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1 EXXON VALDEZ OIL SPILL  
2 TRUSTEE COUNCIL  
3 VOLUME II  
4 Public Meeting  
5 Monday, December 5, 2000  
6 8:30 o'clock a.m.  
7 Fourth Floor Conference Room  
8 645 G Street  
9 Anchorage, Alaska

10 TRUSTEE COUNCIL MEMBERS PRESENT:

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

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1 TRUSTEE COUNCIL STAFF PRESENT:

2 MS. MOLLY McCAMMON	Executive Director
3 MS. SANDRA SCHUBERT	Director of Restoration
4 MS. PAULA BANKS	Administrative Assistant
5 DR. BOB SPIES	Chief Scientist
6 DR. PHIL MUNDY	Science Coordinator
7 MS. SARAH WARD	Community Facilitator
8 MS. DEBORAH HENNIGH	Special Staff Assistant
9 MS. DEDE BOHN	U.S. Geological Service
10 MR. KEN HOLBROOK	U.S. Forest Service
11 MR. BARRY ROTH	U.S. Department of Interior
12 MR. BILL HAUSER	ADF&G
13 MS. CLAUDIA SLATER	ADF&G
14 MS. CAROL FRIES	ADF&G
15 MR. BRUCE WRIGHT	NOAA
16 MR. ALEX SWIDERSKI	State of AK, Dept. of Law
17 MS. MARIA LISKOWSKI	U.S. Forest Service
18 MS. GINA BELT	Department of Justice
19 MR. GLENN ELISON	U.S. Fish & Wildlife Svc.
20 MR. BUD RICE	National Park Service
21 MS. CATHERINE BERG	U.S. Fish & Wildlife Svc.

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

2 (On record - 8:34 a.m.)

3 CHAIRMAN TILLERY: Okay, we're continuing  
4 the Exxon Valdez Oil Spill Trustee Council meeting of  
5 December 4th, 2000. The Council members are here. Dan  
6 Easton is sitting in for Michelle Brown this morning and,  
7 otherwise, it's the same. Marilyn Heiman is here -- has  
8 just stepped out for a second. The first item on the  
9 agenda is additional public comment and, at this time,  
10 we'll take public comment from anyone who did not  
11 previously comment yesterday. Is there anybody on line at  
12 this time?

13 (No audible response)

14 CHAIRMAN TILLERY: Okay, hearing nobody, Is  
15 there anybody in Anchorage who would like to testify?  
16 Mr. French. I ask if you could try to restrict comment to  
17 about three minutes, if you can.

18 MR. FRENCH: Okay, yeah. You have a  
19 microphone? Okay.

20 UNIDENTIFIED SPEAKER: You have to use this  
21 mouse.

22 MR. FRENCH: That mouse? (Indiscernible)  
23 supposed to talk?

24 UNIDENTIFIED SPEAKER: No, just talk --  
25 just near you.

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1 MR. FRENCH: Oh, okay. I'll take the other  
2 seat, then. Okay, most of you know me. I'm John French.  
3 I retired as a professor of the School of Fisheries and  
4 Ocean Sciences two years ago. I currently am a resident of  
5 Seward, and I guess that's all the information you really  
6 need. I did prepare a massive document for you, but I am  
7 choosing not to hand it out for reasons I'll discuss very  
8 briefly. I have many issues and concerns with regard to  
9 the Alaska SeaLife Center. Particularly, the relationship  
10 between the continuity of -- mission of the management  
11 organization's Seward Association for Advanced Marine  
12 Sciences and the SeaLife Center itself. I talked to Tylan  
13 Schrock after I told him I intended to testify, and he  
14 asked if I could not muddy the waters too much since he's  
15 talking later this morning and would rather not have you  
16 too confused. So, I will hold back my detailed analysis in  
17 abeyance to wait till I see what he says and may send it in  
18 later depending on the nature of those comments.

19 I do want to emphasize though that, you  
20 know, ever since Project 94-199, which became the Alaska  
21 SeaLife Center, was funded, there's been a strong  
22 perception of the need and value of that center, and I  
23 don't think that has diminished at all. If anything, the  
24 advent of GEM and from the GEM workshop where they accepted  
25 the necessity to work on developing some of the research

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1 tools to do effective monitoring, the SeaLife Center  
2 provides an excellent asset facility to do that in. The  
3 SeaLife Center provides opportunities that are not  
4 otherwise present. I don't want to suggest in any way that  
5 I am not very strong in my support for the SeaLife Center.  
6 And, also, with the current change in management, the new  
7 executive director, Tylan Schrock, has been doing very good  
8 things with respect to the internal management of the  
9 SeaLife Center and the morale of the employees at the  
10 SeaLife Center.

11 I want to emphasize that my concerns  
12 primarily relate to the upper level management, the  
13 relationship between SAMS, the Seward Association for  
14 Advancement of Marine Sciences, its board and the SeaLife  
15 Center. If you read the documents carefully with respect  
16 to the bylaws of this nonprofit corporation, the perception  
17 that many of us have, that it's a membership organization,  
18 is somewhat erroneous. It is, but only in the fact that  
19 its directors are members. What that does is it creates a  
20 situation where there's very little open discussion among  
21 the directors and the supporters of the SeaLife Center,  
22 whether they be public researchers or other users of the  
23 facility. There is very little accountability and, also,  
24 this structure is so cloistered it's not very responsive to  
25 change. So, I'm very anxious to try to work with any

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1 organizations that are interested in trying to facilitate  
2 greater activity in those regards.

3           One of my concerns is the absence of public  
4 meeting notices and the opportunity for third party input,  
5 whether it be member or public input into the process. We  
6 have a \$57 million publicly funded facility, \$35 million of  
7 it which was funded at the good graces of this Trustee  
8 Council. The management exists in the current structure it  
9 does because the Department of Fish and Game was designated  
10 to provide an operational agreement with the City of Seward  
11 which then transferred management and operation to SAMS.  
12 That was all well understood in the process. But the only  
13 official recourse at this point in the documentation is to  
14 withdraw the project from the City of Seward, and I do not  
15 advocate that. I would much rather see a more gentle  
16 process of trying to prod improvement in the process.

17           I don't think the vehicle is so badly  
18 injured right now that it needs to be killed or turned in.  
19 We may have some flat tires and some engine problems.  
20 Tylan and the board are doing great things with respect to  
21 changing the tires. I'm suggesting that we may need to do  
22 a little engine work on the Center, also, with respect to  
23 making sure that it's more responsive and that it's in the  
24 optimum position to be able to respond to the changing  
25 times, to respond to a changing North Pacific environment

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1 and optimize the return we can get from that asset. That's  
2 all I have for now. Thank you.

3 CHAIRMAN TILLERY: Thank you. Are there  
4 questions or comments from Council members for Mr. French?  
5 Commissioner Rue?

6 MR. RUE: Yeah. What suggestions do you  
7 have on tune-up?

8 MR. FRENCH: One of the things that I'm  
9 concerned about a lot is the consistency of purpose between  
10 SAMS and the SeaLife Center. SAMS evolved originally as  
11 being a lobbying organization to attempt to develop new  
12 facilities for the University of Alaska and, for that  
13 reason, it tends to concentrate more on the SeaLife  
14 Center/University of Alaska relationships as opposed to a  
15 broader multi-agency, multi-university approach which might  
16 optimize both the facilities and support coming in, in  
17 terms of research grants, but, also, the distribution of  
18 information back out to the various user groups, whether  
19 they be other researchers and monitors or whether they be  
20 agencies attempting to manage the resources. Myself and  
21 several other people have expressed concern that these ties  
22 that sort of evolved out of the origins of the Center may  
23 not be best for its health, and that changing that might be  
24 better.

25 For that reason, I would suggest that there

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1 are several alternatives: One, simply to work with the  
2 board and try to get better members that represent the  
3 needs that we think are needed today. But that doesn't  
4 really create a change in the actual structure. Another  
5 slightly more aggressive option would be to change the  
6 structure of SAMS so it is, indeed, truly a membership  
7 organization so it has some level of membership which might  
8 be a significant fund-raising effort, also. I mean, it has  
9 what's called a founder's membership right now, which is  
10 actually -- I'm one of those, and there's two other  
11 individuals that are. It's limited at 250. If, at either  
12 that amount of money, or a higher level of money, you  
13 brought in a specific group of interested individuals that  
14 then were able to vote on the board, why that would create  
15 some more avenues of input. Either of those solutions, I  
16 think it's imperative that the board recognize that it has  
17 the obligations that the city has in terms of public input  
18 on that facility. That's very clear from the agreement  
19 with your department that that is an essential aspect --  
20 that the city and, therefore, the management by SAMS is  
21 responsible for following all Federal, State, borough and  
22 municipal statutes -- all applicable ones, not just in the  
23 construction but in the operation.

24 More extreme options would be to go to a  
25 fully designated position board with some at large, more

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1 like the Public Advisory Group here. I personally don't  
2 favor that one. The second option, the membership  
3 organization option, would be the one I'd tend to favor.  
4 The third one would be taking over management by some  
5 agency or group of agencies. That's the one that's  
6 allowable within the existing agreement. It's, again, not  
7 one that I favor. I would rather think that we could fix  
8 it and have it work effectively without it becoming a  
9 burden to your department or any other single agency.

10 MR. RUE: Uh-huh. Thank you.

11 CHAIRMAN TILLERY: Mr. Rue?

12 MR. RUE: No, thank you.

13 CHAIRMAN TILLERY: Any other questions or  
14 comments for Mr. French?

15 (No audible response)

16 CHAIRMAN TILLERY: Thank you, Mr. French.  
17 Your comments are timely, and we appreciate them. Okay, is  
18 there anyone else here in Anchorage who would like to  
19 comment at this time? I think we've had at least someone  
20 join us on line. Who has joined us on line?

21 MS. REFT: Dolly Reft and Sandra Vinberg in  
22 Kodiak.

23 CHAIRMAN TILLERY: Okay. And is there any  
24 other community besides Kodiak?

25 (No audible response)

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1                   CHAIRMAN TILLERY: Okay. At this time,  
2 we're taking additional public comment from anyone who did  
3 not testify yesterday or has not previously made public  
4 comment during this meeting. Is there anyone in Kodiak who  
5 would like to comment who has not previously commented?

6                   (No audible response)

7                   CHAIRMAN TILLERY: Okay. Is there anyone  
8 else on line that would like to comment?

9                   (No audible response)

10                  CHAIRMAN TILLERY: Okay. Hearing none, we  
11 will close public comment at this time, and the next item  
12 on the agenda is the GEM briefing and discussion. Ms.  
13 McCammon?

14                  MS. REFT: Wait a minute. Was that second  
15 request for comment in addition to your first request for  
16 additional comment? It's confusing. We're here at the  
17 other end of the phone.

18                  CHAIRMAN TILLERY: Yeah. At this time, we  
19 are taking comment from people who have not previously  
20 commented. This is just a continuation of yesterday's  
21 meeting, and our policy is that we only allow sort of one  
22 round of comment.

23                  MS. REFT: So, our three minutes is up. Is  
24 that what you're saying?

25                  CHAIRMAN TILLERY: Yeah. It was up

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1 yesterday. But, if you would like to speak for three  
2 minutes, we'll give you that opportunity, if that's  
3 important to you -- if you have something that has come up  
4 since yesterday.

5 MS. REFT: I do.

6 CHAIRMAN TILLERY: Okay.

7 MS. REFT: Dolly Reft speaking, and I  
8 received about 17 calls yesterday from people and, in lieu  
9 of the interest, I would like to ask if Molly can send out  
10 the information that I received to the membership, to the  
11 shareholder list, that included the addresses so people can  
12 be informed and understand what's going on.

13 CHAIRMAN TILLERY: Okay. You would like  
14 for her to send out the information to your membership list  
15 of your organization?

16 MS. REFT: These are the landowners that  
17 are being affected regarding these negotiations, and I've  
18 supplied Molly with a list of those 186 original members  
19 tied to the land that subsist and look to those lands as  
20 owners, in addition to their addresses. And I've been  
21 asked if she can send them the same information that she  
22 had (indiscernible) giving me.

23 CHAIRMAN TILLERY: Ms. McCammon?

24 MS. MCCAMMON: Mr. Chairman. Dolly, the  
25 information that I gave you -- I have no problem putting

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1 together that information. It would take us quite a while  
2 to copy it and send it out because it's a stack of a couple  
3 of inches. It seems to me that what would be useful and  
4 maybe more illuminating to the membership -- because all it  
5 is is copies of little bits and pieces of maybe two  
6 sentences that someone from a Trustee Council meeting in  
7 1994 referred to Lower Karluk River or the Karluk weir. I  
8 mean, you can sift through it all. I'm not sure how much  
9 it really tells you. It does kind of indicate the interest  
10 that the Council has had in the Lower Karluk for the last  
11 six years.

12                   It seems that -- I mean, just based on the  
13 discussion yesterday and the discussion we have, and just  
14 knowing that our office is going to get continued calls and  
15 requests for information on this -- it would be helpful to  
16 us if the attorneys in this could at least highlight what  
17 the issues are, what the question is in terms of the IRA  
18 Council and the Kodiak or the Karluk shareholders, and the  
19 issue that what happened with the merger and what is being  
20 contested here in terms of ownership. As far as I know, we  
21 have a quitclaim deed that the land was conveyed from  
22 Kodiak to the Karluk IRA Council. Obviously, there are 186  
23 or at least a certain representation of that group who  
24 disagree with that. And, I don't know, maybe it's  
25 something that ends up finally getting decided in a

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1 courtroom. But, I think it would be helpful to at least  
2 know what the issues are, and maybe that plus just  
3 describing what the Council's interest has been and a  
4 description of where we are in the process, we could put  
5 that together, and that might be the most helpful to the  
6 membership or to these 186 people.

7 MS. REFT: I think what would show good  
8 faith in allowing the public, especially the people that  
9 are involved in these lands that you're negotiating, what  
10 would be very helpful would be a copy of the drafted  
11 proposal that I received. And, also, on a personal note, I  
12 would like a copy of the minutes from yesterday's meeting  
13 in its entirety. But I think that would be appropriate for  
14 the members to receive and at least have an opportunity to  
15 review what the intent of the negotiations are.

16 MS. MCCAMMON: Could you clarify what  
17 proposal you're talking about because, at this point, we  
18 have no proposal?

19 MS. REFT: Yes, Molly. The 15 pages of  
20 information that you sent me I think would be very helpful  
21 in getting to the membership. In addition, I would like a  
22 copy of the minutes from yesterday in their entirety,  
23 please.

24 MS. MCCAMMON: And is that 15 pages that  
25 you're referring to, Dolly, the draft potential grant with

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1 a nonprofit?

2 MS. REFT: Yes, I am. I think that's  
3 important, and I think it's helpful. That's not just my  
4 request, but these are the requests that I'm hearing and  
5 I'm receiving.

6 CHAIRMAN TILLERY: Okay. We can do that.  
7 We will do that in lieu of sending you all of the other  
8 sort of materials that we're sending out to everybody else.  
9 If you go through those other materials and then you find a  
10 few documents here or there that you would like for other  
11 people to receive, could you let us know?

12 MS. REFT: Oh, most definitely. And, as  
13 far as our history and who we are, we're very familiar with  
14 that. We're not as familiar as we'd like to be with EVOS  
15 and the negotiations and the planning that has gone into  
16 this.

17 CHAIRMAN TILLERY: Okay. Thank you very  
18 much, Ms. Reft.

19 MS. MCCAMMON: And it will take some time  
20 to put that together.

21 CHAIRMAN TILLERY: It will take a little  
22 time, right. Is there --

23 MS. REFT: Thank you.

24 CHAIRMAN TILLERY: Okay, great. Is there  
25 anyone else, again, who has not commented who would like to

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1 comment at this time?

2 (No audible response)

3 CHAIRMAN TILLERY: Okay, then we will,  
4 again, close the public comment. Again, thank you for  
5 bringing that to our attention. The next item on the  
6 agenda is the GEM project.

7 MS. MCCAMMON: Okay, Mr. Chairman, in your  
8 packet under GEM briefing materials. You've also received  
9 in November a memo from me updating you on where we are on  
10 the GEM planning process, and that described our efforts  
11 since we last met in August. It included preparation of a  
12 straw dog draft plan that was put into a binder. A lot of  
13 folks referred to it as the binder plan. We met with the  
14 National Research Council Review Committee in early October  
15 to talk about the draft plan and to get some additional  
16 input from them, and then we held our annual workshop a  
17 couple of months early in order to get additional input.

18 What we've received as a result of these  
19 continued discussions with folks is an enormous amount of  
20 input. In fact, I think we have like three binders full up  
21 in the front office that we refer to on a regular basis.  
22 All of the work sessions from the work group were  
23 summarized, and we sent them by e-mail to all of the  
24 participants. You should have received copies of all of  
25 those. We've also received detailed recommendations from

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1 our core peer reviewers, from invited guests at the  
2 workshop and any and all others. So, we're not short on  
3 input in this process. I can assure you on that.

4           In sifting through all this, though, I  
5 think it becomes clear on a couple of things. One is what  
6 we're doing and trying to accomplish here is very unique.  
7 It's something that's being attempted in other parts of the  
8 world but, really, there is no real model that we can model  
9 ourselves after. We really are creating a unique program  
10 here. And, because of that, it's taking time to kind of  
11 sort through and try -- it's, in a way, very analogous to  
12 the early days of the restoration program -- trying to sort  
13 through which path we should take in this process.

14           The summary comments that we've received  
15 over the last few months -- there were a number of themes  
16 that emerged from that. Start small. Focus on what you  
17 can do without leveraging. Don't have the whole program so  
18 leveraged that it is totally dependent on other funding.  
19 Revise and update the scientific background document,  
20 possibly to the level of a publishable manuscript. Develop  
21 alternate models for the conceptual foundation, including  
22 the human impacts models. For a priority for the early  
23 years, focus on retrospective analyses and synthesis.  
24 Synthesis should be driven by user-defined needs.

25           The gap analysis needs to be formalized.

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1 And the gap analysis is trying to define what others are  
2 doing first, identifying the gaps and then seeing where the  
3 GEM Program could fill in those gaps. Just on a very broad  
4 level, the biggest gaps appear to be the physical and  
5 biological oceanography and forage species, although  
6 certainly GLOBEC and some other Federally funded programs  
7 may meet some of those needs in the early years.

8           On the other hand, the upper tropic levels  
9 can't be ignored in the program. It has to be a balance  
10 between top down, bottom up. The importance of addressing  
11 data needs early on, and the importance of including  
12 community and citizen based efforts and traditional  
13 ecological knowledge in the monitoring program. Sara Ward,  
14 who is the Community Involvement Coordinator, and took over  
15 for Hugh Short, did a great job with the community  
16 facilitators from throughout the region, and they  
17 participated actively in all of the sessions at the  
18 workshop. You can see the results of their participation,  
19 because community involvement, citizen monitoring,  
20 traditional knowledge are really key themes throughout the  
21 program. How that actually gets translated into the final  
22 end product, we'll be counting on working with people in  
23 those communities to develop that.

24           The National Research Council, at their review  
25 session in October, felt very strongly, in looking at the

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1 preliminary draft, that we were moving too fast -- that it  
2 was impossible to meet our original timeline of having a  
3 plan for you to take action on today, and that that was  
4 overly ambitious. And they strongly urged and, in fact,  
5 wrote a formal letter which is included in your packet.  
6 And even a formal letter that is two pages long had to be  
7 peer reviewed as part of their process. So, the letter  
8 actually took six weeks to get through their process.

9 MR. RUE: Sounds like Fish and Game.

10 MS. MCCAMMON: Sounds like Fish and Game?

11 Yeah. But, I think their two comments were primarily to  
12 take additional time in putting this plan together because  
13 of the importance of what it's trying to achieve here in  
14 the planning process. And then, secondly, to take greater  
15 advantage of a broader group of scientists in the actual  
16 writing of the plan.

17 So, what I'd like to do today is show you  
18 where we are in terms of following up the input that we've  
19 received over the last couple of months -- kind of our  
20 current thinking -- get input from you on that. Phil and I  
21 are meeting with the National Research Council Review  
22 Committee again over this on Thursday in Washington, D.C.  
23 Based on the input from yourselves and from the NRC, we'll  
24 be revising this and moving forward.

25 There are a couple of major changes that

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1 we're looking at now. I think the biggest change is just  
2 taking additional time. Under the original timeline, we  
3 were planning on presenting you with a fully developed plan  
4 by this week, and we're just not able to do that at this  
5 time. It's going to take at least three to five months  
6 longer to do that. And even the plan that you'll get three  
7 to five months from now will still have major pieces of it  
8 that are under development, in progress. And it really is  
9 going to be a matter of taking a couple of years to get a  
10 fully developed plan. But, I think within the next three  
11 to five months, we can get you something that gives you at  
12 least a shape of what things will look like in the future.

13           What we did is go back to kind of the  
14 beginning, which was back to this document that you  
15 approved for review last April and back to the mission and  
16 goals of the program -- focusing on the mission and goals,  
17 and then accepting the fact that it's impossible to study  
18 everything in the Northern Gulf. So, if you can't study  
19 everything, what do you focus on? What are the species  
20 that people are most concerned about, that tell you the  
21 most about the ecosystem or a particular niche in the  
22 ecosystem that has the ability to advance our understanding  
23 of the physical and the biological bases for production,  
24 that are fairly easy to study, that are tractable and that  
25 may have existing data sets? Or, at least, there's some

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1 sense of understanding. We're not totally starting from  
2 zero. And, then, also have an ability to indicate  
3 ecosystem disturbance. They may be sensitive to change,  
4 whether it's human cause change or natural change.

5 So, the first thing, going from the mission and  
6 goals of the program, the next step is: What species are  
7 we going to focus on? What we're trying to do through  
8 these sets of tables that are in your packet is create a  
9 process that is very transparent, that is very logical and  
10 transparent. So, as new information comes in, we know  
11 where in the process that information needs to fit and  
12 where things need to be changed.

13 So, starting with the Table 1, Reference Species  
14 for GEM, this is a very first cut at which species would be  
15 the primary focus of the program. There are six elements  
16 that they were reviewed for, and they were evaluated. This  
17 was a subjective evaluation, as any evaluation like this  
18 can be. But, I think it's based -- I hope it's not an  
19 arbitrary evaluation. And this is an area that I would  
20 expect people would come in and either say, well, here's a  
21 reason to look at something else or this one shouldn't be  
22 on or should be on and, hopefully, we'll have some  
23 discussion on this list of species. What we did is put  
24 down the ones that we thought might be possibilities, and  
25 then we evaluated them and the ones you see in bold are the

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1 ones that would be the primary focus of the program.

2           We were a little concerned about starting  
3 this way because, when you do an ecosystem program like  
4 this, we didn't want to focus on single species, and we  
5 don't want to give the indication that the focus of the  
6 program -- Bob, why don't you sit up there -- is single  
7 species only. So, it was with some trepidation that -- the  
8 scientists especially, when we talked about putting  
9 together this table. But, in terms of the public and in  
10 terms of just explaining this program in its entirety, it  
11 became important that it be very clear that these are the  
12 species that we're really going to focus on, that we're  
13 going to be reporting to the public the status of. GEM may  
14 not do much, if any, actual research or monitoring of  
15 certain of these species. We may rely entirely on agency  
16 efforts or the efforts of others. But, when we're doing a  
17 report on the status of the Gulf of Alaska and what's  
18 happening with the Gulf, these would be included in that  
19 reporting process.

20           The second table -- so you start with the  
21 species that are going to be the focus, or the primary --  
22 we call them the GEM reference species. And, at one point,  
23 we were talking about calling them indicator species. But,  
24 Bob Spies has been involved with a number of programs in  
25 California -- with CalCoFI and Cal Fed programs -- and

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1 indicator species is a loaded term right now and fraught  
2 with controversy. And so, at this point, they may develop  
3 into indicator species, but we call them something slightly  
4 more neutral, reference species. Or maybe it's more  
5 ambiguous. I don't know -- neutral, ambiguous.

6           What are factors that are influencing  
7 population abundance? What are the things that we know  
8 about various resources that is important to their life  
9 history and to their total population? And these are  
10 things that we've talked about in the conceptual foundation  
11 and in a number of the issues in the original document.  
12 And I actually took this table -- a version of this table  
13 was developed at the first restoration planning workshop at  
14 the Methodist Church in April 1994. There was a similar  
15 table put together at that time, and it's at a very  
16 somewhat crude level of information because it ranks things  
17 by high, medium, low. It evaluates them by either "C,"  
18 which is based on a conceptual model or foundation or "E,"  
19 scientific evidence. And, theoretically, there's something  
20 to back up every one of these little cells. But, I think  
21 what it does -- and at some point we'll have this color  
22 coded, I just kind of did it myself -- it gives you the  
23 ability to look at these elements and see where do we think  
24 the primary influence on population abundance is. And you  
25 can see, I did, in this case, yellow for the highs, green

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1 for the mediums, and the others are either lows or  
2 unknowns. And I don't think -- I mean, when you look at  
3 this, you could just at first glance say well, all you're  
4 going to focus on are just the highs. And I don't think  
5 that's necessarily the case because, in some cases, you may  
6 look at some of the lows and want to establish some  
7 baseline date because they're issues that aren't of concern  
8 right now but may be 10 or 20 years from now. So it may be  
9 something that we keep track of.

10 MR. BALSIGER: Just so I understand it, on  
11 Table 2, then, if you look, for example, on the column  
12 under pollock.

13 MR. RUE: Why would you want to do that?

14 MR. BALSIGER: Well --

15 MS. MCCAMMON: You may have a difference in  
16 opinion on some of these.

17 MR. BALSIGER: I just want to understand  
18 the table.....

19 MS. MCCAMMON: Yeah.

20 MR. BALSIGER: .....and it's a frame of  
21 reference I've been thinking about lately. So, if you went  
22 down to habitat, it says for pollock you got two H's. So,  
23 I guess that suggests that the pollock could -- you're  
24 worried about degrading pollock habitat to the point that  
25 pollock wouldn't be successful. So, it's important, the H?

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1 But, if you go down further, it would look like removal.  
2 So, under removals under pollock is low. So, would that  
3 suggest that the fishery which removes pollock is not an  
4 important factor in the pollock production?

5 MS. MCCAMMON: Well, resource exploitation,  
6 which is the harvest -- harvest or bycatch -- is medium.

7 MR. BALSIGER: Okay, I see. So, I was  
8 looking at predation, I see. But, that's sort of the way  
9 this is intended.

10 MS. MCCAMMON: If you'll see, this is  
11 discussion draft only, but yes. So it starts with the  
12 three major factors, and Bob and Phil you can jump in if I  
13 stray too far from anything that's credible -- are food,  
14 habitat and removal. So, this is the basis of our  
15 conceptual foundation, also. Food production includes the  
16 system that allows for food to be produced at the very  
17 bottom of the food chain, so physical oceanography which is  
18 currents -- it would be -- jump in here, anytime.

19 DR. MUNDY: Okay. All right. Let me try  
20 a.....

21 MS. MCCAMMON: But, let me just do really  
22 quickly -- and then habitat and removals. The removals are  
23 at the primary focus on -- the human impacts are primarily  
24 in habitat and removals, and removals being the human  
25 impact scheme -- what, oil spill, impacts, contaminants,

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1 pollution, resource exploitation. And then there's non-  
2 human impacts, too.

3 CHAIRMAN TILLERY: Commissioner Rue?

4 MR. RUE: Mr. Chairman, I hate to do this.  
5 I'm going to have to leave in about five minutes. I know -  
6 - I got called by the boss. But, I would like to make  
7 maybe a quick comment, because I'm not sure I'll get back  
8 in time for the rest of this session and I'll have Claudia  
9 sit in. Can I do that?

10 CHAIRMAN TILLERY: Please.

11 MR. RUE: And I think this is actually not  
12 a bad time, because you've brought it to a head for me.  
13 One of the concerns I've had is the link from GEM and our  
14 goals of detecting, et cetera, which I like -- programmatic  
15 goals -- to, now, the implementation. And I felt like it  
16 missed some steps in between to help someone like myself  
17 who isn't steeped in the science planning field to  
18 understand how we went from these very generic, general  
19 goals of detecting, monitoring, et cetera, down to this  
20 chart. And you just helped me understand maybe what would  
21 help me better understand, and maybe help the public better  
22 understand, why we're going where we're going. And that's  
23 this left column.

24 It seems to me we need a step in here that  
25 explains better how we went from the general goals into the

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1 specific species. And I think it's embodied somehow over  
2 in that left column, which is where we talk about what are  
3 the key questions, hypotheses -- that if you're going to  
4 detect change, well, what are the factors you would look  
5 at? Well, you go look at food, habitat, removals, et  
6 cetera. That is not, as a deductive thinker, I think. I  
7 can't go from A, B, C and get to this chart very easily.  
8 You know, it took you walking through it, and I think we  
9 need to back up and spend some time so that the plan more  
10 clearly walks us from our general GEM document to this  
11 chart. And I think the pieces are probably here to do  
12 that. And so I guess what I would suggest is after this  
13 meeting, if the rest of the Trustees agree, we convene a  
14 group of scientists or whatever -- users -- and walk  
15 through that and try and build those legs of this document  
16 up so that we go from the general GEM document to the plan  
17 by talking about what are the questions, frameworks and  
18 spell those out, so that people can better, like myself,  
19 walk from beginning to end and get to sea lions or whatever  
20 the species is and understand how it's helping us meet our  
21 broader goals. So, after you just explained it, I actually  
22 understand it a little bit better, but it isn't readily  
23 apparent on its face.

24 MS. MCCAMMON: I think if you look at just  
25 the tables, that's probably true.

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1 MR. RUE: There's not much else to look at.

2 MS. MCCAMMON: Well, what we also have is  
3 the entire scientific background and conceptual foundation,  
4 and we haven't put that in a table form. Because this  
5 actually becomes the outline, the draft for a plan, but  
6 then turns into a narrative format. And, if you look at  
7 the discussion draft outline, which is also in your  
8 packet.....

9 MR. RUE: Right.

10 MS. MCCAMMON: .....which is a two-pager,  
11 starting with the mission and goals, describing the process  
12 of developing the plan, the context and challenges which  
13 are the human uses, activities, issues of concern, and then  
14 going into the conceptual foundation plus the alternate  
15 models -- the current understanding, or the understanding  
16 of what people think is happening in the Gulf -- and then  
17 go from there to the reference species, the gap analysis  
18 and the draft plan. So, I think there are pieces that  
19 aren't in table form that can do that, and we've got drafts  
20 of them. They still need to be complete. They're  
21 incomplete in some ways, but I think the pieces are there.  
22 What would probably be helpful is if you're looking at this  
23 as the outline is having a couple of other layers between  
24 that summarizes that aspect of it.

25 MR. RUE: Yeah, Chapter Four, basically.

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1 MS. MCCAMMON: Right.

2 MR. RUE: I think that's probably what I'm  
3 talking about. To feel comfortable with the charts --  
4 charts 5, 6, whatever it is -- you need to see Chapter  
5 Four.

6 MS. MCCAMMON: Right.

7 MR. RUE: So, it needs some time to do  
8 that.

9 MS. MCCAMMON: Right. And one of the  
10 things in response to the NRC review, and you'll see it in  
11 the revised budget for GEM planning, we're asking for  
12 additional funding to do just that.

13 MR. RUE: Uh-huh.

14 MS. MCCAMMON: And actually contracting  
15 with a number of people to help expand on that. But you  
16 raised a good point about that was the one thing we didn't  
17 include in a table form in this process to show, because it  
18 does go from the mission and goals to the science to the  
19 model to the rest of the program, and we don't have those  
20 pieces in a tabular form, or in a.....

21 MR. RUE: Easily accessible. I'm not sure  
22 tabular is the only way it can go, but.....

23 MS. MCCAMMON: Well, drawings -- something.

24 MR. RUE: .....it just isn't accessible.  
25 It isn't accessible, particularly. I hate to do this, but

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1 I have to, so I'll see you later.

2 CHAIRMAN TILLERY: Okay. Thank you.

3 MR. RUE: Sorry to interrupt your flow.

4 MS. HEIMAN: Excuse me, Mr. Chairman.

5 Commissioner Rue, when do you think you'll be returning?

6 MR. RUE: About half an hour.

7 MS. HEIMAN: Okay. Thank you.

8 MR. RUE: About 45 minutes from now.

9 MS. HEIMAN: I just want to make sure

10 you're here when we go over the projects, which is much

11 later in the day.

12 (Mr. Rue - Departs 9:24)

13 MS. HEIMAN: Well, maybe I could just ask  
14 while we're waiting. I did read though -- I can't say I  
15 completely understood it, or even partially understood it -  
16 - but, the notebook that you used for the last symposium or  
17 workshop that you had, and there was a series of questions.  
18 You know, it would help me to see what kind of process you  
19 all went through with those questions, then to get to some  
20 of the things that we have here. Maybe these are just  
21 depicting the same thing in a different format.

22 MS. MCCAMMON: It's depicting it in a  
23 similar format, although the questions that we had in that  
24 draft I think are coming in later in the process now.

25 DR. MUNDY: Mr. Chairman?

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1 CHAIRMAN TILLERY: Yes. Mr. Mundy?

2 DR. MUNDY: May I.....

3 MS. MCCAMMON: Well, just a sec.

4 CHAIRMAN TILLERY: Well, I'm not sure

5 what's.....

6 MS. MCCAMMON: Either way you want to do

7 it.

8 CHAIRMAN TILLERY: They must be having a  
9 conversation, so why don't we go ahead, Phil. This isn't  
10 an action item today.

11 MS. MCCAMMON: No, and what we could do is  
12 go through just all of this real briefly and then come back  
13 in detail.....

14 MS. HEIMAN: That would be good. That  
15 would be great.

16 MS. MCCAMMON: .....on the pieces, because  
17 I think just looking at it in its entirety may, hopefully,  
18 help eliminate things and not just confuse things.

19 So, then, Table 2 is based on the  
20 conceptual foundation and current scientific evidence in  
21 terms of what factors are the most influential on  
22 population abundance. And we've had a lot of discussion  
23 with various folks about what population abundance means  
24 because, in some cases, you can't really tell what  
25 population abundance is of some of these species, and it's

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1 more status and trends, distribution, things of that  
2 nature, too. So that, I think, needs further discussion.  
3 But the basic elements -- food, habitat, removals -- are  
4 the ones that influence population abundance. And then,  
5 following that, we do have draft definitions here of what  
6 those pieces are so that there's some common understanding  
7 of what is meant by food production, food quality, habitat  
8 availability and degradation, and then the series of  
9 possible removals.

10           Taking that, then, to the next level of not  
11 wanting to duplicate what others are doing but wanting to  
12 complement and fill in those gaps, then the next level --  
13 certainly, you have to understand what is it that people  
14 are currently doing, have done. What is the universe of  
15 work being done in the Gulf? And this, again, is a  
16 discussion draft starting with some of the species in terms  
17 of what various agencies and other folks are doing in terms  
18 of monitoring of population abundance, food quality,  
19 habitat removals and food production. What we haven't  
20 included here -- in our draft budget, we have someone  
21 committed to spending the next two months to updating this  
22 table and, also, focusing on what retrospective analyses,  
23 what modeling, what syntheses, what other kinds of research  
24 efforts have been done for these species throughout the  
25 Gulf, also.

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1                   So, this table is still a work in progress.  
2 Every time we send it out, this is a challenge -- trying to  
3 get Table 3 put together, is what I can say.

4                   MR. BALSIGER: You probably said this, and  
5 I lost track because I was trying to catch up. The numbers  
6 in here, like number 013, those relate to a different  
7 document where those project are (indiscernible -  
8 simultaneous speech)

9                   MS. MCCAMMON: They're a database that we  
10 have that's one page on each of these projects that has  
11 more detailed information about each of these efforts. So,  
12 these are all in a searchable database form.

13                   MS. HEIMAN: And are these all studies that  
14 have been done in Alaska somewhere, or in (indiscernible)

15                   MS. MCCAMMON: What you have on this table  
16 are ones that are being done in the Gulf of Alaska. When  
17 we started putting together the database, it became kind of  
18 a mix of things. It became what's being done in the Gulf?  
19 What had been done before? What's being done in the Bering  
20 Sea? What's being done elsewhere in the world that isn't  
21 being done here, but it's relevant to here? Maybe it  
22 should be done here. And it became kind of this real  
23 mixture of things all of which, I think, have their  
24 potential use. And so, we are in the process of  
25 reorganizing the database so that it's searchable for what

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1 are the current ongoing projects in the Gulf of Alaska.  
2 What are our current ongoing projects in the North Pacific?  
3 What are other efforts in the world that might be of  
4 relevance of here?

5 MS. HEIMAN: Okay.

6 MS. MCCAMMON: But they'll be searchable.  
7 But this one, for the purpose of what we call the gap  
8 analysis, is just Gulf of Alaska -- ongoing, current work.  
9 And there's a real question in terms of what's ongoing,  
10 current work, too, because how long can an agency commit to  
11 funding something? Even though they say yes, we plan on  
12 doing it, and we've done it for the last three years, does  
13 that mean they're going to do it on into the future? So,  
14 you have to base it on some assumptions.

15 But, anyway, you take Table 3, which is  
16 what we're currently doing, theoretically, and you go to  
17 Table 4, which is then going -- Table 2, we know what  
18 factors are most important, or a high/medium importance.  
19 Table 3, we know what people are doing in those areas.  
20 Then, Table 4, where are the big gaps? What are the big  
21 areas that are not currently being addressed by ongoing  
22 programs, projects, studies? And you can see this is very  
23 much a work in progress. And, from that, you go to Tables  
24 5A and 5B. And, again, these are for discussion draft  
25 only, so these are most illustrative in nature and should

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1 be viewed that way. From this you develop the monitoring  
2 strategies and the research synthesis strategies. And, for  
3 monitoring, you can do it by species and by those factors  
4 of food production, food quality, removals, habitat. You  
5 can do it by area -- Prince William Sound, Cook Inlet, the  
6 Kodiak Archipelago and the larger Gulf. For research --  
7 ecosystem process studies, retrospective analysis,  
8 modeling, management tools and technology, data management,  
9 synthesis and communication.

10           There's a trade-off in presenting  
11 information like this, because it's at a fairly crude  
12 level. But I think in terms of trying to describe an  
13 overall plan, it helps to be able to visualize it. Putting  
14 things into a two-dimensional format here in terms of on  
15 paper, when there's all different kinds of levels  
16 underneath it -- you have the geographic level, you have  
17 trophic levels, you have the habitat level from pelagic to  
18 a nearshore system -- there are a lot of different levels  
19 beneath this, and trying to capture this on paper is  
20 difficult to do, but that's what we're trying to do with  
21 this. So, those are the steps in the process and I think  
22 the binder that we had, I think, went from the mission and  
23 goals to some elements in Table 5A and 5B without enough  
24 explanation of how we were getting to those tables, to  
25 those final recommendations. And what we're trying to do

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1 through kind of this suggested revised process is go back  
2 and look at it in a very logical, linear fashion in terms  
3 of your decision-making and your thinking in terms of  
4 starting from the big picture and working down to a  
5 proposed plan.

