



The Alaska Mental Health Trust Authority

Resource Management Committee Meeting

June 25, 2014

Protecting and enhancing the value of Alaska Mental Health Trust Lands while maximizing revenues from those lands over time.

**ALASKA MENTAL HEALTH TRUST AUTHORITY
RESOURCE MANAGEMENT COMMITTEE
Draft Agenda**

June 25, 2014 – 10:00 a.m. – 11:00 a.m.

Call to Order (Chair Larry Norene)

Committee Members (Voting):

Laraine Derr

Mary Jane Michael

Mike Barton (ex-officio)

Announcements

Approval of Agenda

Approval of Minutes

1. Approval
 - a) Denardo – Fahrenkamp Property Acquisitions (Item 1)
2. Updates
 - a) Kenai Loop Gas Project/Buccaneer Alaska LLC
 - b) Wrangell Site Contamination
 - c) Chickaloon Coal Exploration/Riversdale Alaska LLC
 - d) Parks Acquisition Leverage
 - e) Trust Land Exchange
3. Monthly Report Questions
4. Other
 - a) DNR's Conflict of Interest (Trustee McClellan)
5. Adjourn

ALASKA MENTAL HEALTH TRUST AUTHORITY
RESOURCE MANAGEMENT COMMITTEE MEETING

April 17, 2014

10:30 a.m.

Taken at:
Alaska Mental Health Trust Authority
3745 Community Park Loop, Suite 200
Anchorage, Alaska 99508

Trustees Present:

Larry Norene, Chair
Laraine Derr
Paula Easley
Mary Jane Michael
Mike Barton
John McClellan
Russ Webb

Trust Staff Present:

Jeff Jessee
Steve Williams
Miri Smith-Coolidge
Kevin Buckland
Mike Baldwin
Marilyn McMillan
Carley Lawrence
Amanda Lofgren

TLO Staff Present:

Marcie Menefee
John Morrison
Sarah Cunningham
Leann McGinnis
Victor Appolloni
Cindi Bettin

Also Participating:

Suzanne West (telephonically); Jamey Duhamel (telephonically).

PROCEEDINGS:

CHAIR NORENE calls the April 17, 2014 to order and recognizes the Trustees present. He asks for any announcements. There being none, he asks for any changes to the agenda.

TRUSTEE DERR makes a motion to approve the agenda.

There being no objection, the motion is approved.

CHAIR NORENE moves on to approval of the minutes of January 3, 2014.

TRUSTEE DERR makes a motion to approve the minutes of January 3, 2014.

There being no objection, the motion is approved.

CHAIR NORENE moves to Consultations, and recognizes Victor Appolloni.

CONSULTATIONS

NEGOTIATED SALE BIG LAKE AREA

MR. APPOLLONI states that the Trust Land Office proposes to dispose of a 160-acre parcel in the Big Lake area to the Great Land Trust. He continues that it is part of the Alaska Railroad extension from the Port to Houston. He adds that it was appraised, but after review of the appraisal, there were some inconsistencies and another 20 percent was added, for a total sale of \$150,000.

MR. JESSEE asks when the Great Land Trust gets it, what do they do with it.

MR. APPOLLONI replies that the Corps of Engineers' requirements for wetlands conservation has to be met. He states that when wetlands credits are given, a wetlands bank sells the credits, and then they sell the credits to the Alaska Railroad.

MR. JESSEE asks if the Great Land Trust will make some money on the deal.

MR. APPOLLONI replies, possibly.

MR. JESSEE asks what needs to be done to become a wetlands bank.

MR. APPOLLONI replies that senior staff in the office is looking into the matter.

MS. MENELEE states that a proposal will be brought before the committee when it is ready.

CHAIR NORENE states that the Trust Land Office recommendation states that it is in the Trust's best interest to proceed with the negotiated sale of the 160-acre Trust parcel in the Big Lake area to the Great Land Trust for no less than \$150,000. He asks for a motion.

TRUSTEE MICHAEL makes a motion that the Resource Management Committee concurs with the negotiated sale of the 160-acre Trust parcel in the Big Lake area to the Great Land Trust, as proposed.

A discussion ensues on the difference in the appraisal.

CHAIR NORENE asks for the motion to be restated as modified.

TRUSTEE MICHAEL makes a motion that the Resource Management Committee concurs with the negotiated sale of the 160-acre Trust parcel in the Big Lake area to the Great Land Trust for \$150,000 or more.

TRUSTEE DERR seconds.

There being no objection, the motion is approved.

CHAIR NORENE moves to the next item, another negotiated sale.

MR. APPOLLONI states that this is a proposed disposal of a 40-acre parcel on top of the Bodenbug Butte near Palmer. He continues that currently it is a destination for public recreation, especially for hikers, and the Mat-Su Borough came looking for a trail easement. He adds that after looking at the parcel it was best to dispose of it to limit management cost and Trust liability. He continues that the Mat-Su Borough did not have the funds to purchase, and the Great Land Trust was approached to see if they were interested. He states that the Great Land Trust will purchase the parcel and transfer title to the Borough. He continues that a trail easement will be put in to preserve the parcel for public use, and the negotiated sale price was set at \$187,500.

A discussion ensues on the Great Land Trust and assurance on this parcel going to the Borough.

MR. APPOLLONI states that the Great Land Trust will transfer the title to the Borough by June 30th. He adds that the restrictions are that the Borough will not be able to develop it, and that there will be conservation easements for the trails for continued public use.

The discussion continues.

TRUSTEE DERR makes a motion that the Resource Management Committee concur with the negotiated sale of a 40-acre Trust parcel in Butte, Alaska, to the Great Land Trust for \$187,500.

TRUSTEE MICHAEL seconds.

There being no objection, the motion is approved.

REAL ESTATE BUDGET

CHAIR NORENE moves to the real estate budget.

