The Trust Land Office (TLO) is proud to serve the Alaska Mental Health Trust (Trust) as its fixed asset manager. It has been 20 years since the TLO’s formation. During this time, much has been changed internally and externally. The TLO works to Diversify, Develop, and Defend Trust assets in order to fulfill its mission to protect and enhance the value of Trust lands and maximize revenues from those lands over time. It is satisfying to report that with over $11,800,000 in revenue, FY15 was one of the most successful years on record. Even more significantly, more spendable income was generated in FY15 than any other year. Notably, this does not include the transfer of $6.2 million in capital assets to the Trust as a result of a collaborative effort between the TLO, the Trust Authority, and DHSS. There are many performing assets in the portfolio and the TLO takes great care to ensure their success. Additionally, there are several potential projects in various stages of development, some of which could individually double the cash corpus of the Trust. FY15 has not been without challenges. Current commodity markets and the uncertainty of the permitting process hinder the earning potential of many of these assets and the TLO must be proactive to stay ahead and meet revenue goals.

The TLO began as a passive state office, but it has transformed into a sophisticated manager of a growing portfolio valued well into the billions. In the course of providing spendable income for the Trust and its beneficiaries the TLO positively impacts the Alaskan economy. The gross value of the products and services on Trust land average roughly 2-3% of Alaska’s $50 billion economy. Activities on Trust land contribute to over 800 full time jobs paying above average wages. Our Real Estate Management Plan has allowed us to further expand our reach into the Lower 48 through the acquisition of income properties and further diversify our revenue streams. This methodology serves to stabilize Trust revenue in a volatile market. In FY16, we continue to expand our revenue sources and increase our generation of spendable income.

Much like the State of Alaska as a whole, the TLO faces challenges to find new ways to move the value of its assets from the balance sheet to the income statement. Investment in the portfolio whether through resource exploration, development of existing assets, or pursuit of acquisitions are key methodologies the TLO will employ to continue the migration of value to the income statement. In the years to come the TLO will continue to push the envelope in the interest of the Trust, exploring new revenue sources and finding creative solutions in whatever form they may take.

John Morrison  
Executive Director
In 1956, the Territory of Alaska was granted an entitlement of one million acres of vacant, unappropriated and unreserved federal public lands for the purpose of providing income for mental health programs. Under the 1956 Alaska Mental Health Enabling Act, all lands and related income were to be “administered by the Territory of Alaska as a public trust and such proceeds and income shall first be applied to meet the necessary expenses of the mental health program of Alaska.” A public trust, called the Alaska Mental Health Trust Authority (the Trust), was subsequently established to provide Alaska with the resources to provide comprehensive, integrated mental health services. Prior to the establishment of this trust, there were few mental health services available to individuals who experienced mental illness or developmental disabilities.

The Alaska State Legislature was charged with the fiduciary responsibility to manage Trust lands, but gross mismanagement resulted in a class action lawsuit, filed in 1982. At that time, 65 percent of the Trust’s real property portfolio had been disposed of by the state. The Alaska Supreme Court ordered the restoration of the original land in 1984. Not all original lands were available and in 1994 that a final settlement reconstructed the Trust with 500,000 acres of original Trust land, 500,000 acres of replacement land and $200 million in cash. Together, these assets formed the original corpus (Principal) of the newly reconstituted Trust.

The settlement segregated management of Trust assets across multiple state agencies. The Alaska Mental Health Trust Authority was established within the Alaska Department of Revenue to administer the mental health programs. The management of land and other non-cash assets — primarily composed of land, real estate, timber, materials and subsurface oil, gas, coal and minerals — was assigned to the Alaska Department of Natural Resources (DNR); and the newly created Trust Land Office (TLO). The TLO was created as an office within DNR in order to effectively manage non-cash Trust assets separately from those under state ownership. The Alaska Permanent Fund Corporation was assigned management of the cash corpus as a commingled percentage of the Permanent Fund, upon a contribution of such funds by the Trustees. A portion of the spendable income generated from the Permanent Fund is distributed to the Trust annually for programmatic purposes. The remainder of funding required for beneficiary (individuals receiving Trust services) programs is generated by the TLO.

**IDENTIFICATION AND DISTRIBUTION OF TLO REVENUES**

Revenue-generating uses of Trust land include land leasing and sales; real estate investment and development; commercial timber sales; mineral exploration and production; coal, oil and gas exploration and development; sand, gravel and rock sales; and other general land uses.