6           The proposed Tables 5A and 5B, when they  
7 get done, are going to be a mix of specific items and more  
8 general items. Just as an example, they could be a  
9 suggested monitoring program for \$1 million or \$2 million  
10 to monitor these specific things in these specific areas.  
11 But then, it could also be annually seek proposals for a  
12 retrospective analyses in these kind of general areas. So,  
13 it will be a mix there of specific and general type things.  
14 The more general things will probably be more on the  
15 research side than on the monitoring side.

16           CHAIRMAN TILLERY: Ms. McCammon, as I  
17 understand the concept, you've basically looked and seen  
18 what needs to be looked into. You looked out there and  
19 seen what other groups are doing at the moment, and then  
20 you've identified sort of where nothing is being done,  
21 where something needs to be done, which is then the bold  
22 that we would propose for funding.

23           MS. MCCAMMON: That's correct.

24           CHAIRMAN TILLERY: Do we run a risk -- I  
25 mean, we're theoretically a permanent program, a long-term

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1 program. Do we run a risk of being so scattered, not have  
2 a real coherent program, if we're just kind of` picking one  
3 here, a gap here, a gap there, a gap there? Is there a  
4 problem with not having a sort of coherent whole? These  
5 other ones are going to come and go. There's going to be  
6 gaps develops, gaps get closed, and are we just always  
7 going to be jumping around trying to fill in the cracks?

8 MS. MCCAMMON: No, because I think the core  
9 program will end up being a core monitoring program that  
10 withstands the test of time. It will be core elements that  
11 the GEM Program would commit to funding for a very long  
12 period of time. So, I think there's going to be a piece  
13 that's solid -- that that is the gap -- because the  
14 consistency of long-term datasets throughout the Gulf is a  
15 major gap. And so that, I think, will be the core of the  
16 program. And then the other part will be leveraging and  
17 working with other agencies to fill in and to complement  
18 existing work that they're doing. And then I think the  
19 other big gap will be in answering some of these questions  
20 of what the monitoring is asking and telling you -- trying  
21 to figure out what exactly the kind of information that  
22 it's giving us, presenting that information on a website or  
23 data that's useable to users and whether the users are  
24 resource agencies or the public, and then communicating  
25 that information. So, I don't think it will be all kind of

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1 shotgunned all over. I think it will be very targeted.  
2 But there will be pieces of the program, I think, that will  
3 be core over the longer term and pieces that will be  
4 shorter term, three to five years -- answering questions,  
5 focusing on specific things.

6 CHAIRMAN TILLERY: And is part of this  
7 program bringing in the information from the other  
8 programs.....

9 MS. MCCAMMON: Yes. Yes.

10 CHAIRMAN TILLERY: .....so that we provide  
11 a coherent whole?

12 MS. MCCAMMON: And in some cases -- for  
13 example, sea lions, I think is a good case. As we go  
14 through the whole sea lion process and these series of  
15 sieves down here, it's very possible that the GEM Program  
16 does nothing on sea lions other than keeping track of the  
17 information and pulling that information into the overall  
18 understanding of the Gulf. I'm just saying that because  
19 there's so much focus and funding right now on sea lions.  
20 That may be the end result of that. And yet, it makes it  
21 very clear that the program is not ignoring sea lions, that  
22 sea lions are a very important part of the ecosystem and  
23 you want to make sure that they're tracked and that  
24 information that's developed by others gets integrated into  
25 an overall understanding of the Gulf.

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1 DR. MUNDY: I'd like to quickly point out  
2 that it's not conceivable that the information that's  
3 collected by GEM -- this is Phil Mundy speaking, Science  
4 Coordinator -- would not contribute to understanding sea  
5 lions and sea lion population dynamics. And that is what  
6 we've found is that you have lots of agencies that are  
7 dealing with the animals. They're dealing with kind of,  
8 you know, the symptoms of the ecosystem processes, if you  
9 will. And we are looking at developing programs which help  
10 deal with the underlying causes, which the agencies are  
11 moving more towards now than they were in the past. So,  
12 the answer to the question about whether we would be likely  
13 to be just too diffuse or scattered, we're trying to  
14 organize this so that we look at underlying causes --  
15 things that agencies want to know about, and information  
16 they desperately need, but just don't have the facilities  
17 or the resources to go after. Some of these things are not  
18 all that expensive to do. It's just that they haven't been  
19 part of the agency missions in the past.

20 CHAIRMAN TILLERY: Ms. Heiman?

21 MS. HEIMAN: I don't remember the name of  
22 the study, but about three weeks ago a study came out that  
23 showed all of the different research that's been done on  
24 contaminants in all of Alaska. It's like the Conservation  
25 Circumpolar Union [sic] or something, I think -- CCU -- and

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1 it actually depicts a map. But it actually shows all of  
2 the studies that have been done, and I don't know if you've  
3 seen that and incorporated that into this, or probably not,  
4 but it is probably something that should be done. There  
5 was a wealth of information. I was surprised at how many  
6 studies there had actually been done. So, if you call my  
7 office, I can get you that information and what the name of  
8 the study is, et cetera.

9 DR. MUNDY: Yes. Thank you. We have a  
10 database for those kinds of studies, and we'd like to  
11 include that.

12 MS. HEIMAN: Okay. Also, I was just  
13 curious. Where we say tissue archival network for  
14 contaminants analysis, is that that we will need to do  
15 tissue archival analysis, or is that referring to archival  
16 analysis that's already being done, or.....

17 DR. MUNDY: There are a number of programs,  
18 but the challenge here is to tap into national programs  
19 such as the National Institute of Standards has established  
20 a laboratory at Charleston, South Carolina, for long-term  
21 tissue storage and there will be other locations around the  
22 country. The challenge here is to bring those together and  
23 to find ways to help people work together. There is quite  
24 a bit of money for tissue archival type programs and  
25 projects, but these programs are very narrowly focused. We

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1 have opportunities for collecting eggs from sea birds, for  
2 collecting blubber from marine mammals through programs  
3 that are already in place. Analyzing those samples is very  
4 expensive and would have to be done deliberately, you know,  
5 to answer questions that are posed. Nonetheless, if we had  
6 a problem and a deliberate question, and we had the samples  
7 in archival storage, we would be able, you know, to address  
8 those questions.

9                   So, we saw that there are facilities,  
10 particularly within the Federal government, that we could  
11 take advantage of and we could facilitate them.

12                   MS. HEIMAN: Yeah. I agree with what  
13 you're saying, because I know that we have thousands of  
14 samples in freezers back East. I can't exactly remember  
15 where -- I think Maryland or Virginia -- that have come  
16 from Alaska that are just sitting in freezers. And so I  
17 completely agree with what you're saying. One of the  
18 things that we're going to try to do with the contaminants  
19 program, I hope, is that we can start to have a real  
20 integrated look in analyzing those samples, which is the  
21 most expensive part, I think.

22                   MS. MCCAMMON: Right.

23                   MS. HEIMAN: And it's just so expensive.  
24 And then to figure out, okay, what are you looking for?  
25 So, I guess I would be interested in, as we move forward,

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1 you know, what kind of analysis or what kind of studies  
2 we're, you know, directing our efforts toward -- what you  
3 would think we would do in the GEM Program -- not just a  
4 very general statement. I understand why you put it here,  
5 but I am interested in where we would go, what kind of  
6 studies you would be interested in doing. Thanks. This  
7 looks really -- I think it's very understandable. Maybe to  
8 jump from how we got here will be interesting, but I think  
9 this is very well done and very understandable, and I  
10 appreciate the format and explanation.

11 CHAIRMAN TILLERY: Mr. Balsiger?

12 MR. BALSIGER: Yes, thank you. I agree  
13 with Ms. Heiman. I think it is a really good start.  
14 There's lots of holes left. For example, the gap analysis  
15 goes for four pages, or four species (indiscernible) and so  
16 on for the GEM, so there's a lot of work left yet.

17 MS. MCCAMMON: So on and so on.

18 MR. BALSIGER: But, how does that table  
19 relate to the next one? That's the gaps, and then in the  
20 next one it's sort of an inventory of all monitoring  
21 things, so a lot of the gaps will be monitoring that hasn't  
22 been done. So, will it show up here? That's not what the  
23 bold is, the gaps, is it?

24 MS. MCCAMMON: Well, Table 4 will be the  
25 gaps.

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1 DR. MUNDY: You talking about Table 5A?

2 MR. BALSIGER: Yes. I'll presume you'll  
3 have the gaps but then.....

4 DR. MUNDY: Right.

5 MS. MCCAMMON: Right.

6 MR. BALSIGER: ..... 5A is sort of where  
7 we'll pick the research off. And so, how do you relate  
8 from the gaps to the next table?

9 DR. MUNDY: Mr. Chairman, if I may?

10 CHAIRMAN TILLERY: Yes. Mr. Mundy?

11 DR. MUNDY: Thank you. The way that we're  
12 talking about Table 5A and taking the example of harbor  
13 seals for Prince William Sound, for example, the way to  
14 read this is to say harbor seal population abundance, we  
15 believe, based on the gap analysis to date, which is by no  
16 means complete, that the Alaska Department of Fish and Game  
17 and National Marine Fisheries Service surveys are going to  
18 be tracking population abundance in Prince William Sound.  
19 It's not bolded. That means we believe that other agencies  
20 are going to be covering this item of information.

21 Move down to food production, which is  
22 another item from the gap analysis. The priority there --  
23 as a factor in controlling population trends, we believe  
24 food production is high for harbor seals. We believe that  
25 there are Alaska Department of Fish and Game, National



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1 there, Mr. Chairman, is going to be in looking at what  
2 other agencies are doing, because I think almost all of  
3 them can probably make an argument that yes, they may be  
4 doing something. But is it sufficient? Are things really  
5 being monitored adequately? And that will require a lot of  
6 discussion, I think.

7 MR. BALSIGER: I was getting it, I guess.  
8 I thought I understood that and, of course, because these  
9 other tables aren't quite complete, there will be all kinds  
10 of new bold stuff as this gets out. So, as Mr. Tillery  
11 said, even though this is a wonderful way to start  
12 narrowing or identifying central themes and where research  
13 has to be done, it doesn't like narrow it down to things  
14 that can be covered that the money that's available here.  
15 So, it's still going to be a really big challenge to not  
16 pick one from here and one from the other side of the menu  
17 and still make meaningful contributions, or the best  
18 contribution.

19 MS. MCCAMMON: Right. I've told people  
20 that we've gotten lots of input, and we have the making of  
21 a great \$100 million a year program. And, it's now getting  
22 that down to \$6 million a year. That's the challenge. And  
23 I think when you get to the Table 4, it's still going to be  
24 getting it from there to there.

25 MR. BALSIGER: Yeah.

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1 MS. MCCAMMON: Yeah.

2 DR. SPIES: Mr. Chairman?

3 CHAIRMAN TILLERY: Dr. Spies.

4 DR. SPIES: If I just might comment on that  
5 briefly. One of the philosophies that I think has great  
6 merit, that has been proposed by quite a few people and  
7 attendees at our workshop was advice to start off with a  
8 core program that is rather focused and slowly build those  
9 interactions between the various agencies that have a  
10 responsibility for some of these resources that we can  
11 integrate into the program and, over time, we can kind of  
12 knit this thing together in a way that we have ongoing  
13 partnerships with the participating agencies in a way that  
14 makes sense. That would start us off with a program that's  
15 affordable and a philosophy for moving forward that kind of  
16 slowly zips this thing together and integrates it across  
17 all the resource agencies that have responsibility.

18 MS. SLATER: And so, how do we determine  
19 then what the priorities are for the core program? Are  
20 there ideas on that yet, or is that.....

21 MS. MCCAMMON: I think it will have to be  
22 as we go through this sieve process, what ends up coming  
23 down to the end, is going to be -- there's going to have to  
24 be some judgments made that this is going to be the focus  
25 of GEM. And we haven't gotten to that part yet, but that

00199

1 will be a collective focus.

2 MS. SLATER: So we don't know how we're  
3 going to focus down?

4 MS. MCCAMMON: It will be a collective  
5 looking at it and making some assumptions that, in certain  
6 cases, that the agencies will do certain things and commit  
7 to doing certain things, and that the GEM Program is only  
8 going to focus on other key areas. So, as we get through  
9 this, that will be a decision made by the Trustee Council  
10 at the very end.

11 MS. SLATER: Is there a way to incorporate,  
12 in approaching that, before it gets to the Council, some  
13 kind of an interdisciplinary team that involves agency  
14 folks, or whatever, to get together and look at that and  
15 collectively make recommendations to the Council so that  
16 you've got those people at the table in the developmental  
17 stages of making those cuts?

18 MS. MCCAMMON: Well, first of all, I want  
19 to reiterate that we have had interdisciplinary teams and  
20 lots of people looking at this for two years, so we have  
21 lots of input right now on what people think we should be  
22 focusing on. So, what we're doing now is going back and  
23 contracting with some key people to upgrade some of the  
24 sections on the current state of knowledge of marine  
25 mammals in the Gulf, the current state of knowledge of sea

00200

1 birds, to do a peer review of the gap analysis. And the  
2 peer review is going to be a combination of experts plus  
3 agency people. It's going to be a broad group. And then  
4 when we get to the gap, these folks will do a first cut at  
5 the gaps, and then we will bring in as many people as  
6 possible in interdisciplinary teams looking at that and  
7 trying to craft from that the core program. So, yes, it  
8 will be both into it.

9 MS. SLATER: Will there be agency people on  
10 the interdisciplinary teams, and.....

11 MS. MCCAMMON: Yes. Agencies' people will  
12 have to be key to this whole thing. Yes.

13 MS. REFT: Excuse me?

14 CHAIRMAN TILLERY: Yes, Ms. Reft?

15 MS. REFT: This is real concerning. I'm  
16 having a hard time hearing you, and this is a very  
17 important discussion that you're having. Is there any way  
18 that we can obtain information regarding this? I did send  
19 you a fax. You keep breaking up off and on, but it would  
20 be good to have some documentation, especially when you're  
21 referring to the ecosystem and the food habitat and  
22 removal.

23 CHAIRMAN TILLERY: Yes, ma'am, Ms. Reft.  
24 We have a slight microphone shortage. We'll be a little  
25 better about moving that microphone around to the various

00201

1 people here. In addition, you've asked for a copy of the  
2 transcript of this meeting, and we will provide that to you  
3 and that will contain everything that's being said, word  
4 for word. So, you'll be able to get it from that also.

5 MS. REFT: Right. And what would be awful  
6 helpful is if we can also have a documentation on exactly  
7 what is defined as the food use and subsistence and how  
8 that fits this process, if it's supported. Basically, what  
9 you've been discussing now -- because it's hard to follow  
10 the conversation without any documentation to refer to.

11 CHAIRMAN TILLERY: We will provide you with  
12 a copy of the documentation that has been discussed here.  
13 Ms. McCammon?

14 MS. REFT: Thank you.

15 CHAIRMAN TILLERY: Okay. Thank you. So,  
16 when you guys talk back and forth, we only got that one  
17 mike, so if you could move it around, that would be  
18 helpful.

19 MS. REFT: I realize that, and I appreciate  
20 your patience. It's difficult for us to attend workshops  
21 or meetings that aren't either in the villages or nearby  
22 us, because Anchorage is quite expensive to travel to.

23 CHAIRMAN TILLERY: It is, indeed. Okay,  
24 then, Ms. McCammon?

25 MS. HEIMAN: So, we're going to fax this

00202

1 document to her right now?

2 MS. MCCAMMON: Yes, yes.

3 MS. HEIMAN: Okay, great.

4 CHAIRMAN TILLERY: Do you have a number?

5 MS. HEIMAN: Uh-huh (indiscernible).

6 CHAIRMAN TILLERY: Okay. Mr. Gibbons?

7 MR. GIBBONS: Mr. Chairman. I was looking

8 at this and I really like the format and all.

9 CHAIRMAN TILLERY: Excuse me. Could we

10 start by getting that mike over there?

11 MR. GIBBONS: Excuse me. And I see

12 habitat. Have you guys been working with talking to the

13 land managers -- I see murrelets, and some of the things

14 that use the uplands -- in any of your monitoring? Just a

15 question. And then, did you also look at black

16 oystercatchers as a possible species?

17 DR. MUNDY: Mr. Chairman?

18 CHAIRMAN TILLERY: Dr. Mundy?

19 DR. MUNDY: Thank you. Yes, Mr. Gibbons.

20 If you would look at the outline document, I could give you

21 probably the best answer of that. That's in front of the

22 tables. It's the last two 8 1/2 by 11 pages that you've

23 got in front of the tables. And I would refer you to

24 Section 4. The document I'm looking at is entitled GEM

25 Monitoring and Research Plan Discussion Draft Outline, that

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1 was previously introduced to you by Molly. And then in  
2 Section 4 there, we are looking at, under Item A,  
3 terrestrial marine linkages and we will fully develop that  
4 when we produce the next draft of the GEM Monitoring and  
5 Research Plan.

6 We definitely are talking to the land  
7 managers. We've been particularly talking to the Forest  
8 Service in this area about their long-term monitoring  
9 programs. The grid system is a long-term monitoring  
10 program that the Forest Service has in place, and some of  
11 those sites are coastal programs. There's also a program  
12 in place for monitoring campsites adjacent to intertidal  
13 and subtidal habitat that appears to be critical, and we're  
14 also aware of that and working with those programs.

15 In terms of the black oystercatcher, which  
16 is a bird that may be a sensitive species in the intertidal  
17 environment, that has been brought to our attention. And,  
18 of course, our list of species in Table 1 is not exclusive.  
19 If there are proposals for using the black oystercatcher,  
20 and it looks like it would be, you know, a good use of the  
21 funding for the monitoring program, I'm sure that the  
22 approach that we're taking here would allow that to be  
23 included.

24 MR. GIBBONS: Pass it back to me. The  
25 reason I bring the black oystercatcher up is it's a real

00204

1 sensitive species in our forest plan revision. They tend  
2 to nest in fine grain beaches, and that's where the public  
3 like to camp. And so, we're going to be monitoring those  
4 beaches and try to do closures during critical habitat  
5 times, and so that's the reason I brought that up.

6 CHAIRMAN TILLERY: Ms. Heiman?

7 MS. HEIMAN: I was wondering if, at some  
8 point, we could go through what didn't make the list or,  
9 you know, where we go through marine mammals, sea birds,  
10 all these -- what didn't make the list and why? I guess I  
11 would like a little more analysis -- I don't know when the  
12 appropriate time is -- about which species became bolded  
13 and were the top reference species versus ones that aren't  
14 bolded versus ones that aren't even on the list that were  
15 analyzed. It would be of interest to me.

16 MS. MCCAMMON: Okay.

17 CHAIRMAN TILLERY: Is that available?

18 MS. MCCAMMON: I mean, we could go through  
19 this right now and just kind of the thinking, because.....

20 MS. HEIMAN: I don't know. I would ask the  
21 other members if that's useful, or else I could learn that  
22 on my own.

23 CHAIRMAN TILLERY: I had the same question  
24 as we were kind of going through this, over this chart.  
25 But, why did something get bold? Why was something not

00205

1 bold?

2 MS. MCCAMMON: Uh-huh.

3 CHAIRMAN TILLERY: Maybe not on a species-  
4 by-species basis, but some sense of why you made choices.

5 MS. MCCAMMON: You have to realize that  
6 this is somewhat subjective, because it is a decision-  
7 making that you're going to focus on some things and not  
8 others. And, I mean, all things warrant some focus. So  
9 it's just a question of trying to draw some line there.  
10 And this is a discussion draft only, and we put this out as  
11 a first draft for people to look at, and this is actually  
12 the first opportunity we've had to get input from other  
13 people, and I would imagine that this draft would change  
14 just based on information that people give. But we could  
15 go through these and Bob and Phil -- you did the initial  
16 analysis. We first went back to this document for the  
17 criteria and so these actually come from this document in  
18 terms of the six criteria at the top.

19 MR. BALSIGER: Could I ask just one  
20 question before you proceed? I presume that a lot of this  
21 came through the reviews of that and the workshop.

22 MS. MCCAMMON: Yes.

23 MR. BALSIGER: So it wasn't just Bob and  
24 Phil and you that did it.

25 MS. MCCAMMON: Right.

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1 MR. BALSIGER: There's been quite a process  
2 behind it already.

3 MS. MCCAMMON: Right. Exactly. So, I mean  
4 this isn't just five people sitting down. It's the basis  
5 of the workshop, focus groups and talking to people through  
6 the last two years. So, it's the first cut at trying to  
7 synthesize what other people have been saying and  
8 suggesting.

9 Looking at marine mammals, and in doing the  
10 evaluation on the six criteria -- and I think the big  
11 question in marine mammals was on the question of the large  
12 whales and whether to include the large whales in that --  
13 and I think the initial decision was not to, with some  
14 hesitancy, because of their potential importance to the  
15 system. But part of that was because they migrate so much,  
16 and they're so difficult to monitor and to research. The  
17 initial decision was not to include them in the bolded  
18 list. But that was one that I know we felt some hesitancy  
19 on. I think that was really the only one in marine mammals  
20 that we felt -- I don't know. There weren't any others  
21 that kind of came up to the top of the list or were of  
22 great concern, but the large whales definitely were.

23 MS. HEIMAN: I don't know if it falls in  
24 the category. Salmon sharks was not looked at, or they're  
25 not marine mammals? I don't even know.

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1 MS. MCCAMMON: They're sharks. It's under  
2 fish and shellfish.

3 MS. HEIMAN: Sorry. They seem big and sort  
4 of marine mammal like. I don't know.

5 MS. MCCAMMON: I don't know. Is there any  
6 other?

7 MR. BALSIGER: They do deliver live young,  
8 so.....

9 MS. MCCAMMON: I think that's -- what's  
10 that?

11 MR. BALSIGER: They deliver live young.

12 MS. MCCAMMON: I guess we didn't include  
13 all the seals, either. But, the harbor seal was the one  
14 that we've focused on the most that, certainly from  
15 subsistence use, is really important. And, in terms of  
16 ecological importance, it's really up there at the top.

17 MS. REFT: Excuse me.

18 MS. MCCAMMON: That would be the only other  
19 thing, would be a question about other kinds of seals. But  
20 the recommendation was to focus on harbor seals.

21 CHAIRMAN TILLERY: Ms. Reft, are you having  
22 trouble hearing?

23 MS. REFT: Yes, I am, but we've had a  
24 couple of people enter into the room. But, in reference  
25 with talking with people over the last two years, can you

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1 refer us to those people that you've talked to in regards  
2 to the Kodiak region and subsistence and our harvest  
3 intake?

4 MS. MCCAMMON: We've talked to Paul  
5 Panamarioff, who's the Community Facilitator for the Kodiak  
6 villages, from Ouzinkie; and to folks at KANA; and to folks  
7 at Fish and Game who monitor the subsistence harvest; to  
8 Vicky Vanek, who's been working real closely with the  
9 Harbor Seal Commission.

10 MS. REFT: Is Paul Panamarioff the only  
11 person that's supposed to be working with the village that  
12 you're talking to? Each village is different within their  
13 ecosystem, and their reliance on their subsistence foods.  
14 I'm just wondering if there's a representation from all  
15 these areas and who we would refer to in participating with  
16 this process, because no one here knows anything about this  
17 process, or having been approached, regarding subsistence  
18 and our food gathering.

19 MS. MCCAMMON: I know we've talked to other  
20 people in Kodiak, Dolly, and I can get you their names and  
21 all. It's been always a challenge to try to get people  
22 involved in this and interested in the process and I'm glad  
23 to hear that you're interested in it and I'll make sure  
24 that you get the information and that you're on our list.

25 MS. REFT: We always have been, and it's

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1 difficult because the corporation can't speak on behalf of  
2 subsistence or the tribal boundaries. We know that through  
3 the SARA Amendment. And, also, I notice the meetings that  
4 you've had are at peak times of the year that we're out  
5 fishing or gathering or doing our subsistence, so that, in  
6 and of itself, poses a challenge.

7 MS. MCCAMMON: Okay.

8 CHAIRMAN TILLERY: Okay. Thank you. Now,  
9 were going to (indiscernible) down the list?

10 MS. MCCAMMON: Fish and shellfish -- I  
11 think, again, it was the analysis on the six criteria and  
12 looking at the largest commercially harvestable species --  
13 salmon, herring, pollock, halibut, shrimp and crab. And I  
14 don't know if you wanted to add anything further to that.

15 DR. MUNDY: I just comment that, again,  
16 these factors one through six that we took out of the April  
17 2000 GEM document were not equally weighted. We were  
18 trying to select species that would give us a good look at  
19 the monitoring and research program. So these species,  
20 again, are not meant to be exclusive of the types of  
21 species that are included in the GEM Program or that we  
22 might study, but they're selected to be a good way of  
23 getting a look at what the GEM Program will do for agencies  
24 and what the GEM Program will do for members of the public  
25 that are interested in resource management. So, factor

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1 number 1, for example -- human relevance -- is an issue  
2 driven sort of factor.

3           So, the way that the species were selected  
4 didn't weight these equally. And, again, we were trying to  
5 find a set of species that would give us a good look at the  
6 program from a practical perspective.

7           MS. MCCAMMON: I think what's key, though,  
8 here is that just because it's in bold doesn't mean that  
9 there's not necessarily any work that might be done on some  
10 other species that isn't bolded. The work that would be  
11 done on those species would have to illuminate some  
12 information about these species or the particular niche  
13 that they represent in the ecosystem.

14           MR. BALSIGER: Mr. Chairman, I.....

15           CHAIRMAN TILLERY: Mr. Balsiger?

16           MR. BALSIGER: I guess we're talking about  
17 individual ideas here. Is that what we're trying to do?  
18 One curiosity that I've had is the arrowtooth flounder in  
19 the Gulf of Alaska, and I notice you didn't put that in  
20 here. To me, that's more interesting than halibut because  
21 of the tremendous bio mass. I understand halibut is more  
22 important from the human aspect, because they can turn it  
23 into dollars easier. But was there a thought why  
24 arrowtooth or some of those other flat fishes didn't show  
25 up?

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1 DR. MUNDY: Mr. Chairman?

2 CHAIRMAN TILLERY: Yes.

3 DR. MUNDY: We are aware of the ecological  
4 importance of arrowtooth flounder. This list is not by any  
5 means exhaustive. Again, it was more of an issue driven  
6 list. So, species that were of more economic importance  
7 tended to get first consideration and go on the list.

8 Nonetheless, this is a draft. And, if we get advice about  
9 a particular species that might be on this list, we can  
10 certainly reconsider that. The arrowtooth flounder I would  
11 certainly agree, is an extremely ecological important fish.

12 DR. SPIES: Mr. Chairman, if I might also  
13 comment.

14 CHAIRMAN TILLERY: Dr. Spies.

15 DR. SPIES: One could also look at these  
16 species much as the pink salmon and herring did for SEA, as  
17 portals into the ecosystem. And, so, we learned a lot  
18 about the Prince William Sound ecosystem aside from just  
19 exactly what herring and pink salmon did, for example.  
20 And, so, I would imagine that in trying to understand food  
21 availability and production for a lot of these species,  
22 that we are going to be, in some form, be continuing some  
23 small mesh trawl sampling throughout the area and we will  
24 be catching arrowtooth flounder as part of that process.  
25 So, we'll have information on those, although they may not

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1 be a primary focus here, or a portal, into the system.

2 CHAIRMAN TILLERY: I notice that there's  
3 not a criteria here for oil spill injury, injured species  
4 or anything like that, nor do I see how it really fits  
5 under any of the criteria. Is that brought into this in  
6 any way that there would be any emphasis on a species?  
7 Like a lot of them that we've talked about over the years -  
8 - murrelets, pigeon guillemots, et cetera -- juvenile  
9 salmon didn't make the bold list. What's the thought  
10 behind that?

11 MS. MCCAMMON: We did look at the injured  
12 species list and whether some of those should be included,  
13 and I think the major goal was to look at those that had  
14 either -- I mean, I think the major importance was  
15 ecological importance and human relevance, that those were  
16 strongly weighted. And so, what is it that marbled  
17 murrelets or some of the other species could tell us, and  
18 is there some other species here that could kind of address  
19 those issues or that particular niche better? And so it  
20 was a balancing there. So, we didn't just say because it's  
21 an oil spill injured species that it was on here  
22 automatically.

23 CHAIRMAN TILLERY: Automatically. I  
24 understand that. But this will be the sum total of our  
25 program. And, to the extent that we have some species who

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1 have not fully recovered, how are we going to know five or  
2 10 years from now what their status is?

3 MS. MCCAMMON: We'll be doing an update on  
4 the status of the injured species list in a year, year and  
5 a half. And, at that time, my guess is that a lot of the  
6 species that were recovering will be -- will have met our  
7 recovery objectives by that time, or there will be an  
8 understanding we'll never know what the true injury or true  
9 recovery is. It'll just be like an unknown, actually,  
10 which doesn't mean you don't know what its status is but  
11 whether it's actually recovered from the original injury,  
12 because the extent of the original injury was unclear to  
13 begin with.

14 To what extent you keep monitoring those  
15 species or keep reporting on them, I think that's an open  
16 question. As long as there is some extent of injury, then  
17 it's the responsibility of the Council to keep monitoring  
18 them. It does raise a good point in terms of just  
19 reporting the status of certain things as long as they're  
20 somewhat on that spectrum of injury. So, put something in  
21 there on that.

22 DR. SPIES: Mr. Chairman, I also might  
23 mention because of the large amount of study that's been  
24 devoted to quite a few of the injured species that they're  
25 apt to make it on this list here.....

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1 MS. MCCAMMON: Right.

2 DR. SPIES: .....for the criteria of  
3 existing datasets, criteria number five. First is harbor  
4 seals, sea otters, killer whales, salmon, herring, black-  
5 legged kittiwakes, and murre and sea ducks or juvenile  
6 herring are all injured species considered during the  
7 spill. So, there's a great deal of overlap between.....

8 MS. MCCAMMON: I don't have that. It's  
9 probably in here. The major list of species that aren't on  
10 here are birds.

11 CHAIRMAN TILLERY: Uh-huh. That's.....

12 MS. MCCAMMON: I mean, that's the biggest  
13 area are the birds. And I'd have to look, for example, the  
14 three species of cormorants, and I'd have to look back in  
15 terms of what our recovery objectives are. My guess is  
16 we're getting to the point where achieving recovery  
17 objectives is getting more and more difficult just as time  
18 away from the spill event.

19 DR. MUNDY: Mr. Chairman, we -- I'm sorry.

20 CHAIRMAN TILLERY: Dr. Mundy?

21 DR. MUNDY: We did specifically consider  
22 injured species under criteria three, the ability to  
23 indicate ecosystem disturbance. And, as the list of  
24 species that Dr. Spies read off indicates, the ones that  
25 tended to wind up on here were the ones that are easier to

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1 study and the status of which can be determined more  
2 readily; the population sensitive to human or natural  
3 caused change, and the -- that's number three; and then,  
4 number 5, existing datasets are well understood.

5           We put the species that we felt that we had  
6 a good chance of understanding the changes of on this list.  
7 A lot of the conclusions that were for injured species in  
8 the last several years that contributed to the GEM Program  
9 was that we did not know enough about the basis ecosystem  
10 processes and about the basic food sources and natural  
11 disturbances in species to understand human caused change  
12 in those injured species. And we felt that by building the  
13 information base that we should be able to do under GEM  
14 that we would eventually be able to understand those  
15 processes and thereby understand those injured species  
16 better. So, that was the thought process that went in it.  
17 But, criterion three and criterion five, we did  
18 specifically examine injured species as candidates.

19           CHAIRMAN TILLERY: Mr. Gibbons? You want  
20 to move that mike?

21           MR. REFT: May I cut in? This is Kodiak,  
22 John Reft.

23           CHAIRMAN TILLERY: Hi, John. Actually, the  
24 time for public comment has sort of passed. If you're  
25 having trouble hearing, or whatever, we'd appreciate you

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1 letting us know that, but it's not.....

2 MR. REFT: Yes, sir. I understand that,  
3 sir. But, yesterday, you gave us a three-minute limit, and  
4 that's what I accepted. But, in comparison to the people  
5 that were buttering up the ex-EVOS Committee for their  
6 great work and stuff, they took seven or eight minutes, or  
7 maybe even 10. And I did not get my time in there, and I  
8 feel like, you know, my feathers are ruffled because the  
9 time I had in comparison to the time that people were there  
10 buttering up the EVOS Committee.

11 CHAIRMAN TILLERY: Well, I.....

12 MR. REFT: I did not get a chance yesterday  
13 to finish my comment, because I was going by your time  
14 limit, and respect.....

15 CHAIRMAN TILLERY: I appreciate -- we  
16 appreciate your following the rules, and we tried to make  
17 every effort at the end of three minutes to ask people to  
18 close and some people follow the rules better than others.  
19 We thank you for following them.

20 MR. REFT: I understand that. But  
21 yesterday you said that if anybody had not talked, that was  
22 your opening, you know? But you did not get for excess  
23 comment, you know, that we didn't have time to finish in  
24 comparison to the people that you had there, you know, on  
25 your Committee that were really praising them. I had one

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1 thing to say on this shellfish and everything. If you  
2 would just give me a minute to state it, I'd really  
3 appreciate it.

4 CHAIRMAN TILLERY: Okay. Why don't you  
5 take a minute or two and state your concerns.

6 MR. REFT: Okay. Now, I was in on the oil  
7 cleanup in the Sturgeon/Karluk area in 1989. We were  
8 brought in there when the oil hit. And when we got in  
9 there, there was no contamination in the Sturgeon Lagoon  
10 area, and we had three boats that were standing by, and the  
11 oil did hit in there seven days or so after we were in  
12 there, and the clams that we were digging and eating prior  
13 to the infiltration of the oil into the Sturgeon River  
14 Lagoon area were good. We ate them. And then all of a  
15 sudden, I get up one morning and all the clams in that bed  
16 area when the tide was low and out were laying on top of  
17 the sand dead.

18 Okay. We worked that thing for three  
19 months, and then we were asked to extend our time limit on  
20 to December, if possible, to clean up the area. Well, the  
21 weather got difficult in August. I mean, really, this is  
22 the roughest area in the Kodiak Island, the run from  
23 Sturgeon River to deliver to Larson Bay all the  
24 contaminated stuff that we were shoveling and delivering in  
25 bags. Well, when that happened, the weather got tough and,

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1 all of a sudden, they said the area is clean. We're going  
2 out of here. We're all done. And we said, no. It is not  
3 clean. It's contaminated, still coming in on every tide.  
4 And they said, no, it's clean. So, we were removed from  
5 that area and came in, got our ships and everything cleaned  
6 up and then, after that, we heard nothing about restoration  
7 of that area that was contaminated.

8 Well, the point that I'm making, sir, is  
9 that eight years after that so-called cleaned area in the  
10 Sturgeon River Lagoon, my cousin, Sonny -- actually his  
11 name is Gus Reft, Jr. -- ate those clams eight years later  
12 and died. That is not restoration.

13 CHAIRMAN TILLERY: Okay. Thank you.....

14 MR. REFT: And it makes me sad.

15 CHAIRMAN TILLERY: Sir.....

16 MR. REFT: You guys could be here on this  
17 Committee, and monies for restoration are not being used.  
18 People are dying, and you're worried about the damn  
19 mammals. We haven't had shellfish in this area for years  
20 because of the oil spill. I'm sorry, but that's my point.  
21 And I wish that the Committee would get down to the real  
22 point of the monies that were given. Restore the lands to  
23 the Native people where they're cleaned, and we can utilize  
24 our foods that we haven't had for 11 years or so. Thank  
25 you.

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1                   CHAIRMAN TILLERY: Thank you, Mr. Reft.  
2 And I think Mr. Reft makes a good point, and I think that  
3 he makes the same point that I was getting at a little  
4 earlier, which is some of these species may be important  
5 and may be the best way to study the ecosystem but, at the  
6 same time, we have sort of a basic responsibility to finish  
7 up what we started in terms of the species that were  
8 injured by the oil spill. And to the extent that there are  
9 still unknowns out there and we don't know whether they've  
10 recovered, they need to be looked at. And, if they can be  
11 looked at in the context of this program, so much the  
12 better. If they have to be looked at outside of the  
13 program, then I think we have to start thinking about that.  
14 Ms. Slater, if you can move the mike over. Thank you very  
15 much, Mr. Reft. We appreciate that.

16                   MS. SLATER: Yeah. I just had a follow-up  
17 question, because I'm a little confused. I thought that in  
18 the scientific framework conceptual document that the  
19 direction was a program that would focus on the long-term  
20 monitoring, but there would be some smaller component  
21 potentially available for shorter term, targeted research,  
22 whatever you want to call it. And I thought that it was in  
23 that component that if it was appropriate to look at  
24 lingering injury or things of that nature, that that would  
25 fall under that portion of the overall program. Is that

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1 incorrect?

2 MS. MCCAMMON: No, that's correct. And, in  
3 looking at the list of not recovering, recovering,  
4 recovery, recovery unknown, my guess is that within the  
5 next year and a half a lot of the recovering species will  
6 be declared recovered. The vast majority of them will have  
7 been. For the not recovering, of those, I think it's  
8 primarily the birds -- loons, cormorants, pigeon guillemot.  
9 And the question is, how we report on the status if those  
10 have been declared recovered or not? And I think it does  
11 raise a good point that, in terms of this, that we probably  
12 need to include -- if maybe only a subset -- that  
13 monitoring for a certain species. Although, maybe for an  
14 overall, a 100-year program, you wouldn't include those as  
15 the monitoring program, at least until either recovery has  
16 been declared or it's been declared that recovery will  
17 never be known and acknowledged, that there will be some  
18 acknowledgment in this. And we did do it somewhat by  
19 putting on Table 2, on the side, oil spill impacts for some  
20 species. But, clearly, not all of them are included, and  
21 so we can revise that, too, to make sure that's clear.

22 CHAIRMAN TILLERY: Okay. I think we've got  
23 about 20 more minutes under the agenda. How much more do  
24 you want to (indiscernible - simultaneous speech)

25 MS. MCCAMMON: I didn't know if you wanted

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1 to continue going through this table, or if you want to  
2 talk about....

3 CHAIRMAN TILLERY: Ms. Heiman, did you get  
4 enough of a sense, or did you want to sort of continue to  
5 look through these?

6 MS. MCCAMMON: I mean, our goal -- what I  
7 would like, on particularly Table 1 and Table 2, knowing  
8 that this is an iterative, ongoing process. You know, as  
9 our former mentor, Jim Ayers, said, you can't get into  
10 trouble if something's labeled draft. This will be draft  
11 for a long time. But, I would like to get input from the  
12 Trustee agencies and from others. We've gotten a lot of  
13 input already just in developing this table, but further  
14 input in the next month, because this will be the basis and  
15 will be the focus for the gap analysis and for the further  
16 work. I mean, we'll put the greater emphasis on the bolded  
17 species than on the non-bolded species.

18 CHAIRMAN TILLERY: Mr. Balsiger?

19 MR. BALSIGER: I think that's a good idea,  
20 is to put more emphasis on it and get agency review. But  
21 the next month is kind of a tough time to expect much  
22 review. I'm not sure how broadly this has been  
23 distributed, but I'm thinking here of sending it out and  
24 saying get something back on this right after New Year's.  
25 How critical is the timing, I guess? Are you looking at

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1 the next Trustee Council meeting as when you would want it  
2 back?