MR. MORRISON states that these are funds that are collected from various buildings the Trust owns. He continues that, currently, there are six properties that require operating budgets, some within the real estate plan and some not. He adds that this is a request based on the budgets for the next year to expend the funds which are just under \$3.3 million on the expenditure side. He states that these budgets are written in light of the concepts and goals set forth in the real estate management plan. He adds that there is a synopsis of the cash outflows within the packet.

A discussion ensues with questions, answers, and explanations of the issues.

TRUSTEE DERR makes a motion that the Resource Management Committee recommends to the Board of Trustees to approve the incremental building expenditures covering \$3.287 million budgeted for FY15 to be paid by the property manager from rents and other income collected from the properties.

TRUSTEE MICHAEL seconds.

There being no objection, the motion is approved.

CHAIR NORENE moves to updates, and recognizes Marcie Menefee.

UPDATES

MS. MENELEE states that in July or August of this year the Agreement to Initiate for the land exchange with the U.S. Forest Service in Southeast Alaska is on target to be signed, which will start the federal process, which includes the NEPA. She continues that a minerals exploration lease was awarded to Constantine in the Haines area for quite a large parcel of Trust land which is primarily just the mineral estate; the surface estate is owned by the State of Alaska. She moves on, stating that the timber sale harvest in Wrangell is finished. She adds that there was some opposition from some of the neighbors and those concerns were mitigated by having the contractor work with the Borough for alternate access. She states that it was not a large sale, but took a lot of work. She moves on, stating that the Department of Transportation is sending survey and engineering crews to Icy Bay this month and next month to evaluate a marine access facility there. She adds that this is Roads to Resources money which could potentially lead to more Roads to Resources investment. She asks for any questions.

TRUSTEE DERR asks what kind of response was received on the Haines award.

MS. MENELEE replies that it was a good one.

CHAIR NORENE asks for any other questions on the monthly report.

MS. MENELEE states that there is potential new contamination on a Trust parcel in Wrangell that was recently discovered. She explains that the license was for a saw mill, but the licensee was actually operating a scrap metal operation, among other things, that were not allowed within the terms of his license. She continues that staff went down, did a visual inspection, took pictures, put together reports, and talked to DEC. She adds that DEC put together a criminal investigation. She states that the licensee is complying, but the extent of contamination will not be known until the environmental consultant finishes the report. She adds that she will keep the Trustees apprised of the progress.

MR. JESSEE asks who is liable.

MS. MENELEE explains that the Department of Environmental Conservation goes after the landowner if everyone else who has some obligation is not able to pay or able to clean it up. She adds that, at the end of the day, the Trust has the liability because the Trust owns the land.

A discussion ensues.

TRUSTEE McCLELLAN states that there could be some liability here for the Trust Land Office or DNR.

The discussion continues.

CHAIR NORENE asks to be kept updated, and then asks for anything else. He recognizes Paula Easley.

TRUSTEE EASLEY states that she would like to talk about the use of Trust lands for mitigation purposes and would like to see as few lands as possible being used for that purpose simply because there are so many lands in the state already set aside from development, and as far as the Trust is concerned, to have a philosophy of taking as few lands out of production or potential production as possible.

CHAIR NORENE asks if she is referring to wetlands.

TRUSTEE EASLEY replies yes, and adds that she is not in favor of the Trust lands being used as a "mitigation property."

CHAIR NORENE asks for an update.

MR. MORRISON states that this is being looked at from a business perspective, and there are definitely feelings on both sides as to the reason mitigation banks hold value. He continues that, in the current regulatory scheme, wetlands cannot be developed unless other wetlands are protected; and it is becoming very specific as to the various aspects of the wetlands to be preserved. He states that there are many opportunities identified, some near resource projects and others in urban settings, where values can be \$100,000 an acre. He continues that it is an opportunity to turn an unproductive asset into something of value.

CHAIR NORENE recognizes Mike Barton.

TRUSTEE BARTON states that he agrees with Trustee Easley, adding that there is a need to approach the use of Trust assets for mitigation purposes with a great deal of caution. He adds that it can be done on a case-by-case basis if everything is known about a piece of ground. He continues that is not possible because of the ground minerals.

A discussion ensues.

TRUSTEE MICHAEL asks if mitigation is on the property, is it there forever, and is the responsibility for that property for life.

MR. MORRISON replies yes, and the Corps has various requirements placed upon the owner of the property and the holder of the easement, and he explains them.

CHAIR NORENE asks Cindi Bettin if she has anything to add.

MS. BETTIN states that the TLO is currently evaluating a compensatory mitigation program. The findings from the evaluation will be put into a white paper for the Board of Trustees to review. Ms. Bettin adds it is the intent to have the white paper presented at the August meeting.

The discussion continues.

MR. JESSEE brings up the issue with the ARC and what is viewed as the typo that was supposed to be a 99-year lease that ended up with 964 at this point. He states that even with a 999-year lease, they do not have a fee. He continues that it has no economic value to them, and if the Trust could purchase that, they would have some capital, which would be helpful to them. He also would like to talk to them about the Northern Lights frontage, because it is an incredibly valuable property with an unused baseball field.

TRUSTEE BARTON states the need to be careful and not get the policy decisions mixed up with specific projects or specific parcel decisions. He adds that there is a high potential for helping the Trust in the short term, but not in the long term.

TRUSTEE EASLEY states that the Trust Land Office lives by protecting and enhancing the value of Mental Health Trust lands while maximizing revenues from those lands over time.

The discussion continues.

TRUSTEE DERR states that this discussion leads into one of those broader discussions about telling the resource group how much money is wanted per year. She adds that that discussion is needed.

The discussion continues.

CHAIR NORENE states that there are times when it is a good decision to sell and the trend line, the last 30 years of environmental requirements and all, is against the landowner. He adds that there are times to sell and are times to hold. He asks for anything else to come before the Resource Management Committee. There being none, he adjourns the meeting.

(Resource Management Committee meeting adjourned at 11:40 a.m.)

