolution?

10 MR. ROTH: Mr. Chairman, I'd just like to
11 congratulate Molly on her hard work. I think it's done a
12 good job. We've worked on this issue for a number of years
13 in trying to bring it to successful fruition. I'd also
14 like to add, because of the questions today, and as Craig's
15 legal opinion also pointed out, we're not, you know, a
16 typical trust, we have no defined beneficiary. These are
17 governmental funds, they are special governmental funds, in
18 that, they're under the control of the two governments but
19 they're not private funds, they're not separate and apart
20 from the two governments acting jointly. I think that
21 (indiscernible) I find it's very comfortable to invest
22 through the State Treasury system, I think our review has
23 shown they've done an excellent job. This is a relatively
24 small amount of money compared to the total they're overall
25 investing for the State, but the investment options that

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1 the State has are broader than those available to us in
2 Federal government to the U.S. Treasury. I think this is
3 an excellent proposal and I endorse the Executive
4 Director's proposed resolution.

5 CHAIRMAN RUE: Thank you, Barry. Any one
6 else have any comments or thoughts? Michele.

7 MS. BROWN: And I apologize, I missed the
8 presentations. I have been through the packet and I had a
9 couple of questions from this morning after Mr. Rose made
10 his presentation and Marianne sent me some notes from her
11 sitting in that they were answered. But there's one I'd
12 like to ask of, and I'm not sure who I ask it to, although,
13 I'm very comfortable with the resolution and that the
14 issues raised have been answered, the issue of whether or
15 not you can select Alaska firms in competition for the
16 things that do go Outside. I know Wilson Condon addressed
17 in his memo that he would look into it but I didn't know if
18 there was any further.....

19 MS. McCAMMON: Neil, I think you need to
20 come up.

21 CHAIRMAN RUE: Okay. Neil Slotnick
22 will.....

23 MR. SLOTNICK: Neil Slotnick, Deputy
24 Commissioner of Revenue, Mr. Chairman. The answer is, to
25 refer back to the same statute that Craig was quoting,

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1 which prescribes the fiduciary of the funds, and this
2 includes Commissioner Condon, can only make investment
3 decisions, whether it's investing the money or selection of
4 a custodian, in the sole best financial interest of the
5 fund. So in that regard, we can't choose -- we can't hire
6 solely on the issue of local hire. Now, that doesn't
7 prevent us from looking at Alaska firms in some
8 circumstances, if they can be competitive, but that's a
9 very -- you know, I don't want to hint that we're going to
10 be doing a lot of local hire, we're going to look at the
11 issue. We've always been open to look at the issue of what
12 can be offered to us by the local firms, whether it's banks
13 or brokerages or money managers, we do have some Alaska
14 money managers. It's always an issue that we're interested
15 in pursuing.

16 MS. BROWN: So because of the fiduciary
17 issues that are involved here, it's not like a normal RFP
18 where you can give a preference?

19 MR. SLOTNICK: Exactly. We're specifically
20 prohibited from giving Alaska preference.

21 MS. BROWN: Okay.

22 CHAIRMAN RUE: Okay. Does that answer your
23 question?

24 MS. BROWN: Uh-huh.

25 CHAIRMAN RUE: Great. Thank you, Neil.

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1 Jim, I believe you had a question.

2 MR. BALSIGER: Yes, I think the
3 resolution's fine but I was curious as to what happens
4 next, is there a document drawn up that states the
5 relationship between the State and the Trustees and who
6 signs those kinds of things? That may be out of order and
7 if you want to rule that out of order because it's not the
8 right time for it, that's fine.

9 CHAIRMAN RUE: No, I think Molly may have
10 an answer.

11 MS. McCAMMON: No, I think depending on
12 what action the Council takes. If the Council were to act
13 on this today then the next step would be to go to the
14 court with a motion to the court. And assuming that gets
15 approved, there would be a reimbursable services agreement
16 between the Department of Fish and Game, which is where the
17 State funds go and the Department of Revenue and laying out
18 all the details of reporting and basically a contractual
19 agreement.

20 CHAIRMAN RUE: Go ahead, Mr. Tillery.

21 MR. TILLERY: Molly was advocating the
22 chicken, I'm going to vote for the egg here. I think that
23 what has to happen, if the Council moves forward with this
24 recommendation, that first we need to set up all the.....

25 MS. McCAMMON: You wouldn't want to do it

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1 until that was agreed to.

2 MR. TILLERY: And the last item is going to
3 the court.

4 MS. McCAMMON: Yeah.

5 MR. TILLERY: Because once we go to the
6 court.....

7 MS. McCAMMON: Yeah.

8 MR. TILLERY:that money is moving.

9 MS. McCAMMON: Yeah, that's true.

10 CHAIRMAN RUE: So you set up the agreement
11 and then go to the court?

12 MR. TILLERY: Right.

13 CHAIRMAN RUE: The RSA, I mean.

14 MR. TILLERY: Yes.

15 MS. McCAMMON: But there is a question I
16 haven't looked to see who actually signs the RSA, whether
17 that's a Council signature or me.