3 MS. MCCAMMON: January 16th is -- I mean,  
4 in an ideal situation, knowing again that it's still a  
5 draft, but just kind of the first look through. Is this on  
6 target? Is there something that obviously should be on?  
7 Is there something obviously that should not be on? The  
8 tendency is to add, not take away.

9 CHAIRMAN TILLERY: But timing is sort of a  
10 major issue.

11 MS. MCCAMMON: Oh, I know. Timing is a  
12 major issue. But if we do have these folks on contract who  
13 will be summarizing all of the scientific information on  
14 these particular species plus reviewing -- we're having the  
15 gap analysis done -- plus peer reviewing that, it is --  
16 we'd like to get them going by the middle of January. And  
17 so they kind of need to know which things to focus on.  
18 And, as we get through this, they may even have some  
19 suggestions in reading all the literature about marine  
20 mammals and what, in the Gulf, they may come back and say,  
21 you're really missing the boat. This one is more important  
22 ecologically than this one. I mean, through this whole  
23 process I hope we'll get additional information that  
24 affects things one way or another.

25 MR. BALSIGER: So, would you be expecting

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1 the agency people to fill out the rest of Table 4, the gaps  
2 as they see it, then?

3 MS. MCCAMMON: What I think would be an  
4 easier job for them is if they had a draft that then they  
5 respond to, and say this is wrong, this should be out and  
6 this should be out. It's usually easier for people to  
7 respond to drafts than it is to create new documents and  
8 new things. So, we would have a draft of that that they  
9 would respond to, but they wouldn't get that portion until  
10 probably late February. So, at this stage, over the next  
11 month all we're looking at are Tables 1 and 2.

12 CHAIRMAN TILLERY: Ms. Heiman?

13 MS. HEIMAN: Yeah. I was just curious. I  
14 mean, I understand the process maybe a little bit better.  
15 I thought that the agencies have been involved in this to  
16 date.

17 MS. MCCAMMON: They have been, but when we  
18 put the table together, we sent it out to very few people  
19 just to look at and say, okay, are we really off on this  
20 one? But we just didn't have the time to circulate this in  
21 advance of this meeting.

22 MS. HEIMAN: Oh, I see. Okay, yeah. I  
23 would concur that we really need to get that review of our  
24 agencies on this.

25 MS. MCCAMMON: That was the goal between

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1 this and the next.....

2 MS. HEIMAN: Oh, I see. Okay. Then it's  
3 helpful to know that. Also, if you're looking for areas  
4 that some folks in our agency noticed that weren't  
5 highlighted, I think pigeon guillemots -- people are  
6 surprised that they did not make the cut. And I think it  
7 goes along the line that Mr. Tillery was talking about with  
8 the spill effects as well.

9 And, you know, I don't begin to know if  
10 more research will tell you more or less or that you've  
11 researched these species till you're blue in the face and  
12 you've gotten all you can. I don't know that information,  
13 but I just want to raise that. And I agreed with the  
14 concern about humpback whales, but also understand the  
15 difficulty in tracking them and studying them because of  
16 the cost. But, you know, they just seem to me a critical  
17 species in our ecosystem in the ocean and the Gulf.

18 You know, I would really like to flesh out  
19 these sea birds and sea ducks a little bit more, in more  
20 detail. And all this will be detailed out more, I'm sure.  
21 But that's, you know, an area where you will see -- you  
22 know, these species are in the ocean and then they're on  
23 land. They're nesting. And they really tell you a lot  
24 about the intertidal and the watersheds and the ocean  
25 ecosystem, and I think they are really critical species for

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1 that. And so I would really like the folks that are  
2 working on this to take close look, and I'll ask our people  
3 to look at it as well and give us some feedback.

4 MS. REFT: May I speak, please?

5 CHAIRMAN TILLERY: Yes, ma'am, Ms. Reft?

6 MS. REFT: I know we were promised and  
7 assured that our system was taken care of and not to worry  
8 because we had certain rights, and in looking at this list,  
9 there's a lot of foods we've had to substitute because our  
10 ecosystem -- parts of it -- are no longer edible, or  
11 they're sick, and we know that. So, I don't know the  
12 english translation for ojide (ph) badarkies, but the kelps  
13 and, I guess, the Chitons -- these types of things that  
14 we've substituted knowing that the clam beds have been  
15 totally dead, now. These we rely on.

16 There's a human fact, here, not involved.  
17 And I don't know what it's going to take to get attention.  
18 We need to tell all our people to go to their beaches and  
19 dig up clams and eat it. Is that what it's going to take  
20 to show you what we're up against within our environment?  
21 Fish and Game has warned us not to eat these things, so  
22 we've substituted. And the food chain that you promised to  
23 protect is not on here.

24 MS. MCCAMMON: Well, Mr. Chairman.....

25 CHAIRMAN TILLERY: Yes, Ms. McCammon.

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1 MS. MCCAMMON: .....it is on here. The  
2 intertidal communities and subtidal benethic communities.  
3 And this wasn't labeled species specific because there are  
4 so many of them in those communities. And to just pick out  
5 a few, like clams or chitons, we felt wasn't appropriate,  
6 and the way they're studied isn't done in that fashion.  
7 This is actually the entire communities and not on a  
8 species specific basis. But there is definite recognition  
9 of the importance of the intertidal area and the resources  
10 in the intertidal area. Certainly, that was where the  
11 majority of the oil spill effects were, was in the  
12 intertidal area. And this will be a major part of the  
13 Program.

14 CHAIRMAN TILLERY: Okay. Thank you for  
15 that explanation. Mr. Gibbons?

16 MR. GIBBONS: Yes, Mr. Chairman. I would  
17 just like to reiterate what several members of the Trustee  
18 Council have said. I don't want to lose the injured  
19 species list. I want to be able to track. We have a  
20 responsibility, I think, there. We have a responsibility  
21 to come to closure on some of those. So, I just want to  
22 make the point that we need to be able to track those in  
23 regards to this. And, if it's a short-term, great. But I  
24 think we need we need to do that.

25 CHAIRMAN TILLERY: Ms. McCammon, is there

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1 more?

2 MS. MCCAMMON: Well, this is it. What you  
3 see is it right now, but just getting to this point has  
4 been a year and a half process. But I think there's a lot  
5 of substance behind it, and that, within the next few  
6 months, if we can get your input today on the overall  
7 approach, on Table 1 in the next month, and then, by mid-  
8 January -- at the January 16th meeting -- if there are any  
9 major recommended changes, additions, or whatever, we would  
10 use this then as the basis for going ahead and drafting the  
11 initial plan.

12 But I do need to let you know that there is  
13 this kind of dynamic tension and, as your Program Manager,  
14 I feel obligated to tell you this in terms of trying to do  
15 an effective program with the amount of funding available  
16 versus what the mission and goals of the program are and, I  
17 think, what all the Trustees would like to do. Certainly,  
18 the needs are far greater than the funding available, and  
19 there is a tension to try and put together a program that  
20 makes sense, that is integrated, that is sustainable, that  
21 meets all of your desires and needs, and yet is still  
22 within our funding limits. So, I appreciate all of the  
23 agencies who have been working with us and all of the  
24 scientists. There have been a whole number of scientists  
25 who have volunteered and who have given us information and

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1 who participated in this Program in developing it. In  
2 Alaska, and outside of Alaska, there's just a lot of  
3 interest in trying to do something like this, and not just  
4 from kind of, you know, this generic sense of trying to  
5 understand what's happening in the ecosystem, but actually  
6 trying to develop a program that meets the needs of the  
7 public users and other resource managers. So I hope you  
8 bear with us as we go through this process.

9 (Mr. Rue - Returns 10:20)

10 CHAIRMAN TILLERY: And, in sort of final,  
11 in going through this and getting back your comments, will  
12 the Community Facilitators be taking this back out to the  
13 communities again?

14 MS. MCCAMMON: Yes, they'll be. They  
15 received the packet ahead of time. Sara's been in touch  
16 with them. They actually are doing their own natural  
17 resource management plans for a number of the villages, and  
18 how this develops is very key to their developing their own  
19 management plans, so, yeah.

20 MS. HEIMAN: I don't know if this is how  
21 you're doing it, but we do have a whole subsistence  
22 division that has grown rapidly over the last year, and  
23 will continue to grow. And I know Fish and Game does as  
24 well. And I just hope that -- we have Regional Advisory  
25 Councils, and we have liaisons to those Councils who are

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1 speaking to each of the regions. And it might be a good  
2 way to collect some data and information on this. I mean,  
3 I don't want to give them too much work, but I do think  
4 talking to those people and finding out who to talk to in  
5 the communities would probably be a very useful endeavor.

6 MS. MCCAMMON: And we've had some initial  
7 contacts with them, and we'll continue to do that.

8 CHAIRMAN TILLERY: Anything else?

9 (No audible response)

10 CHAIRMAN TILLERY: Have you pretty much  
11 wrapped up this portion?

12 (No audible response)

13 CHAIRMAN TILLERY: Is the presentation  
14 ready for the next -- pretty much, we're taking a break  
15 now. Can we start back at 10:30?

16 MS. MCCAMMON: Tylan, I think Sharon is  
17 here? Sharon is here, yes.

18 CHAIRMAN TILLERY: So everybody's here  
19 then?

20 MS. MCCAMMON: Yes.

21 CHAIRMAN TILLERY: Okay. Well, why don't  
22 we take a break now, and reconvene at about 10:35, say, and  
23 start up with the SeaLife Center Portion.

24 (Off record - 10:23 a.m.)

25 (On record - 10:39 a.m.)

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1                   CHAIRMAN TILLERY: Can we sort of come back  
2 together? The next item on the agenda is the Alaska  
3 SeaLife Center update. Ms. McCammon?

4                   MS. MCCAMMON: Mr. Chairman, at your August  
5 meeting you requested a briefing from the Alaska SeaLife  
6 Center. There's certainly been lots of activities in the  
7 news lately, and the Trustees asked for the opportunity to  
8 get a presentation from the SeaLife Center, the new  
9 Executive Director, and from the board of directors, just  
10 advising them on what the status of the Center was in terms  
11 of its research program, and kind of financial program, and  
12 how things were going with it, and give the opportunity if  
13 there were any questions directly from the Trustees. So,  
14 Tylan Schrock, who is the new Executive Director of the  
15 SeaLife Center, and Sharon Anderson, who is president of  
16 the board, are both here to address you. And there is a  
17 packet that's been handed out, also.

18                   CHAIRMAN TILLERY: Okay. Thank you.

19                   MR. SCHROCK: You bet. Mr. Chairman, thank  
20 you for the time on your agenda today. I'm going to go  
21 ahead and defer to the president of the board, Sharon  
22 Anderson, real quickly. And then we'll move through, I  
23 think, what will be a very direct and very thorough  
24 presentation of the SeaLife Center where it's at today.  
25 And then at the end, of course, we will be available for

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1 questions.

2 MS. ANDERSON: Thank you. Tylan, thank  
3 you, and Molly and the members of the Trustee Council,  
4 thank you for inviting us here today. It's been some time  
5 since you had an update on the SeaLife Center, and actually  
6 probably a long time since any of the members spoke to you.  
7 So, I hope that we're invited back more frequently --  
8 quarterly, half yearly, whatever -- to give you an update.

9 Who am I? I'm a longtime supporter, member  
10 of the SeaLife Center Board of Directors. I was part of  
11 the original dream before the incorporation as an advisor  
12 to the University of Alaska at the Institute of Marine  
13 Science, part of the original fund-raising, the  
14 groundbreaking ceremonies -- I've been part of it since day  
15 one it seems like. And, sometimes these last two years, it  
16 seems like it's been a long time, let me tell you.

17 The last few years I've had the pleasure of  
18 leading our incredible board of directors, of which I would  
19 like to publicly thank Dr. Bob Spies for the time and the  
20 efforts and all of his advice that he has given to the  
21 SeaLife Center and to the board. Bob, thank you. When  
22 Tylan called and asked that I join him today in this forum,  
23 I had my laptop out and I was all ready to get my  
24 Powerpoint presentation going, and my facts and figures and  
25 he said, whoa. Today the Trustees want a one-on-one

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1 conversation as to the viability, the sustainability, what  
2 is happening at the SeaLife Center. Well, for those of you  
3 that know me, I'm not exactly known for my fluff. I'm  
4 known for tact, and maybe being a little too abrupt at  
5 times. So, I'm here to tell you exactly the facts of what  
6 is going on at the SeaLife Center.

7 I admit we've been challenged the last five  
8 years. It has been financially and operationally  
9 challenging, but we are stable. We are viable, and I would  
10 like to quit reading in the newspaper of the financially  
11 struggling -- yes, it's struggling. When you buy your  
12 house, you do not pay it off in two years. We incorporated  
13 with a \$17 1/2 million capital debt. Of course, it was  
14 going to be difficult to pay off that capital debt, but it  
15 is getting accomplished and I'll move on from there. But,  
16 please do not continue to believe what's in the newspapers.

17 How many of you have been down to the  
18 SeaLife Center to see it firsthand? Great. That's great.  
19 Thank you. I invite you back. Come see it again.  
20 Introduce yourselves to the staff. See exactly the  
21 research projects that are going on down there, the  
22 educational facilities and the programs that are going on  
23 down there. Go on and do the overnight program with some  
24 of the students and see for yourselves the professional and  
25 the dedicated and the qualified staff and the leadership

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1 that is going down there. We have the support of Seward.  
2 We have the support of many people. It shows during the  
3 last two invitationals that we have held down there during  
4 August. Our reputation is spreading no matter what has  
5 been said, with our scientific credibility and support with  
6 other collaborations and facilities and museums across the  
7 United States and overseas. I'll just start off with that  
8 right now.

9                   Again, we're in our third year of  
10 operations, and we remain as our mission has originally  
11 stated. We are a research facility dedicated to  
12 maintaining and understanding the North Gulf of Alaska with  
13 education for the public, for students and with  
14 rehabilitation. And we do remain so. That is our focus.  
15 Again, our doors are open. We remain stable.

16                   In the last two and a half years, we've had  
17 to make many difficult decisions. For one thing, the board  
18 has remained strong in its vision of making sure it's a  
19 research facility. We've had to cut budgets. We have  
20 demanded that. Yes, this is a nonprofit facility, but we  
21 are going to act as a profit making facility. We're going  
22 to have balanced budgets. We're going to make sure that  
23 our expenditures do not overrun our revenues, and that is  
24 what is taking place right now.

25                   And I'd like to thank you for your support

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1 in the projects and the vision that you have seen in  
2 supporting from the beginning this facility. Without your  
3 assistance, there would be no SeaLife Center, and we are  
4 going to continue to need your support of projects. Thank  
5 you for your support and your funding of the halibut  
6 research. That is on the front page of the papers almost  
7 every day.

8                   There needs to be continued monitoring of  
9 the restoration of Prince William Sound, the Gulf of  
10 Alaska, of the Bering Sea. We need to continue the  
11 monitoring of the fish, the food chain, the mammals, the  
12 birds -- those that live in the water and the surrounding  
13 areas of those waters. And these regulations and policies  
14 that are being written, they need to be done from  
15 scientific, sound research -- from great analyzation [sic]  
16 of sound data, from informative data and research that  
17 takes place in an unbiased forum. And that is what the  
18 SeaLife Center is. We're there for the benefit of making  
19 those decisions and assisting and enabling you to help make  
20 those decisions -- not from reactions and knee-jerk,  
21 emotional ideas.

22                   You have information in front of you that  
23 Christina DeCourtney, our new External Affairs Coordinator,  
24 passed out. I hope you take the time to read those, if  
25 you're not going through them now, then later on, and refer

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1 to the project and some of the focus and the direction that  
2 the SeaLife Center is going to. From a board perspective,  
3 our 15-member board has also, perhaps, had a difficult time  
4 in actually focusing on what is the SeaLife Center. We  
5 have to work on our public credibility. Again, we are a  
6 research facility.

7 We've also, in the past few years, had to  
8 take more of a role not as a normal board. We've had to  
9 step in on the day-to-day operations due to the financial  
10 problems. Now, we're going to go back to being a board.  
11 We've had to do this because of the financial challenges.  
12 And, as you know, we ask many of our contributor to forward  
13 fund their pledges. Many of the board members reached into  
14 their own pockets to ensure that payrolls were met and that  
15 the capital debt payments were made. And, again, we had to  
16 make many difficult decisions. We had to reduce payrolls -  
17 - we had to reduce wages, excuse me. And this had to be  
18 done so we can ensure that the research can continue into  
19 this facility.

20 We do have great leadership down there with  
21 the help of Dr. Spies. We do have sound scientific  
22 research going on there. We are a turnkey facility with  
23 great laboratories, wet labs, dry labs. We have scientific  
24 leadership there in Dr. Shannon Atkinson, and we're looking  
25 forward to working with the industries that are so vital to

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1 this state, and in the Pacific Northwest, and  
2 internationally-wise, to do that research in our facility.  
3 There is no reason why it cannot be the primary cold water  
4 research facility in this part of the world.

5           Because of the day-to-day operations that  
6 we stepped into, it made the board really not too popular.  
7 We had a recent, two-day strategic planning meeting in  
8 October, and we have stepped back in joint meetings with  
9 the staff, with the leadership department heads, and the  
10 board is regrouping and looking at what we should actually  
11 focus on to ensure the continued sustainability [sic] and  
12 viability of the SeaLife Center. I'm not going to go into  
13 details. I'll let Tylan talk to you about the budgets and  
14 the rebuilding of some of those programs. But, I do not  
15 believe it's rebuilding. It's refocusing.

16           One of the areas that we're building on --  
17 we needed to look at the skill sets of the board, of what  
18 we could do to enable and support the plans and the  
19 programs that Tylan and his staff believes that the SeaLife  
20 Center should be focusing on. Right now, in January, we  
21 will have four or five empty seats on our five-member  
22 board. And what we are looking for --and if you know of  
23 anyone in these areas, please see me afterwards -- we want  
24 the strengths of those people with science and research  
25 background and fund-raising background. We believe those

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1 skill sets will greatly enhance the board. We want to  
2 elaborate and stretch the Board membership. Right now,  
3 membership is mainly Alaskan-based. We want to enhance it  
4 to national and internationally-wise. That is for the  
5 original vision of the SeaLife Center. We're moving out of  
6 the start-up, build-up mode and into the operational mode.  
7 It is time that the board starts thinking about method  
8 also.

9                   Again, we insist that we have balanced  
10 budgets. We want sound fiscal policies and procedures in  
11 the SeaLife Center. We want to make sure that we are doing  
12 whatever research is necessary but remain unbiased to fit  
13 the needs of the industries of the state of Alaska. I  
14 don't know what more I can say.

15                   Now, I want to talk about -- we're now in  
16 our fourth Executive Director. I don't want to hear that  
17 this is a spirit of disorganization. It was just not a  
18 good fit. The SeaLife Center, whatever its mission is,  
19 sits in a setting of a very small community 125 miles from  
20 Anchorage, the largest city in our state. It's not a good  
21 fit for everyone. A few months ago when we started  
22 developing ideas from the staff and from the board about  
23 what was really lacking in the SeaLife Center, one of the  
24 main ideas and thoughts that came from both sides of the  
25 board and the staff is leadership. We needed to find

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1 someone with strong leadership and business skills that  
2 could take the SeaLife Center into the next century and  
3 continue to grow with scientific projects, again with sound  
4 fiscal planning, with a business background person. We  
5 realized that on our board sat someone with very articulate  
6 skills, who was a team builder, that had a strong business  
7 sense, that could bring all these strong points of the  
8 SeaLife Center together and move out into the goals that we  
9 envisioned for this century. It was not an easy decision.  
10 Once again, in discussions -- but, when I realized that  
11 Tylan was eager, his family was supportive, and the board  
12 was more supportive of asking Tylan to take the place of  
13 the Executive Director, we were very thrilled. In the  
14 short one and a half months -- has it been one and a half  
15 months?

16 MR. SCHROCK: It's about two.

17 MS. ANDERSON: About two months, that Tylan  
18 has taken over, he has gained even more respect and faith  
19 and credibility and support from the staff than we ever  
20 realized. The city is supporting him. The board, also,  
21 shows great support of Tylan. And I would like you to  
22 listen to Tylan and he'll show you in the short one and a  
23 half months of the goals, the collaborations and the  
24 programs that are being joined together, being rebuilt --  
25 how he has taken leadership away from the board, and we are

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1 now working with him to support Tylan and his ideas. This  
2 is a whole new change.

3 Yes, the SeaLife Center is viable. We are  
4 sustainable. We need your support. We need projects  
5 coming in there for what has been built -- the educational  
6 classrooms that are being developed; the support of  
7 students all over the United States that have joined on the  
8 Web or visited personally; the intern programs that are  
9 being built. It is well worth the money that you have put  
10 into the SeaLife Center for the next century.

11 That's all I have right now. I look  
12 forward to your questions afterwards, but I'd like Tylan to  
13 take the next step and really go into specifics of what is  
14 occurring at the SeaLife Center. Thank you.

15 MR. SCHROCK: Thank you, Sharon. And I do  
16 appreciate the opportunity to be before you this morning.  
17 Of course, you'll have to recognize I'm only two months in.  
18 It's been a long two months, a challenging two months, but  
19 I'm knee-deep in it and I love it. It's a fantastic  
20 facility. It's a first-class operation, and I'm actually  
21 quite pleased to have the opportunity to come here to one  
22 of our larger partnerships and start to rebuild our  
23 reputation, start to rebuild our partnership again. And,  
24 of course, we're looking already, through Dr. Atkinson, at  
25 the GEM Program and already started talking with Molly

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1 about how we can start to incorporate ourselves into  
2 helping you achieve some of your goals as well. But the  
3 only way that's going to work is if you have the trust and  
4 confidence in us as an organization that you can continue  
5 to invest in us as you have certainly already made quite a  
6 large investment. And we're going to make good on it.

7           What I would like to do this morning, and  
8 before you, as Sharon mentioned, we gave you a package of  
9 information. And, if I could just be very direct, that's  
10 more of the fluff. Okay? That's what normally you would  
11 get, would be the Powerpoint presentation, and we put it up  
12 on the screen, and we talk about all the wonderful things  
13 we're working on, our research program, our educational  
14 program and all these things. But when I came up to meet  
15 with Molly and talk about what it is that you were  
16 interested in today, it wasn't the marketing sales piece of  
17 the Center. There was a more frank discussion, a more  
18 candid discussion about where we're at. And I think you've  
19 heard from Sharon that we are very open and honest about  
20 that, and I will continue to do the same.

21           So, essentially, what I'm going to give you  
22 is kind of a very candid take from where I sit as the  
23 Executive Director and just where this organization is at  
24 and where we're going. And I'm largely optimistic. One  
25 person introduced me to a group in Seward as the bravest

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1 man they know for taking over this operation at this time,  
2 but I don't think that that is the case. In fact, I think  
3 I have the best opportunity, quite frankly, of anybody that  
4 I do know in terms of the fact that this Center is poised,  
5 it has potential and I know we can make it work. But I'm  
6 also getting tired of people talking about our potential,  
7 because growing up I figured out real fast that potential  
8 doesn't mean anything if you don't develop it. All the  
9 potential in the world is nothing at the end of the day if  
10 you don't make it happen. So our challenge now is just to  
11 make it happen, and we're going to do that. And the way  
12 I've kind of framed this for your discussion today, is --  
13 and I want to describe this in terms of our rebuilding  
14 mode. And Sharon's right. We're refocusing as well, and  
15 that's a piece of what I have to do, is the refocusing.  
16 But we're in a rebuilding mode, and I'm going to give you  
17 five key areas that we're rebuilding in. And I think by  
18 the time we get to the end of that, you're going to have a  
19 pretty good sense of where I'm going over the next year  
20 here. And, of course, the board is right with me there.

21           First of all, we have to rebuild our  
22 finances. There is no question about the fact that our  
23 original business plan has not panned out as it was  
24 expected to do. Hey, this is no major surprise. This is a  
25 start-up business. Many of you maybe have had your own

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1 businesses or are certainly familiar with others. Starting  
2 a business is a very difficult task, and we started a  
3 business that is a very expensive one to own and operate  
4 and, quite frankly, we had to carry a lot more debt going  
5 into it than anyone ever expected when the whole thing  
6 started. And so it's been a tough couple of years now  
7 trying to deal with the fiscal reality of a start-up  
8 business that's very expensive with a very heavy debt load.

9 We also had the problem of not adjusting  
10 quickly. You know, by the time the recognition was real as  
11 to just how critical some of the financial difficulties  
12 were, the Center was already a little bit behind the eight  
13 ball, and it's been a real challenge to keep things  
14 together long enough for us to be able to get our feet back  
15 on the ground, which is what we're doing right now. I also  
16 want to remind people of this, too, that as in any new  
17 business, or in most new businesses, it does take some time  
18 to get your feet down and build your economic base.

19 In this particular industry, we're talking  
20 about research or education. And I think Mr. Spies and  
21 other scientists in the room here would probably validate  
22 the fact that to build a true research program doesn't  
23 happen overnight. It takes some time to build your  
24 credibility, to build your experience level and get to the  
25 point at which you can actually make research be a business

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1 line item that is going to cover the expenses as we are  
2 going to need it to do. And that takes time. And so I  
3 think, in some ways, the expectations were a little high  
4 off the get-go, but I think we can see how we can put it  
5 together in the next three to five years and, particularly,  
6 focusing on the research program as our solid financial  
7 base going forward into the future.

8           So, in the short term, our goals  
9 financially are to build stability. That's what we're  
10 doing right now. We're getting out of the crisis mode, and  
11 we're getting a little bit more established now. There's  
12 no question, it's in the newspapers, that the Federal  
13 funding that we have received is largely filling the gap to  
14 date. Okay? No surprise about that. But I look at that  
15 very much so as our short-term perspective. What I see it  
16 as is that these are investments that we're going to have  
17 to use to build ourselves into the long-term  
18 sustainability. They won't necessarily always be there,  
19 those Federal appropriations that have been so beneficial  
20 to us today.

21           As Sharon alluded to, we're a very lean  
22 operation at this point. In fact, I might argue from my  
23 seat right now that we're just a tad bit too lean, and I  
24 have to figure out how to do more with less. But,  
25 certainly, from the start-up to today, we have really

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1 controlled expenses and kept our operational costs as much  
2 as we can under control, and we'll continue to do that.  
3 That's just fiscally responsible.

4           The other thing that we're doing is we're  
5 learning to maximize grants. We were very optimistic at  
6 the beginning and basically trying to actually subsidize  
7 bringing things into the Center. That's a very noble thing  
8 to do, and I honestly believe that a few years down the  
9 road here we might be able to do that. But, in the short  
10 run, that's not a luxury that we can afford, so we've had  
11 to learn to be much more pragmatic in how we approach  
12 granting agencies and funding projects and making sure that  
13 we're actually covering our costs. And that's really what  
14 we're focusing on. If we can break even, at the minimum,  
15 that's what we have to do. And then from there, that's  
16 where we start building into the future.

17           And then, quite frankly, we're addressing  
18 the debt load. There is no question that this has caused  
19 us a large portion of our financial difficulties. But,  
20 just like any other business would do, there are  
21 alternatives when you have financing out there. You go and  
22 you work those things out, and that's exactly what we're  
23 going to do. We're going to make sure that what we have to  
24 handle is something that we can manage and, as Sharon  
25 indicated, we are focusing on trying to retire that debt as

00245

1 rapidly as we can. And we are working on every front that  
2 we can find to make that happen. But no small challenge --  
3 that's a very large ticket. But we're going to do it.  
4 We're a long ways down the road right now, and we are going  
5 to make that happen. But, in the short term, I've got to  
6 make sure that we've bought ourselves enough time,  
7 basically, to get our feet down and be able to handle that  
8 debt load going out into the future.

9           So those are the things that we're dealing  
10 with in the short term. And then, of course, there's no  
11 question about it -- as you saw in the newspaper, the  
12 settlement of the Stran-Hunt lawsuit has helped, in the  
13 short-term, in giving us some of the stability. But I'll  
14 talk about that just a little more later.

15           For the long term, in a financial  
16 rebuilding we're looking at sustainability. If we are no  
17 longer receiving large Federal appropriations and if some  
18 of our other business things don't work out, how are we  
19 going to sustain ourselves? We can't continue to operate  
20 the business the way we're doing it to date. We'll have to  
21 make ourselves able to live off of the research program,  
22 off of the education program. The visitor component is a  
23 key component, but it's certainly not the answer to all of  
24 our problems. There's no question about that.

25           So, in the long term, what we have to do is

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1 -- first of all, we have to stop the slide on the visitor  
2 numbers. No question about that. We've got to make that a  
3 solid piece of our presentation, and there's some things we  
4 can do through good marketing and sales to make that  
5 happen, and then we also have to focus on our product. We  
6 have to make sure that we have the best possible product so  
7 that people come there. And I wouldn't argue that you  
8 should come back down again to the Center. If you've not  
9 been there in some time, it changes so dramatically on a  
10 fairly rapid basis. I mean, the different critters we have  
11 in there from week to week keep me asking as I'm down  
12 there, and I'm in the building all the time. So, it is a  
13 product that is dynamic and it continues to change, and  
14 people should come back again.

15           One of the areas we're going to focus on  
16 this next year, which has been kind of one of our star  
17 areas to be quite frank with you, is our educational  
18 programs. We have done well above our expectations on the  
19 educational side, and we're going to continue to drive our  
20 focus into that, because essentially all the research in  
21 the world is of no value if it is not actually translated  
22 out to people who can understand and use that information.  
23 And that's what our education component is. Our job is to  
24 take that research and put it on display. When we put it  
25 on display, we call it education. That's what we're doing.

00247

1                   Now, we're covering the entire gamut for  
2 education. We go all the way from the little schoolkids to  
3 the elder hostel groups. We have them in there overnight.  
4 And I guarantee you the most exciting thing you'll ever do  
5 in the Center is to be in there when we have one of the  
6 school groups to see those kids absolutely engaged and  
7 excited about what's taking place in the Center there. I  
8 think, personally, the educational component -- what we're  
9 investing particularly in the kids that come through that  
10 Center, will pay almost as big a dividend as the research  
11 we're doing, because those are people that will come back  
12 in the future and might actually be the researcher because  
13 they came to the Center and they got a love of the  
14 ecosystem from what they saw there. And I really think we  
15 have to invest ourselves there, and we're going to do that.

16                   The other thing that we're going to do as I  
17 indicated is a very aggressive fund-raising effort on our  
18 debt. We've got to take care of that. In the long term,  
19 that's a key component to our sustainability and we're  
20 going to knock that thing out.

21                   Then, the next thing we have -- and this is  
22 working more with Mr. Spies and others -- is over the next  
23 three to five years trying to build a true research  
24 program. I don't want to offend anybody in the room. But,  
25 if you want my honest critique on the thing, we don't have

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1 a true science program per se -- not like what I have  
2 envisioned, and I know not like what many of you have  
3 envisioned. We have a very good selection of science --  
4 credible science, valid science -- taking place in the  
5 Center, but it's not the kind of program that we have to  
6 build. We're not there yet, and we have a lot to do on  
7 this front.

8 I'm very excited to work with Dr. Atkinson,  
9 with Mr. Spies and others to put this thing together. And  
10 this is a real challenge. And, as I'll share with you a  
11 little bit more, I'm not the scientist, okay? So this is  
12 one where I'm reaching out to other people to help me build  
13 this piece of our business. But it is absolutely central  
14 to our mission, and it is the solid, fundamental base that  
15 we have to build our sustainability on in the future.  
16 There's no question about it. We just have to figure out  
17 how to do it. And it can be done. It's being done other  
18 places, and we will do it at the Center as well.

19 And then the other thing that we have to do  
20 is we have to expand our beneficial partnerships. The  
21 Center has some very good partnerships at this point.  
22 We're close to a learning center. We're, just recently, as  
23 a part of the National Park Service -- the learning center  
24 -- we've got a big piece of that project. I'm very excited  
25 about it, quite frankly, because the Park Service was given

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1 a rather substantial increase in their base budget to make  
2 that a legitimate program, and the partnership is the  
3 Center and the National Park Service, and there's one that  
4 we think we're going to get a lot of value out of. It's  
5 absolutely in line with our mission. Our facility is  
6 poised for that program, and the partnership has already  
7 begun there.

8                   Certainly, EVOS is a partnership that, I  
9 suspect, we have not been as active in as we should have  
10 with some of the difficulties we've had. Certainly not  
11 from the perspective of the Executive Director's chair. I  
12 know that we've had Bob and others that have kept us in the  
13 loop. But, quite frankly, we have not been as strong a  
14 partner as we should, but my commitment is to make sure  
15 that we do that.

16                   Now, we have other opportunities on the  
17 horizon. The North Pacific Marine Research Institute,  
18 which Senator Stevens has sent in this direction, is  
19 certainly going to be a key one with us and Mr. Balsiger as  
20 we go forward there. We're kind of waiting to see how that  
21 one is going to develop by the legislative process, but  
22 that's also going to be a very key institutional alignment  
23 that we're going to have there. And we have others, but  
24 I'll leave it at that for this point.

25                   But, I want to refocus you on the fact

00250

1 that, financially, the doors are staying open. Okay? Even  
2 during our reconstruction project that I'll talk about, I'm  
3 doing best to keep the doors open even through that. But,  
4 financially, we are stable. We will be stable, and we will  
5 be sustainable as we go out into the future.

6           The second area that we have to rebuild in  
7 is programmatically. This is essentially talking about our  
8 product. We need to improve our product. We need to  
9 improve our partnership. If you've been through the  
10 Center, you will know that we say that we put research on  
11 display. But, walking through the facility myself with a  
12 critical eye, I would say we have not done the best job of  
13 actually taking our research and making it on display.  
14 We've got more to do there, and Christine's the one that's  
15 going to help me out there. But we have to actually take  
16 stuff and get it out onto the floor, and there's a lot that  
17 we can do there to improve that.

18           Just to look at the building as you walk  
19 into the lobby is a very static environment. How can we  
20 turn that around and make it into a better product,  
21 something where people are immediately engaged with what's  
22 taking place in the Center? We don't have that product to  
23 date, but we can do that. That's something that we can  
24 fix.

25           We need to expand our educational programs,

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1 as I've touched on a little bit. I think we've only  
2 started to tap in to what we can do with education. One  
3 particular example is in the school programs. There's a  
4 very odd case that, in school programs, they will allow  
5 children, or kids, to take the bus for athletic activities  
6 during the winter time, but you can't take them for  
7 educational opportunities. So that means, when it comes to  
8 March and April, we are literally just packed to the gills  
9 with all of our school programs. But, for the time between  
10 October and March, we have next to none. So, it doesn't  
11 make any sense at all. It's something that we can go in  
12 and actually try to effect some change and make it happen.

13           But we can expand those educational  
14 programs. We are seriously limited on what we can do on  
15 the nocturne programs with the kids simply because they are  
16 trying to jam it all into, basically, a one-month period.  
17 We can only handle so many at a time. So we've got work  
18 that we can do there.

19           We also were going to look to expand our  
20 education programs at the college and graduate and  
21 postgraduate level. This is part of me. I get really  
22 excited about looking out at the future and the vision of  
23 where we can go, but there's no question about the fact  
24 that, with the strong tie-in with the university, we can  
25 see some top-notch science and scientists being developed

00252

1 in our Center. There's no question that we are poised to  
2 do that, and we can.

3 And then, as I've indicated, we have to  
4 build a research program -- something more than just pieces  
5 of the pie. We actually have to look at a program. We  
6 need to start positioning ourselves in this market.  
7 Research you know, from my perspective, in a sense is just  
8 a market that we need to go and get involved in. Now, the  
9 good part is that we come to the market with something to  
10 offer. We had a Steller sea lion conference a month ago,  
11 and one of the researchers that's been in the facility and  
12 has done work there -- after the conference, I pulled him  
13 aside and I said, you know, tell me why you came to the  
14 Center. He's from Texas. Why is a researcher from Texas  
15 at the Alaska SeaLife Center? And he gave me a very  
16 interesting analysis of why he is there. And, basically,  
17 it's because we have exactly what he needs, and he can't  
18 find it anywhere else. We have the animals he needs. We  
19 have a mission that actually allows him to accomplish the  
20 type of research he needs to do that he can't do at home.  
21 And the facility itself is a top-notch facility.  
22 Regardless of some of the reconstruction things we have to  
23 do, the lab space and those things there are just top-  
24 notch, and he was quite impressed. But we need to position  
25 ourselves, because we do have a product there.

00253

1                   We're expanding. We're in the process now  
2 of setting up a Steller program, of course. Steller and,  
3 well, actually, the other eiders out in the Western Chain  
4 are becoming a very hot issue, and Senator Stevens put an  
5 appropriation in there and we're going to begin to build an  
6 eider program through the Fish and Wildlife Service. This  
7 is brand new, and basically we're starting from ground  
8 zero. We contacted them and said, okay, what needs to be  
9 done with eiders? And they've sent us their plan, we're  
10 starting to work through that plan right now and figure out  
11 how we can plug ourselves into that. Another one. The GEM  
12 Program, as I've indicated -- I immediately went back from  
13 my meeting with Molly with a draft of that and said to  
14 Dr. Atkinson, how do we fit ourselves into this? We'll  
15 come to you and try to suggest ways in which we can be  
16 incorporated into that particular program.

17                   And the challenge is for us -- as the  
18 challenge is for you as you heard in your testimony here --  
19 is not to just be doing science for science's sake. This  
20 is not purely an academic exercise here, though that is a  
21 piece of good science. We're trying to help solve real  
22 problems in a real world, and that's exactly what you're  
23 trying to do and you heard it first-hand here this morning  
24 in the testimony that you received. But I try to continue  
25 to refocus our science program on being in the real world,

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1 be dealing with real problems, and helping solve real  
2 issues because we have enough of those out there to deal  
3 with to date.

4           The third area we need to rebuild is  
5 physically. This will go back to the settlement of the  
6 Stran-Hunt lawsuit. Quite frankly, the settlement of that  
7 lawsuit is one of the best things that's happened to the  
8 Center since it opened. It was, of course, a very large  
9 albatross hanging around the neck of the Center. It not  
10 only constrained us financially but, of course, there was  
11 always the ongoing concern of what's going to happen at the  
12 end of litigation. Many of you have probably been in  
13 litigation, and you know just exactly what I'm talking  
14 about.

15           The settlement of that lawsuit was very  
16 fortunate in its timing. It was very successful in the  
17 sense that we were able to receive a settlement out of that  
18 that is enough. It's sufficient to cover the real repairs  
19 that we have in the facility. But I want to emphasize  
20 this. I've had a number of phone calls, once that hit the  
21 newspaper that we had that settlement, of, wow, isn't that  
22 fantastic? You can go use that settlement money to pay  
23 down your debt. Well, slow down just a little bit there,  
24 because we actually have real fixes that we have to make in  
25 the building. Clearly, the reason that we settled the

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1 lawsuit and settled it so successfully is the fact that the  
2 building does have significant repairs that need to be  
3 made. And that's going to be a real challenge over the  
4 next year or so, here, to basically reconstruct a  
5 significant portion of the facility while continuing to  
6 remain operational. And I mean operation for research --  
7 we can't just put research on hold. If you have a research  
8 project ongoing, we have to figure out a way to manage  
9 around that. The educational programs need to continue.