To: Larry Norene, Chair
Resource Management Committee
From: John Morrison
Date: 6/25/2014
Re: Denardo – Fahrenkamp Acquisitions

Approval

Proposed RMC Motion:

Proposed Motion One: “The Resource Management Committee recommends the Alaska Mental Health Trust Board of Trustees approves the action as described herein wherein the TLO acquires and operates the facilities known as the Denardo and Fahrenkamp buildings for The Trust.”

Proposed Motion Two: “The Resource Management Committee recommends the Alaska Mental Health Trust Board of Trustees approves an increase to appropriation 15960-2015 from the Facility Maintenance Account (AKSAS fund 34048) in the amount of \$275,000 for Denardo and Fahrenkamp. In addition the Board authorizes the CFO to transfer the funds to the third party property manager for management of the facilities.”

Background:

General Background: The Trust owns an 8.5 acre parcel (F20213) in Fairbanks Alaska that is under a 55-year lease from The Trust with the Department of Health and Social Services (DHSS) for \$1 per year (ADL 412445). The lease is valid through January 14, 2042. There are two facilities currently located on the parcel, Denardo and Fahrenkamp. In February of 2014, DHSS approached the TLO about abandoning the improvements known as the Denardo Center, which is located at 1300 Moore St., Fairbanks, AK 99701. It was originally anticipated that in the next two years the Fahrenkamp facility, located at 1423 Peger Road, Fairbanks, AK 99701, would also be transferred to The Trust when the current tenant vacates the building. DHSS has now offered both buildings to The Trust at this time given that both structures are located on the same parcel which is controlled by the same ground lease.

Legal Description: T 001 S., R001W., Fairbanks Meridian, Alaska Section 9: Tract A of Alaska State Land Survey No. 86-29 containing 8.544 acres more or less, according to the plat filed in the Fairbanks recording district on February 14, 1989 as plat 89-18.

Proposed Actions:

1. Perform due diligence on both buildings to ensure that it is in The Trust’s best interest to accept the properties. This is estimated to cost \$15,000 or less and will be paid for out of the TLO’s operating budget.

2. When the TLO is satisfied with the condition of the properties, work with DHSS to coordinate a smooth transition of ownership and management.
3. Approve an incremental increase of \$275,000 for Denardo and Fahrenkamp to the property budget, and transfer those funds to the property manager to be used as operating funds for the properties. These properties will be among those managed by a third party property manager. This new budget appropriation is necessitated because it was not previously known the TLO would acquire these facilities.

Facilities: The Denardo facility was constructed in 1986 by DHSS as a build-to-suit for programmatic purposes. Its last use was as a residential treatment facility for adults. The building is one story and roughly 6,500 sf. On initial visual inspection the building appears to be in good marketable condition free of environmental hazards. Although located directly off Airport Road in Fairbanks the building is not visible from the street as the lot is heavily forested. In addition, access to the site is hampered by inadequate and indirect access.

The Fahrenkamp facility was constructed in 1986 by DHSS and is currently occupied by Family Centered Services of Alaska, utilizing the building as a residential facility for children. The building is one story and roughly 10,150 sf. Upon the current tenant's move out, the property could be used either as a commercial rental or for programmatic purposes. On initial inspection the building appears to be in good marketable condition free of environmental hazards. The building sits south of Airport Road and is fairly far removed from the Airport Road frontage. Primary ingress/egress is accessed from Peger Road to the west of the building, running south along another Trust parcel's south boundary line, then north to the building along a shared property line that is west of the building. Secondary ingress/egress is accessed through the parcel east past the Denardo building to Moore Street.

The site is 8.5 acres in total and both buildings are contained within that one legal parcel.

Anticipated Revenues/Benefits: The key anticipated benefits that result from pursuing the transaction are as follows:

If the properties were used to generate income:

- Denardo could provide roughly \$75,000 per year in Net Income Revenue and Fahrenkamp could provide roughly \$140,000 per year, depending on the uses for each
- they could potentially be sold for a significant sum that might also be partially considered Income Revenue

If the properties were used for programmatic purposes they could:

- provide The Trust opportunity for programs in the area
- reduce the cost of providing programs that fit the facility

Regardless of the future uses, accepting the relinquishment of the lease from DHSS frees The Trust parcel from an otherwise undesirable lease encumbrance.

Due Diligence: During the transition the TLO will perform many tasks. Some of the due diligence items are as follows and will be performed on both buildings where applicable:

- Title Review – is performed early in the due diligence period by an attorney to ensure that the seller has the rights to the property they have presented.

- Phase 1 Environmental – is a review of the structures, grounds, and all the business processes performed therein. It is performed by an environmental engineer and provides information as to the possible presence of contaminants.
- ADA Inspection – ensures that the building is up to proper code with regard to the Americans with Disabilities Act.
- Structural Inspection – provides an analysis of the structure as a whole as to the suitability of its current use, and an estimate of useful life.
- Roof Inspection – provides a report on the condition and useful life of the roof. In addition it will recommend a maintenance schedule to maximize the useful life.
- HVAC Inspection – provides a report on the condition and useful life of the heating, ventilation, and air conditioning system. In addition, it will recommend a maintenance schedule to maximize the useful life.
- Capital Project Review – is an analysis of projects performed over the life of the building so that any of the other inspections may pay close attention to the subject area. It is also used as a part of the financial analysis to determine the capital budget.

The TLO will amass and study all the information produced as well as make physical inspections of the properties. The information will be taken as a whole to determine if the transaction will be completed. If a concern is uncovered during the process there are various ways to negotiate and mitigate the effects. If a concern is found that is unacceptable to the TLO, the transaction may be cancelled at any time.

Anticipated Risks/Concerns: There are three basic risks of accepting these properties. The first is the risk of failing to identify a large item related to the current integrity of the properties. The second is failure to find a use for the properties whereby The Trust would incur ongoing expense. Thirdly, there are transactional risks associated with a clean relinquishment of the ground lease, and renegotiation of the agreement with the Farenkamp tenant. TLO staff will ascertain that all risks are sufficiently mitigated by the due diligence process, and fully offset by the value received in the transaction.