Rents, fees and 15 percent of timber revenue from Trust land uses are considered “spendable income” and are available to The Trust for use in the following fiscal year. Land sale revenue, hydrocarbon and mineral royalties, and 85 percent of timber revenue are considered “principal” and must be invested in other principal assets.
TLO has changed significantly since its first year in FY95. For the first five years, 86 percent of revenue was derived through surface lands and timber (36 percent and 50 percent, respectively) and the average annual revenue was just under $2 million. Revenue growth was rapid — by FY01 annual revenue was nearly $8 million and would only dip below that twice in the next 14 years. While revenue increased briskly, a shift in the portfolio structure began in FY03; this marked the last year that timber revenue would earn more than all other TLO revenue sources. Timber’s share of revenue continued to decline and revenue generated from surface lands increased rapidly. Between FY05 and FY09 surface land revenue generated 67 percent of TLO revenue. Timber had fallen to 18 percent, and the subsurface estate (coal, oil, gas, and minerals) had not yet begun to generate revenue significant enough to balance the portfolio. Large land sales would keep surface lands as the major source of revenue for several more years, but the share of revenue decreased as the TLO’s portfolio diversity continued to improve. A productive gold mine, bonus bids for new coal and oil and gas leases, and a new real estate investment plan contributed to a more balanced revenue environment and between FY11 and the current year, portfolio diversity changed dramatically. The TLO now relies more evenly on all asset classes; minerals, energy (coal, oil and gas), surface lands, real estate and timber generated over $10 million in revenue collectively each year for the last three years.

The TLO structures planning around seven asset classes; land, minerals and materials, program-related real estate, forests, real estate, energy and mitigation marketing (FY15 was the first year that the TLO included mitigation marketing as its own asset class). Staff is structured within the following asset classes:

- Lands (land and mitigation marketing)
- Minerals and Energy (also includes materials)
- Forest Resources
- Real Estate

This report follows this structure.
Coal: 11%
Oil & Gas: 34%
Minerals: 39%
Legacy Mining Claims: 16%

Percent of Revenues by Lands Segment:
- Land sales: 81%
- Leases: 6%
- Easements: 5%
- Licenses: 5%
- Other fee sources: 5%
With just over a million total acres, the Trust Land Section manages nearly 600,000 acres that include all rights (fee simple), leaving the balance for which the Trust only maintains management of the subsurface estate. This ownership structure requires diligent analysis and constant interaction across TLO resource groups to determine the highest and best use of Trust land. Development and management of the surface estate is geared toward strategic, novel agreement structures favoring efficiency and scalability, as well as branching into new asset classes such as mitigation marketing.

Mitigation Marketing was added to the Long-Term Asset Management Plan in FY15. Mitigation Marketing will enhance the TLO’s ability to improve the Trust’s market position by creating a broader spectrum of revenue-generating activity on Trust land. The Trust will be developing wetland mitigation bank opportunities to offset unavoidable impacts from resource development projects on Trust lands.

Total revenue generated through management of the surface estate generated $2.6 million in revenues during FY15. This includes leases, land sales, interest on land sale contracts, and easements. The most significant portion of this revenue — 81 percent — is derived from sales though the Land Sale Program as well as various negotiated sales. It is important to note that since inception, $69 million, or roughly 38 percent, of all of TLO revenue has been derived through land sales, but less than 3 percent of the land has been sold. The TLO is effectively generating revenue through land sales and doing so prudently in order to effectively fulfill the Trust’s goal of perpetuity.

The Land Section’s development goals require expected revenues to be three times the cost of development. This low-cost, high-yield model has been driving this section’s push to build a sustainable inventory of parcels that require little or no infrastructure to make saleable through negotiated sales or the Annual Land Sale Program. New subdivisions at Harding Lake in Fairbanks and Papke’s Landing in Petersburg generated high local interest and contributed to higher bids in the FY15 sale offerings.

The TLO holds two land sales each year, in the fall and spring, as part of the Annual Land Sale Program. The FY15 fall sale received bids of $1,387,800 — a 22 percent premium above the appraised value. The FY15 winter sale received bids totaling $405,400 — a 15 percent premium above the appraised value. The Winter Land Sale was the third-highest sale revenue for a winter offering. In addition to generating Principal revenue, additional Income revenue is generated through the TLO’s ability to offer financing contracts. Interest from these contracts generated $377,700 in FY15.