10 The visitor component needs to continue. So, we're going  
11 to have quite a balancing act here in moving things around.

12           What I will say is that we're not going to  
13 mess this one up. We are doing it right. We're taking the  
14 time. We're using a very good expert whose sole purpose in  
15 life is to reconstruct buildings that have been constructed  
16 incorrectly, to fully scope the project to figure out  
17 exactly what needs to be done. And, then, his big  
18 challenge is trying to figure out how he does the repairs  
19 around everything else that we've got taking place. And  
20 he's actually been quite good about it. We have very  
21 regular meetings with the staff in the different areas in  
22 trying to balance this.

23           One of the more humorous ones that we have  
24 is that next summer we would like to take care of the ODL,  
25 the outdoor laboratory space. And what he would like to do

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1 is, if he could just shut the whole ODL down for a very  
2 short period of time, they could get in there. They could  
3 do the work, and be done with it. Well, the only trick is  
4 that when it comes to that particular time of the year, we  
5 are separating the Stellers. We take Woody, the male sea  
6 lion, and we put him on the ODL, away from our two female  
7 sea lions for a very specific reason. Trying to figure out  
8 what to do with a 900-pound Steller sea lion in that  
9 particular time of his life, without an ODL, in a very  
10 confined space in the habitat is a particular challenge.  
11 And, so, we found it to be kind of humorous at best, and  
12 then, of course, we're going to work around it and make it  
13 happen.

14                   So the scoping is basically going to take  
15 us through January 1, and we're going to get a report  
16 delivered to us -- here are the things that need to take  
17 place, here's a projected timeline, here's how you can make  
18 this whole thing work. And I'll be quite honest with you.  
19 We're being as frugal as we can in making sure that we can  
20 accomplish not only the repairs that need to take place,  
21 but was also have some upgrades -- things that were never  
22 done right from the get-go, outside the scope of the  
23 lawsuit -- that we hopefully can repair at the same time,  
24 so that the facility basically will be complete when we're  
25 done with that particular project.

00257

1                   The third area that we need to rebuild is  
2 our direction, and this is what Sharon spent some time  
3 talking about. There's no secret there's been difficult  
4 times and, as Sharon has indicated, out of a necessity the  
5 board basically had to step in and essentially took a much  
6 more operational role than is even healthy for a normal  
7 organization. Given where that organization was at, that's  
8 the reason it still exists today. And credit should be  
9 given there where credit is due. But, a very important  
10 thing took place this fall when we basically stepped back,  
11 and the board said, look, let's get out of crisis  
12 management mode.

13                   We started to do this in 1998 when the  
14 financial problems hit -- get away, start planning  
15 ourselves strategically -- but it never happened because of  
16 the financial difficulties. Now's the time to do it. So  
17 we did. And what was interesting was that we actually  
18 planned a two-day strategic planning session and actually  
19 what we found was is that the first day was just dedicated  
20 to board development alone. And that was important. A lot  
21 of very positive work was done in that meeting. It was a  
22 part of saying, okay, recognize the fact that, as a board,  
23 you were in start-up mode. Start-up mode is done. It's  
24 now time to go to operational mode. It takes a new skill  
25 set. It takes broadening the board. It takes a new

00258

1 perspective. It takes reaching out to a different take  
2 than what we've had to date to be able to take us to the  
3 next level, and the Board actually accepted that challenge  
4 very well. And we're off and running.

5 We're trying to figure out how to broaden  
6 our skill set and, as Sharon has indicated, first of all,  
7 we need a few more scientists on our board. Bob gets a lot  
8 of attention, at least when I'm in the meetings, because  
9 he's the scientist that we have, and he kind of has to  
10 carry that whole load. He needs some balance. He needs  
11 somebody else that's there as well representing that side.  
12 And then, fund-raising is something that we can certainly  
13 use as well. And that's another skill set that, in the  
14 short term, we're going to be looking at expanding our  
15 board on.

16 A part of that process then, of course, was  
17 a strategic plan. Now, strategic plans are a very fun  
18 thing. I enjoy them. I like that kind of a process. I  
19 love getting around the table. We had our board. We had  
20 our key staff players there. And to be able to get in a  
21 room and basically brainstorm and figure out how we're  
22 going to take this thing to the next level, I love that  
23 kind of stuff. Unfortunately, we didn't get to do that.  
24 Where the Center was at, basically what we came out with in  
25 our strategic plan was here's the next 12 months. Here are

00259

1 the five major areas that we're going to have to solve in  
2 the next 12 months to get us to the place at which we can  
3 go have a real strategic planning session and start looking  
4 two, three and even five years down the road. But that's  
5 okay. That's where we're at. It wasn't as far as we  
6 wanted to get, but I think it's the most realistic, the  
7 most pragmatic thing we could have done, which was to say  
8 how do we rebuild the base here? And that's what we're  
9 going to do. Then we have five different areas that all of  
10 the staff has had input on, and we're going to adopt a plan  
11 and we're just going to go nail this thing down in the next  
12 12 months.

13 I am very much looking forward to our next  
14 strategic planning session next year because it's going to  
15 be the fun one. It's going to be the one where we say,  
16 okay, now we've got our feet on the ground and we're  
17 stable. How do we take it to the next level? And I trust  
18 that I'll get an invitation back here to present it to you  
19 as well, because it will be much more fun to give you more  
20 of that interesting stuff rather than more of how we're  
21 going to keep ourselves together and move forward through  
22 this next 12 months.

23 The next thing that we need to do is we  
24 need to rebuild the organization. And this is my last  
25 area, and I want to spend a little bit more time on this

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1 because I want to try to give you a sense of what I think  
2 is probably one of the most key challenges to the whole  
3 Center. And that is, in fact, the mission that the Center  
4 has adopted. On the surface, it is a very noble mission --  
5 research, rehabilitation and education. And education, as  
6 I say, has a visitor component to it. All of those things  
7 are very important. All of those things are pieces of  
8 missions in other facilities. But I have not yet found  
9 another facility that is actually trying to balance them  
10 equally the way the Center is trying to balance them. And  
11 that has been a particular difficulty in the Center, okay?

12           Essentially, the way I see this, is we have  
13 four distinct, different cultures. Even though it's a very  
14 large facility, when you shove four cultures into it, it  
15 becomes a very small facility. Okay? Now think of this in  
16 terms of cultures. You have the science and the research  
17 culture, all right? These people are trained in a way  
18 different than others. They have different standards of  
19 achievement, different expectations, different motivations  
20 and different goals than our husbandry staff -- the people  
21 who are in the facility taking care of those animals on the  
22 long-term basis, which is its own professional field. And  
23 it, too, is its own culture in a sense.

24           We also have educators in the building, and  
25 they, too, have a different culture that they come from.

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1 They have different training, different standards of  
2 achievement and all these things. And then, of course, we  
3 have the visitor component which is just, you know, it's  
4 the money side. It's kind of the negative side as people  
5 look at it in some instances, of just getting visitors  
6 through the door and how we maximize the visitor dollar.  
7 That is a distinctly different culture as well. And we are  
8 trying to mash all four of those into one building, into a  
9 single mission, and try to remain an absolute balancing act  
10 between all of these things. And, trust me, that is not  
11 easy.

12 I've tried to reassure the staff that a lot  
13 of the difficulties that they've dealt with come from very  
14 real challenges that, quite frankly, are almost things that  
15 they wouldn't even recognize. If they hadn't stopped to  
16 think about why the communication between, say, the  
17 research staff and the husbandry staff can be tense at  
18 times, it's probably because they haven't thought of this  
19 from the cultural standpoint that you have a completely  
20 different system here. Now, the benefit of that is I have  
21 to have the balance act. I cannot have the research side  
22 completely dominating because we are responsible for the  
23 long-term care of the animals in the facility as research  
24 projects come and go. That's what this facility was intent  
25 on doing -- was basically having people come in, they could

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1 use the facility for a given amount of time, and then they  
2 would be able to move on to somewhere else. If I don't  
3 have a balancing act between the long-term perspective and  
4 the perspective of that researcher, something is going to  
5 go wrong. There's no question about it. And that's really  
6 where I come in, and this is the hardest part. Quite  
7 frankly, this would be the hardest part of my job.  
8 Probably even more difficult than the financial piece of  
9 the thing is creating this balancing act in the Center,  
10 because I can tell you right now it's been skewed in many  
11 different directions. And it has actually caused people to  
12 polarize inside the organization. And my job is to bring  
13 them back and be that balancing act.

14                   Okay. So, how am I going to do that? I'm  
15 going to do that because, for one, I'm not a scientist.  
16 I'm not a keeper. I'm not an educator. I'm none of these  
17 things. Quite frankly, I'm an executive. I'm an  
18 administrator. What I do is try to basically bring  
19 together all the experts into an arrangement where we can  
20 do something good. And that's my job. I don't represent  
21 any particular challenge to the scientific side. I'm not  
22 the science guy. And then, I'm not the husbandry guy  
23 either. I'm the guy that can sit in the middle. I  
24 absolutely require good debate before I make decisions.  
25 And, essentially, what it means is that they all have to

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1 explain their different perspectives to me pretty much in  
2 layman's terms so that I can understand it before I can  
3 make a decision. And I think, even in a short two months,  
4 I have seen this work, and it is going to work. Once we  
5 get people around the table together, throw an issue out on  
6 the table, we take them head-on, everybody has to throw  
7 their piece into it and, at the end of the day, we make the  
8 best decision. An interesting part is my job so far on  
9 these issues has been fairly easy. Once we get the good  
10 communication taking place against the different pieces of  
11 the operation, all of a sudden the consensus becomes very  
12 clear. And this does happen in most cases. It won't  
13 happen in all cases, but that's what I'm there for -- to  
14 step in at that particular point.

15           As Sharon indicated, not only am I an  
16 Alaskan but I'm a Sewardite. That's another big plus for  
17 me in the sense that I live in Seward. I love Seward. I'm  
18 quite pleased that I was able to take this position and  
19 remain in Seward. So I'm there for the long haul. One of  
20 the perceptions in the past has been as you bring people  
21 in, particularly people who have not lived in the state of  
22 Alaska, how long is this person going to make it? Well,  
23 I'm going to make it because I actually like it down there,  
24 and so I'm there to stay for a while.

25           But, as I've indicated, I don't have a

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1 bias. I really don't have a bias other than to get  
2 policies through adequate debate that's focused around the  
3 mission and vision of the Center. And the other thing is,  
4 to be quite frank with you, is that I knew enough coming in  
5 of what I was getting into that I come in with no false  
6 expectations on what it's going to take over the next nine  
7 to 12 months to make the Center survive, to make it  
8 sustainable over the long term. I come at it with a  
9 different perspective than you would get from most  
10 applications because I actually spent time on the board. I  
11 was way too involved in the daily operations out of a  
12 necessity, and I think what Sharon was trying to indicate  
13 was is that I was the one that probably talked too much.  
14 So then, all of a sudden, they said well, why don't you go  
15 give it a shot? Something along that line.

16 So, in conclusion, I've probably taken more  
17 of your time than you wanted. But is the operation doomed?  
18 No, absolutely it is not. Is the road ahead easy? No.  
19 The next nine to 12 months are going to be challenging. Are  
20 we going to be sustainable? Yes, we're going to be  
21 sustainable. Are we going to be stable through the next  
22 nine to 12 months? Yes, we are. The doors will remain  
23 open. We're not going to be worrying about how we make  
24 payroll. We're going to do those things. It's going to  
25 happen, but it is going to be a challenge. And, like I

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1 say, the biggest challenge is not going to be as much the  
2 finances as it's going to be the organization challenge and  
3 then, of course, balancing our reconstruction projects as  
4 well.

5                   The challenges ahead are something that we  
6 can manage. We take them. We take them face on. And,  
7 like I said, I do hope certainly to meet with you before a  
8 year from now. But, a year from now, I would love an  
9 invitation back so that Sharon and I can basically share  
10 with you what we've done over the last 12 months, and I  
11 think you are going to see a noted and very positive  
12 difference. And, at that point, unless I've missed  
13 something that Sharon would like to add, we would be  
14 available for questions. Thank you.

15                   CHAIRMAN TILLERY: Thank you very much. I  
16 imagine there are some questions. Council members? Ms.  
17 Heiman?

18                   MS. HEIMAN: Thank you very much. It's  
19 been enlightening for me. I haven't gotten an update,  
20 although I do love the SeaLife Center. I've been there a  
21 couple of times, and I just think it's a fabulous place.  
22 And I think it does capture people when they go in there,  
23 so I'm glad you're going to do more with that. But I  
24 really think it's great. And I'm glad there's some new  
25 management there that's going to look at administrative and

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1 financial building.

2 My question is more around sort of the  
3 science side of things. I don't know if you can answer  
4 this question, but what -- you talked about the science  
5 program not being where you want it to be yet, and that you  
6 envision a different science program for the future. And,  
7 I guess, if maybe you could take a few minutes to talk  
8 about what that would entail and what you want to build it  
9 into and maybe how that ties into the Marine Research  
10 Institute.

11 MR. SCHROCK: Okay. In fairness, I'm going  
12 to have to qualify this because of the fact, as I have  
13 indicated, I'm not going to be the one that's actually  
14 going to develop the science program. Dr. Atkinson,  
15 working with others, is going to be the one to help us  
16 build that scientific program, but I can tell you what I  
17 envision, at least to a certain extent.

18 At this particular point, we've been  
19 looking to just get projects into the facility because  
20 that's what we need. That's part of what keeps us  
21 sustainable. It's also part of what builds our reputation.  
22 But in terms of actually sitting down -- and maybe the  
23 eider program would be the best example I could offer to  
24 you. When we receive the appropriation for the eider  
25 program, sit down with Dr. Atkinson and say, well, what are

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1 we going to do with eiders now that we've got money out  
2 here? We don't have a scientist on board who deals with  
3 those types of birds. Our habitat needs to be modified to  
4 be able to house those kinds of birds. And then, of  
5 course, we weren't absolutely current on what are the  
6 research needs that have already been identified out there  
7 for eiders. So, essentially, what we're looking at is,  
8 okay, we've got funding that's coming over our shoulder.  
9 Our challenge now is to build a program around the eiders.  
10 Okay? So, basically what we do is we start a partnership  
11 with the agency and basically try to come up to speed with  
12 where they're at and what they're looking for -- not at all  
13 unlike what your doing with the GEM Program, which is  
14 essentially trying to identify where are the gaps. And  
15 then, what we want to do is figure out how we can go take a  
16 piece, one of those gaps, and then go after it. And we  
17 have to kind of build a program around to do that.

18                   Now that's going to require not only  
19 modifications to the facility, but it's also going to  
20 require some staffing up. Right now, the only scientist  
21 that we have on staff is Dr. Atkinson. And, clearly, she  
22 cannot be doing all of the science that's taking place in  
23 the building. And, as the vision was set up, we have  
24 scientists that will come and go on different cases. But I  
25 kind of envision down the road a balancing act between some

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1 scientists actually working in-house, some who just come in  
2 and contract the space, and then actually for us to be able  
3 to do contracted scientific work. And we've actually just  
4 begun in that with the cruise ship industry which is, of  
5 course, a very big challenge in the balancing act of  
6 remaining credible and neutral and providing good science.  
7 But it can be done, and it is done.

8           So, it's kind of looking at building that  
9 program in those three different areas, both in-house, the  
10 people that come in, and then being able to do contract  
11 work. I think that's one that people didn't expect when  
12 the Center opened, was that we would be just essentially  
13 given money through Federal agencies to do something. And  
14 then, basically, we have to go out and figure out how then  
15 we're going to bring somebody in to spend that money. And  
16 that requires building a program around that. That's what  
17 we're trying to do with the Stellers as well.

18           MS. HEIMAN: So, the piece that's missing  
19 of what you have right now is that maybe you would have  
20 more in-house science and in-house capability versus people  
21 coming in and out? I guess I'm not.....

22           MR. SCHROCK: Quite the opposite, actually.  
23 We have, right now, primarily scientists coming from other  
24 places -- Texas A & M, UAF, you know -- a number of  
25 different institutions that come into the facility and

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1 essentially rent the space and our facilities, our keepers  
2 and those kinds of things to do their work. What we don't  
3 have right now is kind of that in-house group of people  
4 that's working on the scientific side. And that's one  
5 where Dr. Atkinson would like some support essentially --  
6 is what she's asking for.

7 MS. HEIMAN: How do you do that given that,  
8 you know, jeez. We just look at our list of all the  
9 species that we could potentially be doing studies on. You  
10 know, how do you build within the scientific capability and  
11 need that would begin to handle sort of the versatility of  
12 what's needed?

13 MR. SCHROCK: Well, I think it's kind of a  
14 two-pronged approach. And I think what we've started to do  
15 right now is basically, what we're looking at with the  
16 eider program, is that we need a marine ornithologist that  
17 can come in and basically be the oversight of a program on  
18 eiders. Okay? But, when it comes to actually achieving  
19 specific scientific projects, it's very likely then we're  
20 going to reach out to this expert, that expert in the  
21 field, and then bring them in. But they've got to have an  
22 interface in the building that's going to be able to help  
23 them in terms of being able to do a more programmatic  
24 approach instead of just go find that one specialist in the  
25 field to come in and do that one piece of the pie. We're

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1 trying to get a little bit broader than that. Does that  
2 answer the question?

3 MS. HEIMAN: Yeah. I just have a couple  
4 more if that's okay. So, what you're saying is that you  
5 might want a marine mammal expert, an ornithology expert --  
6 you know, some of the broader areas that you can have in-  
7 house.....

8 MR. SCHROCK: Correct.

9 MS. HEIMAN: .....at the SeaLife Center.  
10 So you still would be able to manage that -- someone who  
11 can manage those studies, you know, for the various  
12 specific studies that are going on.

13 MR. SCHROCK: Correct, as an expert in that  
14 particular field. Now, again, I want to qualify this. We  
15 are at the beginning stages of starting to talk about how  
16 we do this. But, essentially, what happens right now --  
17 for example, with the eider program -- is that we all of a  
18 sudden have an appropriation in the bill. You know, I  
19 turn, as the money is coming to the Alaska SeaLife Center,  
20 to Dr. Atkinson and say what are we going to do with eider  
21 money?

22 MS. HEIMAN: Uh-huh.

23 MR. SCHROCK: And she says, well, you know,  
24 my background is really is in pinnepeds. You know, I do  
25 harbor seals and other things, but that's not my field.

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1 It's actually very difficult for her even to try to write a  
2 proposal towards that money, because that's not her area of  
3 expertise. So, what we're trying to do is get a good core  
4 of people that we can depend on to help us in those  
5 particular areas to reach out to the specific scientists  
6 that we'll need.

7 MS. HEIMAN: That's very helpful. Thank  
8 you. What was my other question I was going to ask you?  
9 Well, maybe, come back to me.

10 CHAIRMAN TILLERY: Okay.

11 MR. BALSIGER: This is a full-time position  
12 for you now?

13 MR. SCHROCK: Yes, sir. As a matter of  
14 fact, maybe just a little extra over a full-time position,  
15 but that's all right. I like it.

16 CHAIRMAN TILLERY: How much are you filling  
17 your research capacity? I mean, are labs sitting there  
18 empty? To what extent have you filled the space you have?

19 MR. SCHROCK: Good question. I don't --  
20 Bob, maybe you can help me out. We're right at the  
21 position where we're transitioning out of a number of  
22 projects and then starting into a new set of them. So I  
23 honestly don't know the number today, percentage-wise. Do  
24 you know, Bob?

25 DR. SPIES: It varies seasonally. And,

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1 over the last several years, in the summer particularly, we  
2 fill the facilities pretty well. And we're in transition  
3 now with particularly the EVOS program. A lot of these  
4 projects have been out there. We don't have as many this  
5 coming year as we have in the past.

6 MR. SCHROCK: Right.

7 DR. SPIES: But there is an attempt to  
8 broaden those (indiscernible - away from mike) that we  
9 have, some projects from the fishing industry and other  
10 projects that are on-line coming in.

11 CHAIRMAN TILLERY: Are we like -- I mean,  
12 are you 50 percent full? Are you getting close to reaching  
13 capacity?

14 DR. SPIES: I couldn't give you numbers for  
15 this -- right now, I think there's quite a bit of space  
16 available.....

17 MR. SCHROCK: Yeah.

18 DR. SPIES: .....but I can't tell you what  
19 it looks like for this coming season, summer season.

20 MR. SCHROCK: Well, we have been running, I  
21 think, running pretty much around 80 percent. Basically,  
22 when all the projects were geared up and we were running  
23 them, I'm pretty sure that at least 80 percent or more is  
24 where we've been operating. Quite frankly, this is, again,  
25 this is part of setting a realistic expectation is that it

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1 does take time to build some of these things and, until we  
2 get to the point where we're actually cycling well -- where  
3 we don't have, okay, we open the door and all your projects  
4 start. And what we're seeing, even in particular with the  
5 EVOS projects is that we're hitting that cycle point now.  
6 But, because we just started up, a lot of projects fall off  
7 at one time instead of, as you get down the road into the  
8 future, we might have one or two drop out this particular  
9 winter instead of seeing a larger drop-off take place. But  
10 that's part of building the program.

11           And, quite frankly, when I sit down around  
12 the table and start talking about some of the things that  
13 we can and should be doing down there, I'm not thinking of  
14 how we try to fill the space. I'm trying to figure out how  
15 we're going to manage, given the space that we have today.  
16 Realistically, I can see us exceeding our capabilities very  
17 quickly. The juvenile Steller program that's being worked  
18 on right now would take a tremendous amount of our  
19 resources and, quite frankly, one of the difficulties with  
20 that program -- bringing the juvenile Stellers in there --  
21 would be how are we going to manage all the other research  
22 projects, because it will have a tremendous impact in the  
23 facility.

24           I actually kind of take the analysis the  
25 other way. I know I'll fill what we've got today. How am

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1 I going to handle it when we're full?

2 CHAIRMAN TILLERY: Well, that was going to  
3 be my next question. There has always been a sense that  
4 the Exxon Valdez projects -- GEM down the line -- would  
5 have something of a priority on space. Is that something  
6 that you agree with?

7 MR. SCHROCK: Absolutely. In fact, it's  
8 contractually a part of our arrangement. So, if you don't  
9 take me at my word, you've got it in writing.

10 CHAIRMAN TILLERY: Okay. Ms. Heiman?

11 MS. HEIMAN: I remembered what my question  
12 is, about the Marine Institute.

13 MR. SCHROCK: Yes.

14 MS. HEIMAN: And what portion of that money  
15 -- I understand a part of it is for maybe maintenance or  
16 funding.....

17 MR. SCHROCK: The Center.

18 MS. HEIMAN: .....of continuing the actual  
19 physical Center.....

20 MR. SCHROCK: Yes.

21 MS. HEIMAN: .....as well as some for  
22 research. Can you just talk a little bit about that?

23 MR. SCHROCK: Yeah, I will. And it's quite  
24 unusual that we're still up in the air on this one here.  
25 The Research Institute is something that's caught up in the

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1 lame duck session right now, so you know where it's at, and  
2 that's why I can't be overly definitive on what it is or  
3 exactly how it's going to look when we come out. But  
4 essentially what we have tried to impress on the Federal  
5 delegation is the fact that to be able to do this research,  
6 you've got to have the necessary biological and physical  
7 infrastructure to do the work. All right? Inside the  
8 Center I think we often focus on the physical  
9 infrastructure -- the lab space, the wet labs, dry labs,  
10 ODL, those kinds of things. But you also have to have the  
11 biological infrastructure, if I could use that term, which  
12 are those three Steller sea lions, the eight harbor seals,  
13 the birds, the fish. That's what makes the facility truly  
14 unique.

15                   For the researcher from Texas A & M, that's  
16 what is truly unique to him is that he can come to our  
17 facility, he can work on his project on a Steller sea lion  
18 in a forum in which he can actually do the work he needs to  
19 do. It's much different than the field work that gets  
20 done. It has a whole different approach and take to it and  
21 a value to it. So, that's been our argument, is that we  
22 actually need to be able to provide that infrastructure.

23                   No question about the fact that it's very,  
24 very costly. And, in the end, if we're able to get money  
25 that's able to offset the costs of providing that

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1 infrastructure, what it really means is we can devote that  
2 much more to the hard science. Because, right now, when it  
3 comes to research grants and things like that, we're having  
4 to make sure that we cover our expenses out of that. If  
5 we're able to use the Marine Research Institute as a way to  
6 help cover some or defray some of those costs, it simply  
7 means we can turn around and do more research with the  
8 research dollar.

9 And, so, in terms of how it's going to look and  
10 what it's going to be like, I honestly can't answer that  
11 today. We're going to have a lot of work to do with Mr.  
12 Balsiger as soon as the appropriation is done. I've been  
13 trying to figure out exactly how the thing is going to be  
14 structured. We certainly want to see it housed there at  
15 the SeaLife Center, and there's no question about a  
16 significant portion of the funding is coming on behalf of  
17 the Center to underwrite that facility. But a significant  
18 portion of it, of course, is going to go into research as  
19 well.

20 MS. ANDERSON: We have not even seen the  
21 exact language of the bill yet.

22 MR. SCHROCK: Right.

23 MS. ANDERSON: We're waiting for the  
24 outcome of that.

25 MS. HEIMAN: Yeah. I haven't either, and

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1 I've, you know, been trying to find out some of that  
2 information. And I would really urge you, and I would love  
3 to do some follow-up discussions with you outside of this  
4 forum, to talk about the Department of Interior and their  
5 involvement in that Marine Institute. And I have sent a  
6 letter to Senator Stevens, and Secretary Babbitt has talked  
7 to Senator Stevens. There is a real interest, and we have  
8 a real role in, you know, the marine mammal -- certainly,  
9 mammals and the birds and the sea ducks -- and it's very  
10 important to us that we are involved in that, because that  
11 fits into how a more specific research board, and GEM and  
12 all these other research programs are coming together. And  
13 it would be really great if we could all sit down and have  
14 a conversation, because it seems like there is people  
15 having conversations over here, and people having  
16 conversations over there and they're not coming together.  
17 I mean, I truly, sincerely would love to try to work  
18 something out that makes sense for everybody involved.

19 MR. SCHROCK: Okay. I just want to get  
20 something in my hand that's black and white, and then we'll  
21 go from there.

22 MS. HEIMAN: Well, I think we might have  
23 continuing resolutions which may not provide you what you  
24 want.

25 MR. SCHROCK: Yes, I know.

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1 CHAIRMAN TILLERY: Commissioner Rue?

2 MR. RUE: Two quick questions. One, out of  
3 curiosity, have you talked about collaboration with the  
4 NERR Program -- National Estuarine and Research Reserve in  
5 Kachemak Bay? I know that they were hoping that they could  
6 partner with SeaLife Center -- they, being Kachemak Bay --  
7 sort of the field laboratory -- with Seward SeaLife Center  
8 being more the laboratory. So, I just think that's  
9 something you might want to look into. It's another  
10 potential partner there in Kachemak Bay, and Glenn Seaman  
11 has been working hard to make that program financially  
12 successful.

13 CHAIRMAN TILLERY: Commissioner, we've  
14 actually had some problems with people on the line picking  
15 that up, so you might want to kind of put that a little  
16 closer, speak louder.

17 MR. RUE: Okay.

18 MR. SCHROCK: Okay. I was going to say  
19 maybe you could just restate it.

20 MR. RUE: Yeah. I don't know if we need to  
21 say it again. Anyway, I just think it's a possible  
22 opportunity out there as you build your program to take a  
23 look at. I know Glenn Seaman is excited about the  
24 possibilities there, too, of the collaborative nature of,  
25 very close to each other, a field situation and then you've

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1 got the SeaLife Center.

2           The other question is, we heard a little  
3 bit this morning from John French about the board and the  
4 need to reach out to more folks. Is that in your plan to  
5 try and broaden the perspective and the various folks you  
6 bring into the process of making decisions at the SeaLife  
7 Center? I don't know if you heard some of the criticisms.  
8 I was curious.

9           MR. SCHROCK: Actually, yes. Mr. French  
10 was kind enough -- he's actually presented his criticism,  
11 his critique of the Center, to me not long after taking the  
12 position, and we had a very good discussion about it. And  
13 I would say -- I think we've clearly demonstrated to you  
14 today that, in sense of the board, recognizes the fact that  
15 it needs to broaden its perspective, its pool, its talent.  
16 And that's something that's already ongoing and is going to  
17 take place.

18           I wasn't here for Mr. French's comments to  
19 you specifically. But in terms of completely revising the  
20 way that we do business today, no. I've got enough on my  
21 plate in the next 12 months without basically trying to  
22 fundamentally change the way that we are governed, if you  
23 want to put it at that point, in the short run. But,  
24 certainly, the opportunity for people to have more of a  
25 voice into what we're doing is something that I'm quite

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1 intrigued on.

2           The fact of the matter is, is that I have a  
3 municipal government background. I come out of the public  
4 sector. I'm very comfortable with this type of a setting,  
5 with public input and those kinds of things. And, as  
6 people get to know me, and I think even Mr. French would  
7 agree that this is true, there is no problem at all with  
8 coming in and sitting down with me and giving me a  
9 perspective on how we're not doing things correctly or how  
10 we could do things better and those kinds of things.

11           So, in the short run, I think I'm going to  
12 essentially fill that role. In terms of the board, we need  
13 to get through kind of a board development process here and  
14 then let the board start working on how best to allow for  
15 that type of public input that others would like to have.  
16 It's certainly something that, from my background, is of  
17 large concern, and that is essentially public input.

18           MR. RUE: I appreciate your presentation.  
19 It sounds like you all are really working in the right  
20 direction.

21           MR. SCHROCK: Thank you.

22           MR. RUE: Appreciate it.

23           MR. SCHROCK: I would also like to say  
24 that, unless Bob knows better, I don't know that we have  
25 been working with the Center in Homer yet. But that's

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1 exactly the kind of thing that, as Trustee, I want you to  
2 be thinking about as well -- essentially, how can you help  
3 collaborate, bring people together? How can you bring  
4 people into the facility? Look at us as a resource,  
5 because that's exactly what we are. How can we be used to  
6 fill pieces in what you need to do? And your example is a  
7 perfect one of how can we tie a field operation in with a  
8 home base. And that's what we can be.

9                   And, when I look at the GEM Program, that's  
10 one of the things that I see that we can be, is we can be  
11 kind of a home base for a lot of this stuff that you're  
12 talking about taking place in there. So, a lot of this  
13 stuff that you're going to need to set up are things we are  
14 already doing. So I would challenge you to think in that  
15 perspective, and I appreciate that.

16                   MR. RUE: NERR's just barely getting off  
17 the ground.....

18                   MR. SCHROCK: Yes, they are.

19                   MR. RUE: .....so they're very early in  
20 their thought process, too.

21                   MR. SCHROCK: Even newer than we.

22                   MS. ANDERSON: We understand.

23                   MR. SCHROCK: Yep. Certainly.

24                   CHAIRMAN TILLERY: Back before we decided  
25 to fund the SeaLife Center, there was a presentation by the

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1 University of Alaska at which they implied that they would  
2 possibly create endowed chairs that would sort of reside at  
3 the SeaLife Center. Is that anything that you've had any  
4 of the discussions about, or are pursuing, or see on the  
5 horizon?

6 MS. ANDERSON: From the board perspective,  
7 that has been one of the top priorities since  
8 incorporation. Just due to financial challenges, we have  
9 not been able to do that. That is one of the main items  
10 that we would like to start for fund-raising, not only  
11 sustainability for the operations enhancements of some of  
12 the bird species habitats, et cetera. We want to have  
13 endowed chairs, either through the university name, or any  
14 name. Anyone who wishes to come forward, we would like to  
15 have research chairs available. We just have not had the  
16 staff, and we just have not had the financial ability to do  
17 that, but it remains a high priority.

18 CHAIRMAN TILLERY: Questions?

19 (No audible response)

20 CHAIRMAN TILLERY: Okay.

21 MR. SCHROCK: Thanks a lot.

22 CHAIRMAN TILLERY: We very much appreciate  
23 your coming today, and the presentation was really good.  
24 It's been very helpful. I suspect you will get some  
25 follow-up, probably through Ms. McCammon, as other issues

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1 come up.

2 MR. SCHROCK: I would appreciate that,  
3 actually. Thank you. Appreciate your time.

4 MS. HEIMAN: Thank you very much.

5 MS. ANDERSON: Thank you.

6 CHAIRMAN TILLERY: Thank you very much.

7 The next thing on the agenda is an executive session,  
8 (indiscernible) a little late. It's going to be long one,  
9 so I'd like to get to that quickly. We have had a request  
10 to place one item in the public record. I believe that  
11 probably came from the group in Kodiak. Ms. McCammon, if  
12 you could just briefly read that into the record, and then  
13 we'll move into executive session.

14 MS. MCCAMMON: Okay. The request was to  
15 submit this to the record, that the Superfund Amendments  
16 and Reauthorization Acts of 1986, the SARA Amendments, PL  
17 00-499. The SARA Amendments to the Clean Water Act -  
18 recognize the Indian Tribes as co-trustees of the  
19 environment and identify broad powers for chronicling and  
20 reporting water resource emergencies; furthermore,  
21 testimony from Tribes carries the weight of rebuttable  
22 presumption when determining losses and restorations. The  
23 Amendments define "Indian tribe" as any Indian tribe, band,  
24 nation or other organized group or community, including any  
25 Alaska Native Village, but not including any Alaskan Native

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1 regional or village corporation. So that will be put in  
2 the record.

3 CHAIRMAN TILLERY: Okay. Thank you very  
4 much. That will be in the record, and we would sort of  
5 entertain a motion to go into executive session for the  
6 specific purposes listed.

7 MR. RUE: So moved.

8 CHAIRMAN TILLERY: You need to actually  
9 state it.

10 MR. RUE: Oh, rats.

11 MR. GIBBONS: Yeah, that's why I was  
12 looking.

13 MR. RUE: Okay. I'm looking for the  
14 agenda.

15 MS. MCCAMMON: PAG appointments.

16 MR. RUE: Pardon -- PAG appointments?

17 MS. MCCAMMON: PAG appointments.

18 MR. RUE: Okay. I move that we go into  
19 executive session to discuss Public Advisory Group  
20 appointments, the Executive Director's evaluation, some  
21 legal questions and habitat protection.

22 MR. BALSIGER: Second.

23 CHAIRMAN TILLERY: It's been moved and  
24 seconded. Anyone opposed?

25 (No audible response)

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1                   CHAIRMAN TILLERY: Hearing none, we will be  
2 in executive session. We will be back in public session at  
3 1:00 o'clock, is what we hope.

4                   MS. MCCAMMON: We have that briefing by  
5 Mike with Callan.

6                   CHAIRMAN TILLERY: All right. So we need  
7 to be pretty prompt at 1:00.

8                   MS. MCCAMMON: Very.

9                   CHAIRMAN TILLERY: So, we will sign off of  
10 the telephone line, and I guess people will have to call  
11 back in at 1:00 if they wish to be a part of this  
12 afternoon. Just for your information, if you don't have  
13 the agenda this afternoon, between 1:00 and approximately  
14 3:00, we'll be involved with EVOS investment issues,  
15 including some Trustee fiduciary training. And after 3:00  
16 o'clock we'll take up Public Advisory Group appointments  
17 and then, around 3:30, 3:45 hopefully get into deferred  
18 projects. Thank you very much. We'll be off record.

19                   (Off record - 11:47 a.m.)

20                   (On record - 1:33 p.m.)

21                   CHAIRMAN TILLERY: The December 4th, 2000  
22 meeting of the Exxon Valdez Trustee Council is back in  
23 session. We just came back from executive session where,  
24 as described in the motion going into executive session, we  
25 discussed Public Advisory Group appointments, the

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1 evaluation of the Executive Director, certain legal  
2 questions and habitat protection issues.

3 The next item on the agent is the EVOS  
4 Investment Fund. Mr. O'Leary, are you generally ready to  
5 proceed?

6 MR. O'LEARY: Yes, sir.

7 CHAIRMAN TILLERY: Okay. Ms. McCammon,  
8 could you introduce this part of the agenda?

9 MS. MCCAMMON: Yes, Mr. Chairman. In your  
10 packet, under investments, now that the Trustee Council is  
11 managing the investment funds which is located in an  
12 account in the Alaska Department of Revenue, one of the  
13 policies that the Trustee Council adopted is that the  
14 Trustees would receive periodic training in terms of their  
15 fiduciary responsibility. In October, Debbie Hennigh,  
16 myself and Craig Tillery were able to attend the Callan  
17 College training in San Francisco and found it extremely  
18 beneficial in terms of some of the issues related to  
19 Trustee fiduciary responsibility -- simple things on how to  
20 read reports, what to look for in an asset allocation -- a  
21 lot of the things that our advisors, such as Peter Bushre  
22 and Bob Storer, were really key in assisting us with from  
23 January through June. But it seems now that the fund has  
24 been fully constituted. Now that all of the funds are in  
25 there -- we no longer have any funds within the Court

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1 Registry Investment System -- this was a good opportunity  
2 for the full Trustee Council to get some additional  
3 training.

4                   We were able to take advantage of the fact  
5 that Mike O'Leary with Callan Associates was going to be  
6 here in Anchorage for the State Pension Investment Board  
7 meeting tomorrow and the next day, so we were able to  
8 piggyback onto his work there. And, when we were in San  
9 Francisco, almost everyone we talked about -- when we said  
10 we were from Alaska, they said, oh, well, you must know  
11 Mike. And so, now, this is my first opportunity to meet  
12 him, but he has an incredible reputation among all of the  
13 folks who run the Permanent Fund and the State Department  
14 Retirement Fund and others, and in San Francisco. So, it's  
15 really with a lot of pleasure that we were able to have him  
16 here today.

17                   MR. O'LEARY: Thank you. I'm delighted to  
18 be here. I touted this a mini-Callan College session. I  
19 have 50 slides, and so I can speak nonstop for the hour and  
20 a half or two hours, whatever has been allocated. But  
21 that's not going to do you as much good as if you would  
22 interrupt me, get me to talk about whatever investment  
23 related subjects -- I won't talk about Florida -- but,  
24 anything else investment related, I'd be delighted to  
25 discuss with you. It's sort of pick the consultant's

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1 brain, at no charge, and when he's not selling anything.

2           The Callan College that Molly mentioned is  
3 a two-plus day educational program designed to indoctrinate  
4 new Trustees or staff members in the whole gamut of  
5 investment responsibilities in an institutional context.  
6 What I did was I went through about 400 slides and picked  
7 out the 50 or so that I thought were most crucial, and I'm  
8 going to speed through them. But I want you to interrupt  
9 me on a topic that is of particular interest to you.

10           Basically, the approach is starting out  
11 with what are fiduciary responsibilities; what is asset  
12 allocation; how about manager's structure -- investment  
13 manager's structure; manager selection; and, then,  
14 performance evaluation. So those are the major components,  
15 if you would. Having reviewed your policy statement, I  
16 know that you're well along on that front. And, given the  
17 background of the people that constitute the Council, I  
18 won't preach the law to you. I think that you all have a  
19 keen understanding of your responsibilities, but I've just  
20 sort of put up highlights -- some of the things that we  
21 think are particularly important.