Applicable Authority: Alaska Statutes 37.14.009, 37.14.031, 38.05.801, 11 AAC 99.010(b), 11 AAC 99.010(c), 11 AAC 99.020(b), 11 AAC 99.090(a), 11 AAC 99.090(e), 11 AAC 99.030(e), 20 AAC 40.700.

Trust Land Office Recommendation: Proceed with the due diligence and transaction, as described herein.

Timeline:

June 25:	RMC approval
June 25:	Full Board approval
July 01:	Begin due diligence process
August 01:	Complete due diligence process
September 02:	Complete property acquisition

Exhibits:

- 1) Aerial Map – Denardo & Fahrenkamp
- 2) Pictures of facility – Denardo
- 3) Budget for facility – Denardo
- 4) Pictures of facility – Fahrenkamp
- 5) Budget for facility – Fahrenkamp



Date Printed: June 19, 2014

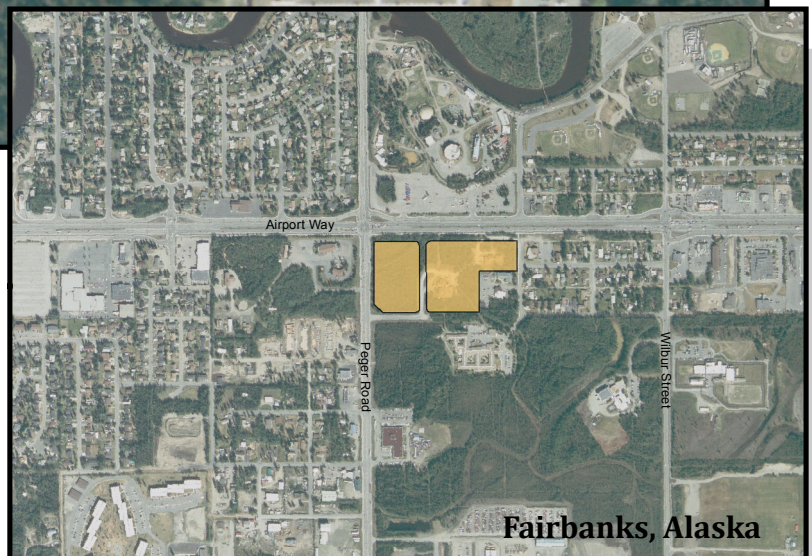
Mental Health Trust Parcels

Fairbanks, Alaska

Zoning:

GC - General Commercial

MF - Multi Family



Acquisition of Denardo & Fahrenkamp
RMC 06-25-14



Exhibit 3

Budget for FY 2015
Denardo Building - Maintenance/Repairs
1300 Moore Street
Fairbanks, AK 99701

Budget Item	Annual Total	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Maintenance & Repairs	49,000	4,083	4,083	4,083	4,083	4,083	4,083	4,083	4,083	4,083	4,083	4,083	4,083
Utilities-Water/Sewer	2,200	183	183	183	183	183	183	183	183	183	183	183	183
Utilities-Trash	1,900	158	158	158	158	158	158	158	158	158	158	158	158
Utilities-Htg Oil	23,000	958	958	958	2,875	2,875	2,875	2,875	2,875	2,875	958	958	958
Utilities-Power	15,000	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250
Security	12,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Management	18,000	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500
Snow Removal	16,500	-	-	-	2,750	2,750	2,750	2,750	2,750	2,750	-	-	-
Total	137,600	9,133	9,133	9,133	13,800	13,800	13,800	13,800	13,800	13,800	9,133	9,133	9,133

Exhibit 4



Preliminary Budget for FY 2015
Fahrenkamp Building
1423 Peger Road
Fairbanks, AK 99701

Budget Item	Annual Estimate	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Maintenance & Repairs	95,706	7,975	7,975	7,975	7,975	7,975	7,975	7,975	7,975	7,975	7,975	7,975	7,975
Utilities-Water/Sewer	3,502	292	292	292	292	292	292	292	292	292	292	292	292
Utilities-Trash	2,987	249	249	249	249	249	249	249	249	249	249	249	249
Utilities-Htg Oil	39,140	1,631	1,631	1,631	4,893	4,893	4,893	4,893	4,893	4,893	1,631	1,631	1,631
Utilities-Power	24,926	2,077	2,077	2,077	2,077	2,077	2,077	2,077	2,077	2,077	2,077	2,077	2,077
Security	12,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Management	18,000	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500
Snow Removal	16,587	-	-	-	2,765	2,765	2,765	2,765	2,765	2,765	-	-	-
Total Before Utility Credit	212,848	14,724	14,724	14,724	20,750	20,750	20,750	20,750	20,750	20,750	14,724	14,724	14,724
Utilities Paid by Tenant	(70,555)	(4,249)	(4,249)	(4,249)	(7,510)	(7,510)	(7,510)	(7,510)	(7,510)	(7,510)	(4,249)	(4,249)	(4,249)
Total After Utility Credit	142,293	10,475	10,475	10,475	13,240	13,240	13,240	13,240	13,240	13,240	10,475	10,475	10,475

TLO Activities through May 31, 2014

92% of the Fiscal Year



View of Papke's Landing on former Trust land from Seaduck Subdivision (current Trust land) south of Petersburg

***Protecting and enhancing the value of Alaska Mental Health Trust Lands
while maximizing revenues from those lands over time***