The TLO has developed a Master Easement Agreement program, which is used for customers who have a need for multiple easements over a long period of time. Contract terms are negotiated up front and do not need to be renegotiated for each additional easement, making the leasing process more efficient for both the TLO and the client. This methodology is especially effective for clients that require linear easements (such as fiber optic cable) that will cross multiple parcels across large areas that plan to expand over time. This program generated $52,800 of spendable income revenue in FY15. Other types of utility easements generated an additional $12,700 of spendable income.

Demand for increased access to communication technology for voice and Internet services increased development opportunities on Trust lands. Land leases for cellular tower sites with national and local communication companies generated $34,000 in FY15. Agreements for both communication and utility infrastructure easements provide a long-term and stable source of spendable income for the Trust.

The TLO is also tasked with preserving and protecting the value of Trust resources. This can take the form of monitoring the cleanup of a contaminated site, removing solid waste resulting from unauthorized activities on Trust land, or asserting Trust ownership of disputed lands. This function can require extensive field work in addition to significant research efforts. Stewardship does not directly generate revenue, but is critical to preserving the revenue potential of Trust land.
The TLO manages natural resources that include coal, oil and gas, minerals, and some materials such as rock and gravel. Low commodity prices in FY15 have given the oil and gas and mining industries challenges to overcome and it can be difficult to attract new exploration and development. In order to overcome this trend, the TLO has adopted a more individually tailored methodology to attract resource companies. Staff quickly respond to market changes by adapting promotional methods and technical products to gain an advantage. They partner with industry to leverage financial resources and keep exploration on Trust land moving forward.

The Minerals and Energy section participated in the annual Mineral Exploration Roundup in Vancouver, British Columbia, with over 6,000 attendees. TLO staff also participated in the annual Prospectors and Developers Association of Canada conference in Toronto, Ontario. This is the largest gathering of mineral explorers in North America and it brings developers from all over the world. By participating in this conference, the TLO exposed over 30,000 attendees to the mineral potential of Trust land. This visibility is expected to improve the field of competition for Trust leases and increase revenue over time.

Icy Cape, 72 miles northwest of Yakutat, contains heavy mineral sands. The elevated marine sand deposits and active beach sands contain garnet, rutile, ilmenite, zircon, platinum-containing minerals, and placer gold. These heavy mineral sands are unique due to their high gold and garnet content. Infrastructure remaining from timber harvest activities, such as tidewater access and an airstrip, will help to mitigate the development costs for this remote area. The TLO will further characterize the area to attract major players in the industry.

The Chuitna Coal Project on Trust land near Tyonek continues to move forward, but an instream flow reservation granted by DNR in FY16 could impair the ability of the leaseholder to develop coal on Trust land. The TLO has submitted an appeal. The potential economic benefit of such development could generate between $200 and $300 million in revenue to the Trust over the 25-year life of the mine.

An upland mining lease was issued to Constantine Metals Resources (Constantine) for approximately 92,000 acres near Haines. This lease generated $25,000 in spendable income revenue in FY15. Discussions began in the spring of 2015 with Constantine regarding the conversion of a federal claim block within the Palmer Project to a Trust upland mining lease. Conversion of the federal claim block would add 3200 acres to the Trust portfolio, containing a known base metals resource. In addition, the conversion would facilitate the mine development by changing primacy for permitting from the Bureau of Land Management to DNR.

An ongoing allocation dispute between the Trust and adjacent landowners regarding the royalties of two producing wells in the Kenai Loop Gas Field was equitably settled. It was determined that the Trust owns 70 percent of the production royalties from the subject wells. Royalty payments received during FY15 were nearly $2 million; and includes prior year payments released from escrow that were held while the dispute was pending.
FOREST RESOURCES

Timber Revenue Over Time

- $20,000,000
- $18,000,000
- $16,000,000
- $14,000,000
- $12,000,000
- $10,000,000
- $8,000,000
- $6,000,000
- $4,000,000
- $2,000,000

FY95 FY96 FY97 FY98 FY99 FY00 FY01 FY02 FY03 FY04 FY05 FY06 FY07 FY08 FY09 FY10 FY11 FY12 FY13 FY14 FY15

Timber Revenue Over Time

- Timber
- Total Other Revenue
The Trust owns close to 250,000 acres of timbered lands stretching from areas in southeast Alaska, near Ketchikan, on to Livengood, north of Fairbanks. There has been significant progress with inventorying these assets to find new areas with commercially viable forest resources to generate revenue in the future.

