



The Alaska Mental Health Trust Authority

Resource Management Committee Quarterly Meeting

October 22, 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

October 22, 2014 – 9:00 a.m. – 10:00 a.m.

Teleconference
Call in Number **(866) 469-3239**
Meeting/Session Number **287 405 922#**

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

August 5, 2014

September 2, 2014

1. Consultation
 - a) Seaduck Subdivision - 2014 Land Sale Program (Item A)
 - b) Rosalie Coal Lease (Item B)
 - c) Freegold Ventures Lease Expansion (Item C)
2. Updates
3. Macro Economic Presentation/Northrim Bank
4. Monthly Report Questions
5. Other
6. Adjourn

ALASKA MENTAL HEALTH TRUST AUTHORITY
RESOURCE MANAGEMENT COMMITTEE MEETING

August 5, 2014

9:15 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
John McClellan
Russ Webb
Mike Barton (via Speakerphone)

Trust Staff Present:

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

TLO Staff Present:

Marcie Menefee
John Morrison
Sarah Cunningham-Morrison
Craig Driver

PROCEEDINGS:

CHAIR NORENE calls the August 5, 2014 Resource Management Committee meeting of the Mental Health Trust Authority to order, and recognizes the Trustees present. He asks for any announcements. There being none, he moves to the agenda. He asks for a motion on the minutes of the June 25, 2014 meeting.

TRUSTEE DERR makes a motion to approve the minutes of the June 25, 2014 Resource Management Committee meeting.

There being no objection, the motion is approved.

CHAIR NORENE moves to the requested approvals, beginning with the acquisition of the Assets building. He recognizes Marcie Menefee.

MS. MENEFEE states that Craig Driver will be doing the presentation.

MR. DRIVER states that this building has been talked about in the past and was under an ILMA with the Department of Health and Social Services. He continues that the work to upgrade the building that was agreed to before the TLO took it over is just about complete. He adds that on completion of the roof project there will be a proposal to effect the transition of management of that property back to the Trust. That will be accomplished by terminating the ILMA.

TRUSTEE MICHAEL asks about the going-to-market rate on the lease rate, stating concern about the nonprofit that has not paid market rates because of the lack of ability to afford it. She adds that she wants to be assured that the space will be retained for as long as they need it.

MR. MORRISON states that the issue with the market-rate rent is that a two-year extension on the lease was given through the lease document, anticipating that the building would be taken subject to the lease document at the end of the two years of the continued dollar-a-year rent, and then it would go to market rate. He continues that they do not have to renew the lease, could renew part of the lease, or walk away. He adds that they do not believe that the property meets their need, which has forced a study of operations. He asks if that answers the question.

TRUSTEE MICHAEL replies, no. She states that she feels strongly that the Beneficiaries benefit from that program and should not have to pay market rate on that building or be forced to move out because they cannot afford it. She states that buildings cannot be taken out of service that are for the Beneficiaries simply because it could generate more revenue.

MS. MENEFEE states appreciation for everything said and continues that the TLO is in a position where their mission is clear, and that it is well within the purview and authority of the Trustees to use Trust land for Beneficiaries' purposes. She continues that the process for that decision to be made is for the nonprofit to come to the Trust and work with a program officer to work that out, and then bring something to the Board. She adds that there is a need for the Trustees' approval to use Beneficiary land for the Beneficiary process.

A discussion ensues.

TRUSTEE MICHAEL states that the reality is that building was built by the ARC 40 to 50 years ago. The State did not pay a dime, the Mental Health did not pay a dime. We are getting the building for free, and past unpaid rent is moot. She continues that it is a free building, and rent will be collected. She adds that her point is that she does not want the nonprofits who provide for the Beneficiaries to get moved out of the last remaining buildings in the Trust system that are even available. She states that they can dream big, but the reality is that they will be in that building for the next ten years.

TRUSTEE WEBB states agreement with Trustee Michael's sentiments, and the issue is will the building be taken or not. He adds that the systems are eroding and every service system is declining in its capacity to serve Trust Beneficiaries. He states the need for a process for arriving at the kinds of principles that will guide those decisions.

CHAIR NORENE states that possession of the building should be taken and money should be allocated to operate it for a while.