22           Starting out with the definition of the  
23 fiduciary -- and this is obviously from ERISA, which  
24 doesn't have any direct bearing on the Trust -- but we do  
25 think that it is the framework that we always try to put

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1 ourselves in, because it is maybe the highest standard for  
2 responsibility. And so, obviously, from our perspective,  
3 we think that each of you, of course, is a fiduciary.  
4 Everybody who renders advice for a fee is a fiduciary, and  
5 anybody who has discretionary authority with respect to the  
6 assets is a fiduciary.

7           Liability arises when a fiduciary does not  
8 define a process, or inconsistently applies the process.  
9 That's going to be a recurrent theme in everything that I  
10 say. That it is -- you're doing your job if you have a  
11 clear, well-articulated, thoughtful process, ideally  
12 committed to writing and then you follow the process. And,  
13 oh, by the way, if you do that, you're probably going to  
14 end up with a good investment program and competitive  
15 results. There are some examples that we threw up here of  
16 the types of things where we do, from time to time, see  
17 people running afoul of what they should be doing. And  
18 more frequently than not, it tends to occur in the  
19 selection of vendors or in the building of a management  
20 structure. And sometimes the two are intertwined. For  
21 example, there's no guarantee, even if you hire what you  
22 think is the best manager in the world, that the manager is  
23 going to do well. And if, after the fact, somebody comes  
24 to you and says, how the heck did you hire these guys, what  
25 was the process that you used to hire them, and you can't

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1 articulate it and document that you did it in a reasonable  
2 manner, arguably you've breached your fiduciary  
3 responsibility.

4           We have seen an instance where a board was  
5 bound by an RFP process -- most of our clients aren't bound  
6 by an RFP process, but some of them are -- and, in this  
7 particular case, it was a very clear RFP process which  
8 required submissions by such and such a time and such and  
9 such a date. And, subsequent to that, there was a response  
10 received, and that manager ended up being hired. And,  
11 obviously, that was a source of great concern. But, as I  
12 said, the vast majority of our clients do not use an RFP  
13 process.

14           What is your role? To set the policy, to  
15 select service providers, to delegate responsibility among  
16 the service providers and staff, to monitor the results and  
17 to document the process. I don't sense any debate on that.  
18 I'm preaching motherhood and apple pie. In your policy  
19 statement, which looks remarkably similar to the ASPID  
20 investment policy statement, I think each of these things  
21 is delineated very clearly. That is, you have a written  
22 policy that documents the process used to make the  
23 decisions. The intent is to diversify the portfolio, to  
24 use professionals. I didn't see much about accounting for  
25 expenses, and you have a mechanism for monitoring how

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1 you're doing relative to several standards -- inflation, a  
2 passive benchmark objective. But it wasn't, as I recall, a  
3 specific delineation of a real rate of return target, and  
4 I'll come to that in a little bit.

5           One of the things that, in volatile  
6 markets, such as we're having throughout this year so far,  
7 that I think is particularly difficult for people to do is  
8 to re-balance. Now these five steps are, obviously, steps  
9 in the process. But I want to spend just a moment on the  
10 rebalance. You develop a policy, an asset allocation  
11 policy, and things happen. The market goes up or down, and  
12 then all of a sudden you're not in balance with your  
13 policy. So, it's essential that you have a policy to deal  
14 with rebalancing. And it's almost like asking one to  
15 commit an unnatural act, if you think about. What happens?  
16 The stock market is tanking, your allocation to stocks may  
17 well be below your target, and right at that time of the  
18 greatest discomfort, your policy is suggesting that you  
19 move money from bonds into stocks, or the converse.

20           In March of this year, I can't tell you how  
21 many of our clients had stocks as a proportion of the total  
22 fund well in excess of their targeted amounts. And, if you  
23 look back from that point, over the preceding 12 or 24  
24 months, the bond market returns look pretty god-awful. And  
25 yet, what people should have been doing was moving money

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1 from stocks -- not in the market timing sense, but just in  
2 a risk control sense -- back to bonds. You should have  
3 some plan for when the actual asset allocation varies  
4 significantly from their target allocation. There's a  
5 discipline that brings them back toward their target. If  
6 you don't do that, you're changing your risk level at the  
7 wrong time. You're increasing your risk level after a  
8 period of outperformance [sic] of one asset class versus  
9 another.

10                   Take it a step further. I know that you  
11 don't use active managers. But if you used active managers  
12 -- and let's say you had a growth-oriented manager and a  
13 value-oriented manager, the same sort of rebalancing  
14 discipline is necessary. Again, go back to March of this  
15 year. Over the preceding one, two, three and five years,  
16 value managers have done horrendously relative to growth  
17 managers. So, if you have one of each, and you gave each  
18 the same amount of money, by the end of March the growth  
19 manager might have been twice as much as the value manager.  
20 And so your growth exposure was significantly greater than  
21 your plan. That's the type of thing that I think having a  
22 written policy statement helps you do the right thing at  
23 the right time. I will tell you a story with the -- yes?

24                   CHAIRMAN TILLERY: In our situation, we had  
25 that policy of rebalancing, and it's kind of automatic as I

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1 understand it. Revenue sort of does it. It doesn't come  
2 back to the Council for a vote or anything. Do the other  
3 clients -- does it require an affirmative act, or is that  
4 something they've turned over, that written policy, to a  
5 manager?

6 MR. O'LEARY: In most cases, it is a staff  
7 function because the managers are only responsible for what  
8 they have and don't see necessarily the big picture. So,  
9 from your perspective, your responsibility is to be sure  
10 that Treasury is, in fact, doing that on a reasonable  
11 basis. That's (indiscernible - simultaneous speech)

12 CHAIRMAN TILLERY: But it's not bad for us  
13 to essentially.....

14 MR. O'LEARY: No.

15 CHAIRMAN TILLERY: .....make that one  
16 decision, put it in writing, and then not.....

17 MR. O'LEARY: Absolutely not. Not a  
18 problem. Yes?

19 MS. HEIMAN: Just to be clear about what  
20 you're saying, when you're talking about that rebalancing  
21 and balancing. You mean that you would stay at your target  
22 asset allocation, is that what you're talking about?

23 MR. O'LEARY: Typically, you have a target  
24 allocation, and then you have a permitted band around it.

25 MS. HEIMAN: Right, plus or minus, uh-huh.

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1 MR. O'LEARY: And so, you want to stay  
2 within the band.....

3 MS. HEIMAN: Okay.

4 MR. O'LEARY: .....and then have them come  
5 to you, at a minimum, if you are outside the band, and tell  
6 you how they are proposing to correct it.

7 MS. HEIMAN: Okay.

8 MR. O'LEARY: And, one of the things that  
9 maybe you should focus on is, are the bands too wide, or  
10 are they too narrow? If they are too narrow, they cause a  
11 lot of transactions, and all transactions have expenses.  
12 And if they're too broad, you may be significantly  
13 different from your policy. So, it's a trade-off. It's a  
14 tightrope that you have to walk. And the moment that you  
15 get outside your band, you don't have to get back in the  
16 band, you just have to have a plan to return you to the  
17 band.

18 Okay, asset allocation -- I don't want to  
19 preach to the converted. You obviously believe in asset  
20 allocation, and it's part of your program. What I want to  
21 do is highlight and summarize very briefly some of the key  
22 underlying concepts to kind of reinforce them, but then,  
23 also, throw out some cautions. When anybody does an asset  
24 allocation analysis, ultimately they're forecasting three  
25 things. They're forecasting an expected rate of return,

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1 some measure of variability -- so arranged around the  
2 central expected rate of return -- and, maybe, most  
3 importantly, they're forecasting some correlation estimate.  
4 So, three statistical inputs to any asset allocation model.

5         If somebody says to you, oh, we don't make  
6 any forecasts, we're just using historic numbers, I'd  
7 submit that they are making a forecast. They are making a  
8 forecast that the future is going to be identical to the  
9 past. And so it's important for you to understand the  
10 sensitivity of the output of the answers to those inputs.  
11 And, in my experience, the majority of people don't really  
12 understand that sensitivity, because this can get pretty  
13 complex and they'll throw their hands up or not have the  
14 patience to do it. But since asset allocation is the  
15 single most important thing that you do from an investment  
16 perspective, I'd submit that it's worth your time to really  
17 understand the sensitivity of the outputs to the inputs and  
18 the basis for the inputs of the estimates.

19         In these days of surplus data and  
20 information, there is no shortage of inputs on things like  
21 expected rate of return, risk and correlation. I'd suggest  
22 to you that sometimes the availability of data overwhelms  
23 the utility of data. Let me use performance reporting as  
24 an illustration. Many large funds now have moved to daily  
25 performance reporting. Are 90 days of performance data any

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1 more valuable than one quarter data? I don't think so. I  
2 mean, I think for very sophisticated hands-on investors, to  
3 have those 90 data points is useful, and if you can get  
4 them at a reasonable cost, why not get them? But the fact  
5 that a manager has underperformed for 90 days is really no  
6 different than a manager underperforming for one quarter.  
7 And one of the risks that we see in the business now is  
8 that the more frequently people look at data, the more  
9 established the trend becomes in their mind and the more  
10 likely they are to act on shorter-term data.

11 Now, why is that significant in an asset  
12 allocation sense? You all know that one of the reasons  
13 that you have bonds in an investment program is that  
14 they're not perfectly correlated with stocks. So sometimes  
15 bonds do well when stocks don't do well. But if you look  
16 at an average going back 50 years of the stock-bond  
17 correlation, you will see a rolling average, rolling three  
18 years' data, or something like that. You'll see that it  
19 varies. There are a lot of times when bonds are very  
20 highly correlated with stocks, and there are other times  
21 where bonds have almost an inverse correlation with stocks.  
22 And so, if you average those all out, you will get an  
23 average correlation number which, for long-term strategic  
24 planning, may well be the correct number to use. But don't  
25 be misled by that average, because most of the time, there

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1 will be a strong positive correlation between stocks and  
2 bonds. So understanding that helps you then deal with the  
3 fact that, gee, stocks and bonds -- deal with somebody who  
4 comes in and says to you, maybe we shouldn't have this much  
5 in bonds in the portfolio because they're so highly  
6 correlated with stocks and they're producing a lower rate  
7 of return. Well, that's not what their role is in the  
8 portfolio. Their role is to perform in those periods of  
9 stress when bond returns and stock returns are almost  
10 inversely correlated, like the last quarter. It's been a  
11 great time to have bonds. And the stock market has been  
12 going down the tubes.

13           These outlined on the screen are the asset  
14 categories that we tried to develop projections for: U.S.  
15 stocks; (indiscernible) U.S. bonds; non-U.S. stocks; non-  
16 U.S. bonds; real estate; alternative investments -- we're  
17 sort of forced by our clients to do that, we really don't  
18 like to do it -- we prefer to view alternative investments  
19 as a subset of equities; and then cash. You will see  
20 others that will suggest to you that well, gee, what's your  
21 expected rate of return for emerging market stocks, for  
22 Asian stocks, for microcap stocks? They want you to slice  
23 the pie in very fine slices. And, for each slice, remember  
24 you have to develop expected return, risk and correlation.  
25 And if you don't have dependable estimates for each, the

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1 output is going to be highly suspect. Now, I'm not saying  
2 that you shouldn't try to do it, but in terms of you  
3 focusing on policy, I think if you just focus on those,  
4 you've captured all that you need to capture. And then you  
5 deal with the others on an implementation basis.

6           How frequently should you review your asset  
7 allocation? This is how we cheat on this. We had a lot of  
8 consultants that couldn't remember the answer, so we gave  
9 them weight. When your risk tolerance changes, which  
10 generally is when there's some fundamental change -- should  
11 be when there's some fundamental change in your financial  
12 circumstances. In the case of a pension fund, it might be  
13 there's a benefit change, so the nature of the relationship  
14 between the assets and liabilities change. Or a lot of  
15 time has passed, so the liabilities have gotten to be  
16 shorter-term. If your asset class preference has changed -  
17 - well, how should your preferences change? Maybe there  
18 was no desire to think about something like real estate.  
19 That might be an illustration. Or there was a statutory  
20 limit on your ability to invest in international stocks and  
21 the law got changed. That might be a cause. When your  
22 time horizon changes -- it really shouldn't, but sometimes  
23 it does. When the expected returns change significantly.  
24 If there are no changes, then we still think that you ought  
25 to go through the exercise at least once every five years.

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1 Most of our clients will do a comprehensive analysis once  
2 every three to five years, and they will annually update  
3 the analysis, which is very straightforward, just to see if  
4 near-term changes in markets and expectations were of  
5 sufficient magnitude to warrant some tweaking of the  
6 policy.

7                   The method that's used is optimization  
8 analysis. This slide just shows that every year we develop  
9 five-year projections. So, we're getting ready to do that  
10 again. And people tend to focus on the expected return  
11 number. But, actually, I think the most important number  
12 for them to focus on is the standard deviation, because the  
13 expected return is simply the middle point in the  
14 distribution of things that we think could happen. And if  
15 you look at this and you say well, gee, they expect the S &  
16 P 500 to have a return of eight point nine percent  
17 annually for five years, that's a pretty conservative  
18 number. That's lower than the numbers that we've seen over  
19 most recent five-year periods.

20                   We took a lot of flak for having a number  
21 that low. But it's the 15 percent standard deviation  
22 that's actually the big number, because what we're really  
23 saying is two-thirds of the time we expect the return in a  
24 12-month period to be between eight point nine percent,  
25 plus or minus 15 percent. And if you wanted to get 95

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1 percent of the chances out on the table, we're saying eight  
2 point nine percent plus or minus 30 percent for the year.  
3 And the typical reaction to that is well, what good is the  
4 forecast then? You know, you're telling me that to have  
5 two standard deviations, to have a 95 percent range, I  
6 might do as bad as negative 21 percent in a year, or as  
7 good as positive 38.9 percent. Come on, Mike. That's not  
8 really helping me. But that is the range. The long-term  
9 standard deviation, the S & P 500, has been 15 percent.

10 But when you graph this out, you can see  
11 that obviously T-bills -- these are just those projections  
12 that you saw on the preceding page spread out graphically -  
13 - T-bills, essentially no variability in return; bonds,  
14 significantly less than stocks; and the higher the expected  
15 returns the greater the level of expected volatility. This  
16 graph takes a while to sort of understand, but it is the  
17 graph that underlies the principles of capital market  
18 theory. And that is, if you have assets that don't move in  
19 lockstep together -- that aren't perfectly, positively  
20 correlated -- and you combine those assets, you reduce the  
21 volatility so that you're better off. And the way that  
22 that gets done in the real world is you cut off some of the  
23 tops, and you cut off some of the bottoms.

24 If you had two assets that were perfectly  
25 inversely correlated, you would have no volatility.

00301

1 Unfortunately, they don't exist. When we put our inputs  
2 into an optimizer -- and for those of you who don't have  
3 the hard copy in front of you, I apologize. This is pretty  
4 difficult to read. There we go, it's a little bit easier.

5 MS. MCCAMMON: Are these right here the  
6 hard copies?

7 MR. O'LEARY: Yeah, why don't we -- I'm  
8 sorry, I thought you all had them. The paper here, by the  
9 way, demonstrates the importance of considering timber as  
10 an investment category.

11 MS. HEIMAN: Hasn't been that good. It  
12 doesn't matter how much paper you (indiscernible).

13 MR. O'LEARY: What I've done here is simply  
14 used our standard capital market projections estimates, and  
15 we created a portion of the efficient frontier. We said to  
16 the optimizer we only want to look at mixes that have at  
17 least a seven percent expected return, and we're going to  
18 stop at a nine percent expected return. And so what  
19 combinations of assets do the best job of maximizing return  
20 for a level of risk or, alternatively, minimizing risk for  
21 a certain level of return.

22 This graph is another way of looking at  
23 those numbers presented in the table form where we've said,  
24 you know, gee, down at the left-hand end of the scale --  
25 the seven percent return portfolio -- is basically 32

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1 percent in equities, and the nine percent expected return  
2 is 70 percent in equities. What was defined in this  
3 illustration as the current mix at a 7.91 with a projected  
4 risk level of 10.25 and this client's target allocation --  
5 if they were at it, their policy, in essence, was 7.95 and  
6 10.34. So, very similar to mix three. And that's how they  
7 plot out.

8                   This is another way of looking at it,  
9 though. This is those same mixes, mixes one through five,  
10 and then the target mix, but what we've done is just  
11 calculated what's the range of expected return in a one-  
12 year period. How good might it be, and how bad might it  
13 be. Now, if we did the same graph for three-year periods  
14 and five-year periods, what you'd see is, across the entire  
15 range of returns, there would be a compression of the  
16 expected rates of return. So, we're working with people,  
17 and when you're thinking about your policy, you have to  
18 say, gee, even though we had a pretty conservative policy  
19 here -- that's 38 percent in domestic equities, 16 percent  
20 in international equities, 36 percent in total in bonds, 10  
21 percent in real estate -- you know, that's not a wild and  
22 crazy policy. That's a pretty conservative policy. Even  
23 though we have that policy, we have almost -- that's a  
24 quartile breakpoint -- we have almost a 25 percent chance  
25 of losing money in a year. So, what we try to get people

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1 to focus on is how much benefit do they pick up by becoming  
2 more aggressive, and what's the pick-up in risk as they  
3 become progressively more aggressive? And what does that  
4 mean in terms of how bad things can get? Okay?

5           Just a couple of points on the benefits of  
6 having a policy statement and keeping it current.  
7 Everybody, when they start, prepares a policy statement,  
8 and then it gets lodged firmly in some file and is almost  
9 never kept current. And so you have to discipline  
10 yourself, I think, to keep it current. This third bullet  
11 point -- negate second-guessing, Monday-morning-  
12 quarterbacking, and the fourth -- ensures continuity when  
13 there is committee or board member turnover -- these to me,  
14 in the real world, are the prime advantages. I think it  
15 also helps you make good decisions. Let me give you a real  
16 live illustration.

17           Back during the Asian crisis -- so that was  
18 '97, '98 -- the Permanent Fund Board had a special meeting.  
19 I will never forget it, because I was sitting in some  
20 parking lot in Southern California joined into this board  
21 meeting. And the purpose of the meeting, the primary focus  
22 of the meeting, was to discuss the significance of the  
23 Russian default and all the concerns that were really front  
24 and center stage in everybody's minds during that period.  
25 The Asian markets had really, really plummeted. The

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1 Permanent Fund had actually reduced their equity exposure a  
2 little bit, and that conscious action, combined with the  
3 decline in stocks, took them below the lower end of their  
4 policy band.

5           When the call began, I was very concerned  
6 that, oh my god, they may even reduce equities further.  
7 And one of the board members said to his colleagues on the  
8 board -- asked the rhetorical question of staff and, then,  
9 of his colleagues -- what is our policy? What is the band?  
10 This is exactly why we developed the band. And so the  
11 outcome of the meeting was a decision to move back within  
12 the band, which turned out to have been a great decision.

13           Now, it was entirely appropriate because it  
14 was such a significant event in the financial markets that  
15 they raised the question of, gee, do we want to change our  
16 policy? I'm not faulting them for that. But having it,  
17 sort of pre-experiencing what can happen in terms of those  
18 -- you know, how good or bad might it be -- helped them  
19 come to what, with the benefit of hindsight now, was a good  
20 decision. And, inevitably, in the public domain there is  
21 no shortage of Monday morning quarterbacks. "If only you  
22 had" is typically the way the story or the quote begins,  
23 and having the basis for what you're doing clearly  
24 articulated before the fact provides a lot of comfort and a  
25 strong defense.

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1                   Okay. I've skipped ahead several slides to  
2 this. This, to me, is a very important graph. If we did  
3 an anonymous survey of each of you, and I said to you that,  
4 12 months ago, write down on a piece of paper what you  
5 expect stocks to return over the long term, and I asked you  
6 to do that same thing today, I'd submit that the answers  
7 would be different and today's answer would be lower  
8 probably than the answer of 12 months ago.

9                   MS. MCCAMMON: What is the long term?

10                   MR. O'LEARY: That's a great question,  
11 Molly. What is the long term? But, in your case, the long  
12 term is truly the long term. It's a perpetuity.  
13 Endowments, foundations, really have the longest time frame  
14 of any type of investment. And here I'm talking about your  
15 long-term money. And here are the long-term numbers. And  
16 this includes obviously a depression, but it also includes  
17 an extraordinary boom. And, if we were looking at these  
18 same long-term numbers five years ago, the average return  
19 on large cap stocks would have been down in the 10 percent  
20 range. The last five years have been so good, on top of a  
21 decade of terrific returns, that they pulled up the long-  
22 term averages. But this is the reality. This is all that  
23 you can sort of, at best, expect from a program.

24                   We typically think of the long-term real  
25 returns to stocks as falling within a range to five to

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1 seven percent. If inflation is three percent, three and a  
2 half percent, we think large cap stocks on average would  
3 return somewhere in a range of eight and a half -- so,  
4 three and a half percent inflation and 10.5 percent. Be  
5 very happy if they do that. It would be a very solid,  
6 attractive rate of return. In fact, they've done a little  
7 bit better, but we think that's a measurement problem of  
8 going to really an extraordinary level as of the end of  
9 last year. Small cap stocks are more volatile than large  
10 cap stocks. That's clearly reflected in the standard  
11 deviation numbers -- these are the historic standard  
12 deviation numbers -- and have produced a slightly higher  
13 return.

14 Bonds -- when I was in school a long time  
15 ago, what the professors would say is, well, you can expect  
16 to earn maybe three percent real return on bonds. In fact,  
17 they've earned less than that, although in the last 20  
18 years they've earned more than that. Part of that low  
19 number may be the result of the truly extraordinary  
20 environment of the Depression and then the World War II  
21 period. So, if you look at those numbers post-World War  
22 II, they're more attractive.

23 All of this modeling that I've talked about  
24 focuses on the benchmark and the return of a benchmark.  
25 And so, then, it focuses on the market-related risk, the

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1 systematic risk, and the non-systematic risk the academics  
2 will tell you can be diversified away. There is always the  
3 risk that Company A will go bankrupt. But, if you own  
4 Company A and 100 other companies, there is also the  
5 possibility that one of them will be a spectacular success.  
6 So you can minimize the specific risk through  
7 diversification.

8           There are a whole bunch of other risks  
9 which dominate thinking in the short run. One I'd like to  
10 take a moment on is what we call boardroom risk, which is  
11 really the risk that you're going to change your policy. I  
12 have a client, the Denver Employees' Retirement Plan. I  
13 worked with them for about 12 years now. And the fellow  
14 who's the executive director of that program keeps a  
15 newspaper article from "The Denver Post" in 1980, and that  
16 newspaper article points out that looking back on the  
17 decade of the 70's, the Denver Employees' Retirement Plan  
18 was among the poorest, if not the poorest, performing major  
19 public pension fund in the country. Now, I said to the  
20 fellow who's the executive director, why the heck do you  
21 keep this thing around? Why do you show it to people? And  
22 he said, Mike, it stops them from doing the things that  
23 really will screw them up.

24           What did they do? They were at the cutting  
25 edge in the early 70's of moving to a total return concept.

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1 So, relative to other public funds in 1970, '71 and '72,  
2 they moved aggressively into stocks. 1973 and '74 came  
3 along, and they moved away from stocks. They went to 100  
4 percent bonds. Now, in the late 70's, remember what  
5 happened to interest rates? It just kept going up. They  
6 didn't peak until 1982. So they had the worst of both  
7 worlds. They invested in stocks in the early 70's thinking  
8 that it was an appropriate investment for a pension fund,  
9 which it certainly is, but they couldn't stick with their  
10 policy through the bear market of 1973, '74. They  
11 liquidated the stocks just at the wrong time and  
12 concentrated in bonds. And so anytime one of Mike's board  
13 members comes to him with some sort of radical idea, he  
14 pulls out this article and gives it to them. And it really  
15 works for him.

16 In real life, though, this is the risk that  
17 comes out at you most frequently, and it's always couched  
18 in some sort of very persuasive rationalization. You know,  
19 this time it's a little different, or I don't really want  
20 to fundamentally change our policy but what about doing  
21 this? And so my message is be very comfortable with your  
22 policy and require a lot to alter the policy. Yes?

23 CHAIRMAN TILLERY: Do you have sort of  
24 examples where there have been some fundamental changes,  
25 and people have held on too long when they should have made

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1 changes? Or, I mean, can we go back to the 1800's and  
2 decide that what we're doing now is always.....

3 MR. O'LEARY: I think the closest thing I  
4 can come to it is the difference between growth and value  
5 investor returns in recent years where the question was  
6 raised by very serious people, very thoughtful people, has  
7 the technology revolution really fundamentally altered  
8 investment concepts? And the most uncomfortable meetings  
9 that I've had probably over the last two or three years  
10 have been meetings where a very thoughtful, bright board  
11 member will say, gee, you know I've really been looking at  
12 this Internet thing and this really is a revolution. This  
13 is bigger than the airplane, bigger than the car. It's  
14 going to fundamentally alter the economic scene. And so  
15 people that don't take that into account may be the buggy  
16 whip manufacturers. And there may be some validity to  
17 that. But, the excesses of dot-com mania were -- yeah,  
18 there really was a bubble. So that's a good illustration.

19 You know, the investment business is  
20 dynamic, and the economy is dynamic so you have to be  
21 willing to change your mindset, but there have to be some  
22 fundamental principles that underlie it. You have to be  
23 able to tie your change in thinking to that. Somebody that  
24 has mechanical rules -- I'm never going to pay you over 10  
25 times earnings for a stock. That, to me, seems to be

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1 mindless.

2                   A really good illustration -- there were  
3 managers, there are managers, who say the only stocks we're  
4 going to consider are stocks that have an above average  
5 dividend yield. Well, you think about how the tax code has  
6 changed, and how corporate governance has changed, and what  
7 were those managers really trying to get at when they had  
8 that decision rules. They were trying to get at, did the  
9 company actually generate cash? Could they pay a dividend?  
10 Because there were so many funny things going on in  
11 accounting, that there were questions regarding the  
12 veracity of the earnings numbers. Well, you can't mess  
13 around with cash. Ultimately, cash is king. However,  
14 about eight years ago, companies stopped focusing on  
15 dividend policies and shifted more toward share buy-back  
16 programs. And there are whole big sectors of the market  
17 where the leading companies don't pay dividends. So that,  
18 to me, would be a good illustration of somebody sort of  
19 mindlessly hanging onto something that had worked forever,  
20 but the changes in the economy really negated the validity  
21 of the approach. However, the premise of the approach --  
22 that is, that real cash earnings matter -- may still be  
23 very valid.

24                   MS. MCCAMMON: So, Mike, just on this whole  
25 issue of value and growth -- because I didn't know what

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1 value and growth was at first, until I went away to  
2 college, and then I'm not even sure I understand it  
3 completely now -- but we don't have our assets divided up  
4 among value and growth. It's just domestic equities and  
5 international equities, and it's balanced within that  
6 asset, through the domestic equities, through the passive  
7 fund. And so, if we were a larger group or doing more  
8 active management, then we would have all this.....

9 MR. O'LEARY: Then you'd have that issue.

10 MS. MCCAMMON: .....we'd have all these  
11 little slices and all.

12 MR. O'LEARY: You could have somebody, the  
13 Monday morning quarterback come out -- could have come out  
14 a year ago -- and said, gee, why are you indexing to the  
15 broad market.....

16 MS. MCCAMMON: And not the NASDAQ.

17 MR. O'LEARY: .....and not to a growth  
18 index. You would have been better off. Well, of course  
19 you would have been better off, you know? And you were  
20 better off when you weren't indexing to it this year.

21 There is a concept -- this is on several  
22 pages, the Sharpe ratio -- there are all sorts of  
23 quantitative tools for evaluating how our manager is doing  
24 on a risk adjusted basis. All of them were fraught with  
25 the potential for abuse. And what I'd encourage you to do

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1 is think within an asset category. So, for example, your  
2 domestic equity portfolio, you look at the portfolio return  
3 minus the risk-free rate -- minus Treasury bills -- divided  
4 by volatility. That's the Sharpe ratio. I think that this  
5 is probably the single best risk adjusted measure of  
6 return. But it's really a deceptive measure if you go from  
7 one asset category to another asset category. If you  
8 calculate the Sharpe ratio for the stock portfolio and  
9 compare it with the Sharpe ratio for your bond portfolio,  
10 that's an apples and oranges comparison. But if you had  
11 seven or eight stock managers, and were calculating the  
12 ratio for all the stock managers and comparing them, then  
13 that would be a useful measure.

14 Is John Jenks here? He said he might stop  
15 by.

16 MS. MCCAMMON: Yeah. He's not here yet.

17 MR. O'LEARY: He'll probably stone me, so  
18 I'll get it done quickly. I cannot in good conscience say  
19 to any one client that they should do something in terms of  
20 equity structure that, if all our clients did would be  
21 illogical.

22 MR. RUE: Say that again.

23 MR. O'LEARY: Illogical. It would be  
24 illogical. It's sort of a greater fool theory. The  
25 greater fool theory never is a valid basis for investment.

00313

1 MR. RUE: Greater fool theory.

2 MR. O'LEARY: Yeah.

3 MR. RUE: You lost me on that.

4 MR. O'LEARY: All right. Here we go.

5 MR. RUE: Economics 101, it's losing me.

6 MR. O'LEARY: There's a lot of evidence  
7 that suggests that it's very difficult for a manager to  
8 outperform the market. All right? We're all in agreement  
9 on that. It's particularly difficult in large cap U.S.  
10 equities and; therefore, it is very common for big funds to  
11 say the record suggests that it's very difficult to put  
12 together a program of above average managers, and all those  
13 managers are going to charge nice, healthy fees. So, on an  
14 after fee basis, I'd be better off simply buying the index.  
15 All right? And we've seen it in the Vanguard S & P 500  
16 Index Fund, the growth of it over the years -- people  
17 acting on that. Now, what's the basic premise that  
18 underlies that? I'd submit that the basic premise is that  
19 there are thousands of people out there working hard,  
20 trying to do better than the average. And it's that effort  
21 that, indeed, makes the Index Fund, the Index, such tough  
22 competition.

23 Now if everybody stops acting on that  
24 basis, what's the logical consequence? That it should be  
25 easy to do better than the Index. And so we're sort of

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1 caught on the horns of a dilemma. We agree with the notion  
2 that the Index in the large cap U.S. equity market is  
3 exceedingly difficult to beat over the long term, but there  
4 are costs associated with it. But the other side of it is,  
5 if everybody acts on that presumption, then that's going to  
6 create meaningful opportunity for people to do better than  
7 the Index. So how do we reconcile that?

8 We encourage our large clients to have  
9 meaningful Index exposure in those market segments that  
10 seem to be most efficient. So, it's very reasonable for  
11 clients to be 20 or 40 percent passively managed. But our  
12 clients, in aggregate, have a trillion dollars. And it  
13 would be unreasonable for all of them to have all of their  
14 equity commitment passively managed. I mean, that's my  
15 view. Some of my colleagues don't share that view. I  
16 mean, some of the colleagues at the firm. So, we sort of  
17 draw the line near 50 percent. We have one or two clients  
18 that are even higher than that of their large cap equities.  
19 So, when I look at your program, well, that's an unusual  
20 feature to be basically committed to passive management.  
21 It doesn't mean that it's imprudent or there's anything  
22 wrong with it. But, it's just something to stick in the  
23 back of your mind. Can everybody do that? And what are  
24 the implications if everybody does that?

25 CHAIRMAN TILLERY: I understand that from

00315

1 your perspective of advising everybody. But, from our  
2 perspective, as long as the other guys are out there, kind  
3 of keeping us going, aren't we just happy as clams doing  
4 it?

5 MR. O'LEARY: At some point that -- you  
6 know, that is the fundamental -- what is investing? What  
7 is the fundamental underpinning of that strategy? If it is  
8 because there are a bunch of idiots out there trying to do  
9 better, there is an element of greater fool theory in that.  
10 And you may be comfortable with it. A reasonable person  
11 may be comfortable with it. I'm personally not comfortable  
12 with it.

13 MS. MCCAMMON: And John Jenks just walked  
14 in. Just so you know, he's behind you.

15 CHAIRMAN TILLERY: And John Jenks, yes. So  
16 he can throw things at you. But we have a political  
17 element to investing passively, also, I think is a part of  
18 that.

19 MR. O'LEARY: Yeah. And the Federal  
20 government -- I mean, when I look at the Federal Thrift  
21 Fund which is, as I understand it, the options are  
22 basically entirely passive, I think....

23 MS. MCCAMMON: Yeah. They don't give you  
24 options at all, unlike the State.

25 MR. O'LEARY: .....you know, it's a real

00316

1 question. There are major funds -- major, very substantial  
2 funds -- whose logic is we think a broad market index can  
3 reasonably be assumed to generate returns that are  
4 reflective of the real growth of the economy. And whether  
5 that's better than median, or below median, is irrelevant.  
6 It is what we want. And, on that basis, I think it's a  
7 very rational decision to be 100 percent passive.

8 CHAIRMAN TILLERY: Just out of curiosity,  
9 how has our sort of broad index, our Russell 3000, done  
10 vis-a-vis small caps, vis-a-vis large caps?

11 MR. O'LEARY: Small cap has outperformed  
12 large cap. We went for a period, and it really was sort of  
13 at its peak at the end of 1998, where a capitalization  
14 rated index did better than the typical manager. And large  
15 cap companies had done better than small cap companies. In  
16 1999, and at least through September of this year, the  
17 reverse has been true.

18 CHAIRMAN TILLERY: That's small cap and  
19 large cap, but how about our broad based.....

20 MS. MCCAMMON: Yes. That's the Russell  
21 3000.

22 MR. O'LEARY: Well, the Russell 3000 is  
23 dominated by the same companies that dominate the S & P  
24 500. It is a capitalization weighted index. And so, you  
25 know the key is, is it capitalization weighted or equal

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1 weighted? Small cap indices, well, they are also  
2 capitalization weighted, because there are so many more  
3 companies in them. You don't have the dominance of a small  
4 group of companies as you do in the large cap arena. I  
5 think it's only like 150 companies with a market cap of  
6 over \$10 billion or \$12 billion, so the universe of  
7 megasize companies is pretty small. The Russell 2000 has a  
8 weighted average market cap of about \$1 billion, and at the  
9 time it got reconstituted each year, maybe a \$2 billion  
10 company or a billion and a half dollar company is the  
11 largest company that's in it.

12 CHAIRMAN TILLERY: Yeah. We're in the  
13 Russell 3000.

14 MR. O'LEARY: Three thousand is the  
15 weighted average sum of the Russell 1000, large cap, and  
16 then the 2000, smalls.

17 CHAIRMAN TILLERY: Right. And so I guess  
18 what I'm trying to figure out is has our 3000 over the last  
19 year -- has sort of the 3000 done better or worse than  
20 either the 1000 or the 2000, individually?

21 MR. O'LEARY: I don't know the answer  
22 offhand, but my belief is that the 2000 has done better  
23 than the 1000 and, therefore, would have done better than  
24 the 3000.

25 MR. BALSIGER: It would be impossible for

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1 the 3000 to do better than both of them.

2 CHAIRMAN TILLERY: Well, right. And I  
3 guess I'm kind of wondering do we end up in the middle?

4 MR. BALSIGER: You have to be in the  
5 middle, don't you? Just by the mathematics.

6 MR. O'LEARY: Yeah. If the large cap  
7 stocks are doing better, the 3000 will do worse than the  
8 1000 and the converse. If small cap stocks are doing  
9 better, the 3000 will do better than the 1000 but worse  
10 than the 2000. I'll get those numbers to Molly, and she  
11 can distribute them to you. You know, the calendar-period  
12 numbers.

13 Small cap stocks tend to outperform in  
14 comparatively concentrated periods. They may underperform  
15 for three or four years, then outperform by a significant  
16 magnitude for a couple of years, and then there will be a  
17 couple of years, or several years, where there's no  
18 meaningful difference based on capitalization size. Their  
19 periods of outperformance, though, tend to be pretty  
20 dramatic. What has been unusual in the 90's has been the  
21 degree of underperformance of small cap relative to large  
22 cap through most of the 90's -- from '94 through '98. The  
23 magnitude of the underperformance of small cap versus large  
24 cap was truly extraordinary.

25 CHAIRMAN TILLERY: And then so the question

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1 for us would be are we better off sticking with a 3000-type  
2 index, or should we fine tune it more -- split it up into  
3 large caps, small caps and try to start betting, guessing,  
4 or whatever.

5 MR. O'LEARY: Well, I would encourage you  
6 not to be as between small cap and large cap. I'd have  
7 both. So, I think having the 3000 is right on point.  
8 That's exactly what you should do. But you might examine  
9 the question of would we be better off with active managers  
10 for the small cap piece of the domestic equity, because  
11 small cap active managers have tended to do a lot better  
12 than the passive alternative.

13 It's not unusual for us to see a client  
14 have 30, 40, 50 percent of their large cap assets indexed  
15 to a large cap index -- the Russell 1000 or the S & P 500 -  
16 - and then have none of their small cap assets indexed,  
17 have it all actively managed.

18 MR. RUE: And that's because the small cap  
19 tend to be more volatile? In other words, come and go, and  
20 (indiscernible)

21 MR. O'LEARY: The small cap managers have  
22 tended to be able to do better than the Index.

23 MR. RUE: Pick the winners better.

24 MR. O'LEARY: Or, maybe, just avoid the  
25 losers.

00320

1 MR. RUE: (Indiscernible - away from mike)

2 MR. O'LEARY: Psychologically, it's a very  
3 different way of looking at the world. If you're saying my  
4 objective in my investment strategy is to not own the  
5 clunkers, and that's how I'm going to be above average.

6 Now some would argue with that say, well, there's a  
7 measurement problem. You know, the small cap indices  
8 aren't really reflected. But I can tell you that the  
9 average small cap manager in our database, over the long-  
10 term, has done better than the small cap market indices.

11 CHAIRMAN TILLERY: I mean, we got that same  
12 advice with respect to international equities.....

13 MR. O'LEARY: Yes.

14 CHAIRMAN TILLERY: .....that we should be  
15 active management versus passive management, and that's  
16 what the State does. But the State's view, as I understand  
17 it, is with respect to domestic equities, we generally  
18 don't go with the active management.

19 MR. JENKS: Yes. That's correct. And it  
20 was an evolution. The State started with just the S & P  
21 500, and this gets into this large cap, small cap debate.  
22 Originally, the State used an S & P 500 Index to provide  
23 equity exposure for the State's endowment funds and any  
24 other non-retirement systems funds. And a number of years  
25 ago, as this performance dispersion between large cap and

00321

1 small cap kept getting greater and great, we felt it was  
2 more and more important to have a broad market exposure.  
3 So, we made a shift from the S & P 500, which was less  
4 exposure to the small caps, to the Russell 3000 for a  
5 number of reasons.

6 In sum, we felt that we were still better  
7 off to maintain a passive approach to implementation and  
8 investment strategy. Partly it was budgetary constraints.  
9 Partly it's the fact that on a dollars basis, the large cap  
10 stocks where we believe the case is stronger for asset  
11 management are still the bulk of the dollars that, in sum,  
12 it still makes sense to implement a broad market strategy  
13 on a passive basis.