Highlights

- The TLO has reached 155% of the overall FY14 revenue goals (Principal 138%, Income 187%). This puts the TLO \$4,493,580 ahead of budgeted revenue. The Income and Principal goals have been met for the fiscal year.
- A disposal of 13.2 acres of Trust land on Gravina Island, Ketchikan, was completed contributing \$19,264 to Principal. The Division of Forestry requested a perpetual easement to gain access to the Southeast State Forest for forestry management uses.
- The investigation of unauthorized activities on Trust land by a licensee in Wrangell continues. The licensee was authorized for a log sort yard, but used the property for a salvage yard, landfill, and open-burn pit business. The licensee is complying with all Alaska Department of Environmental Conservation regulations in order to cure all the violations to date.
- Development of a residential subdivision in Petersburg adjacent to the Papkes Landing boat dock is complete. Seaduck Subdivision contains seven half-acre lots that will be offered in the 2014 Fall Land Sale.
- TLO staff attended the National Mitigation and Ecosystem Banking Conference. The conference connects regulators, bankers, landowners, and environmentalists for education, mentoring, and policy development for the purpose of compensatory mitigation.
- Oil and gas leases with Metgas for four tracts were finalized. Bonus bids for three tracts were received which totally nearly \$490,000.
- The Alaska Department of Transportation (ADOT) sent a crew of engineers to appraise designs for the Icy Bay Marine Access Facility near Trust land. ADOT is funding the design work through the Roads to Resources Program. They are working up several potential designs and are fairly confident that a facility can be built and operated.
- Road construction for Phase II of the Kasaan timber sale has begun; harvesting will resume in late summer or fall.
- The Icy Bay Timber Sale was advertised in May and closes June 12.

- Final lease language is being discussed with Constantine Metals for the Haines Block mineral lease.
- LINC Energy has requested leases involving lands licensed for underground coal gas exploration near Tyonek.
- Paul and Company began seasonal placer operations under a lease on Fairbanks Creek.
- The US Forest Service (USFS) has identified an appraiser to conduct the Valuation Consultation for the Trust Land Exchange. USFS and TLO personnel will fly over all the parcels and identify areas that need additional attention to compile the Valuation Consultation in late June. The USFS Region 10 Lands Team has been finalizing the work required to complete the Feasibility Analysis (FA). Once completed, the FA will be sent to the National Lands Adjustment Team (NLAT) in D.C. for review (up to 30 days), followed by the Agreement to Initiate (ATI) and NEPA.
- TLO staff and Trustee Mike Barton traveled to Fairbanks to tour the Superior Pellet plant. TLO is identifying potential industry options for Trust timber with the understanding that Trustees have a strong interest in workforce development for Trust beneficiaries. Long-term wood supply is a concern of Superior Pellets.
- Negotiations continue regarding the allocation agreement for the Kenai Loop Field. This field is included in the recent Chapter 11 bankruptcy of Buccaneer Energy.

May Revenue Notes

- Year-to-Date revenue as of May 31, 2014:
 - Principal: \$6,255,121
 - Income: \$4,671,634
 - Total: \$10,926,755
- A portion of the gas production from the Kenai Loop field is being derived from adjacent state and private property. A portion of royalty payments are being held in escrow until the final allocation agreement is signed.
- Principal revenue from Land is slightly lagging. Revenue for the Fall and Winter Land Sales and negotiated sales has been less than anticipated. The Lands Section is working on multiple negotiated sales that could help meet revenue goals if the sales close before the end of the fiscal year.

General Performance Measurements As of May 31, 2014

1. Revenue Analysis:

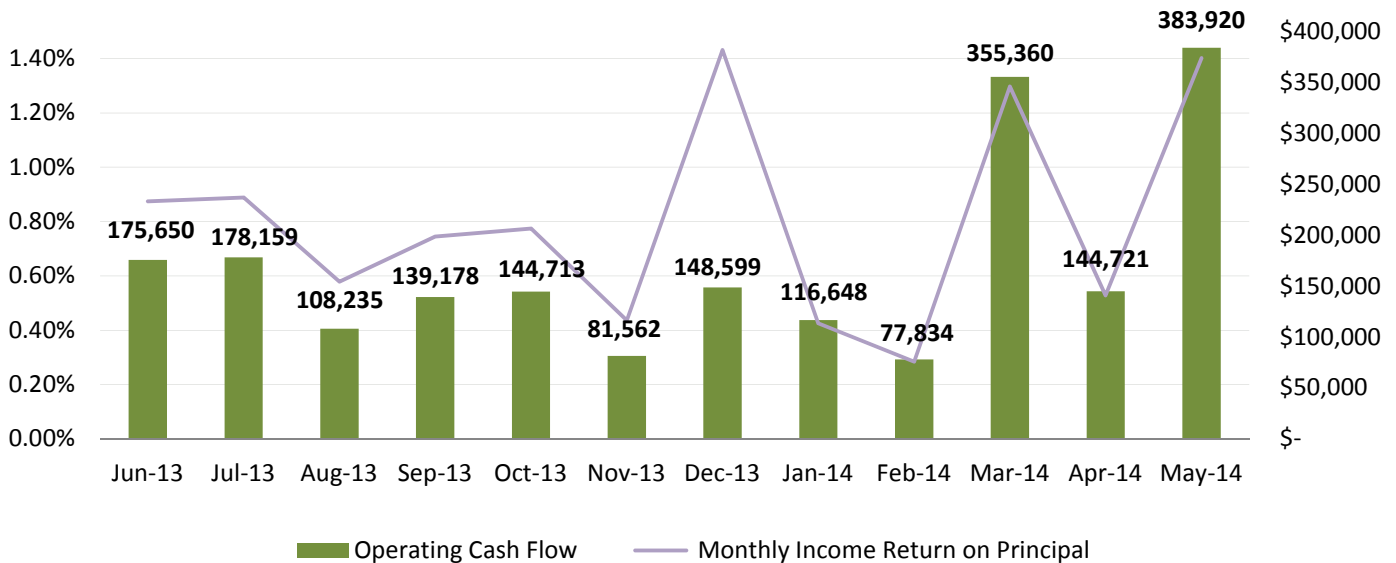
Principal						
	FY13 YTD	FY14 YTD	FY14 YTD Goal	(Under)/Over	FY14 Annual Goal	% of FY14 Annual Goal
Coal	-	-	-	-	-	-
Oil & Gas	1,841,930	1,329,864	1,837,000	(507,136)	2,004,000	66%
Minerals	5,495,310	3,267,278	600,000	2,667,278	600,000	545%
Materials	11,850	78,037	11,000	67,037	12,000	650%
Timber	1,551,216	570,504	408,000	162,504	408,000	140%
Land	3,297,823	1,009,438	1,485,000	(475,562)	1,506,000	67%
Real Estate	-	-	-	-	-	NA
Total	\$ 12,198,129	\$ 6,255,121	\$ 4,341,000	\$ 1,914,121	\$ 4,530,000	138%