Timber sales have generated close to $43 million since inception. Timber revenue was the primary source of revenue during the early years of the TLO with the timber program benefiting from large tract, old growth timber sales in robust markets. The current Alaskan timber market faces an uncertain supply and diminished demand. China’s fluctuating demand drives the market, making the industry more vulnerable to global forces. Softwood log imports fell considerably in the third quarter of 2015. Volume is down 10 percent from the second quarter and 15 percent below last year’s volume. Imports from North America fell 7 percent from the second quarter and were down 31 percent compared to the third-quarter of 2014.

Large tract timber resources have been depleted and commercially viable timber is scarce. This scarcity caused a shift toward smaller sales and younger timber. Additionally, some of the remaining significant sources of timber are in close proximity to communities and developing this timber faces fierce public opposition. The TLO is aggressively pursuing solutions to continue the success of its timber program and overcome these challenges.

In FY15 timber revenues were driven by three sales in Southeast Alaska:

- The Icy Bay Timber Sale contract with Sealaska Timber Corporation (Sealaska) was executed. Sealaska is now responsible for maintenance of the camp, equipment, and road in addition to harvesting the estimated 70 million board feet of available timber. Operations are expected to ramp up and be fully underway for FY17. Harvest is expected to be complete in four years. This timber sale is expected to provide between $7 and $10 million in Trust revenue.

- The Kasaan Timber Sale had no activity in FY15. There are an estimated six million board feet of timber remaining if market conditions allow for the harvest of young growth timber. The TLO negotiated with Sealaska to use the Tolstoi sort yard for the next two years. The agreement included the use of the yard to process timber from the Kasaan sale with Alcan Forest Products. This new agreement is anticipated to provide up to $200,000 of spendable income revenue over the next two years.

- The Control Lake Timber Sale, located in the central portion of Prince of Wales Island, was conducted in FY15. The Trust received approximately $820,000 in revenue.

Fluctuating conditions in the Chinese market drive the saleability of young growth timber in Alaska due to proximity. This is an advantage because of lower transportation costs, but some of this advantage is offset by higher costs for operations, supply uncertainty and a dwindling infrastructure. As a member of the Alaska Forest Management Cooperative, the TLO is developing strategies to maintain the Alaska market position by reducing risk and maintaining access. This group consists of the TLO; the Alaska Department of Natural Resources, Division(s) of Mining, Land, and Water; the Division of Forestry; and the University of Alaska.
REAL ESTATE
Real Estate management is segregated into three management areas: Real Estate Development (develop existing surface estate for investment), Program-Related Real Estate (real estate program for beneficiary purposes), and the Real Estate Management Plan (acquisition of new real estate for investment). Each distinct focus area requires a distinct strategy.

REAL ESTATE DEVELOPMENT

Vacant Trust land in high value areas — such as the ‘U-Med’ district in Anchorage and the ‘Subport’ in Juneau — provides unique opportunities for revenue as unencumbered land continues to increase in value. The TLO may invest in these areas and work with a developer (risk sharing) or enter into a long-term (50+ years) lease with developers (low risk).

The scarcity of developable land keeps purchase prices high for many, potentially limiting market entry. Some land may have encumbrances, such as wetlands, increasing the cost of development. High construction costs, combined with high purchase prices, increase speculative risk. Many developers must find an end user prior to development to mitigate this risk.

The Trust has an advantage in this type of market. There is still unencumbered Trust land available in high-value areas. The TLO is able to offer builders long-term leasing options, allowing development without high up-front purchasing costs. This reduces risk for the developer and provides the Trust with long-term, stable spendable income. The TLO may also consider partnership opportunities where the risk of development would be shared, leading to greater future revenues.

Real Estate Development agreements generated just over $450,000 of spendable income revenue in FY15.

The TLO manages multiple surface leases in the popular ‘U-Med’ district in Anchorage University of Alaska-Anchorage and Providence Hospital area. Construction on a new office building on Tract D-2 (U-Med) was completed in FY15. The building houses a medical imaging center and a financial institution. This long-term surface lease generates nearly $120,000 of spendable income revenue annually to the Trust.

PROGRAM-RELATED REAL ESTATE

The Trust may acquire real estate assets for the specific purpose of serving Trust beneficiaries and/or Trust programs. This type of real estate asset is referred to as Program Related Investment or PRI. Trust staff, working on behalf of a beneficiary group, may bring a proposal to the TLO for real estate consideration. Proposals may identify the need to acquire select properties and/or the need to identify a parcel of Trust land that would be appropriate for the development of a beneficiary program or facility. TLO staff provides technical and professional assistance and service to Trust staff by identifying existing Trust land or other available land for potential consideration by Trust staff and/or board of trustees. Ultimately, the use of existing Trust assets or acquisition of new assets for beneficiary purposes must be approved by the board of trustees and approved by TLO. Real estate considered for use for these purposes is managed by the TLO.