14 MR. ROTH: Of course, then there's the  
15 question, too, of if you're actively managing -- an  
16 actively managed portfolio -- with companies being  
17 regulated by certainly the Federal government, and somebody  
18 said the State government, and then trying to insulate that  
19 from the decision-making. I mean, the passive funds, I  
20 don't have a problem with a conflict of interest and doing  
21 these broad indexes. But if we were in active management -  
22 - and then it's even worse if we were really a fiduciary.  
23 And that debate we had earlier.

24 Back that -- then, if we had one side of  
25 Interior knew that this regulatory activity was going to be

00322

1 depressing the price of the actively managed company or  
2 something. I mean, we don't care to look at that, and what  
3 we're doing is the minimus and won't have any investment  
4 effect. I'm not sure we can say what we're doing won't  
5 have any investment effect on an actively managed  
6 portfolio.

7 MR. O'LEARY: All good points. I would  
8 point out that John was referring to the Treasury's  
9 position with regard to endowments, that the retirement  
10 system is predominantly actively managed. One of my many  
11 claims to fame is I'm not an attorney. But that doesn't  
12 stop me from offering opinions. It would seem to me that  
13 by delegating to an investment manager, you may have  
14 succeeded in removing the conflict. Then, the same  
15 position, as a fiduciary, if you know of something that  
16 might have an adverse effect on your holding in "x,"  
17 whether it's held passively or held in an actively managed  
18 portfolio, it might be exceedingly difficult for you all to  
19 manage the portfolio, but not to have somebody else manage  
20 the portfolio. Needless to say, I'll never have to get in  
21 front of the Supreme Court.

22 MR. RUE: In other words, if Jim Balsiger  
23 is about to shut down the factory trawlers, and he knows  
24 it, he ought to tell us so we can get out.....

25 MR. BALSIGER: We told you last Thursday.

00323

1 Get out of the seafood.

2 MR. O'LEARY: Just a word -- you can see  
3 from the slide that we're not great advocates of passive  
4 management in international because the record really there  
5 has been very strong for active managers doing better than  
6 the passive benchmark, in something like the Equal Index,  
7 which is a refined index of non-U.S. exposure. A word of  
8 caution, though. In the 1980's there were many people who  
9 invested passively internationally, because the index, this  
10 same index, was beating the socks off of the typical active  
11 manager. At one point, Japan got to be about 65 percent of  
12 the index, and the Japanese market was settling at 100 plus  
13 times earnings, and active managers generally thought that  
14 it was a bubble that was going to burst. And so they had  
15 nowhere near 65 percent of their portfolio in Japan.

16 So, what happened? Investors, such as you,  
17 looked at the active manager return, looked at the index  
18 return and said, ooh, I like this one better than this one,  
19 fired the active manager, put the money into the index, 65  
20 cents of every dollar got invested in Japan. Investing on  
21 that basis is a greater fool theory. I think over the next  
22 five or 10 years the index is going to be much tougher for  
23 the typical active manager to beat than it has been over  
24 the last five or 10 years, because in the last five or 10  
25 years what's happened is Japan has gone from 65 percent of

00324

1 the index to about 26 percent of the index. So, it's no  
2 longer the dominating factor that it was and, eventually,  
3 maybe the Japanese economy and stock market does better.

4           So the case there is a different case in my  
5 mind than the case in the small cap area. The small cap  
6 area, the story is you have thousands of companies and  
7 market inefficiency. In the international area, the reason  
8 for most of the outperformance was active managers having  
9 less in Japan than the index had in Japan. You'd agree  
10 with that, John, right?

11           MR. JENKS: Yes.

12           MR. O'LEARY: So, if somebody felt strongly  
13 about managing international portfolios passively -- having  
14 some portion of your assets -- we certainly would have a  
15 problem. We just have a couple of more minutes. This  
16 table is sort of an interesting table. This is not what  
17 we're recommending. This is sort of what's typical. The  
18 number of managers utilized tends to increase the size of  
19 the fund, and the biggest change occurs in domestic  
20 equities. The bigger you are, the easier it is to justify  
21 the added costs and time associated with more managers.

22           Being mindful of the costs of your program  
23 -- critically important for you -- the type of structure  
24 that you have is very, very efficient. Your investment  
25 management costs are very low. I'm not going to go through

00325

1 this whole section. I'd just ask you at your leisure to  
2 turn the pages.

3           Having a process for a evaluating your  
4 vendors is critically important. At some point down the  
5 road, you should, say, examine -- are we getting reasonable  
6 value for the services the way we're getting them? And  
7 the answer is probably going to be yes. I mean, I'm very  
8 confident it is yes right now. But those things can  
9 change, so you have an obligation to look at it. If you go  
10 to hire in a new area, I think it's important to go through  
11 the process of, you know, define the objective in advance  
12 and then have a process. Let me give you an illustration  
13 of how I think of it. It has worked well with other  
14 clients.

15           These days there are all sorts of  
16 consolidations going on in the investment services  
17 business. And so, inevitably, a large money manager has  
18 multiple products to sell. And maybe a manager has done a  
19 great job in a particular product area, and they think that  
20 they can do a great job in another product area. And if  
21 the client is looking for somebody in that other product  
22 area, in the back of their mind they're saying, well, gee,  
23 Jim and Sally at XYZ are great. They've done a wonderful  
24 job for us. We have a lot of confidence in the  
25 organization, and we think that we need to hire a new bond

00326

1 manager and even though Jim and Sally have been managing  
2 the stock portfolio for us, we think that they could do a  
3 great job in the bond area.

4           Well, maybe they can. But maybe they  
5 can't. Maybe there are better alternatives. And that's  
6 the sort of decision process that is a challenge to  
7 maintain, the let's start from scratch, let's put it down  
8 on a piece of paper. It may be advantageous to us to buy  
9 that extra service from that single-service provider.  
10 Maybe they will give us a fee discount, which will make  
11 them worthwhile. But what you have to independently look  
12 at is their capability truly competitive there? And we've  
13 done a number of searches for ASPID or for the Permanent  
14 Fund where sort of our marching order is, if everything  
15 else is equal, we'd just as soon deal with our existing  
16 service providers, our existing managers, because it's  
17 administratively easier and it gets us fee savings. But,  
18 you have to look at the whole universe. And if they have  
19 something that's competitive, they are even more  
20 competitive because of the advantage of the existing  
21 relationship. But if it's not competitive, you're better  
22 off taking on that new relationship.

23           I just want to mention securities lending  
24 very, very briefly. This is sort of a non-sequitur. I  
25 also know that it's something that you all may be

00327

1 considering at some point in your not too distant future.  
2 Securities lending is a very common program for major  
3 institutional pools of money. Are any of you familiar with  
4 it?

5 MS. MCCAMMON: Mike, I don't think they're  
6 aware, and John just informed me yesterday or the day  
7 before that the State is now considering instituting a  
8 securities lending program which would, if the Trustee  
9 Council wanted to be -- and the intent, I think, is with  
10 most of the funds, the securities, to do this, if it does  
11 go forward. And so the Council would have to decide  
12 whether to opt in or out of that program, so it is a  
13 decision that will coming back to the Council.

14 CHAIRMAN TILLERY: Didn't we banish that in  
15 our investment plan? I thought we talked about it, and  
16 said no.

17 MS. MCCAMMON: I'm not sure we specifically  
18 said it.

19 MR. ROTH: It was also in the context that  
20 the State wasn't doing it, so that.....

21 MS. MCCAMMON: Yeah.

22 MR. ROTH: .....(indiscernible -  
23 simultaneous speech) as I recall. Why don't you just tell  
24 us again?

25 CHAIRMAN TILLERY: Yeah, maybe just talk

00328

1 about it a little bit.

2 MS. MCCAMMON: Yeah, yeah.

3 MR. O'LEARY: Securities lending is a very  
4 common, semi-mechanical program that I would venture it  
5 being something that the majority of institutional  
6 investors participate in. Most of the mutual funds that we  
7 all as individuals invest in undertake securities lending.  
8 What is involved is you, as the owner of a portfolio, agree  
9 with some agent that that agent can lend the securities to  
10 somebody else, provided that they get collateral which  
11 typically is equal to 102 percent of the value of the value  
12 of the security that you're lending, and that it is  
13 maintained at some premium to the value of the security  
14 that you've lent.

15 MR. RUE: Why would someone want to borrow  
16 a security under those terms?

17 MR. O'LEARY: Maybe they don't want to sell  
18 the securities that they're going to use as collateral if  
19 they're using government instruments. Maybe they have no  
20 alternative but to borrow the security. If somebody is  
21 selling the stock short, the ultimate buyer of that stock  
22 wants the stock, and so the short seller has to borrow the  
23 stock from somebody and has received cash in collateral --  
24 you know, cash as the proceeds from that sale. There can  
25 be complex arbitrages between major brokerage firms and

00329

1 futures arbitrage, selling stock and buying future. That  
2 would clearly be a form of short-selling, but it doesn't  
3 suggest the same level of risk. If I buy an S & P 500  
4 future contract, and -- because I think it's selling at a  
5 premium to the underlying stock, and I want to make that a  
6 riskless transaction from my perspective, I will  
7 simultaneously sell all the stocks that are in the S & P  
8 500. I've sold the stocks short, and I've locked in the  
9 spread.

10 So, there are a whole host of things, of  
11 reasons, that can generate a need to borrow securities.  
12 From the lender's perspective, the critical things are,  
13 have I gotten sufficient collateral so that whoever I lent  
14 the security to, if they go belly up, that I'm whole?  
15 Number 2, do I still get my income stream from the security  
16 that I lent, and that's a condition of the loan. And then,  
17 number 3, what extra do I get from it? So what happens is  
18 typically a custodian, like a State Street, also will act  
19 as the lending agent. And what they'll do is say, well  
20 okay, Client A, you've lent \$100 million of Treasury bonds,  
21 and we're giving you \$102 million in cash. And the cash  
22 will be invested in a STIF vehicle -- short-term investment  
23 fund. So I'll get my interest income on the \$100 million  
24 of securities that I've lent, and now I have \$102 million  
25 in cash invested in the short term. Now, since the

00330

1 borrower isn't totally stupid, he's going to require that I  
2 give him most of the earnings on the short-term investments  
3 on the \$102 million, but not all of it. Most of it. And  
4 then the lending agent in my illustration, State Street, is  
5 going to say, well, Client, look I'm not in this for  
6 charity. I want a piece of what's left. So, from our  
7 perspective we see most institutional investors -- as I  
8 said, the majority -- who can, participating in such  
9 programs.

10                   There are several risks. There is an  
11 operational risk that a security gets lent and the  
12 collateral doesn't come in the door simultaneously. So  
13 there's a window risk. Most of the major securities  
14 lending agents indemnify against that type of risk.  
15 Another operational risk is the stock that I lent has gone  
16 up in value. So what started out as adequate collateral,  
17 102 percent, now is only 95 percent -- not because the  
18 collateral went down in value, but because the stock went  
19 up in value and then the borrower fails. So, I'm worse off  
20 for that. Most securities lending agents indemnify against  
21 borrower default. There is another risk which is there is  
22 a mismatch of the investment of the collateral and the term  
23 of a loan. And so maybe the loan gets negated in a week,  
24 but I've invested the collateral for 30 days. And so, if I  
25 liquidate the collateral at the end of the week, I've

00331

1 incurred a loss. That typically is not indemnified against  
2 and, as I understand it, what is being proposed by State  
3 Street for the State would actually provide some  
4 indemnification against that risk.

5 MR. JENKS: That is correct.

6 MR. O'LEARY: In terms of expected return,  
7 the absolute dollars are large, but as a percent of the  
8 assets, it's very small. John, the State's expectation in  
9 terms of net lending income is?

10 MR. JENKS: Five (indiscernible - away from  
11 mike) approximately.

12 MR. O'LEARY: Just on the assets lent,  
13 right?

14 MR. JENKS: No.

15 MR. O'LEARY: On total assets.

16 MR. JENKS: Total assets.

17 MR. O'LEARY: So, some people might say,  
18 hey, there's some small risk associated with it and it's a  
19 very small incremental return and it's not worth the wait.  
20 And then others would look at the same thing and say, hey,  
21 it's found money.

22 MR. ROTH: I might have misheard. I  
23 thought you said one of the things the borrower gets out of  
24 it is the potential for short-term gain on the borrowed  
25 stock, but that would mean he only gets gains if he sells

00332

1 the borrowed stock, so I must not have.....

2 MR. O'LEARY: No. The borrower is -- I was  
3 trying to respond to the question why is there need -- a  
4 market to lend securities. And the answer is that there  
5 are all sorts of operational things -- as part of the  
6 business -- and related strategies. And the specific  
7 example I used was somebody an buying S & P 500 future  
8 contract because they think that the futures are  
9 undervalued relative to the underlying securities that are  
10 in the S & P 500. So, if I thought that, and I had real  
11 deep pockets and the ability to leverage myself 50 or 100  
12 to one or something, I might buy the future and  
13 simultaneously sell short each of the stocks. I would  
14 then, as I sold the stock short, have to deliver the stock.  
15 So, I'd have to borrow the stock from somebody. And my  
16 profit is on that relationship of the futures price and the  
17 underlying securities converging. Okay?

18 MR. RUE: So, you didn't have any S & P 500  
19 stocks to start with. You had to go borrow them to sell  
20 them to get the margin. I get it now.

21 MR. ROTH: The borrower borrows the stocks  
22 to sell them, and then their stocks are sold somehow it  
23 sounds like. And then he returns the rest of the stocks  
24 later. He buys them later.

25 MR. O'LEARY: Yeah, to close out the

00333

1 position. And he simultaneously sells the futures  
2 contract.

3 MR. ROTH: And how does that whole thing  
4 affect our banding and our asset allocation (indiscernible  
5 - simultaneous speech)

6 MR. O'LEARY: It's all transparent to you,  
7 because while technically -- if there are 100 million  
8 shares of stock outstanding, and we own 50 million of those  
9 shares and we lent them, there can't now be 150 million  
10 shares outstanding. There's still only 100 million shares  
11 outstanding. So, technically, we don't own them but you  
12 own the economic advantages of them.

13 MR. ROTH: So we still have them.

14 MR. O'LEARY: You still have the financial  
15 interest. The only thing that you can't do is vote the  
16 shares.

17 MR. ROTH: That would be where I was  
18 thinking of is that whereas our collateral is fixed income,  
19 you know, we're not counting it as a fixed income. We're  
20 still looking at the underlying investments in stock.....

21 MR. O'LEARY: Exactly.

22 MR. ROTH: .....and, for allocation  
23 purposes, those stocks, even though we may end up with as  
24 the result of default would be the fixed income.

25 MR. O'LEARY: And, yes, you can sell them.

00334

1 MR. RUE: Even though you lent them to  
2 somebody then you can turn around and sell them? Jeez.

3 MR. O'LEARY: Actually, what happens is  
4 that these are all set up basically as demand loans. So,  
5 if you decide to sell the stock.....

6 MR. RUE: I see.

7 MR. O'LEARY: .....you terminate the loan,  
8 you get the stock back in time to settle the trade.

9 MR. RUE: You keep the equity, then.

10 MR. O'LEARY: I'm wearing you out. You've  
11 had a long day. I just will conclude with comments on how  
12 I think you should evaluate performance. Obviously, you  
13 should start at the top. Look at total fund performance  
14 relative to your objectives. Then you should look at  
15 performance by asset class segment, and then by individual  
16 manager and, in your case, it's pretty straightforward.

17 There is both an art and a science to  
18 performance evaluation. Calculating the numbers is now  
19 reasonably straightforward. Interpreting the significance  
20 of the numbers is where there's some art. And that's it.

21 And I did have, which you don't have in  
22 front of you -- I want to show you.....

23 MS. MCCAMMON: It's a PDO.

24 MR. O'LEARY: What this is, is a graph that  
25 shows roaming three-year returns from 1926 to sometime in

00335

1 1999, the end of '99, for the S & P 500. And the red line  
2 reflects the average. This graph -- and, Molly, I  
3 apologize. I was on the plane when I came across these on  
4 my computer and felt that they'd be worthy of some note.  
5 Because your question is, you're spending money from a  
6 fund. And you have a fund that has an objective to spend  
7 money into perpetuity, right? And so, the question is what  
8 level of spending is reasonable and consistent with us  
9 making the same contribution to future generations? You  
10 can spend now, or you can spend later.

11 Your foundations are ultimately governed by  
12 the tax code, and they have to spend five percent.  
13 Endowments don't have to spend anything. And so we are  
14 frequently asked by endowment clients what level of  
15 spending is a reasonable level of spending if we want to  
16 make the same relative contribution in the future or,  
17 ideally, we want to even grow our future spending? And so  
18 what we did here is we took a mix of 80 percent stocks, 20  
19 percent bonds, and this is a very aggressive policy, and  
20 looked at all these rolling three-year periods. There are  
21 122 periods where the return was less than zero, net of the  
22 spending, out of 287 rolling three-year periods. The  
23 average real growth of this portfolio, this theoretical  
24 portfolio, was 1.39 percent. With a five percent spending  
25 rate, and we presume seven-tenths of a percent in costs --

00336

1 and now I'll go back and show you. From 1972 to present, a  
2 mix of 50 percent domestic equity, 15 percent international  
3 equity, 35 percent bonds. Same sort of spending -- five  
4 percent distribution, seven-tenths of a percent costs, so  
5 total distribution of 5.7 percent. Real growth of only  
6 1.43, on average. But, very importantly, just a whole very  
7 long period where there was a decline in the real value.

8           These are interesting charts. As I said, I  
9 will send them to Molly and they can be distributed.

10 Bottom line is I think, regardless of your investment  
11 policy, having a distribution rate in excess of five  
12 percent, it's very tough to preserve the purchasing power  
13 of the corpus if you have a distribution rate in excess of  
14 five percent, even with very heavy equity allocations --  
15 and totally inconsistent if you don't have the majority of  
16 your assets invested in stocks. In other words, those are  
17 the messages. If you want to distribute somewhere in the  
18 area of five percent, you have to have the majority of your  
19 assets in stock, the majority being 60, 65 percent in  
20 stocks, and you have to be prepared for the probability of  
21 having a number of periods, having a protracted period  
22 where it looks like you're having declines in the real  
23 purchasing power of the corpus. But if you stick with the  
24 policy over the long term, you'll probably end up okay.  
25 And you should think about averaging to the extent that --

00337

1 averaging the distribution so that you smooth out the  
2 spending pattern and that sort of stuff.

3 MS. MCCAMMON: So, we have four and a half  
4 percent of five-year rolling average, so that should  
5 be.....

6 MR. O'LEARY: Yeah. That should be good to  
7 go.

8 MS. MCCAMMON: .....very reasonable.

9 MR. O'LEARY: And that's very typical of  
10 major university endowments. There's an annual study  
11 called the (indiscernible) study, which looks at major  
12 university endowments, and it's really interesting. The  
13 larger the endowments, the lower the distribution rates,  
14 because, I think, those organizations recognize that it's  
15 important to have a consistent distribution policy and are  
16 employing averaging techniques which, in the short run,  
17 make your percentage distribution look like it's low.

18 MS. MCCAMMON: John, did you want to -- or  
19 Mike -- pass out this table here to everybody?

20 MR. O'LEARY: Yeah. One of our  
21 quantitative guys, Jay Kloepfer, had developed this several  
22 years ago, and it was very well-received by clients. We  
23 call it a periodic table of investment returns. Jay was  
24 looking at major asset categories and just arraying them  
25 highest return to lowest return on a calendar-year basis.

00338

1 And what sort of jumps out at you when you look at this is  
2 that things change. That if you sort of mechanically  
3 bought what was hot last year, that wasn't necessarily the  
4 best approach. It wasn't the best approach. I'm trying to  
5 see if I have it on my -- I don't have it on my computer.

6 MS. MCCAMMON: Yeah, I thought it was a  
7 really good visualization of why diversification is really  
8 important.

9 MR. RUE: We're all over the map. In other  
10 words, if we used darts we'd do as well.

11 MS. MCCAMMON: John, did you want to say  
12 anything, have anything to add or anything?

13 MR. JENKS: I didn't catch the entire  
14 thing, so I'm sure that.....

15 MR. O'LEARY: You should've heard what I  
16 said about you, though.

17 MR. JENKS: Yeah. So I missed all the good  
18 stuff.

19 MS. MCCAMMON: Maybe we could mention while  
20 John and while Mike are here, in your packet are the first  
21 reports from the new investment fund. And just real  
22 quickly I can just go through what's in here. The first  
23 page describes the transfer of the EVOS monies from the  
24 Court Registry Investment System to the State, so it goes  
25 from how much was in CRIS, the deduction of fees, how much

00339

1 was transferred and then how it was invested. The second  
2 page is, as of October 26th, the account consists of  
3 holdings in the following investment pools, and it has the  
4 fund description, the target, asset allocation, the base  
5 costs, market value and basically where we are in terms of  
6 the asset allocation.

7 The next page talks about how the fees were  
8 calculated that were deducted from the final CRIS account,  
9 and I should note our total fees that have been charged by  
10 the CRIS account over the life of the fund total \$3  
11 million.

12 MR. RUE: \$3 million?

13 MS. MCCAMMON: Yes, yes.

14 MR. RUE: Thank you, Frank.

15 MR. ROTH: (Indiscernible) government  
16 securities.

17 MS. MCCAMMON: That doesn't include the  
18 cost of buying the governmental securities. That was  
19 another little fee that was deducted from the original,  
20 so.....

21 MR. ROTH: If only Justice (indiscernible -  
22 background noise) could convince Judge Holland to waive the  
23 fee (indiscernible) like he had authority to do.

24 MS. MCCAMMON: The next section is an  
25 executive summary of the investment policies, and that was

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1 one of things that Debbie and I brought back from the  
2 training, too, was the importance of having a real quick  
3 summary of the major highlights of our investment policies  
4 that includes objectives, the responsible parties, the  
5 asset allocation and the payoff schedule. Then there's  
6 another sheet, how to look up the monthly EVOS investment  
7 fund on your Internet, and you can bookmark this Web page.  
8 It's done on a monthly basis, so you cannot get it on a  
9 daily basis. It's only weighed once a month, and it  
10 appears, let's see, I think approximately 10 days after the  
11 first of the month. So, the new ones for December are not  
12 on there.

13                   The next page, then, is what you would see  
14 on that Web page for the account, and are basically four  
15 reports -- three of which we have now, and the fourth one  
16 which we'll have this month: a statement of the invested  
17 assets which, as of October 31st was \$137 million and  
18 change; the next page, the statement of investment income  
19 and changes in invested assets -- the current month and  
20 then the year to date; the third one is the asset  
21 allocation policy with actual investment holdings as of  
22 October 31st, 2000 -- and that shows where we are in terms  
23 of our asset allocation range. The one that we don't have  
24 now, but will have in a few days, is a performance  
25 measurement report. And so we'll actually get to see how

00341

1 well the equities and bonds are doing in terms of income  
2 earned.

3 CHAIRMAN TILLERY: Okay. The monies were  
4 transferred on October 5th to the Department of Revenue.  
5 So for at least one, brief shining moment -- from there to  
6 October 31st -- we earned two and a half million dollars?

7 MS. MCCAMMON: I think that's correct.

8 MS. HENNIGH: But that had a lot to do  
9 because we had a lot of cash invested there for a while,  
10 and it won't be as (indiscernible - simultaneous speech)

11 MR. ROTH: It was short-term interest gains  
12 is what she's saying, right? That won't be repeated,  
13 because it's all invested then.

14 MS. HENNIGH: Is that true, John?

15 MR. JENKS: Actually, that wasn't the real  
16 rumor. It was just the markets were up, actually. The  
17 money came in, and you acted very quickly to get it  
18 invested to your policy. So, in a matter of just a few  
19 days, actually, the investment policy was implemented. And  
20 the last part of October was a fairly good period of time.  
21 The market equities were up somewhat, and the bond  
22 portfolio had performed quite well. I would just tip you  
23 off that December won't be as encouraging. You had a great  
24 day today.

25 MR. RUE: We have a long-term perspective.

00342

1 Don't worry. We can take the down.

2 MS. HEIMAN: Did we lose money from last  
3 month?

4 MR. JENKS: No, not today.

5 MS. HEIMAN: I know not today, but over the  
6 last month? Do you know if we lost money over the last  
7 month?

8 MR. JENKS: Yes.

9 MS. HEIMAN: I'm not the only one, then.

10 MR. ROTH: In the first report, did that  
11 include the 2000 payment from Exxon?

12 MS. MCCAMMON: Yes.

13 MR. ROTH: And so we have one cash payment  
14 left?

15 MS. MCCAMMON: One cash payment left, yes,  
16 and a lot of land payments out next fall.

17 MR. ROTH: And so, what do we need -- I  
18 mean, roughly, what do we need -- net of the outlays that  
19 are targeted and net of the next payment from Exxon, what  
20 do we need to make? What did you say our target was on the  
21 March 1 resolution (indiscernible - simultaneous speech)

22 MS. MCCAMMON: Well, you look back in the  
23 financial report of September 2000 in your packet here, and  
24 it says that the Joint Trust Fund as of September 30th,  
25 before the transfer occurred, has approximately \$160

00343

1 million -- and that is less reimbursements, that's less all  
2 major land payment contracts. That also includes 16 and a  
3 half million set aside for Koniag. So, if you add the 16  
4 and a half back in, that would say -- less reimbursements  
5 to the State, and less the land payments next fall -- there  
6 is approximately \$175 million in the fund as of today.  
7 That doesn't include what interest or lapse might occur in  
8 the next two years.

9 MR. ROTH: What do we need by October 2002  
10 -- \$170 million, minimum?

11 MS. MCCAMMON: Minimum, uh-huh.

12 MR. ROTH: So, we'll be there unless the  
13 market really tanks.

14 MS. MCCAMMON: We're on our way.

15 MR. BALSIGER: What happens if we go below  
16 that?

17 MR. ROTH: Well, then we have less than --  
18 the way the resolution reads, we were guaranteed for  
19 habitat, of which we will be setting aside, hopefully, at  
20 the next meeting almost 30 million bucks. So, we  
21 guaranteed \$55 million for habitat as of October 1, 2002,  
22 with the rest to be taken on the science side of the other  
23 money, but that, on the other hand, though, we offered to  
24 share the risk on the habitat and the answer was no. If  
25 you earn more than that, then all of it goes into the

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1 science and the other activities being funded out of that.  
2 The habitat has no potential for growth beyond 55 million  
3 until October 1, 2002, at which point we can earn interest  
4 on the habitat money.

5 MS. MCCAMMON: But our estimate is that if  
6 the habitat is 55, that the research -- it depends on the  
7 rate of return in the next two years, but we're looking at  
8 somewhere hopefully, at least, \$125 million.

9 MS. HEIMAN: Oh wow. That's good.

10 MR. BALSIGER: How about the Northern Fund  
11 Investment Committee, of which I think it's illegal for us  
12 to lose money, so they want to invest in Treasury bonds  
13 because they're worried about this kind of thing. So, I  
14 was wondering what happens if we fall below that, if  
15 there's a legal problem?

16 MS. MCCAMMON: Well, there's not a legal  
17 problem. But I think what Mike showed there is that you  
18 really do have to look at the long term, and it depends on  
19 what your payout is. And if your payout is done on a  
20 rolling average and it if it's done fairly conservatively,  
21 then you can have these periods of time where you do lose  
22 money, and it balances out over the long-term.

23 MR. O'LEARY: Right. And this is really a  
24 challenge, I think, for governmental entities, because in  
25 the private sector, everybody thinks in terms of total

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1 return. And so a dollar of unrealized gain is just as  
2 valuable as a dollar of realized gain. In much of the  
3 public sector, despite the fact that the accountants have  
4 now changed how you have to account for things, there's  
5 this difference in a dollar of income or a dollar of  
6 realized gain has a different value than a dollar of  
7 unrealized gain. And all those that I was talking about  
8 were looking on a total return basis. That is clearly how  
9 professional investors think about returns today. And  
10 government bonds -- 5.4 to 6 percent, in that range of  
11 expected rate of return -- that's what you're getting  
12 relative to an eight or eight and a half percent for a  
13 diversified portfolio. It's a lot of money.

14 CHAIRMAN TILLERY: I think one of the  
15 messages is in addition, too, is we need to stay the course  
16 on our investments, not jump around, but pick something and  
17 try to stick with it. We also need to stay the course on  
18 the payoffs. And if we do well, we don't want to declare  
19 dividends and do more programs. And if we do bad, we don't  
20 want to panic and not do programs. We've made a decision,  
21 and we need to stay with that decision.

22 MR. O'LEARY: And, if on average, it's much  
23 over five percent, then it's too much.

24 CHAIRMAN TILLERY: Are there any other  
25 questions for Mr. O'Leary or Mr. Jenks?

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1 (No audible response)

2 CHAIRMAN TILLERY: Mr. O'Leary, thank you  
3 very much. That was very informative and very helpful. We  
4 appreciate it very much.

5 MS. MCCAMMON: Thank you very much. We  
6 appreciate it.

7 MR. O'LEARY: Good luck with it.

8 MS. MCCAMMON: Do you want to a couple-  
9 minute break?

10 CHAIRMAN TILLERY: Yeah. Do you want to  
11 take a few minutes break, or do you want to do the PAG  
12 first, and then take a break before we do the first  
13 project. What's the Council's.....

14 MS. HEIMAN: (Indiscernible) PAG very fast.

15 CHAIRMAN TILLERY: Think so? All right.  
16 Let's just do the PAG real quick. Molly, could you give  
17 about a one-minute background on the need for PAG  
18 appointments?

19 MS. MCCAMMON: Yes. The Trustee Council is  
20 required to have a Public Advisory Group. Their current  
21 terms expired at the end of October. The PAG has been  
22 rechartered for the next two years, but all 17 members are  
23 up. It's a 17-member group. It's organized under the  
24 Federal Advisory Committee Act through the Department of  
25 Interior. The 17 seats -- there are 12 designated seats,

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1 and five public at-large seats. The Council has talked  
2 about reconstituting the makeup of the Public Advisory  
3 Group in light of a long-term program, but the decision  
4 last summer was made to hold with the current makeup or the  
5 current constitution of the group and think a little bit  
6 more about how a new group might be structured. And so the  
7 plan is to go ahead with the 17 members. And we do have 19  
8 applicants. It was advertised extensively through the  
9 summer, and through the fall, we also sought additional  
10 applicants. We have 19 people who submitted their  
11 applications, and those are included in your packet.

12 CHAIRMAN TILLERY: Ms. Heiman?

13 MS. HEIMAN: I move that we appoint for the  
14 next two years a PAG that will consist of -- and I'll just  
15 go through the names and the category that they fall into:  
16 Torie Baker, for the commercial fishing; Chris Beck, public  
17 at large; Chris Blackburn, public at large; Dave Cobb,  
18 public at large; Gary Fandrei, public at large; Brett  
19 Huber, sportfishing; Dan Hull, public at large; James King,  
20 conservation; Charles Meacham, science and academic; Pat  
21 Norman, Native landowner; Lloyd Perrine, agriculture;  
22 Gerald Sanger, commercial tourism; Stan Senner,  
23 environmental; Stacy Studebaker, recreation; Charles  
24 Totemoff, forest products; and Ed Zeine, local government.

25 MR. RUE: Second.

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1 CHAIRMAN TILLERY: Okay. It's been moved  
2 and seconded. Is there a discussion of the motion?

3 MR. GIBBONS: Mr. Chairman?

4 CHAIRMAN TILLERY: Mr. Gibbons?

5 MR. GIBBONS: Reading this list here, that  
6 means that we're still going to be short one position in  
7 subsistence, and will we be looking for a person? Is  
8 that.....

9 CHAIRMAN TILLERY: Ms. Heiman?

10 MS. HEIMAN: Yes. As part of the motion, I  
11 would like to add that there's one seat open still at this  
12 time, and we're going to take the next four days or so to  
13 identify a person who can represent the position of  
14 subsistence.

15 MR. RUE: I agree to the amendment.

16 CHAIRMAN TILLERY: Is there other  
17 discussion?

18 (No audible response)

19 CHAIRMAN TILLERY: Okay. Hearing none, all  
20 in favor of the motion signify by saying aye.

21 IN UNISON: Aye.

22 CHAIRMAN TILLERY: Opposed?

23 (No opposing responses)

24 CHAIRMAN TILLERY: The motion carries.

25 We'll have a five-minute recess. Try to make it pretty

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1 quick, because deferred projects could take a while.

2 (Off record - 3:32 p.m.)

3 (On record - 3:38 p.m.)

4 CHAIRMAN TILLERY: Okay, if we can come  
5 back into session. Is the Department of Interior out  
6 there? The next and final item on the agenda is deferred  
7 projects. Ms. McCammon, do you want to bring that to us?

8 MS. MCCAMMON: Yes. In your packet under  
9 deferred projects -- first of all, there's a memo in there  
10 that kind of recaps what we've done so far this year. In  
11 August, you approved funding \$4,685,700 worth of projects.  
12 At that time, you deferred action on 18 projects totalling  
13 more than \$1.8 million. At this time, after reviewing all  
14 of these, I'm recommending that 10 of these projects,  
15 totalling 1.2 million be funded, and that two additional  
16 projects totaling approximately 150,000 be deferred  
17 further.

18 If you'll recall, the Council took action  
19 in the summer and set a cap for the FY01 Work Plan at \$6  
20 million. And you can just see by where the numbers are  
21 that, even with the two projects that I'm recommending have  
22 continued deferral, that really that they total about \$150  
23 million, although basically those are both earmarks and not  
24 real numbers, but there's only about \$104,000 remaining  
25 underneath the cap. So, this has been a real challenge of

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1 kind of meeting our goals of this project.

2           When we were looking at it, we tried to  
3 focus on a number of things. One thing we were focusing on  
4 was what projects do we need to do to bring closure to a  
5 number of the major efforts that the Council has funded  
6 over the last nine years. So that was a high priority,  
7 concluding a number of those major efforts, whether the  
8 APEX Project or whether they're some small, individual  
9 projects --but trying to bring those to conclusion. Not  
10 all of those projects will conclude in this fiscal year.  
11 There will be some that continue on into the next fiscal  
12 year.

13           The next major focus was what projects  
14 related to the development of GEM are essential in order to  
15 have further progress on development of the Gulf Ecosystem  
16 Monitoring Program. So that was the second priority.

17           The third priority was what projects are  
18 absolutely essential to being done this year, as opposed  
19 to, yes, we'd really like to do them, yes, they're great  
20 projects, but they don't have to be done this year. They  
21 could be done in future years. So we kind of looked at it  
22 from that perspective. It was challenging, but I think it  
23 was worthwhile to do this, because our cap for next year is  
24 even less. So, it's going to be even more difficult next  
25 year to do this. It's always hard to tighten the belt.

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1                   But then, we have two spreadsheets that  
2 follow, and we'll work off the numbers spreadsheet. And  
3 I'll have Bob and Phil go through these, and I can chime  
4 in, if needed. But to go through real briefly and talk  
5 about these projects, there are a couple of changes in the  
6 spreadsheet. We didn't give you a new spreadsheet, but I  
7 just did want to note for the record that under Pacific  
8 Herring 468, the recommendation was fund contingent. And  
9 that contingency has been met, so it is fund. And under  
10 SEA and Related Projects, Project 393-BAA, Food Web  
11 Structure and Change, that contingency has also been met.  
12 And to reflect the fact that those contingencies have been  
13 met, there's some minor language change in the text  
14 spreadsheet that basically just says the contingencies have  
15 been met.

16                   And so what we could do -- there aren't  
17 that many projects here. We could go through these pretty  
18 quickly, and if there are any question about specific  
19 projects, just address them at that time. So, Bob, do you  
20 want to.....

21                   DR. SPIES: Sure. I can move at whatever  
22 speed the Trustee Council wishes. Perhaps, after the long  
23 day, that we might move through some of these projects  
24 rather quickly. Let's start with the Pacific Herring  
25 Cluster if you would. Project 468 is a closeout of the

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1 FEATS Project, and this was a project to determine the  
2 acoustic target strength of sandlance and Pacific herring.  
3 Our reviewers are telling us that we needed these numbers.  
4 We did not have them. We needed them to complete the work  
5 that's been done in SEA and also APEX, using a rather  
6 extensive use of acoustic technology. These are kind of  
7 like calibration efforts to understand exactly and convert  
8 the backscatter to actual acoustic biomass of those fish  
9 that were detected in those projects.

10           The closeout consists of actual revision of  
11 a manuscript that was submitted earlier, and a small amount  
12 of money -- \$5,800 -- is being requested to finish those  
13 manuscripts by the principal investigator. We need those  
14 numbers, and we need to have them in the literature, so our  
15 recommendation is to fund that project.

16           Project 01602 is the Herring Synthesis  
17 Follow-Up. If you'll recall last year, we funded a herring  
18 synthesis, and this was conducted by Dr. Brenda Norcross of  
19 the University of Alaska Fairbanks. She's completed her  
20 synthesis work, and we held a workshop last week to go over  
21 some of her findings and present them and, along with some  
22 other aspects of marine biology, in order to identify what  
23 sorts of things we should proceed to do in the future and,  
24 specifically, if there was anything that was needed in the  
25 next year since there is no active field work of Pacific

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1 herring under this program presently. There are some  
2 things that are identified as possible parties, and I think  
3 we'll have us some response and some interest, particularly  
4 on the part of Alaska Department of Fish and Game, to some  
5 of those (indiscernible) as being identified at the  
6 workshop. So, our recommendation here is to continue to  
7 defer the project funding until we can get a full set of  
8 proposals directed at this short-term need and get those  
9 evaluated for consideration early next year.

10           The next cluster is SEA and Related  
11 Projects. Project 393 Molly just mentioned. There was a  
12 contingency on there to look at some of the analysis that  
13 have been done on stable isotopes of mussel shells from  
14 Middleton Island. The principal investigator has submitted  
15 that information and it has been favorably reviewed. So  
16 we're recommending going forward with the third year of  
17 this three-year project. Hopefully, this will give us  
18 somewhat of a retrospective -- look at changes that have  
19 occurred in oceanography in the shelf over the last decade  
20 since the spill.

21           Project 452, submitted by the Prince  
22 William Sound Science Center, is to assess prey,  
23 competitors and predators of pink salmon fry. Basically,  
24 this is a project to gather hydroacoustic data on juvenile  
25 pink salmon and zooplankton as well as the predators of

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1 juvenile pink salmon -- namely, the pollock in the water  
2 column of Prince William Sound. This project was  
3 originally submitted as an independent investigation, and  
4 we also had a project that we're hoping to develop a very  
5 reliable method of estimating returns of pink salmon.  
6 That's the Pristine Project, Project Number 01195. We  
7 asked the submitter of this Project 452 to coordinate with  
8 the Pristine Project and provide a measurement of offshore  
9 predators that would be a useful, additional component to  
10 the information being gathered under Project 195. They  
11 have submitted that proposal. It's been favorably  
12 reviewed, and we're recommending the amount of \$57,000 for  
13 this project for this current fiscal year.