Income						
	FY13 YTD	FY14 YTD	FY14 YTD Goal	(Under)/Over	FY14 Annual Goal	% of FY14 Annual Goal
Coal	188,109	209,902	36,667	173,235	40,000	525%
Oil & Gas	278,497	1,677,932	340,000	1,337,932	348,000	482%
Minerals	707,958	629,605	270,000	359,605	520,000	121%
Materials	-	-	-	-	-	-
Timber	273,744	100,677	72,000	28,677	72,000	140%
Land	1,245,740	1,119,704	1,135,175	(15,471)	1,262,200	89%
Real Estate	314,564	933,814	238,333	695,481	260,000	359%
Total	\$ 3,008,612	\$ 4,671,634	\$ 2,092,175	\$ 2,579,459	\$ 2,502,200	187%

Total						
	FY13 YTD	FY14 YTD	FY14 YTD Goal	(Under)/Over	FY14 Annual Goal	% of FY14 Annual Goal
Coal	188,109	209,902	36,667	173,235	40,000	525%
Oil & Gas	2,120,427	3,007,796	2,177,000	830,796	2,352,000	128%
Minerals	6,203,268	3,896,883	870,000	3,026,883	1,120,000	348%
Materials	11,850	78,037	11,000	67,037	12,000	650%
Timber	1,824,960	671,181	480,000	191,181	480,000	140%
Land	4,543,563	2,129,142	2,620,175	(491,033)	2,768,200	77%
Real Estate	314,564	933,814	238,333	695,481	260,000	359%
Total	\$ 15,206,741	\$ 10,926,755	\$ 6,433,175	\$ 4,493,580	\$ 7,032,200	155%

Real Estate Management Plan Monthly Report

Cash Flow by Month - Real Estate Investment Portfolio



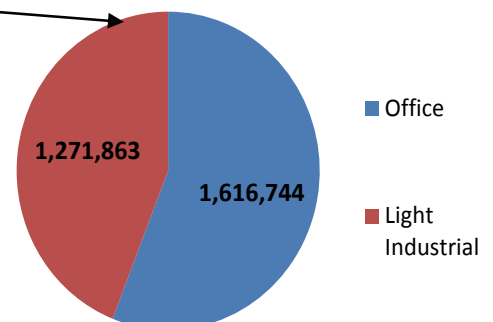
Portfolio Performance by Month

Month	Trust Principal Investment	Operating Cash Flow	Monthly Income Return on Principal
Jun-13	20,101,627	175,650	0.87%
Jul-13	20,064,292	178,159	0.89%
Aug-13	18,690,875	108,235	0.58%
Sep-13	18,689,792	139,178	0.74%
Oct-13	18,689,792	144,713	0.77%
Nov-13	18,689,792	81,562	0.44%
Dec-13	10,382,518	148,599	1.43%
Jan-14	27,382,518	116,648	0.43%
Feb-14	27,382,518	77,834	0.28%
Mar-14	27,382,518	355,360	1.30%
Apr-14	27,382,518	144,721	0.53%
May-14	27,382,518	383,920	1.40%
12-Month Average		\$ 171,215	
12-Month Total		\$ 2,054,579	
Inception to Date		\$ 2,888,607	

Portfolio Value

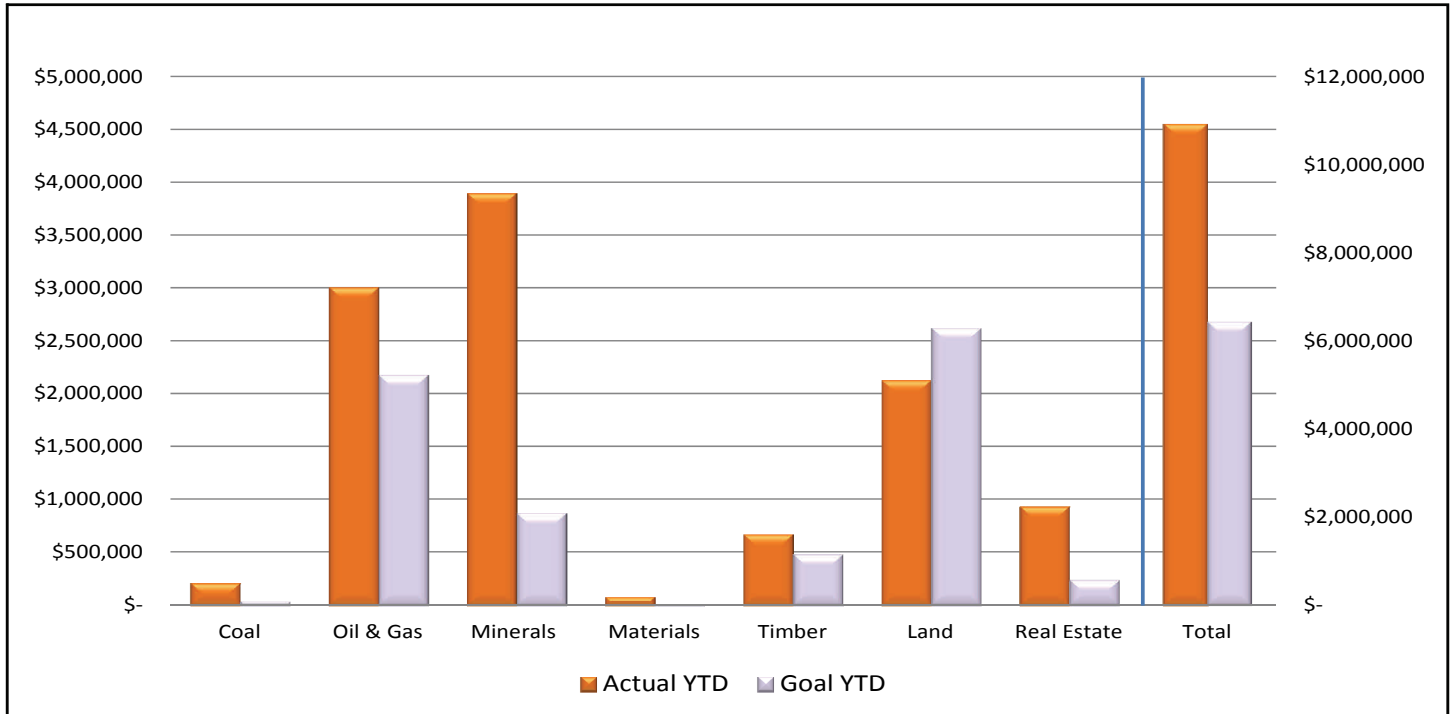
Asset Basis	37,158,198
Asset Appreciation/(Depreciation)	(210,649)
Realized Gains/(Losses)	-
Current Asset Value	36,947,549
Equity	27,349,378 74.02%
Debt	9,598,171 25.98%