TRUSTEE MICHAEL states agreement, as long as it is understood that there may not be revenue generated other than the building.

The discussion continues.

MR. JESSEE states that this programmatic issue has been thought about before, and adds that it is going to be helpful getting some guidance from the Trustees as to how to handle these situations.

TRUSTEE WEBB states that it is in the interests of all to move forward, accept this property and then figure out the policy, guidance that the Trust wants to develop to use for determining how these properties and others are used in the future.

TRUSTEE EASLEY states that the TLO has done a good job in preparing the proposal for the Trustees and staff to consider. She continues that it is now up to the Trustees and the due diligence of staff to decide if this is what it wants, and there does not seem to be any opposition to that. She adds that it is not the Trust Land Office's decision to make.

CHAIR NORTON recognizes Trustee Barton.

TRUSTEE BARTON states that, based on the discussion, there is a lot of consensus on the Committee to make a program investment here and supports it. He suggests going ahead and acting on the transfer of the building, and then dealing with the PRI in November or October.

TRUSTEE DERR makes a motion that the Resource Management Committee recommends the Alaska Mental Health Board of Trustees approves the action as described herein wherein the Trust Land Office facilitates the transfer of jurisdiction and the management of the building

known as the Assets Building at 2330 Nichols Street from the Department of Health and Social Services to the Trust.

TRUSTEE MICHAEL seconds.

TRUSTEE BARTON asks what “transfer of jurisdiction” means.

MR. MORRISON replies that the Trust owns the real estate as it currently stands, but the real estate is encumbered by the ILMA, Interagency Land Management Agreement. He continues that what is being done here is agreeing with the Department to cancel that ILMA and, therefore, take over responsibility for the property.

CHAIR NORENE asks for an amendment to the motion to change the “herein.”

TRUSTEE DERR revises the motion in that the Resource Management Committee recommends the Alaska Mental Health Trust Board of Trustees approve the transfer of jurisdiction and management of the building known as the Assets Building at 2330 Nichols Street from the Department of Health and Social Services to the Trust.

CHAIR NORENE asks if the second accepts the revision.

TRUSTEE MICHAEL seconds and accepts the revision.

There being no objection, the motion is approved.

TRUSTEE DERR makes a motion that the Resource Management Committee recommends the Alaska Mental Health Trust Board of Trustees approve an increase to Appropriation 15960-2015 from the facilities maintenance account, AKSAS fund 34048, in the amount of \$30,000 for 2330 Nichols Street. In addition, the Board authorizes the CFO to transfer the funds to a third-party property manager for management of that facility.

TRUSTEE MICHAEL seconds.

MR. BUCKLAND states that with the recent changes in the by-laws, the RMC has the authority to approve an item under \$50,000. He continues that this motion could be approved just by the RMC.

TRUSTEE DERR states that she is comfortable with the motion and feels that, in light of the discussion, the motion should just go before the Trustees. She adds that it shows that the Resource Management Committee is not assuming that the Board is going to approve the previous motion.

There being no objection, the motion is approved.

CHAIR NORENE moves into the FY16 operating budget.

MS. MENELEE states that the TLO's budget has an increase for approval for FY16 over the FY15 Management Plan. She adds that it is a \$4.3 million request for the whole budget. She explains that it is a 6.28 percent increase and is primarily intended so that more revenue can be made for the Trust. She explains as she goes along. She states that the efforts at the TLO to become fully staffed are ongoing. She continues that two individuals were hired in the real estate program, Craig Driver and Bryan Yackel, and she believes that they will help with taking advantage of opportunities in and outside of Alaska with real estate, and in exploring acquisitions. She continues that there is currently one remaining vacancy for the section chief of the minerals and energy section. She explains that contingencies have been built into the budget to be able to take advantage of unplanned opportunities. She continues going through the budget. She states that the operating budget requested for approval for FY16 is \$4.327 million.

TRUSTEE MICHAEL makes a motion that the Resource Management Committee recommends that Alaska Mental Health Trust Board of Trustees approve the Trust Land Office FY16 operating budget in the amount of \$4.327 million.

TRUSTEE BARTON seconds.

There being no objection, the motion is approved.