14           The next cluster is the cutthroat trout,  
15 dolly varden and other fish, and the first project is the  
16 Alaska salmon shark assessment. This project had been  
17 deferred pending submittal and review of the results from  
18 last fiscal year. The investigators have turned in that  
19 information, that report. It has been peer reviewed, and  
20 we're recommending, based on the review comments, that the  
21 project in fiscal year 01 should focus on determining the  
22 relative abundance index, such as provided by the long-line  
23 surveys, since there is some difficulty with trying to  
24 determine the absolute numbers of sharks in Prince William  
25 Sound. And it was suggested that sonic tag technology --

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1 implanting sonic tags that could be looked at as sharks  
2 enter and leave Prince William Sound would be worth  
3 investigating to get an idea of the turnover rate of the  
4 population. A third objective that was suggested would be  
5 estimating diet and consumption rate over the annual cycle.  
6 Some efforts have been made already in that direction.  
7 And, finally, an estimation of the portion of a population  
8 that was caught by any particular survey. This is referred  
9 to as "q" or catchability in the fisheries field.

10 We're also recommending that National  
11 Marine Fisheries Service funds for Steller sea lion biology  
12 provide some matching funds for this project and that the  
13 project be managed out of Auke Bay laboratory to take full  
14 advantage of the fisheries expertise of the Auke Bay  
15 laboratory.

16 MR. BALSIGER: Mr. Chairman, did you want  
17 all of these before we discuss them, or if there's  
18 something that catches our eye here do you want to talk  
19 about it?

20 CHAIRMAN TILLERY: Well, what's the view of  
21 the Council? We don't have a whole lot here. There's  
22 probably enough that it's probably worthwhile if you want  
23 to talk about something you ought to bring it on up. Why  
24 don't you go ahead and do it?

25 MR. BALSIGER: Okay. Of course, this is a

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1 NOAA group out of Juneau and it involves a part of my life,  
2 so I have a little conflict of interest here. But it seems  
3 a little strange to me, I guess, that we would suggest that  
4 the Fisheries Service use some of its Steller sea lion  
5 monies to further this. Further, it seems strange that we  
6 suggest that be run out of the Auke Bay lab. It's not  
7 quite clear to me why the Trustee Council would make these  
8 kinds of recommendations to the Fisheries Service.

9 I'm pretty new here. So maybe we've done  
10 that kind of thing routinely -- asking people to look for  
11 matching funds from your agency's program for future years,  
12 and question the management direction, who's overseeing it.  
13 Maybe routinely we ask ADF&G to run it out of their Kodiak  
14 lab instead of out of Juneau or something like that if they  
15 get projects, but I was looking for some reason why those  
16 kinds of things were in here.

17 CHAIRMAN TILLERY: Dr. Spies, or someone?

18 MS. MCCAMMON: I can respond to at least  
19 one if not both of them. We commonly ask for agencies to  
20 look for matching funds. That's done in a number of  
21 projects, so that's really nothing new.

22 MR. RUE: Before you leave that one, this  
23 funding isn't contingent on finding matching funds.

24 MS. MCCAMMON: No, no.

25 MR. RUE: You're saying you see an

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1 opportunity for.....

2 MS. MCCAMMON: Although, when this came  
3 before us a year ago, it was funded at the level of  
4 approximately \$85,000 as a one-year project. And the  
5 request came back this year for a \$170,000 total.

6 MS. SCHUBERT: I think it was more like  
7 135.

8 MS. MCCAMMON: 135. It was higher. So the  
9 request is to stay at the \$85,000 and to seek the  
10 additional matching funds for the project.

11 MR. BALSIGER: Perhaps I misread it, but I  
12 read this as requiring the.....

13 MS. MCCAMMON: No. It's not required.

14 MR. BALSIGER: .....identification, and it  
15 says budget does not exceed 85, and that identifies funds  
16 from other sources for continuing in the future years.  
17 And, of course, finding money for future years -- if all  
18 you have to do is say, well, maybe we could get it from the  
19 Steller sea lion money. That's one thing. I doubt that  
20 Bruce and Lee will get money from the Steller sea lion  
21 thing for future years. But, if it's enough to say I'll  
22 try to do that, and then that meets the contingency that  
23 would probably be fine. I'm not sure what the.....

24 MS. MCCAMMON: It's a common contingency on  
25 a lot of projects the Council has done with either private

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1 nonprofits or with agencies, to seek additional funding and  
2 to seek another source of funding in future years.

3 MR. RUE: You could restate this and, I  
4 mean, you could say there's no commitment you're going to  
5 get any more money. Right?

6 CHAIRMAN TILLERY: I don't think it even  
7 makes you ask. It just asks that you ask.

8 MR. RUE: Right.

9 MR. BALSIGER: Perhaps I, as I said,  
10 misunderstood the nature of the contingency. But if that's  
11 all we're doing is looking for finding other funds, I think  
12 that's completely fair. But if it was trying to get these  
13 people to guarantee that there's going to be funds,  
14 obviously that can't work under the way the budgets and the  
15 Federal government work.

16 MS. MCCAMMON: It says identifies funds  
17 from other sources. And sometimes people have come back  
18 and said, we tried and came up with nothing. Other times,  
19 quite often, they are able to identify other funds.

20 CHAIRMAN TILLERY: But in any event, this  
21 money is not contingent upon finding something, just.....

22 MS. MCCAMMON: Right, right.

23 MR. RUE: There are two messages. One, it  
24 isn't contingent on finding something else and, two, it  
25 sounds like it's going to be a little harder to get money

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1 out of the Council next year. So, here's a heads up. You  
2 might want to go find it somewhere else. Is that the  
3 message we're trying to send?

4 MS. MCCAMMON: Yeah. Sometimes, it's not  
5 difficult.

6 MR. RUE: And then, people don't always  
7 hear that message.

8 MS. MCCAMMON: Right.

9 MR. RUE: But, I think that is the subtle,  
10 or the not so subtle message. I think. At least, that's  
11 how I read it. Don't come back to the trough, unless  
12 you.....

13 MR. BALSIGER: Okay. That's sufficient, I  
14 think, on that. I also note, of course, whereas the  
15 project proposed using satellite tags and archival tags, I  
16 believe the recommendation is for sonic tags, although I  
17 don't know if that carries over to the Executive Director's  
18 recommendation, but was under the Chief Scientist's  
19 recommendation. That seems to be a different program. I  
20 don't know whether that's been discussed with the proposers  
21 of this project or not. Once again, being new here, maybe  
22 it's fairly common to make fairly different changes in  
23 these proposals -- what you find, as opposed to what they  
24 want to do. But I just thought we'd have some discussion  
25 on that.

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1 MS. MCCAMMON: You want to respond to the  
2 sonic tag issue?

3 DR. SPIES: Sure. That was a  
4 recommendation made in terms of something to explore by the  
5 peer reviewers, and a recommendation was passed along in  
6 that spirit. We have not had an opportunity talk to  
7 investigators about this particular aspect of it.

8 MR. RUE: Sonic tags. I thought we were  
9 putting tags on sharks, but those are the pop-up tags?  
10 Same thing?

11 DR. SPIES: Those are satellite pop-up  
12 tags. These are sonic tags.

13 MR. BALSIGER: Well, I was supposed to meet  
14 with these guys and figure out what was going on here, and  
15 because time got too short, I didn't. So, I'm kind of  
16 talking like I know what's going on here, and I should have  
17 been informed. So, I feel a little bit foolish about that.  
18 But I'm concerned that we've gone beyond -- looking at a  
19 technology beyond what the sonic tag might do. But, again,  
20 I'm not an expert on it. So I was wonder if the funding  
21 requires them to use a sonic tag, even though when they  
22 wrote it up it made more sense to them to use the archival  
23 data tags, I'm not sure what restrictions are placed on  
24 receipt of these monies by these recommendation.

25 MS. MCCAMMON: It says that addresses the

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1 Chief Scientist's recommendations. And so if, in  
2 addressing the recommendation, if there is a view that one  
3 of the recommendations is invalid, inaccurate,  
4 inappropriate, then the revised DPD would address that, and  
5 we'd have it peer reviewed again.

6 MR. RUE: How about too expensive?  
7 (Indiscernible) 85,000 if some tags are real expensive. I  
8 don't know.

9 DR. SPIES: There certainly could be  
10 another step in here, an integrative step of talking to the  
11 investigators about these recommendations. But the  
12 opportunity has not been available to do that, so that  
13 would certainly make sense to us to talk to them about  
14 these recommendation with regard to what was implementable  
15 and the local applications of that. The reviewer is not  
16 local but has great expertise in fisheries.

17 MS. MCCAMMON: Well, we did send the  
18 recommendations out ahead of time hoping to get some kind  
19 of feedback, and there wasn't any, so.....

20 CHAIRMAN TILLERY: All right. Bruce? Can  
21 you say something?

22 MR. WRIGHT: (Indiscernible - away from  
23 mike)

24 CHAIRMAN TILLERY: You need to come up  
25 there near the mike.

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1 MR. RUE: While he's coming up, could we  
2 assume that we think the project could be done for \$85,000  
3 successfully? I think that's what we're saying.

4 MR. WRIGHT: Sure.

5 MR. RUE: And if NOAA didn't complain,  
6 you're assuming that it's okay. I mean that's how I would  
7 read it.

8 MR. WRIGHT: This is Bruce Wright. I just  
9 wanted to respond to the sonic tag question. We did spend  
10 a little time looking at -- what you do, is you tag sharks.  
11 You put these sonic tags on sharks, or any fish, and then  
12 you have to set up an array of where you think the fish  
13 would move through it. The Department of Interior has done  
14 this successfully with birds, actually, and NMFS has done  
15 this successfully with fish in rivers. And the array,  
16 then, of equipment would read the animals as they moved in  
17 and out of entrance areas. In the case of Chute Bay, it  
18 was a real easy place to define. In the case of Prince  
19 William Sound, it would be Hinchinbrook Entrance. And then  
20 there's a couple of other entrances we'd have to establish  
21 this array. Early estimates are just setting up the array,  
22 not buying the tags, would cost about \$150,000.

23 MR. RUE: Okay. 85,000 will not let you  
24 use sonic tags. Then, is the project worth doing without  
25 the tags?

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1                   MR. WRIGHT: And all along we've thought  
2 the archival pop-up tag was the best way to assure yourself  
3 of getting quality data. They're expensive tags, you know  
4 -- 3,500 bucks a piece -- but you'll get the distribution  
5 data, you'll get the ecological behavioral data that we're  
6 interested in. That's why we've leaned towards the  
7 archival pop-up tag.

8                   MS. MCCAMMON: Did you want to respond to  
9 that, Bob?

10                  DR. SPIES: Well, the tagging has two  
11 different sources -- there's two tags for different  
12 purposes. The array that was suggested to be considered by  
13 the investigators by the reviewer was to, as Bruce said, to  
14 look at the leaving and entering of Prince William Sound,  
15 for instance, through the Hinchinbrook Entrance, and using  
16 a kind of an interrogating sonic system with the tags.

17                  Archival and pop-up tags gather information  
18 as the fish moves through the environment and transmits  
19 that -- they either are archived from the fish, in the case  
20 of archive tags, and retrieved and read, or else they pop  
21 up to the surface like a satellite and download the  
22 environmental information that tells you the geolocation of  
23 the tag, where it came up and also gives you an estimate of  
24 the position of the tag and temperature, both external and  
25 internal body temperature. So, they really have two

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1 different purposes.

2 MR. WRIGHT: And then Frank asked if this  
3 project was doable, and the first recommendation is  
4 determine relative abundance index. That is certainly -- I  
5 think that's a doable thing.

6 MR. RUE: Within the budget.

7 MR. WRIGHT: Within the budget. I think  
8 that's a good recommendation for the project.

9 MR. RUE: Yeah. I was just trying to sort  
10 through, because there's several objectives here and it  
11 looked like you could achieve at least some of them.

12 MR. WRIGHT: The relative abundance index  
13 is about the best handle you can get on abundance of sharks  
14 out there. We tried lots of different methodologies this  
15 year and counting fast moving sharks is pretty difficult.

16 DR. SPIES: You also didn't have much of a  
17 -- there was some attempt to use acoustics.....

18 MR. WRIGHT: Yeah.

19 DR. SPIES: .....to find them. They don't  
20 have a swim bladder. The swim bladder is what, in most  
21 fish, generates a strong backscatter on the acoustic  
22 signal. So, without a swim bladder, it's difficult. You  
23 can get some weak signals from fish without swim bladders,  
24 but it makes it very difficult.

25 MS. HEIMAN: Without what?

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1 DR. SPIES: Swim bladders.  
2 MR. RUE: Maybe we could loan them a swim  
3 bladder (indiscernible)  
4 MS. HEIMAN: What is a swim bladder?  
5 MR. WRIGHT: It's a pocket of air inside of  
6 a fish that they use for maintaining buoyancy in the water  
7 depending on their depth, so they don't have to use.....  
8 MS. HEIMAN: And sharks don't have that?  
9 MR. WRIGHT: .....sharks don't have that.  
10 Halibut don't have that.  
11 MS. HEIMAN: Thank you.  
12 MR. GIBBONS: Mr. Chairman?  
13 CHAIRMAN TILLERY: Mr. Gibbons? That mike  
14 is way over there, so you need to speak up fairly loud.  
15 MS. MCCAMMON: Is anyone on the phone?  
16 CHAIRMAN TILLERY: Yes. I've heard some  
17 people.  
18 MS. MCCAMMON: Okay.  
19 MR. GIBBONS: So, if the Trustee Council  
20 funds this at 85,000 what would we get? We'd get, I heard,  
21 relative abundance, but would we get any use of the  
22 satellite tags? At \$3,500 apiece, you might tag 10 sharks.  
23 I don't know how many you would tag for that, but for  
24 85,000 if you're doing a lot of work on a boat, you're not  
25 going to get a whole lot of tags put in.

00366

1 MR. WRIGHT: We will deploy at least three  
2 tags for this budget -- 3,500 bucks a tag -- and that  
3 should include enough funds to handle the data when it's  
4 transmitted from the satellites to our computer.

5 MR. GIBBONS: Three tags?

6 MR. WRIGHT: I think that's what we could  
7 do with this budget and do the relative abundance index.

8 MR. RUE: And get the diet and consumption?

9 MR. WRIGHT: We will do -- and most of the  
10 diet data is coming from Fish and Game dockside surveys,  
11 collecting stomachs for us, and sending them some stomachs.  
12 And we have other sources as well. We get a frozen bucket  
13 every one in a while, and everybody knows who it's going  
14 to. So, we're doing the diet analysis. That data's being  
15 collected by other people.

16 MR. RUE: Okay. Sounds like you can still  
17 get a useful project done.

18 MR. WRIGHT: I think so.

19 CHAIRMAN TILLERY: I guess that's the  
20 underlying question, is for \$85,000 -- I mean, are you  
21 going to get something useful, or should we use this  
22 \$85,000 somewhere else, and have you come back next year  
23 and there might be more money available.

24 MR. WRIGHT: I think we can get something  
25 useful. We're also trying to work with sleeper sharks in

00367

1 conjunction with this, to try and understand the two  
2 species. All those funds would come from, if we're able to  
3 get additional funds, from NMFS. Both the species, they  
4 think, are having a big impact on the ecosystem.

5 CHAIRMAN TILLERY: Mr. Balsiger, you had an  
6 additional questions about the requirement of Auke Bay.

7 MR. BALSIGER: Well, I apologize. I'm kind  
8 of a rookie on these things, so if I've gone too much into  
9 the details for what we normally do here, that's fine. And  
10 I actually think Dr. Spies' suggestion that there be some  
11 dialogue between the two to make sure that this gets sorted  
12 out is a good one. The other thing I did mention -- and,  
13 of course, I read this contingent that the funds wouldn't  
14 be there unless A and B were met -- and B was identifying  
15 funds, so you've gone over that for me. The other one, A,  
16 says that include the management of the project by the Auke  
17 Bay lab, and.....

18 MS. MCCAMMON: I can address that one.  
19 This project has come before us at least four times and has  
20 been peer reviewed four times. It's been rejected by the  
21 peer reviewers four times. It was funded last year. The  
22 results came in. They have been peer reviewed this fall.  
23 There has been concern over the last year that the quality  
24 of this project is not up to the par of the quality of the  
25 projects that come out of the Auke Bay lab. And in looking

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1 at the various peer reviews over the last year, we thought  
2 that the project could benefit by having a stronger tie  
3 with the folks at the Auke Bay lab and some of the  
4 fisheries expertise there.

5 MS. HEIMAN: Where was it done?

6 MR. WRIGHT: At the Auke Bay lab.

7 MS. MCCAMMON: It's not managed through the  
8 Auke Bay lab. The project doesn't come through that lab.

9 MR. WRIGHT: It falls under Jeep's job.

10 MS. MCCAMMON: It hasn't come through  
11 there.

12 CHAIRMAN TILLERY: Can I clarify? The  
13 intent of this recommendation is that the money is only  
14 available if it's through the Auke Bay lab or, again, is  
15 the intent of the recommendation that look at the idea of  
16 doing it through the Auke Bay lab.

17 MS. HEIMAN: It sounds like it's being done  
18 in the Auke Bay lab, so what's the difference?

19 CHAIRMAN TILLERY: Something.

20 MS. HEIMAN: There is something. I've not  
21 gotten to the bottom of it yet.

22 MS. MCCAMMON: It's my understanding that  
23 it's not. And maybe there's a difference there in terms of  
24 who has oversight and who has direct management, but....

25 MR. RUE: Are we into NMFS's dirty laundry.

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1 MS. MCCAMMON: No, I don't want to do that.  
2 I don't want to do that. On the other hand, what we're  
3 trying to ensure is that we get the highest quality, the  
4 best quality project possible.

5 MR. RUE: I'm with you, but what I'm trying  
6 to find out.....

7 MS. MCCAMMON: And if I have been  
8 misinformed by people that it does not -- that it does go  
9 through the Auke Bay lab, and it has all of the peer review  
10 from the lab that all the other NOAA projects has, then I  
11 apologize. But that's not my understanding.

12 MR. BALSIGER: I didn't know how to bring  
13 this up. I'm sorry I brought it up now, I guess. But I  
14 don't think we want the shark manuscripts to be reviewed by  
15 the chemists, for example, so that may be some of the  
16 problem. But I'm happy to try to discover if there's some  
17 different process of managing these that's different in the  
18 chemical things from the biology ones. But I'm not sure.  
19 I guess my first thought was, how do we demonstrate this  
20 such that the contingency doesn't hang up the funds?  
21 That's what I was wondering. What does this mean in order  
22 for us to get the money through? I didn't really mean to  
23 get to this level of detail, which we'll talk about,  
24 perhaps, in a smaller group.

25 CHAIRMAN TILLERY: I think the important

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1 thing is to understand what the contingency is. And I  
2 guess my view would be that it would be a recommendation  
3 for them to think about, but the money is not contingent  
4 upon satisfying that recommendation. It simply expects you  
5 to think about it, but you don't have to necessarily act on  
6 it. You have a different -- that's not your  
7 recommendation?

8 MS. MCCAMMON: No, no. That's not how it's  
9 written.

10 MR. RUE: No. That's not how it's written.  
11 I think we'd have to override her recommendation.

12 MS. MCCAMMON: Really. Because it's  
13 addressing the recommendations to the Chief Scientist's  
14 satisfaction and addressing these. I mean, in some cases  
15 if all we want to do is somebody to look at it and think  
16 about it, we write it a little bit differently.

17 MR. RUE: Right.

18 MR. BALSIGER: I guess I'd suggest.....

19 MS. MCCAMMON: But, if you would like me to  
20 write it and revise it, we could do that, if you would like  
21 it to be a little.....

22 MR. BALSIGER: Well, I guess I'd suggest  
23 that if this is to meet the two scientists' concerns, that  
24 that also be part of the dialogue that goes on here, to  
25 make certain which tags we're going use, how we're going to



00372

1 I've got is.....

2 MS. MCCAMMON: I mean, it's our best  
3 (indiscernible - simultaneous speech) in the dialogue.

4 MR. RUE: Right. And I've got a concern.  
5 There was a concern about how it was managed and run that  
6 needs to be addressed. The Chief Scientist's and your  
7 recommendation to us is go through Auke Bay. So I think  
8 what I'm hearing folks say is that the dialogue could take  
9 care of the management concern, and come back to us in  
10 January. Would that sort it through? Or do we just, right  
11 now, approve it saying when the project description is  
12 written out, it will address adequate management, peer  
13 review, et cetera.

14 MS. HEIMAN: We're not approving any one of  
15 these yet, right?

16 CHAIRMAN TILLERY: No.

17 MR. RUE: Well, I thought we were going to  
18 vote on it.

19 CHAIRMAN TILLERY: We will.

20 MS. HEIMAN: Not individually. At the end,  
21 we will.

22 CHAIRMAN TILLERY: Right. We're not doing  
23 it as we go through.

24 MR. RUE: Yeah, right. We haven't voted on  
25 anything yet, but we're going to. So, I think someone's

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1 suggesting that this be rewritten to say to address the  
2 Chief Scientist's recommendations, including adequate  
3 management of the project or adequate oversight of the  
4 project.

5 MR. BALSIGER: Well, I certainly believe  
6 that the Chief Scientist of the Council ought to be  
7 convinced that it will be properly managed and there's  
8 going to be proper research. However we convince everyone  
9 involved, that's what we should do. Whether it's a  
10 dialogue or whether we come back with a new proposal. I'm  
11 not suggesting that we ought to do the research if you  
12 think it's not going to be managed right.

13 MR. RUE: We would have to do a project  
14 description -- is that correct -- that gets approved by  
15 somebody? What's our next hook on this, Molly?

16 MR. WRIGHT: I think we'll have to have a  
17 revised DPD.

18 DR. SPIES: Yeah.

19 MR. RUE: A revised DPD.

20 MS. MCCAMMON: I think if we just did fund  
21 contingent on submittal and approval of a revised Detailed  
22 Project Description that addresses the Chief Scientist's  
23 recommendations, including adequate oversight of the  
24 project and a budget that does not exceed \$85,000 period.  
25 In addition, the agency should seek funding from other

00374

1 sources for continuing the project in FY02 and beyond.

2 MR. RUE: Is that okay, Jim?

3 MS. HEIMAN: I guess I have a question.

4 How much money do we save by not funding it now versus  
5 funding it in January?

6 MR. S. RICE: You don't save anything.

7 MS. HEIMAN: Oh, we don't, it's still  
8 85,000 no matter.....

9 MR. RUE: Nope, saving none.

10 MR. S. RICE: You're not paying for a full  
11 man-year's worth of work at all. You didn't last year.

12 MR. RUE: Does that meet peer concerns?

13 MS. MCCAMMON: Because then that -- the DPD  
14 is just addressing those recommendations in the budget.  
15 But, then, seeking the other funds isn't tied to -- it's  
16 not a contingency. It's just clear that they're strongly  
17 encouraged to seek additional funds.

18 MR. RUE: Does that take care of Dr. Spies'  
19 concern with the project?

20 DR. SPIES: I think so, yeah.

21 MR. RUE: Okay.

22 CHAIRMAN TILLERY: You were up to king  
23 salmon?

24 DR. SPIES: Yes. Project 1404 is archival  
25 tags for tracking king salmon at sea: migrations, biology,

00375

1 and oceanographic preferences in Prince William Sound.  
2 This project was relatively favorably reviewed by the peer  
3 reviewers when they met in the spring and some of the  
4 concerns that they had have been addressed, particularly  
5 the size at which the tags would be implanted in the smolts  
6 have been addressed by the revised proposal. The proposal  
7 came in, but since we're dealing with a cap here --  
8 although it still is a very good proposal -- we're  
9 recommending that this project come back next year in  
10 Fiscal Year 02. And we think that it will compete quite  
11 well with the other projects for which we have funds  
12 available.

13 CHAIRMAN TILLERY: Ms. Heiman.

14 MS. HEIMAN: I guess since we are going to  
15 discuss each one of these as we take them up, I might as  
16 well bring up some issues we have with the project. You  
17 have not recommended to fund it. Mostly, it sounds like it  
18 had good support. People thought it was a good project.  
19 One of the concerns I have about delaying it is that you  
20 really don't get the results for two years. It's sort of a  
21 two-year project, and this, like the halibut tagging, would  
22 be something that would be nice to have some of this  
23 information, obviously, as we move forward on GEM.

24 In addition, this -- I don't know if --  
25 Jennifer, are you on the line?

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1 MS. NIELSEN: Yeah, I'm here.

2 MS. HEIMAN: Oh, great. This project --  
3 Jennifer, I was told that you have some potential grant  
4 money that would match or help in paying for this project.  
5 I guess I would like to turn it over to Jennifer if she has  
6 anything to add, if it's okay with you, Mr. Chairman.

7 CHAIRMAN TILLERY: Sure.

8 MS. NIELSEN: Yeah. There's several.  
9 First, of course, is I'm always looking for money, and  
10 that's my job, and I saw several sources that can help  
11 facilitate this. Just today I found out that USGS-BRD has  
12 provided me with an increase in base funding which will be  
13 attributable to implementing, at least partially, to  
14 implementing this project. So, that will help out. The  
15 promotional company in Canada that is making these tags --  
16 the tags that I'm discussing using are tags that are only  
17 in data test mode at this point. They're not in production  
18 mode. They received a substantial grant from the Canadian  
19 government which is similar to an NMF grant to help in the  
20 development of the tags, which will make the cost of both  
21 the tags themselves and the dummy tags that I request a lot  
22 cheaper. So, through other vehicles, we're going to get  
23 more implementation knowledge into this project.

24 DR. SPIES: Mr. Chairman.....

25 CHAIRMAN TILLERY: Commissioner Rue?

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1 DR. SPIES: .....I also might mention that  
2 Dr. Nielsen is on an international panel of experts to  
3 evaluate this technology in its application to fisheries,  
4 and she's one of more qualified people, not only in North  
5 America, but in the world in this area.

6 DR. NIELSEN: And to be honest about that,  
7 that particular committee is funded by the Sloane  
8 Foundation, and they are very interested in implementing  
9 this technology in Alaska because of the potential  
10 implications for global climate change and ocean habitat  
11 conditions.

12 CHAIRMAN TILLERY: Commissioner Rue?

13 MR. RUE: Yeah, I'm not sure if you can  
14 hear me because the mike's way over there, but two  
15 questions. Well, one question and a comment. Thank you.  
16 The comment is I believe some of the smolt that we'd like  
17 to put these in are in hatcheries and they are going to go  
18 away. You've got to grow a smolt to a certain -- or, you  
19 know, a fry -- to a certain size before you can put the tag  
20 in. I'm looking at the stat.

21 DR. NIELSEN: That's correct.

22 MR. RUE: And so you lose your opportunity.  
23 It may take a whole other year to get -- I mean, the timing  
24 of growing out smolt and having them available and all that  
25 stuff in the hatchery is a factor in wanting to move ahead

00378

1 now, because we have them. They're available. It will  
2 take a while. And I'd have to ask the hatchery folks.

3 CHAIRMAN TILLERY: Aren't they available  
4 every year?

5 MR. RUE: Not necessarily at this size. So  
6 we can find out exactly what the details are of that. My  
7 understanding is getting the right sized smolt, we may lose  
8 significant amounts of time if we don't do it.

9 MS. NIELSEN: Can I address that for a  
10 moment?

11 MR. RUE: Sure. Please.

12 MS. NIELSEN: My communications with Alaska  
13 Fish and Game is that fish of this size could be  
14 implemented in a year. However, we need to get an early  
15 start. What we would be doing is adding to the recommended  
16 diet -- in other words, feeding (indiscernible) so that we  
17 would generate larger fish. That has several implications  
18 on this project, both of which I think are very positive.  
19 One is, when you accelerate the growth rate of a salmonid  
20 (indiscernible), they tend to mature quicker, so our return  
21 for whatever species we implement this on would be probably  
22 be higher and facilitate more quickly than if they were  
23 just growing at their normal rate. And two, it gives us a  
24 database. Besides the fact that this is a requested grant  
25 to test the technology, it uses the database on the

00379

1 distribution of hatchery fish, which we can then put in  
2 relationship to wild fish when we implement it on wild  
3 populations.

4 MR. RUE: So, I guess, I might have to  
5 chart it out for you, but delaying now for another year  
6 then delays because you have to grow the fish to put the  
7 tag in, so there's a lag time beyond, you know, the initial  
8 commitment. So, it puts you out fairly far into the  
9 future.

10 MS. NIELSEN: Yes. That's absolutely true.

11 MR. RUE: Yeah. The question I have, I  
12 guess, do these other sources of funds take away the need  
13 for the project or reduce the costs, or are they the reason  
14 this project is only \$100,000?

15 MS. NIELSEN: The latter. The halibut  
16 project -- with the funding that I got for that, that  
17 basically has funded about a little over a half of the  
18 costs of that project. The rest of that project is being  
19 supported by my base funding through USGS-BRD and will  
20 continue for the next two years on that funding base. What  
21 I would intend to do with the additional funds that I  
22 generate to support this project would be an augmentation.  
23 I'll be tagging more fish, or facilitating the tagging in a  
24 way that would make it faster. So, I'm not developing a  
25 funding base to try to diminish what I've requested in that

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1 original request.

2 MR. RUE: I guess my final comment is, Mr.  
3 Chairman, is I agree with Marilyn Heiman that I think this  
4 project would be a good one to get going for a lot of  
5 reasons sooner than later, and it may mean trading off some  
6 of our other priorities, so I think I'm going to be trying  
7 to argue and persuade you all that this is an important  
8 project to get going sooner than later.

9 CHAIRMAN TILLERY: I think your last point  
10 is important, is that it is going to involve a trade-off  
11 because pursuing this project now is going to require  
12 busting our cap, which is something that I don't think we  
13 should be doing as we sort of start this long-term process.

14 MR. RUE: Discipline, yeah.

15 CHAIRMAN TILLERY: So, we're not voting on  
16 it right now, but I think people need to keep that in mind  
17 that if we do 100,000 here there's a 100,000 somewhere else  
18 that has to go away.

19 MR. RUE: I agree, and that's why I  
20 mentioned it.

21 CHAIRMAN TILLERY: Ms. McCammon, am I  
22 correct in thinking.....

23 MS. MCCAMMON: I'm looking forward to your  
24 recommendations on that.

25 CHAIRMAN TILLERY: .....is there also

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1 another \$150,000 that we're going to be over because of it  
2 was deferred further?

3 MR. RUE: We do fuzzy math?

4 CHAIRMAN TILLERY: Well, I'm sorry,  
5 145,000.

6 MS. MCCAMMON: \$145,000, yeah.

7 MS. HEIMAN: For which?

8 MS. MCCAMMON: The herring and the PSP. I  
9 think those were the two that we deferred. And the reason  
10 on the herring, original we had decided -- the problem with  
11 herring all along has been there's this kind of whole  
12 shotgun scattershot approach to herring. And we've really  
13 put a lot of effort in the last couple of year to  
14 synthesize our work on herring and really tried to focus on  
15 where the priority research should be. We still don't have  
16 a clear answer to that question in terms of where that  
17 focus should be. And our original recommendation last  
18 summer was not to do any additional herring work this year  
19 and to wait another year. That was not well-received by  
20 the Public Advisory Group and by others who felt that since  
21 the herring population of Prince William Sound is still not  
22 there -- there's not a commercial fishery planned, again,  
23 for this spring -- there was a lot of concern about doing  
24 nothing on herring this year.

25 For that reason, we did have this workshop

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1 last week and convened a number of folks from the Sound,  
2 and from Fish and Game and from others and talked about  
3 what little pieces would be helpful to get done this year  
4 as opposed to waiting into the future. And there were  
5 three or four ideas that were submitted at that time. It  
6 was unclear whether some of them would actually pan out  
7 once they were put into a proposal form. But the idea was  
8 that people would develop those proposals, they would be  
9 peer reviewed and they would come back for your  
10 consideration on January 16th.

11 In the meantime, we've also had this PSP  
12 project which is the number one concern of the Kodiak  
13 villages. We've been working with Jellet Biotek on  
14 developing some kind of a subsistence test kit that could  
15 be used for subsistence users. There was a project that  
16 the Council funded to have it tested working with the  
17 Kodiak Youth Area Watch this summer. That did not work  
18 out. It was not a successful project this summer. We're  
19 still awaiting a report from Jellet Biotek. The report was  
20 due earlier this fall, then it was delayed to  
21 November 30th, and we still haven't received it. So, we  
22 don't have anything.

23 There may not be -- at this point, I'm not  
24 sure what, exactly, role the Trustee Council should have in  
25 that project, other than it is the number one priority of

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1 subsistence users in Kodiak. But what the Council should  
2 do is really unclear, because the whole concept of this  
3 subsistence field test kit seems to be a little more  
4 problematic than originally thought. So that is still a  
5 deferred. But I'm not really sure something is going to  
6 appear with that one.

7 CHAIRMAN TILLERY: Okay. Well, just.....

8 MR. RUE: So does that mean we're 145,000  
9 over, or.....

10 CHAIRMAN TILLERY: That's what it -- with  
11 this one.

12 MS. MCCAMMON: Well, it's hard to say  
13 because the herring projects -- we don't know what the  
14 herring projects are, either.

15 CHAIRMAN TILLERY: But in terms of what's  
16 proposed to be deferred -- you assume they're going to  
17 funded at their full level being asked for, and then you  
18 add in this 100,000, you need to find 145,000.

19 MR. RUE: Find 145 somewhere.

20 MS. HEIMAN: If we fund this one, right?  
21 King salmon.

22 MR. RUE: And change nothing else. You'd  
23 be 145 over, or you'd have to find 145.

24 MS. HEIMAN: I don't want to go too far off  
25 track, but I've talked to some of my agency people and they

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1 said each year they're giving back EVOS money -- you know,  
2 like \$40,000 from USGS last year. If my agencies are doing  
3 that, their agencies are as well, because they can't expend  
4 the money. So, how do you factor that into the overall  
5 cap?

6 MS. MCCAMMON: We don't, because the lapse  
7 amount is uncertain, and we do not count that into it. And  
8 we don't know what that lapse is until at least a year  
9 after the fiscal year ends. And, in fact,.....

10 MS. HEIMAN: Do you have an average that  
11 you know, or is it not very typical, or.....

12 MS. MCCAMMON: It used to be pretty high.  
13 It used to be when the program was over \$20 million, I'd  
14 say it was a good 15 to 20 percent lapse. It's probably  
15 closer now to 10 percent, eight percent, something like  
16 that. The problem with the lapse, also, at this point, is  
17 that in getting to the agreement on March 1st of 1999 and  
18 how we get to the 55 and the 125 million, the lapse in the  
19 interest all goes and is calculated into achieving that  
20 goal.

21 MS. HEIMAN: I knew it was coming down to  
22 habitat.

23 MR. RUE: So that means we'd have to be  
24 persuaded that there's something else that's less important  
25 if we want to go ahead with this.

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1 CHAIRMAN TILLERY: I think that's correct.

2 MR. RUE: Okay. Let's go ahead and move  
3 forward. I have some ideas. I have some ideas.

4 CHAIRMAN TILLERY: Okay. Should we move  
5 forward? Mr. Gibbons?

6 MR. GIBBONS: I've got one more point of  
7 clarification, and maybe I didn't follow her. But I  
8 thought she said that you're going to have to use elevated  
9 temperatures to raise the fish quicker to get them to a  
10 size that they put the tag in. And, to me, that means that  
11 they'll return quicker, generally, as jacks and then they  
12 won't follow the sea migration routes that the adults  
13 generally do. They'll turn quicker and come back. So how  
14 is this going to be used then to match up with migratory  
15 routes?

16 MR. RUE: You might want to use coho.

17 MS. MCCAMMON: Jennifer?

18 MS. NIELSEN: It's not temperature, it's  
19 just diet that we're planning to use to accelerate growth.  
20 So they won't up the temperature. There will be a  
21 proportion of the fish, probably through the accelerated  
22 diet, that will mature quicker. I still believe that  
23 they'll have spent at least one year of ocean duration.  
24 These are hatchery fish anyway. Their behavior is  
25 something that we're not really interested in. This is an

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1 implementation of a study to try and get these tags up to  
2 speed so that we can use them in wild fish, not in hatchery  
3 stock. But hatchery stocks provide the advantage of the  
4 accelerated growth rate, the ability to get a fish to size,  
5 and the ability to test the implementation of these tags  
6 and their efficiency in the field.

7 MR. GIBBONS: Well, maybe a follow-up  
8 question. Perhaps a coho or silver might be more  
9 appropriate -- a two-year freshwater fish that's larger.

10 MS. NIELSEN: Indeed, that's been suggested  
11 by Fish and Game, and I'm not opposed to that change. I'm  
12 not particularly partial to any species. The only thing  
13 that concerns me about the coho, which would be the first  
14 choice, I think, for Fish and Game, is that I'm worried if  
15 they can get fish up to 150 millimeters of size before  
16 smoltification. I'm not sure that's possible with coho.  
17 It's obviously possible with chinook.

18 MR. RUE: If I might, Mr. Chairman, I think  
19 the point wasn't to get a whole lot of data on fish  
20 migration at this point. It's more to test the tags.

21 MS. MCCAMMON: The technology.

22 CHAIRMAN TILLERY: Yeah. That's what I  
23 understand.

24 MS. HEIMAN: But then we can get to the  
25 next step which is looking at migration, which is going to

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1 be so important to all of us in this whole ocean's  
2 ecosystem.

3 MS. MCCAMMON: And it's my understanding,  
4 Jennifer, that the original proposal, you were looking at a  
5 size of 300.

6 MS. NIELSEN: The original tag required a  
7 300-millimeter fish, but they've been data tested on  
8 Atlantic salmon at Waterloo University in Canada, and they  
9 have, I believe, 80 fish now that have been tagged at 150,  
10 and they're doing fine.

11 MS. MCCAMMON: So, I think that's pretty  
12 new.

13 MR. GIBBONS: Mr. Chairman?

14 CHAIRMAN TILLERY: Mr. Gibbons?

15 MR. GIBBONS: I've got a follow-up  
16 question. If we're just testing the tag, and then we're  
17 going to test it on a real fish next year or the year  
18 after, why don't we use the fish we intend to use, because  
19 it sounds like king salmon wouldn't give us a proper  
20 utilization of the tag. That's where I'm a little  
21 confused. Silvers, I know we can get some coho that size.  
22 You know, I've seen it in the wild.

23 MS. NIELSEN: If that's possible, there's  
24 no problem with using silvers. I really don't care.  
25 That's not the issue at this point. The issue is to make

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1 sure that the tags work, the fish behave in a manner that's  
2 consistent with what a normal fish would behave like when  
3 they hit the ocean, and then to get data back from those  
4 fish, from those tags. And that's a two-year process.

5 CHAIRMAN TILLERY: But you are more  
6 interested in a hatchery fish at this point rather than a  
7 wild fish?

8 MS. NIELSEN: Absolutely. The  
9 implementation, I think, has to be done on a hatchery fish,  
10 because we have no idea what the mortality rate or what  
11 kind of implementation effects we would be having, and it's  
12 much better to test that on a hatchery stock.

13 MR. RUE: And as I've said, Mr. Chairman, I  
14 think we've suggested coho because they come back quick,  
15 too.

16 MR. GIBBONS: Yeah. I just used a wild  
17 fish at that size. You can get hatchery fish of that size,  
18 too.

19 CHAIRMAN TILLERY: Okay. Should we hunt  
20 for other.....

21 MR. RUE: Well, we'll try and make  
22 suggestions along the way and see if it works or not.

23 DR. SPIES: Is Council ready for additional  
24 targets?

25 MR. RUE: Nope. (Indiscernible) Where are

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1 we here?