Cash Flow by Property Type Inception to Date

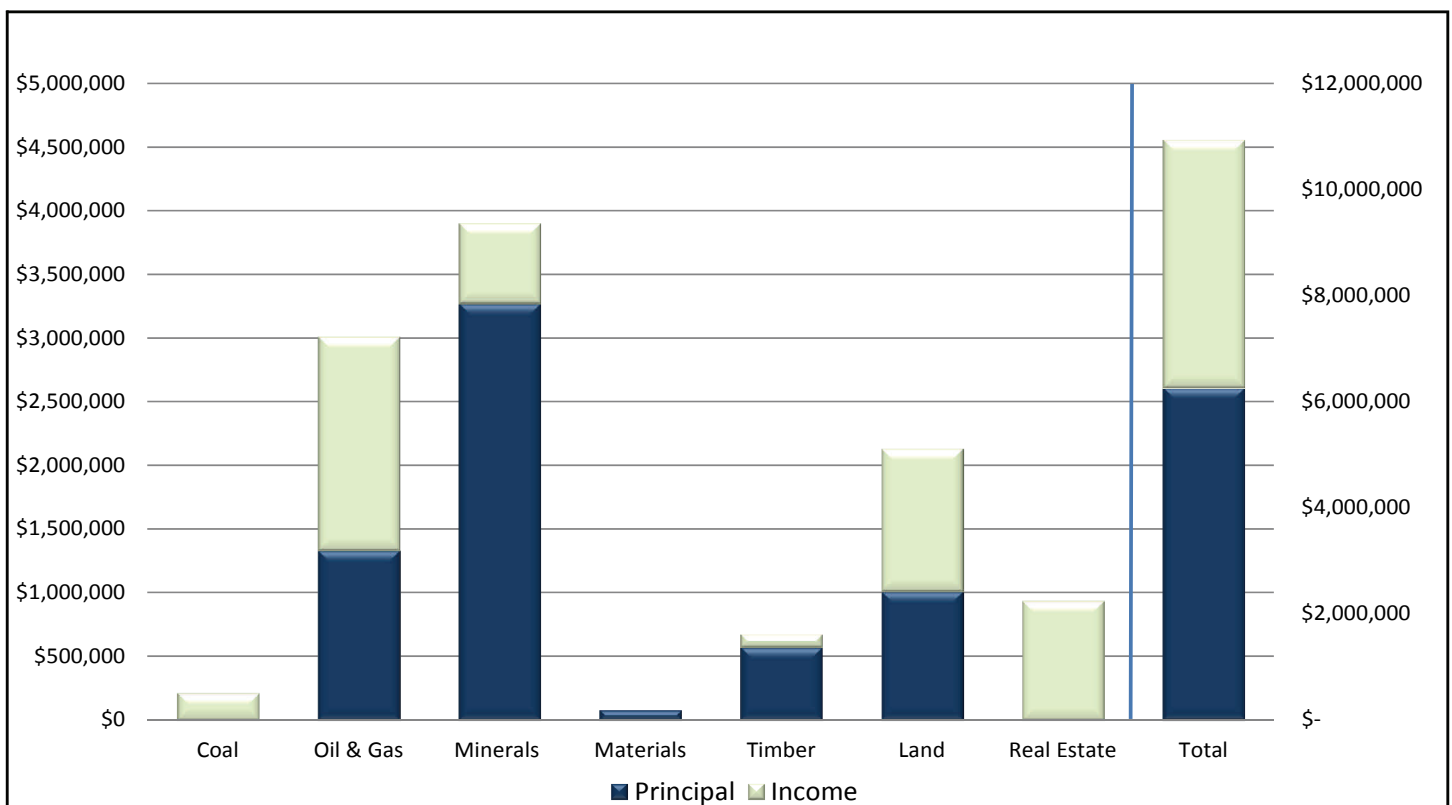


- Trust Principal Investment is reduced by \$8,382,000 in December due to the financing of the IRS building.
- △ The return on Principal is lower in January and February due to the acquisition of the Parks Building. January rent was incorrectly paid to the seller. Rent for February and March were received in March.
- The cash flow for April is lower due to property taxes being paid for 1111 Israel. Additionally, the financing on this building will not close until May. These factors cause a reduction in the return on Principal for the month.
- ◇ Cash flow is higher in May due to the completion of the tenant refresh and the release of funds from escrow.

