

# *Exxon Valdez* Oil Spill Trustee Council

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## **RESOLUTION OF THE *EXXON VALDEZ* OIL SPILL TRUSTEE COUNCIL PERTAINING TO THE TRANSFER OF THE JOINT TRUST FUNDS AND FEES ON THE INVESTMENT FUND**

The *Exxon Valdez* Oil Spill Trustee Council ("Trustee Council" or "Council") is responsible for the management and investment of the *Exxon Valdez* Oil Spill joint trust funds ("joint trust funds"). The joint trust funds are used by the governments for purposes of restoring, replacing, enhancing, rehabilitating or acquiring the equivalent of natural resources and services lost or injured as a result of the oil spill. The joint trust funds were placed in the Court Registry of the United States District Court in Anchorage, Alaska and are invested through the Court Registry Investment System ("CRIS") in Houston, Texas which maintains two accounts on behalf of the federal and state natural resource trustees for the Exxon Valdez Oil Spill – the Exxon Valdez Oil Spill Settlement Account, also known as the Exxon Valdez Liquidity Account, and the CRIS – Exxon Valdez Reserve Fund.

Public Law 106-113 (1999) allows deposit of the joint trust funds in accounts outside the United States Treasury ("outside accounts") upon issuance of an appropriate order by the United States District Court for the District of Alaska. The law limits investments in outside accounts to "income-producing obligations and other instruments or securities that have been determined unanimously by the federal and state natural resource trustees for the Exxon Valdez oil spill ("trustees") to have a high degree of reliability and security".

On February 29, 2000 the Trustee Council adopted Investment Policies to guide investments it might make should it determine to deposit joint trust funds in an Investment Fund. The investment objective for monies deposited in an Investment Fund, as described in the Investment Policies, is to provide adequate liquidity for ongoing restoration purposes and

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#### **Federal Trustees**

U.S. Department of the Interior  
U.S. Department of Agriculture  
National Oceanic and Atmospheric Administration

#### **State Trustees**

Alaska Department of Fish and Game  
Alaska Department of Environmental Conservation  
Alaska Department of Law

preserve the inflation-adjusted value of the principal, while realizing competitive, total rates of return.

The Council reviewed income producing obligations and other instruments and securities at a meeting on March 16, 2000. At that time, the Council also reviewed capital market returns and risk assumptions developed by the Alaska Department of Revenue, Division of Treasury's consultant, Callan Associates (dated January 2000).

In a resolution dated April 24, 2000, the Council unanimously adopted an Asset Allocation for monies deposited in an Investment Fund. The adopted Asset Allocation consists of Domestic Equities, with a target allocation of 41%  $\pm$  7%, International Equities, with a target allocation of 17%  $\pm$  5%, and Domestic Fixed Income, with a target allocation of 42%  $\pm$  7%. The adopted Asset Allocation has a median expected return of 8.25% with a standard deviation/risk of 10.59%.

In a resolution dated April 24, 2000 the Council unanimously agreed to request that the Alaska Attorney General and the Assistant Attorney General of the United States Department of Justice's Environment and Natural Resource Division petition the Court for an amendment to the Second Amended Order for Deposit and Transfer of Settlement Proceeds to allow for the deposit of joint trust funds, or any portion of them, in an Investment Fund or Funds.

At the request of the Council, an independent consultant reviewed the organizational structure, equity and fixed income management practices, asset modeling procedures, and the custody and safekeeping, and the accounting functions of the Alaska State Department of Revenue, Division of Treasury. The report was presented to the Council on May 22, 2000 and concluded that "turning the investment management and custodian/administrative responsibilities over to the Alaska Department of Revenue, Division of Treasury would appear to be a relatively safe and extremely cost effective method of investing the Council's assets."