18 MR. TILLERY: My understanding is that it
19 would be the Executive Director.....

20 MS. McCAMMON: On behalf of.

21 MR. TILLERY:on behalf of the
22 Council, signing it with the, I don't know whether it'd be
23 Department of Fish and Game.....

24 MS. McCAMMON: Yeah.

25 MR. TILLERY:or Department of

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1 Revenue, who.....

2 MS. BELT: It's actually a resolution.....

3 MS. McCAMMON: Yeah. The resolution
4 directs how to do that.

5 CHAIRMAN RUE: Yeah, let's look at that,
6 Jim, that was a good question. Shall work with the Fish
7 and Game RSA.....

8 MS. McCAMMON: No, I think you're --
9 because the RSA is where the details of the fees, the
10 reports, all of those kinds of things are agreed to, so
11 you're right, you wouldn't want to move until you had that
12 completely done.

13 MR. TILLERY: So actually we would have to
14 attach that to any motion to the court.

15 CHAIRMAN RUE: Can everyone hear this
16 conversation on the phone? Do you all feel comfortable
17 with that part of the resolution? Okay. Jim, did that get
18 at your issue?

19 MR. BALSIGER: Yes, thank you very much.

20 CHAIRMAN RUE: Okay, great. Any other
21 questions or discussion on the resolution? I guess I'd
22 like to maybe echo some of the previous comments. I really
23 appreciate the hard work that Molly and her staff and
24 Marilyn and Craig, as the Trustees, who have worked a lot
25 on this, have put into it, plus the great help we've gotten

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1 from Bob Storer, Peter Bushre, John Jenks, Neil, the whole
2 Treasury Department, as well as the folks who have
3 commented and raised questions on this. I think it's held
4 us to a very high standard. I think we've looked at these
5 questions and made sure we feel comfortable that we're
6 carrying out our responsibility as Trustees and
7 fiduciaries. And I feel very good about the process we
8 went through, the questions we asked and answered and the
9 resolution we have before us and I certainly intend to
10 support it. But I wanted to thank the folks who have done
11 most of the work on putting this together, it's been great.

12 So if there are no other comments, I'll call for
13 the motion -- the vote; all those in favor.

14 IN UNISON: Aye.

15 CHAIRMAN RUE: Opposed.

16 (No opposing votes)

17 CHAIRMAN RUE: Great. Thank you very much.

18 MS. McCAMMON: Mr. Chairman, with that, I
19 would like to thank Tracy Cramer who, I think, feels very
20 gratified to be able to still be on our employment here
21 when this event happened. She has really been one of the
22 folks most instrumental in seeing this come to pass.
23 Without Tracy's help and just all the work she's put out,
24 I'm not sure we'd be here today. So Tracy, a big thank you
25 from me.

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1 (Applause)

2 CHAIRMAN RUE: And Tracy, I can't think of
3 a better way to leave than to see the money that is
4 available for doing restoration work actually earning some
5 real interest rather than sitting there frittering away in
6 CRIS, that's been a huge frustration to all of us but you,
7 in particular, she's raised that, hasn't she, every
8 time.....

9 MS. McCAMMON: Yes.

10 CHAIRMAN RUE:flash her teeth at us?

11 MS. McCAMMON: Yes.

12 CHAIRMAN RUE: So we got it done, Tracy,
13 just in time.

14 MS. CRAMER: I have to admit when we got
15 the legislation, it was like, oh, my gosh, now look at all
16 we have to do.

17 UNIDENTIFIED VOICE: Be careful of what you
18 ask for?

19 MS. CRAMER: Yeah.

20 CHAIRMAN RUE: Yeah. But that's been a
21 huge frustration when we've lost so much opportunity with
22 that for investment, so, thank you, I agree Molly.

23 MS. McCAMMON: Well, Tracy has also
24 volunteered to go down to Texas and personally collect all
25 the funds and deposit them wherever we'd like.

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1 CHAIRMAN RUE: Give her a large brown bag.
2 All right, are there other items that the Council wants to
3 consider or are we going to -- do I hear a motion to
4 adjourn.

5 MR. BALSIGER: I move we adjourn, Mr.
6 Chairman.

7 CHAIRMAN RUE: Thank you. Do I hear a
8 second?

9 MR. ROTH: Second.

10 CHAIRMAN RUE: Any objection? Hearing no
11 objection, we're adjourned.

12 (Off record - 3:20 p.m.)

13 (END OF PROCEEDINGS)

14 * * * * *