Current PRI assets include the Fairbanks Enhanced Detox Facility and an office building in East Anchorage that houses Trust Authority operations, the Long Term Care Ombudsman and classroom space for the Anchorage School District in addition to the new assets shown below.

The TLO, Trust Authority, and DHSS collaboratively worked to facilitate the transfer of $6.2 million in real estate assets from DHSS. These facilities include:

- Fahrenkamp Center, a Fairbanks residential diagnostic treatment center that provides services to children ages 6-12 as part of the Bring the Kids Home program.
- Denardo Center, a currently vacant building in Fairbanks, planned to house mental health programs in the future.
- The Assets Building, an Anchorage job training and employment center for beneficiaries.
REAL ESTATE INVESTMENT

The Alaska Mental Health Trust began a long-term strategy in FY12 to mitigate risk in the Trust’s holdings through geographical and property type diversification. Acquisitions of stabilized, commercial income properties have been made in Alaska, Utah, Washington and Texas over the past several years.

The Trust continues to acquire commercial assets that fit its investment strategy by seeking quality, well-positioned properties with stable, credit-worthy tenants, located in growing markets throughout the United States.

Since inception of this strategy, real estate assets have generated $6,056,000 of cash flow. At the close of FY15, the Trust’s real estate investment assets totaled 294,000 SF, with an estimated market value of $53,504,000. During FY15, the Trust acquired an office complex in Austin, Texas and added over $15 million and 93,786 SF to the investment portfolio. These new buildings are fully leased with long-term agreements and are located in a prominent, technology-oriented sector. This acquisition is expected to generate approximately $350,000 per year in predictable Income revenue.

Real estate investment generated nearly $1.1 million of distributed cash flow in FY15.

The following pages summarize FY15 accomplishments and individual property detail and performance.
Data below is inception to date as of June 30, 2015.

**Portfolio as of June 30, 2015**

<table>
<thead>
<tr>
<th>Asset Basis</th>
<th>53,181,850</th>
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<tbody>
<tr>
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<td>Equity</td>
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<td>Debt</td>
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<td></td>
<td>54.16%</td>
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**Cash Flow by Property Type**

- Light Industrial: $2,316,540
- Office: $3,739,844
- Alaska: $2,083,385
- Lower 48: $3,972,999

**Cash Flow by Location**

- Lower 48: $3,972,999
- Alaska: $2,083,385
- [Graph showing breakdown] (Diagram)

**REMP Property Details**

**2600 Cordova Street, Anchorage, Alaska**
- Acquired July 1, 2011
- Property Type: Office
- Square Footage: 29,546
- Estimated Market Value: $5,000,000

**2618 Commercial Drive, Anchorage, Alaska**
- Acquired April 6, 2012
- Property Type: Light Industrial
- Square Footage: 15,210
- Estimated Market Value: $2,800,700

**1973 North Rulon White Boulevard, Ogden, Utah**
- Acquired May 14, 2013
- Property Type: Light Industrial
- Square Footage: 103,000
- Estimated Market Value: $13,296,700

**1111 Israel Road SW, Tumwater, Washington**
- Acquired January 7, 2014
- Property Type: Office
- Square Footage: 52,510
- Estimated Market Value: $16,906,200

**2420 & 2500 Ridgepoint Drive, Austin, Texas**
- Property Type: Office
- Square Footage*: 92,166
- Estimated Market Value: $15,500,000