FY14 YTD Revenue vs. FY14 Revenue Goal As of May 31, 2014



FY14 YTD Revenue - Principal and Income As of May 31, 2014

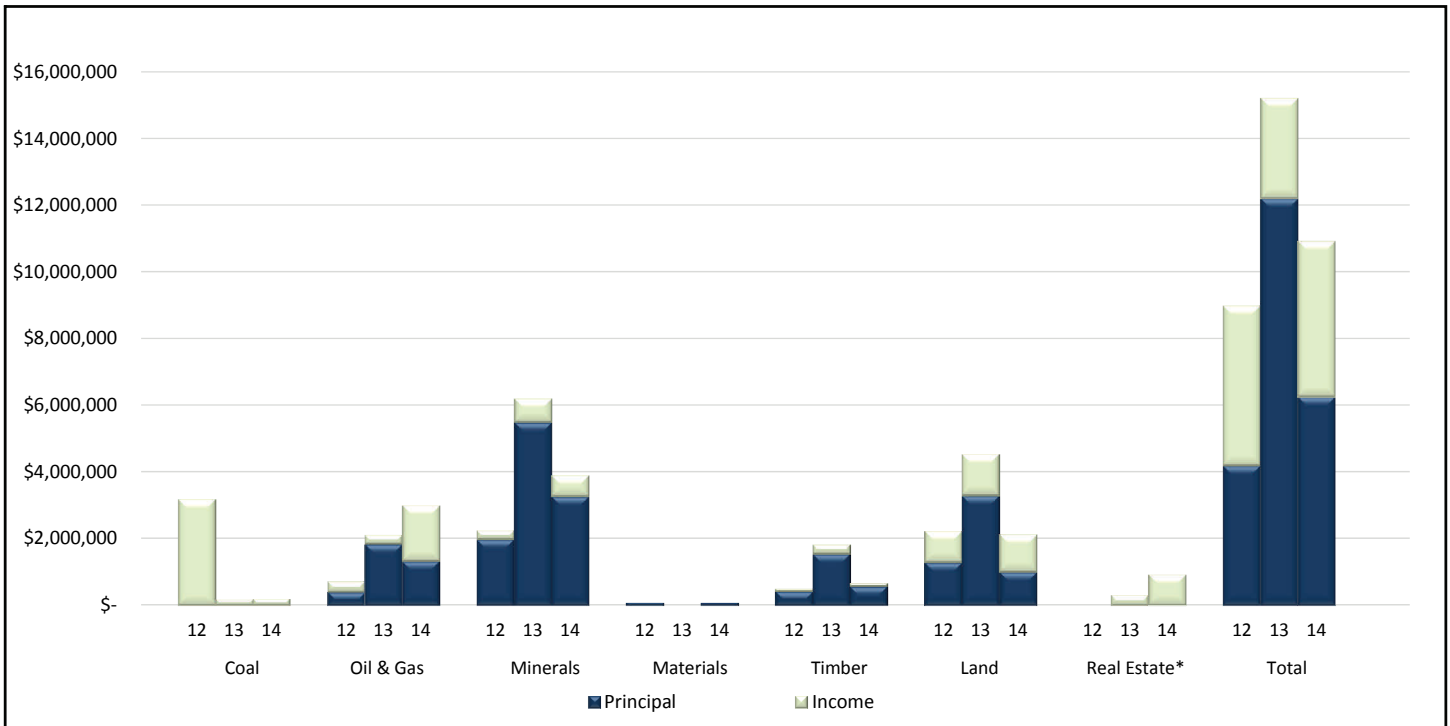


REVENUE

As of May 2014

Fiscal Year to Date – Principal and Income

2012-2014



*Real Estate was not tracked separately in FY12. Real Estate revenue was included with Land.

General Performance Measurements As of May 31, 2014

2. Operating Budget:

AR 37169	Original Appropriation	Line Item Transfer	Current Appropriation	Expended	Balance	% Expended
Personnel	2,581,600	-	2,581,600	2,054,916	526,684	80%
Travel	123,200	-	123,200	74,810	48,390	61%
Services	1,267,900	-	1,267,900	738,598	529,302	58%
Commodities	51,000	-	51,000	40,943	10,057	80%
Capital Outlay	-	-	-	-	-	NA
Total	\$ 4,023,700	-	\$ 4,023,700	\$ 2,909,267	\$ 1,114,433	72%

3. Capital Funds - Change of Intent

	Budget	% Complete	Encumbered	Expended	Unobligated Balance	% Expended
Yosemite Drive Pre-Development	187,492	95%	-	79,299	108,193	42%
Tract C-2 Water & Sewer Engineering	58,202	25%	-	7,060	51,142	12%
Land Sale Program Support	116,218	99%	59,978	40,022	16,218	34%
Total	\$ 361,912		\$ 59,978	\$ 126,382	\$ 175,552	35%

4. Capital Funds - Other

	Budget	% Complete	Encumbered	Expended	Unobligated Balance	% Expended
Trust Land Exchange FY14	\$ 750,000	20%	133,931	34,138	\$ 581,931	5%
Harding Lake Subdivision	74,750	93%	23,743	51,007	-	68%
Island Lake Road Construction	25,040	99%	-	22,044	2,996	88%
Two Fish Lake Road Construction	46,820	99%	-	46,772	48	100%
Tract C-2 Pre- Development	1,950,000	100%	17,107	1,745,296	187,597	90%
Total	\$ 2,021,860		\$ 17,107	\$ 1,814,112	\$ 190,641	90%

5. Income Funds - Other

	Budget	% Complete	Encumbered	Expended	Unobligated Balance	% Expended
Icy Bay Road Maintenance	50,000	75%	17,789	32,211	-	64%
Total	\$ 50,000		\$ 17,789	\$ 32,211	\$ -	64%