Under the authority of orders of the United States District Court for the District of Alaska entered on June 7, 2000, the Trustee Council may, by unanimous agreement, select a fund

or funds to receive and invest joint trust funds and any interest accrued thereon, received or to be received by the United States or the State of Alaska under the Agreement and Consent Decree between the Governments and Exxon ("Consent Decree"). Upon joint application by the Governments and Order of the United States District Court for the District of Alaska, all or part of the funds currently in the Exxon Valdez Liquidity Account and the CRIS – Exxon Valdez Reserve Fund shall be transferred and deposited into a specified Investment Fund.

THEREFORE, BE IT RESOLVED THAT the Council unanimously agrees, that in order to have sufficient funds for ongoing restoration purposes and preserve the inflation-adjusted value of the principal, the funds currently in the Exxon Valdez Oil Spill Settlement Account and the CRIS – Exxon Valdez Reserve Fund and funds to be paid by Exxon in the future shall be transferred to and/or deposited in an outside account to be administered by the Alaska Department of Revenue, Division of Treasury.

AND FURTHER THAT the Council requests that a joint application be submitted to the United States District Court for the District of Alaska to transfer all of the funds currently in the Exxon Valdez Oil Spill Settlement Account and the CRIS – Exxon Valdez Reserve Fund to the Alaska Department of Revenue, Division of Treasury.

AND FURTHER THAT the Attorney General for the State of Alaska and the Assistant Attorney General for the Environmental & Natural Resources Division of the United States Department of Justice shall, in future payment instructions to Exxon, notify Exxon that it is to pay to the Alaska Department of Revenue, Division of Treasury all sums required to be paid by Exxon under Paragraph 8 of the Consent Decree.

AND FURTHER THAT the Investment Fund shall be managed consistent with the Investment Policies adopted by the Trustee Council on February 29, 2000.

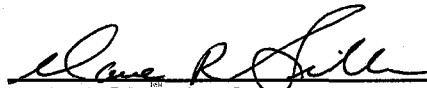
AND FURTHER THAT the monies shall be invested consistent with the Asset Allocation adopted by the Trustee Council on April 24, 2000.

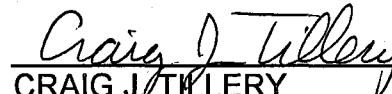
AND FURTHER THAT the fee on the Investment Fund shall be as follows:


- Custody Safekeeping Fee of \$5,000.
- Custody Transaction Fee equal to 1 basis point (.01%) of the total assets held (at fair value).
- Investment Management Fee of \$11,222 (based on .5% of Alaska State Department of Revenue, Division of Treasury budgeted personal services).
- Domestic Equity Management Fee equal to 1.3 basis points (.013%) of the domestic equity assets held (at fair value).
- International Equity Management Fee equal to 15 basis points (.15%) of the international equity assets held (at fair value).


AND FURTHER THAT the Executive Director shall work with the Alaska Department of Fish and Game to enter into a Reimbursable Services Agreement with Alaska State Department of Revenue, Division of Treasury to provide custody, investment management and financial reporting services.

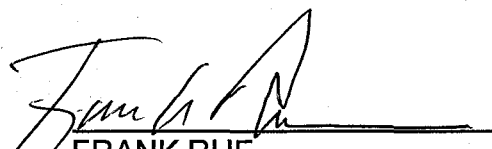
Approved by the Council at its meeting of July 5, 2000 as affirmed by our signatures affixed below.


 Dated 7/10/00  
DAVE GIBBONS  
Trustee Representative  
Alaska Region  
USDA Forest Service

 Dated 7/5/00  
CRAIG J. TILLERY  
Assistant Attorney General  
State of Alaska

 Dated 7/7/00  
MARILYN HEIMAN  
Special Assistant to the  
Secretary for Alaska  
U.S. Department of the Interior

 Dated 7.6.00  
JAMES W. BALSIGER  
Director, Alaska Region  
National Marine Fisheries Service

 Dated 7.5.00  
FRANK RUE  
Commissioner  
Alaska Department of Fish and Game

 Dated 7/5/00  
MICHELE BROWN  
Commissioner  
Alaska Department of Environmental  
Conservation