*Two building complex, 46,083 SF each
## 2015 REVENUE SUMMARY

<table>
<thead>
<tr>
<th>Principal</th>
<th>Actual</th>
<th>(Under)/Over</th>
<th>Annual Goal</th>
<th>% Annual Goal</th>
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<tbody>
<tr>
<td>Coal</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Oil &amp; Gas</td>
<td>2,050,415</td>
<td>202,415</td>
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<tr>
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<td>83,904</td>
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<tr>
<td>Timber</td>
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<td>327,242</td>
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<tr>
<td>Land</td>
<td>1,729,252</td>
<td>529,252</td>
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<td>144%</td>
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<tr>
<td>REMP</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Real Estate</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$6,692,760</td>
<td>$1,250,260</td>
<td>$5,442,500</td>
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<table>
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<th>Income</th>
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<th>Annual Goal</th>
<th>% Annual Goal</th>
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<tr>
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<td>(11,435)</td>
<td>151,200</td>
<td>92%</td>
</tr>
<tr>
<td>Oil &amp; Gas</td>
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<td>903,935</td>
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<td>523,000</td>
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<tr>
<td>Materials</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Timber</td>
<td>125,249</td>
<td>57,749</td>
<td>67,500</td>
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<tr>
<td>Land</td>
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<td>305,452</td>
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<td>REMP</td>
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<td>76,102</td>
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</tr>
<tr>
<td>Real Estate</td>
<td>558,212</td>
<td>(222,971)</td>
<td>781,183</td>
<td>71%</td>
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<tr>
<td><strong>Total</strong></td>
<td>$5,112,520</td>
<td>$1,169,637</td>
<td>$3,942,883</td>
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<table>
<thead>
<tr>
<th>Total</th>
<th>Actual</th>
<th>(Under)/Over</th>
<th>Annual Goal</th>
<th>% Annual Goal</th>
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</thead>
<tbody>
<tr>
<td>Coal</td>
<td>139,765</td>
<td>(11,435)</td>
<td>151,200</td>
<td>92%</td>
</tr>
<tr>
<td>Oil &amp; Gas</td>
<td>3,529,350</td>
<td>1,106,350</td>
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<tr>
<td>Minerals</td>
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<td>168,251</td>
<td>2,523,000</td>
<td>107%</td>
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<tr>
<td>Materials</td>
<td>95,904</td>
<td>83,904</td>
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<td>Timber</td>
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<td>REMP</td>
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<td>76,102</td>
<td>1,000,000</td>
<td>108%</td>
</tr>
<tr>
<td>Real Estate</td>
<td>558,212</td>
<td>(222,971)</td>
<td>781,183</td>
<td>71%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$11,805,279</td>
<td>$2,419,896</td>
<td>$9,385,383</td>
<td>126%</td>
</tr>
</tbody>
</table>
Total Revenue by Asset Class Since Inception

- Real Estate/REMP: $3,369,900
- Minerals & Materials: $26,512,600
- Lands: $86,590,000
- Timber: $43,238,800
- Coal, Oil, & Gas: $20,591,200

Land Rights by Acre

- Fee Estate: 57%
- Mineral Estate: 33%
- Hydrocarbon Estate (Oil & Gas): 10%
SPECIAL PROJECTS

The TLO is actively engaged in the administrative process of a potential land exchange with the US Forest Service (USFS). This equal value exchange consists of roughly 18,000 acres of Trust land and 21,000 of federal land located within the Tongass National Forest. The Trust acreage is located in areas of high recreation, viewshed and subsistence value, with limited development potential. If successful, the Trust would receive approximately 21,000 acres of developable land. The Agreement to Initiate was signed in June, FY15. This was the culmination of several years of collaborative work between the Trust and the USFS. With the agreement in place, the formal Trust Land Exchange procedures have begun. It will take several more years to complete the National Environmental Policy Act requirements, title work and appraisals.

ON THE HORIZON

The board of trustees approved the acquisition of a portion of an office building complex in San Antonio, Texas. Trust ownership was finalized in FY16. The Northpark Corporate Center consists of five single-story office buildings and the Trust purchased three. The total acquisition is 86,000 SF and includes national credit tenants such as Marriot International. This property is expected to generate $450,000 per year of spendable income revenue.

The TLO will be evaluating potential mitigation opportunities in wetlands as part of the newly established Mitigation Marketing asset class. The strategy will focus on other TLO development projects with large mitigation impacts. This methodology brings the potential for two sources of revenue from a single project.

The TLO plans an increased development of subdivisions that require little capital for improvements and that will generate strong returns. Potential future developments in FY16 are anticipated in Kenai, Hollis, Yakutat, and Fairbanks.

In FY16, the TLO will be doing a competitive lease offering for mineral exploration and development in an area known as the ‘Ophir Block.’ This area is situated along the Tintina Gold Belt that includes known mineral occurrences such as Fort Knox and Pogo.

Sealaska Regional Corporation (Sealaska) received 68,500 acres of federal timberlands concluding their outstanding land entitlement under the Alaska Native Claims Settlement Act. This will provide Sealaska sufficient timberlands to operate well into the future; the development of the Icy Bay timber sale could be postponed while the Sealaska harvests its own timber. Their increased activities provide novel opportunities for revenue generation, such as a license for use of the Tolstoi sort yard on Trust land. This agreement is anticipated to generate nearly $200,000 of Income revenue annually starting in FY16.