2 CHAIRMAN TILLERY: We were to marine

3 mammals.

4 DR. SPIES: Marine mammals. The first  
5 project under marine mammals is 01064 closeout. This is  
6 this long project that has been very successful that the  
7 Department of Fish and Game has carried out with Kathy  
8 Frost, who is now retired, and this is a request for some  
9 additional funds to proceed with the preparation of  
10 manuscripts. Progress on the manuscript preparation so far  
11 has been satisfactory, and a small amount of money is  
12 requested to finish this. This is very important  
13 information to get out into the scientific literature and  
14 is an important basis and foundation to move forward into  
15 the GEM Program. So we're recommending that that project  
16 go forward.

17 Project 01441 is also a closeout project.  
18 There was actually money funded of \$93,000, but it's an  
19 additional \$38,000 that was requested and consideration was  
20 deferred until this meeting from the August meeting. The  
21 request was for additional money to do further evaluation  
22 of harvest seal blubber samples from the experimental work  
23 that's being done in the Alaska SeaLife Center to look at  
24 the layering of these fatty acids. The investigator has  
25 made some argument that we would get more power out of the

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1 analysis if additional samples are done. We found somewhat  
2 sympathetic to that argument but, given the other sorts of  
3 competing proposals, we saw this as somewhat of a lower  
4 priority, so our recommendation was not to fund that  
5 project.

6 MS. MCCAMMON: You should note that we do  
7 have a letter from Dr. Mike Castellini.....

8 DR. SPIES: Yes, right.

9 MS. MCCAMMON: .....from the University in  
10 support of that project. You should have that.

11 MS. HEIMAN: And why did we decide not to  
12 fund it?

13 MR. RUE: We're funding the 93, just not  
14 the extra.

15 MS. MCCAMMON: Not the extra.

16 MS. HEIMAN: Oh, the extra.

17 DR. SPIES: Yeah. They wanted....

18 MR. RUE: Some more samples.

19 CHAIRMAN TILLERY: But if we don't fund  
20 this now, is this something that then it's over, they can't  
21 go back and redo this a year from now, right?

22 DR. SPIES: Well, they could if they keep  
23 their samples frozen.

24 CHAIRMAN TILLERY: Okeydoke.

25 MR. RUE: Well, I think it's a good

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1 project. It's just with the cap, it's again, you're making  
2 some trade-offs.

3 DR. SPIES: Right. Exactly. The next  
4 cluster is the nearshore ecosystem. Project 01407 is the  
5 Harlequin duck population dynamic. This is a request for  
6 an additional year of funding to do the population surveys  
7 in Alaska Department of Fish and Game. Again, this is a  
8 species that has been slow to recover since the spill, and  
9 the investigator asked for further funding in order to get  
10 a little bit more population survey data. It seems there  
11 is a good chance that we'll want to use one of the  
12 nearshore duck species -- and probably the Harlequin duck -  
13 - in the GEM Program, although that hasn't been totally  
14 decided at this point. So, getting a good survey  
15 methodology would seem a pretty basic part of the  
16 foundation for moving forward and for also tracking what is  
17 a species that's on the Trustee Council's injured species  
18 list. So the recommendation is to move forward with this  
19 project as well.

20 Project 01496 is a project entitled Links  
21 Between Persistent Oil in Mussel Beds and Predators. As  
22 you are all aware, there is persistent oil below the  
23 surface in Prince William Sound, and some of that  
24 associated with mussel beds. We've made attempts over the  
25 years to both characterize and find methods to clean up

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1 those mussel beds. They've been relatively successful  
2 efforts. But what we have not been able to do in any  
3 immediate mechanistic sense is to rank the remaining oil in  
4 those mussel bed with injuries.

5           So this proposal would do a number of  
6 different things, among which would be to put a video  
7 camera in these areas -- particularly in the winter time --  
8 to see if some of the species that we show signs of oil  
9 exposure might visit these mussel beds. The data would be  
10 relatively qualitative in nature, and we've also had a  
11 history of encountering some difficulties in studies and  
12 trying to link in any kind of immediate way this oil with  
13 exposure to higher level predators.

14           We thought it was a good idea, but it just  
15 didn't rise to the level we thought that competed well  
16 against the remaining projects. So the recommendation is  
17 to not to fund.

18           CHAIRMAN TILLERY: Dr. Spies? Is this the  
19 kind of project that you would think for the following year  
20 would be well-received, or do you think that, in general,  
21 in terms of the projects that we're getting this is not  
22 going to really rise to a priority.

23           DR. SPIES: I think it would depend on how  
24 much money we would have, and it's always the total cap  
25 minus the ongoing project costs and then what's submitted

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1 in terms of competing projects. I think it would have a  
2 chance to compete, but I think the difficulties are still  
3 there unless they were addressed in another way.

4 CHAIRMAN TILLERY: The peer reviewers  
5 didn't find fatal flaws in this or great unhappiness then?

6 DR. SPIES: No, just we recognize the  
7 difficulty in trying to make those mechanistic links  
8 between oil that's remaining in those mussel beds and what  
9 it affects. I mean, we have evidence of things like sea  
10 otters and ducks and some fish, a few low-level induction  
11 of enzymes that indicate exposure of oil. We don't know  
12 exactly where that exposure comes from and how it occurs,  
13 and it would be a lot better in terms of our overall  
14 understanding of injury and recovery to get those more  
15 immediate links. So, this is an attempt to try and move  
16 that forward, but we all recognize the difficulty in trying  
17 to strategically achieve those objectives.

18 Project 01532 is one of two projects that  
19 we think shows some promise. We're getting a retrospective  
20 look at a long-term environmental record, and this  
21 particular one is based on the analysis by isotopic ratios  
22 of complements of nearshore marine communities that would  
23 be taken from a midden along the Alaska Peninsula in Katmai  
24 National Park. There's a 67,000-year history represented  
25 in some of these middens, relatively well-preserved for

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1 what's normally expected in Alaska conditions. This  
2 project proposal was actually whittled down from a much  
3 larger project that was a lot more ambitious than this one.  
4 Reviewers like this particular part. But, still, under  
5 this cap situation, we are recommending that this be  
6 considered next year when I'll think that we'll make a  
7 bigger effort toward funding retrospective analysis. And  
8 this is, I think, a project that could easily be done next  
9 year or the year after without loss of information. The  
10 middens have been sitting there for 67,000 years. I guess  
11 another year or two might not hurt, not to be too flippant.

12                   Project 01543, evaluation of oil remaining  
13 in the intertidal from the Exxon Valdez Oil Spill, you will  
14 recall that this is a two-stage project. The first stage  
15 was money to plan what the sampling scheme would be for  
16 estimating remaining oil in Prince William Sound. We have  
17 now received back a detailed proposal and held a workshop  
18 in fact, just recently, for the investigators to present  
19 the study design to a wider group of experts and people  
20 that have local knowledge. There have been a number of  
21 concerns expressed. Those have been mostly addressed in  
22 the revised Detailed Project Description. There's some  
23 remaining things that might be incorporated, such as  
24 looking at the amount of oil in intertidal sediments as  
25 well as subtidal sediments. It's a rather large chunk of

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1 money involved in executing Phase 2, this \$489,000, but  
2 this is major project. It's kind of a bookend on the  
3 process. We want to know how much oil is remaining as we  
4 close out the restoration program. It's a question we  
5 commonly get asked by the public and others that have  
6 interest in the spill, so our recommendation is to fund.  
7 And we're going to send the existing proposal out for one  
8 more round of review. That came out of the workshop and  
9 interactions after the workshop, so it's contingent on  
10 that. But I think that we would like to see this project  
11 go forward.

12 CHAIRMAN TILLERY: Commissioner Rue?

13 MR. RUE: Mr. Chairman, I'm curious why --  
14 we did this once, right? We had a Piper and something or  
15 another assessment.

16 MS. MCCAMMON: The last time in Prince  
17 William Sound is 1993.

18 MR. RUE: '93.

19 MS. MCCAMMON: And since that time, we've  
20 done further assessment in Kodiak and then also on the  
21 outer Kenai, out of Katmai Coast. So, there hasn't been  
22 one since '93.

23 MR. RUE: And what was the cost of doing it  
24 in '93? Do you remember?

25 MS. MCCAMMON: It was funded at \$500,000 to

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1 do just the visual, above surface survey. They actually  
2 ended up spending about 350,000 or so of that. They didn't  
3 spend the full amount. So, it was about 350,000 to do the  
4 visual. And I know there were a lot of questions about  
5 this because of, one, the expense -- it's the largest  
6 project out there -- and then, also, because of the design.  
7 In the past, the past surveys have been strictly of surface  
8 oil.

9 MR. RUE: Right, presence or absence kind.

10 MS. MCCAMMON: Presence or absence of  
11 surface oil and how much it's diminished over time. This  
12 project goes well beyond that in attempting to estimate or  
13 quantify to some level what the extent of subsurface oil  
14 is. And most of the information that we have now is that  
15 the big problem is with the subsurface oil, that there's  
16 still a lot more oil there than originally thought there  
17 would be over time, that it's more toxic. It hasn't  
18 weathered. And so this is NOAA's attempt to get a baseline  
19 now on how much subsurface oil there is. This has not been  
20 done.

21 Well, there was a little bit of it done in  
22 '93 -- I think what, three samples? Three or four sample  
23 sites?

24 MR. S. RICE: There is some fixed sites  
25 that were examined.

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1 MS. MCCAMMON: A few fixed sites.

2 MR. S. RICE: A little more than a dozen or  
3 so.

4 MS. MCCAMMON: Right. But it substantially  
5 does go beyond what the past surveys were. And we did have  
6 Jim Gibeaut at the workshop when this was discussed and the  
7 design was being formulated, so we got the input of Jim at  
8 that time.

9 MR. RUE: And it'll answer the question of  
10 how much is out there, and we defend that against all  
11 comers? That seems incredible. But toxicity it seems to  
12 me might be more interesting than how much. It just seems  
13 to me that it would be very hard to say, just "x" volume.

14 MR. S. RICE: Well, toxicity doesn't matter  
15 if there's just this much out there. It matters if there's  
16 more out there. That's the whole point of this is to  
17 really quantify both in how much oil is there, but how many  
18 miles of beach from the heaviest oiling segments back in  
19 '90 through '92 are. So, how many miles of those are -- or  
20 kilometers, rather, I should think metric -- how many  
21 kilometers are still contaminated?

22 MR. RUE: Can you all dig an 8-inch hole  
23 into an armored beach? Because aren't most of the beaches  
24 with oil remaining pretty heavily.....

25 MR. S. RICE: The ones that have oil

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1 remaining are often pretty well-armored, yeah.

2 MS. HEIMAN: What does that mean, armored?

3 MR. RUE: Big rocks.

4 MR. S. RICE: (Indiscernible) wagon-sized  
5 rocks. And that does affect the design and does affect the  
6 physicalness [sic] of it, the logistics.

7 MR. RUE: Yeah.

8 MR. S. RICE: And so to get around that, we  
9 have a sophisticated adaptive sampling design which I  
10 couldn't possibly explain. You wouldn't understand  
11 probably. And that's not you, that's just me. But, we're  
12 going to dig 8,000 holes, about that. So that's how we get  
13 at trying to figure out how much oil is out there.

14 MS. MCCAMMON: They'll also fill in the  
15 8,000 holes.

16 MR. RUE: You'll collect all the oil -- you  
17 collect all the oil that's mobilized when you dig the  
18 holes, I'm sure.

19 MR. S. RICE: Oh, yeah.

20 MR. GIBBONS: It will tell us how much oil  
21 is out there, but will it tell us where it is, too?

22 MR. S. RICE: It'll tell within a limited  
23 sense. We're going to basically sample about 20 percent of  
24 the square footage that was heavily contaminated, heavily  
25 oiled through '92 or so. So, we'll be looking at one out

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1 of five. And we'll have a very rigid sampling design  
2 within the 20 percent. So, yes, when we're sampling this  
3 spot, it either has or does not have oil. We'll definitely  
4 have a GIS gizmo there, so we'll tell you that. That spot  
5 over there where we didn't sample we're not going to say  
6 much about.

7                   Because of the statistics and sampling  
8 design, we can say that if we find "x" amount in this  
9 amount of area, then that means there's this amount in the  
10 total area. Where it is exactly in that other 80 percent,  
11 you know, it's one of the statistical issues rather than  
12 the positive of a specific GIS pinpoint issue.

13                   MS. MCCAMMON: But there was also some  
14 concerns by agencies that there were certain beaches maybe  
15 that were of concern to DNR, and to possibly the Forest  
16 Service in terms of management perspective, that you would  
17 want to know categorically is there still oil on this  
18 particular beach or not? And they do have built into the  
19 sample the ability to add some specific requests.

20                   MR. S. RICE: Certainly the villages who  
21 have so much concern about some of their high priority  
22 beaches, and so a lot of a certain amount of effort would  
23 be directed toward those spots.

24                   DR. SPIES: NOAA is also going to have to  
25 make their initial site selection for the random site

00400

1 selection process. They are going to send that list to the  
2 Forest Service and DNR to see if there are pieces that are  
3 missing from that list that they may want to add. And they  
4 have some flexibility to add some sites. Is that correct?

5 MR. S. RICE: Right.

6 MS. HEIMAN: Is there some need to do the  
7 certain number of holes? I mean, is it something we could  
8 do less of and still the statistic information that we  
9 need?

10 MR. S. RICE: Let me answer that, because I  
11 knew the question was coming. I didn't know from whom.  
12 Can it be scaled back? And the answer is certainly and,  
13 you know, you can get an estimate and you'll get it with a  
14 lower amount. But, this project is going to be -- I don't  
15 know if controversial is the right word -- but it is going  
16 to be heavily scrutinized. It is going to be heavily  
17 scrutinized by those that use the Sound, such as Olsen,  
18 (indiscernible), Cordova, and certainly heavily scrutinized  
19 by those that work for Exxon. I can guarantee you that it  
20 will be (indiscernible) a year from now, or maybe even  
21 sooner. And so, for that reason, because I know we're  
22 going to have this scrutiny -- both professionally, from  
23 Exxon, and publicly, from outside of Exxon -- that we're  
24 not very willing to bring the sampling down and put the  
25 science at risk.

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1                   Just where is that line where you're above  
2 the risk value you can't say. So, we don't know that. So  
3 this is our best professional, educated guess of what it  
4 should be.

5                   MS. HEIMAN: And this will be done all this  
6 summer?

7                   MR. S. RICE: Yeah.

8                   CHAIRMAN TILLERY: Does the economics of  
9 this prevent it from being split up -- half the samples  
10 this summer, half the samples next summer?

11                   MR. S. RICE: Yeah, it does. In the prior  
12 project, a lot of the money was in the chemistries.  
13 There's not that much money in chemistries here. It's only  
14 25 or 30K or something in that order. There's 95 days of  
15 field charter -- 95 field days for a crew of six. And  
16 that's where the money is.

17                   CHAIRMAN TILLERY: Okay. So you can't --  
18 if you tried to split it up over two summers, you would  
19 have so much ramp-up costs that it just wouldn't work?

20                   MR. S. RICE: Yeah. But, also, how do you  
21 do the trend analysis after samples at sites one through 10  
22 were done in this year, and sites 11 through 20 were done  
23 the next year. It would screw up the science quite a bit,  
24 you know?

25                   CHAIRMAN TILLERY: Commissioner Rue?

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1 MR. RUE: Mr. Chairman, what's the need for  
2 doing it this year versus next year? Why is there a rush?

3 MS. MCCAMMON: Because we have more money  
4 available this year than next year. It's just going to get  
5 worse.

6 MR. RUE: Uh-huh.

7 MS. MCCAMMON: The competition for science  
8 is going to get greater.

9 MR. RUE: Okay. So, now, why do we need to  
10 know this?

11 MS. MCCAMMON: I think the reason we need  
12 to know this is that on the 10th anniversary, that year the  
13 biggest question that we got from the public, from the  
14 press, from users of Prince William Sound and elsewhere is  
15 how much oil is remaining and approximately where is it?  
16 And that is what people want to know. And just the fact  
17 that we now know so much about the toxicity of the oil that  
18 still remains 11 years after the spill. I think there's  
19 some responsibility to the public to at least give them  
20 some kind of information on that, to the extent they can.

21 MR. RUE: Yeah.

22 MS. MCCAMMON: I would think that for the  
23 20th anniversary that this would be repeated at some level.

24 MR. RUE: Right.

25 MS. MCCAMMON: Just as part of telling the

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1 entire oil spill story.

2 MR. RUE: I'm just wondering of the benefit  
3 of a statistically valid, you can go to court with it  
4 estimate that, you know, your scientist beats their  
5 scientist, you know, and it's .7 gallons per cubic meter or  
6 some very precise number versus "x" number of beaches have  
7 oil, and the oil we found was toxic. I mean, the level of  
8 rigor is sort of interesting. And we're going to a very  
9 high level of rigor, and do we get something.....

10 MS. MCCAMMON: The other rigor would be  
11 nothing. It would be just what's on the surface.

12 MR. RUE: Yeah. So for 300,000 or so --  
13 200,000, 300,000 -- we could just do the surface. Here's  
14 what's left on the surface.

15 CHAIRMAN TILLERY: And I think the  
16 suggestion was to do -- what he was talking about being  
17 less rigorous -- was that you would just do less sites,  
18 still go underneath the surface but do less sites.....

19 MS. MCCAMMON: Oh.

20 CHAIRMAN TILLERY: .....which make it less  
21 defensible. But, on the other hand, it's not something  
22 that's going to end up in court. Does it have to be  
23 defensible?

24 MS. MCCAMMON: Well, I'm not sure it's even  
25 a question of whether it's defensible in court, or

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1 whether....

2 MR. RUE: (Indiscernible) describe it?

3 MR. S. RICE: Well, it's got to be

4 defensible scientifically and, you know, at some point  
5 you're going to do bad science if you scale it down too  
6 much. Where that scale is -- is it the 49 level, which is  
7 our best guess Is it at the 400 level, the 350 level, 250  
8 level, we can't quite say. I know that we would be nervous  
9 if you bring it down significantly and would probably elect  
10 not to do it, I would think. I know we would at some point  
11 at any rate. You've talked about the reopener clause,  
12 privately at any rate. And that window is out there at  
13 some point. It seems to me the issue of Harlequin ducks  
14 and otters and the pink salmon, et cetera, the biological  
15 reasons for why we re-open, there might be a claim but the  
16 SCAT Project becomes the physical reason of why you would  
17 maybe have a repoener. And as you are well aware, there  
18 are two criteria. One is you have to have effects that you  
19 didn't anticipate back in '91, and you have to do something  
20 with those funds. And, you know, there's a possibility  
21 that there would be clean up that would be demanded, or  
22 not. And if there isn't, that's the good news, you know?  
23 If we find that the levels of oil are really low to  
24 insignificant, then the villagers would have a lot more  
25 confidence in the area, et cetera. I think the political

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1 pressures would be less.

2 MR. RUE: Maybe I could make a suggestion.

3 I'm looking for 100,000 or 90,000 bucks.

4 MS. MCCAMMON: That's too bad.

5 MR. RUE: And I'm wondering if you did  
6 89,600 towards our salmon archival tags and give 400,000 to  
7 this, would that effect the rigors significantly enough  
8 that you wouldn't want to do it, and would we be allowed to  
9 do our salmon tags? A thought. I'll just lay it out  
10 there.

11 MR. S. RICE: We could defer 25 to 35K of  
12 chemical analysis in the next fiscal year, and I don't  
13 think that would damage the project.

14 MR. RUE: To the next year? There's a  
15 thought.

16 MS. HEIMAN: There's 30K.

17 MR. RUE: I mean, I wonder if 90,000  
18 wouldn't work for the archival tag, or 89,600? And then  
19 you got, maybe there's a 50,000 -- I don't know that does -  
20 - maybe do some mental calculations here as we move ahead.  
21 We'll probably move ahead, and we'll maybe come back with  
22 a motion, if we think it could work.

23 CHAIRMAN TILLERY: Yeah.

24 MS. HEIMAN: Keep moving now. It's 5:05.

25 CHAIRMAN TILLERY: Dr. Spies?

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1 DR. SPIES: The next cluster is  
2 Seabird/Forage Fish and Related Projects 01163. This is a  
3 closeout that's projected to now move into fiscal year 2002  
4 as well, at a small amount. But still, the final synthesis  
5 from this project will occur not in this fiscal year but  
6 next fiscal year. This is, of course, the wrap-up of the  
7 APEX Project, a major project, a very successful project  
8 sponsored by the Trustee Council for some six years, I  
9 believe, now. So, we're recommending that the project go  
10 forward at \$198,000. There have been a large number of  
11 manuscripts that were laid out projected to be written as  
12 the results of this project. Some of the titles and  
13 numbers from these manuscripts have changed over the year,  
14 but I'm confident that good progress is being made and  
15 we're getting quite a bit out of this project for our  
16 value. And this is not the time to not give them money to  
17 get that final push and get some results of this project  
18 into the literature and, also, provide us in a very real  
19 way a foundation for the GEM program and contribute to  
20 that. So, we're recommending funding for that project.

21 All right. 01586, the next project, is  
22 another project looking at archival materials. And, in  
23 this case, it's looking at cores to try to reconstruct a  
24 longer history of climate change in relation to forage fish  
25 abundance. This is based on a concept that was pioneered

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1 in Southern California in the anaerobic basins of the  
2 Southern California Bight where, because of the lack of  
3 oxygen, the layers on the bottom in the mud are not much  
4 disturbed at all, and you get a very fine record of the  
5 fish scales being laid down. You'd be able to take those  
6 fish scales out and date those layers and actually look at  
7 a multiple abundance of scales in those layers and make an  
8 estimate of what the forage fish populations have been for  
9 thousands of years. So, this is kind of a transference of  
10 this up to the Gulf of Alaska.

11 We think it's a very good project. Again,  
12 we think this one doesn't necessarily have to be done this  
13 year, so we are strongly encouraging to the investigator to  
14 resubmit this in fiscal year 02, because we don't believe  
15 we have the funds available this year to do the project.

16 I don't know if we should be discussing Project  
17 Number 01154, Archaeological Resources, the exhibitory and  
18 displays. Is this something we should mention, Molly?

19 MR. RUE: I think we already approved that.

20 MS. MCCAMMON: No. You haven't approved  
21 it. This is the support costs to the Department of Natural  
22 Resources -- the general administration and project  
23 management costs for that project. And what we had said is  
24 that those support costs would be included in this  
25 spreadsheet, so it's part of the general motion. But it is

00408

1 \$25,500. And these are being -- as the project is being  
2 developed.

3 MR. GIBBONS: Are we going to get a total  
4 of how much this really costs us in support? I was reading  
5 it, and it was \$40,000 in '99, and then 38.....

6 MS. MCCAMMON: I believe the total expected  
7 is \$64,300. The total is right at that end, I believe.  
8 I'm pretty sure. Let me (indiscernible - away from mike)  
9 this year.

10 MR. GIBBONS: Yeah, this year, right.

11 MS. HEIMAN: Well, it says it right --  
12 '01-02 is 64.3.

13 MS. MCCAMMON: (Indiscernible)

14 MS. HEIMAN: When we go back through.

15 MR. GIBBONS: Mr. Chairman, I highlighted -  
16 - September of '99, 40,400; February 2000, 23,400; August  
17 2000, 38,800; and now 25,500. I'm just curious if there's  
18 going to be a total of that?

19 MS. MCCAMMON: There is. And I'm not sure  
20 if it's in that. I'll check on it and get back to you. I  
21 do have a copy of that, though.

22 DR. SPIES: Mr. Chairman, should I continue  
23 on now while Molly's looking for those figures?

24 CHAIRMAN TILLERY: I think so. Yes. Why  
25 don't you?

00409

1 DR. SPIES: You want to come back to it?

2 MS. MCCAMMON: Yes.

3 DR. SPIES: Okay. The next project Molly  
4 mentioned earlier in her introductory comments. This is  
5 the biotoxin monitoring program in the Kodiak areas being  
6 done by Jeillet Biotek, and I think she presented some of  
7 the salient features of this quite well. This is a project  
8 that we funded for some time to develop a test kit to test  
9 individual subsistence-level consumption of shellfish and  
10 to look for paralytic shellfish poisoning, or PSP, in the  
11 mussels, and it was being developed for Kodiak Island  
12 because of the problems they've had in Kodiak Island. And  
13 I think you heard public testimony today about someone  
14 whose relative died of paralytic shellfish poisoning in  
15 Kodiak.

16 It almost certainly came from PSP and not  
17 from anything to do with the oil spill, by the way. So, we  
18 have had some problems with getting the samples collected  
19 by the Kodiak Youth Area Watch for at least one summer,  
20 because we were trying to get the test kit optimized for  
21 the shellfish toxins that existed along the Kodiak area.  
22 There's a lot of toxins that are in this mixture, and it  
23 can change from place to place. So we wanted to make sure  
24 that the test kit was optimized for what occurred on Kodiak  
25 Island, and so that was why we put so much emphasis on

00410

1 getting samples from Kodiak. The proposal is being  
2 suggested that we expand it to testing the water, beyond  
3 just testing the mollusks. And we believe this is beyond  
4 the purview of the original objectives of the proposal and  
5 would recommend against that particular expansion.

6 As Molly mentioned, we have not received a  
7 report or had a chance, therefore, to review last year's  
8 results yet. So, that is a defer.

9 CHAIRMAN TILLERY: So, this is a continue  
10 to defer?

11 MS. MCCAMMON: Yes.

12 MR. RUE: Because it takes us over the cap  
13 as well.

14 MS. MCCAMMON: I know. But, we're not sure  
15 that we'll get \$100,000 worth of proposals on herring -- we  
16 will get \$100,000 worth of proposals.

17 MR. RUE: Approve 100,000.

18 MS. MCCAMMON: I'm not sure there will be  
19 enough funds to go forward.

20 MR. GIBBONS: Mr. Chairman?

21 CHAIRMAN TILLERY: Mr. Gibbons?

22 MR. GIBBONS: Just some clarification. The  
23 defer to January, are they in that \$1.2 million total that  
24 adds up to the over \$6 million?

25 CHAIRMAN TILLERY: No, they're a second

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1 level down there. They're the deferred further? The come  
2 over.....

3 MS. MCCAMMON: The amount remains within  
4 the \$6 million cap -- 104,000.

5 CHAIRMAN TILLERY: That's the 150.

6 MR. GIBBONS: Oh, deferred further. Okay.  
7 I see them down there at 150,000.

8 DR. SPIES: Next is the habitat improvement  
9 cluster, and the single project in that is the Prince  
10 William Sound Human Use and Wildlife Disturbance Model.  
11 You recall that we funded this for three years now, and we  
12 do have this project complete except for receiving and  
13 reviewing the final report. This is a request for  
14 additional funds to actually publish this report as a  
15 manuscript. We would like to see the project report turned  
16 in and reviewed before we want to proceed with this step.  
17 So our recommendation at this time would be not to fund  
18 this project.

19 MR. GIBBONS: Mr. Chairman? This has been  
20 kind of a pet project. The project manager now has  
21 transferred to Washington, D.C. But he told me that he  
22 would get the report before he walks out the door here in  
23 two years.

24 MR. RUE: Which door?

25 MR. GIBBONS: Here.

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1 MR. RUE: Okay.  
2 MS. MCCAMMON: The door to Alaska.  
3 MR. RUE: Aah. (Indiscernible) Washington  
4 after you walk out this door.  
5 MR. GIBBONS: So, I agree with the  
6 recommendation.  
7 CHAIRMAN TILLERY: Okay.  
8 DR. SPIES: Is he a Democrat or a  
9 Republican?  
10 MR. GIBBONS: He may be coming back real  
11 quick.  
12 CHAIRMAN TILLERY: Okay. I think we have  
13 one more. Is that.....  
14 MS. MCCAMMON: Two more.  
15 CHAIRMAN TILLERY: Two more.  
16 DR. SPIES: Yes. I guess it's the last  
17 cluster, the ecosystem synthesis and GEM transition. There  
18 are two projects in that. The first of those is 01455, the  
19 Gulf Ecosystem Monitoring and Research Program Data System.  
20 In our effort to get the GEM Program underway and to be  
21 fully prepared for this program, we'll need some support in  
22 the area of designing databases, data management and  
23 archiving. Everybody involved in these programs has been  
24 telling us to get these components of the program in place  
25 before we start, and we're taking that advice quite

00413

1 seriously. And this is money to fund for, I believe, for  
2 six months. Is that correct?

3 MS. MCCAMMON: Four months.

4 DR. SPIES: Four months -- someone who  
5 could fill that role within this office. And so, the  
6 recommendation is to fund based on the needs that GEM has.

7 CHAIRMAN TILLERY: And the final project?

8 DR. SPIES: The final is the 1630, is the  
9 GEM planning project money. I don't know if Molly wants to  
10 go over that. It's got funds for me -- additional funds  
11 for our office -- so I have a bit of a conflict in  
12 describing it to you.

13 MS. MCCAMMON: We had put in, in August, a  
14 budget proposal for GEM funding of \$136,000. That included  
15 about \$60,000 for Bob's time and support, and then one-  
16 month time per agency for the six agencies for their  
17 assistance in the process. And we had said at the time  
18 that it was unclear in terms of our planning process what  
19 additional funds would be needed, but we'd be back. And I  
20 think we've put in a plug number of \$100,000.

21 In response to the NRC review of incorporating a  
22 higher level team of writers, the greatest cost in here is  
23 for that. It's over \$70,000 for contracts for those people  
24 in the next six to eight months. In addition, this whole  
25 project has required more of Bob's time, so it pays for

00414

1 that. It pays for two months of Dede Bohn's time to work  
2 on the gap analysis in the next two months, and some  
3 additional travel costs. And there is a project  
4 description and budget in your packet for that.

5 CHAIRMAN TILLERY: All right. And does  
6 that sort of finish us, take us through this?

7 MS. NIELSEN: Can I interrupt for a minute?  
8 This is Jennifer, and I was asked to call you folks back to  
9 answer some questions. At your convenience, I'm available  
10 again.

11 CHAIRMAN TILLERY: Okay.

12 MS. HEIMAN: Great. Thank you.

13 CHAIRMAN TILLERY: Thank you.

14 MR. RUE: Actually, that was one of the  
15 questions I had, Mr. Chairman.

16 CHAIRMAN TILLERY: Okay. Mr. Rue?

17 MR. RUE: Yeah, if I could ask Dr. Nielsen,  
18 at what point is your project no longer useful? Can you  
19 get any useful information with \$75,000 worth of tags? I'm  
20 trying to find a way to get all of these projects that we  
21 want to be done, but not skimp them so much that it becomes  
22 useless.

23 DR. NIELSEN: Yes. I just discussed that  
24 with my supervisor. The base funding that I have added to  
25 this project or this approach was originally intended for

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1 salary. That's the reason we added this base. I want a  
2 supervisor to work on this and the halibut project  
3 together. However, that hiring process can be delayed. I  
4 do have staff on board and my own self to implement the  
5 project and, therefore, that \$26,000 that we've added to  
6 base could be ancillary used to support a lesser funding  
7 for this year, if we wanted to begin the implementation  
8 right away.

9 MR. RUE: So that means if we gave you  
10 \$75,000.....

11 DR. NIELSEN: Yeah, I would have the same  
12 amount of funding. I could manage it with the same amount  
13 of money.

14 MR. RUE: Okay. Well, I propose, you know  
15 -- I guess I'm not proposing an amendment.

16 CHAIRMAN TILLERY: We don't have a motion,  
17 yet.

18 MR. RUE: No motion yet. Okay.

19 DR. NIELSEN: One of the things that I  
20 would like to add as a caveat, though, is that if this is  
21 the case, it would be very nice to get some reconciliation  
22 on where we would go with this project the following year.  
23 Because the same kind of cost expenditures would not be  
24 available to me the next year. I would need to dedicate  
25 the funds that I have to a staff position as opposed to

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1 purchasing for the project.

2 MR. RUE: In other words -- this is Frank,  
3 again. We'd have to go in with our eyes open, knowing that  
4 the second year would be 200,000.

5 CHAIRMAN TILLERY: 100,000.

6 MR. RUE: 100,000, I'm sorry.

7 DR. NIELSEN: I would require the \$100,000  
8 for the second year, yes.

9 MR. RUE: Okay.

10 CHAIRMAN TILLERY: So, one possibility it  
11 seems here was if this was reduced to 75,000 -- if you  
12 deferred 35,000 on the oil remaining in the intertidal, as  
13 I think Steve suggested you could do for chemical analysis.  
14 Then if you assume that all of that herring wasn't going to  
15 come through -- something from the deferred projects --  
16 does that put us under the.....

17 MR. RUE: That, or if Jeep could find  
18 another 30, you know, if it's 400,000

19 MS. HEIMAN: Just say yes.

20 DR. MUNDY: I need a third choice.

21 MS. MCCAMMON: What's that? You have a  
22 third?

23 MS. HEIMAN: What's that?

24 MR. RUE: We're starting to talk about  
25 small enough numbers now that I get a sense that we might

00417

1 be able to get all these things done sufficiently.

2 MS. HEIMAN: Given that we really only  
3 committed to \$120 million for that GEM amount, and now  
4 we're closer to \$125 million, using leftover funds that  
5 came from our agencies.....

6 MR. RUE: I guess I would ask Jeep if we  
7 defer -- was it 35 you thought you could defer for the  
8 chemical analysis?

9 MR. S. RICE: 35 would get deferred, yeah.

10 MR. RUE: Okay. Now we're talking about  
11 small costs savings to allow us to do what we need. What  
12 does that get us -- 35 out of 75. So, we need 40,000 bucks  
13 somewhere.

14 CHAIRMAN TILLERY: And we would have two  
15 deferred projects worth 150,000 and we don't know if all or  
16 some of those will go. But my understanding is that there  
17 seems to be some likelihood that not all that herring is  
18 going to want to go, right?

19 MS. MCCAMMON: It will want to go.

20 MR. RUE: Yeah. Well, the 150 takes us 45  
21 over, so I understand.

22 MS. MCCAMMON: Could we have a break for  
23 two minutes?

24 MR. RUE: Yeah. Let's do a recess.

25 CHAIRMAN TILLERY: Sure.

00418

1 (Off record - 5:10 p.m.)

2 (On record - 5:15 p.m.)

3 CHAIRMAN TILLERY: Okay. We're back on  
4 line. If we do what we suggested we would do, we end up  
5 with that 150,000 for the two deferred projects, we could  
6 only spend 65,000 of that 150,000 and still stay within the  
7 cap.

8 MR. RUE: And the two deferred are the  
9 herring and the PSP sampling.

10 CHAIRMAN TILLERY: PSP.

11 MS. MCCAMMON: Mr. Chairman?

12 CHAIRMAN TILLERY: Ms. McCammon.

13 MS. MCCAMMON: I would recommend that we go  
14 ahead and do that. We'll know a lot better on the herring  
15 proposals what's on the table and how much they cost and  
16 what's really viable to do this year. We'll know if  
17 there's going to be potentially -- anything potentially on  
18 PSP and, in the meantime, we'll look at a couple of other  
19 things in here and see if we can shave off 10 or 15,000 in  
20 some other places that might be able to do something here  
21 in the next month.

22 MS. HEIMAN: (Indiscernible) Molly.

23 MR. RUE: So, what we propose to do is  
24 reduce the 1404, which is the archival tags to 75,000, and  
25 defer 35K of the beach sampling.....

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1 MS. MCCAMMON: You would reduce that and  
2 then it would be going to the FY02 recommendation.

3 MR. RUE: Okay.

4 MS. MCCAMMON: So, it would be 95,000 for  
5 FY02, and it'd be (indiscernible)

6 MR. GIBBONS: And then, also, your  
7 commitment on 1404, it would be 100,000 in fiscal year 02?

8 CHAIRMAN TILLERY: No. I don't think you  
9 heard a commitment. You heard a realization that if we  
10 want to do it, that's what it's going to be.

11 MS. MCCAMMON: There's no commitment.

12 MR. GIBBONS: If we start it, you know,  
13 we're going to want to do the second year of it.

14 MR. RUE: Yeah. But there may be other  
15 folks out there who are real interested in funding this  
16 kind of work. Who knows?

17 CHAIRMAN TILLERY: Is there a motion?

18 MS. HEIMAN: For the whole project?

19 MS. MCCAMMON: You know, we do have -- I  
20 don't know if this gets changed now. Is this still okay?

21 MS. SCHUBERT: This still has  
22 (indiscernible) right here as amendable (indiscernible -  
23 simultaneous speech) relevant, but you don't really need  
24 them.

25 MS. MCCAMMON: All right. It's amended by

00420

1 discussion. Okay, so that is the motion that we're -- the  
2 numbers at the bottom are no longer operative.

3 MS. HEIMAN: I'll make the motion. Would  
4 you like for me to read it?

5 MR. RUE: Go for it, Marilyn

6 MS. HEIMAN: I move the Trustee Council  
7 adopt the recommendations for FY01, Deferred Projects as  
8 outlined in Spreadsheet A and B, both dated November 24,  
9 2000, as amended by today's discussion with the following  
10 condition. One, if a principal investigator has an overdue  
11 report or manuscript from a previous year, no funds may be  
12 expended on a project involving the PI unless the report is  
13 submitted or a schedule for submission is approved by the  
14 Executive Director; and, two, a project's lead agency must  
15 demonstrate to the Executive Director that the requirements  
16 of NEPA are met before any project funds may be expended,  
17 with the exception of the funds spent to prepare NEPA  
18 documentation. Funds for Project 01154, archaeological  
19 repository and display facilities are for capital projects  
20 and will lapse September 30, 2002. And so the total --  
21 should I read the total?

22 MS. MCCAMMON: No.

23 MS. HEIMAN: No.

24 MS. MCCAMMON: Those are off now.

25 CHAIRMAN TILLERY: Those will have to be

00421

1 adapted.

2 MR. RUE: Second.

3 CHAIRMAN TILLERY: It's been moved and  
4 seconded. Is there a discussion?

5 (No audible response)

6 CHAIRMAN TILLERY: Hearing none, all in  
7 favor of the motion signify by saying aye.

8 IN UNISON: Aye.

9 CHAIRMAN TILLERY: Opposed?

10 (No opposing response)

11 CHAIRMAN TILLERY: The motion carries. And  
12 that brings us to the end of the agenda. There is the  
13 possibility, I think, of a teleconference by the end of the  
14 week and, as much as I hate to suggest this, we might want  
15 to recess until that time.

16 MR. RUE: Mr. Chair, I move that we recess  
17 until a time to be determined by the Executive Director.

18 MR. GIBBONS: I second that.

19 CHAIRMAN TILLERY: It's been moved and  
20 seconded. Is there a discussion on the motion?

21 MS. MCCAMMON: This is the PAG  
22 appointments?

23 CHAIRMAN TILLERY: All in favor signify by  
24 saying aye.

25 IN UNISON: Aye.

00422

1                   CHAIRMAN TILLERY:  Opposed?

2                   (No opposing response)

3                   CHAIRMAN TILLERY:  We are recessed.

4                   (Off record - 5:20 p.m.)

5                                   (TO BE CONTINUED)