CHAIR NORENE states that the next thing on the budget is the Texas building acquisition.

MR. MORRISON states that this is an opportunity to acquire a property in Austin, Texas, for the real estate management plan. He continues that it is a great opportunity for the Trust to get market rate returns and, more specifically, return a significant stream of predictable income to the Trust.

TRUSTEE DERR makes a motion to complete the agenda before going into executive session.

There being no objection, the motion is approved.

CHAIR NORENE moves to updates and recognizes Paul Slenkamp.

MR. SLENKAMP states that the Icy Bay Timber sale closed and that the timber sale contract has been implemented. He continues that improvements will be started next year, with old harvest activities beginning in 2016. He states that the valuation consultation on the land exchange is expected this week. He continues that Trustee Derr accompanied the Forest Service and TLO staff on a land exchange parcel tour that went very well. He thanks Trustee Derr for participating. He states that a request for an update was received from Senator Murkowski which was sent, and he adds that considerable progress was made in recent months on the exchange. He continues that the challenge right now is getting Region 10 level in Juneau to help prioritize the exchange, and explains. He asks for any questions.

CHAIR NORENE thanks Mr. Slenkamp and asks for any further updates. There being none, he moves to the monthly report, asking if there are any questions on that.

TRUSTEE BARTON asks about the situation with the L Street property.

MR. MORRISON replies that there are many potential interested parties in the L Street property.

CHAIR NORENE asks to discuss this in executive session due to sensitive negotiations.

TRUSTEE BARTON asks about the cause for the underestimation of the revenue projections.

MR. MORRISON replies that part of the issue is the fact that the projections are done, at a minimum, 18 months before the time period that is being projected; and we are always striving to meet them.

MS. MENELEE adds that it is a very difficult task.

A short discussion ensues.

CHAIR NORENE asks for any further comments. There being none, he moves into executive session.

TRUSTEE DERR makes a motion to move into executive session.

(Resource Management Committee in executive session from 10:40 a.m. through 11:10 a.m.)

CHAIR NORENE reconvenes the meeting, moving to the Texas building acquisition project, and asks for a motion.

TRUSTEE MICHAEL makes a motion that the Resource Management Committee recommends that the Alaska Mental Health Trust Board of Trustees approve the action as described herein wherein the Trust Land Office forms a single-purpose entity owned in full by the Trust for the purpose of acquiring, owning and operating the proposed property.

TRUSTEE DERR seconds with the amendment of removing “as described herein.”

TRUSTEE MICHAEL accepts the amendment.

There being no objection, the motion is approved.

TRUSTEE MICHAEL makes a motion that the Resource Management Committee recommends the Alaska Mental Health Trust Board of Trustees approve the proposed action to fund the newly formed LLC with principal funds from the Trust Authority Development Account (TADA), fund code 34045, to acquire the property up to \$15,800,000. This funding will include purchase price, entity formation expenses, legal reviews, and due diligence costs as necessary to complete the transaction as presented.

TRUSTEE DERR seconds.

There being no objection, the motion is approved.

TRUSTEE MICHAEL makes a motion that the Resource Management Committee recommends the Alaska Mental Health Trust Board of Trustees concur with the proposed action to complete the financing of the proposed property. Further, the Resource Management Committee recommends the Board concur with the recommendation that the net principal funds provided by the financing be distributed from the newly formed LLC to the Trust and placed in the Trust Authority Development Account (TADA), fund code 34045.

TRUSTEE DERR seconds.

There being no objection, the motion is approved.

TRUSTEE MICHAEL makes a motion that the Resource Management Committee recommends the Alaska Mental Health Trust Board of Trustees approve an increase to the appropriation 15960-2015 from the facility maintenance account, AKSAS fund 34048, in the amount of \$861,000.

TRUSTEE DERR seconds.

There being no objection, the motion is approved.

MR. BUCKLAND clarifies that the funding of these expenditures comes from the rents of the subject building.

TRUSTEE MICHAEL makes a motion that the Resource Management Committee recommends the Alaska Mental Health Trust Board of Trustees delegate to the executive director of the TLO the authority to determine if it is necessary to cancel this transaction and separately to address comments regarding the administrative decision process to spend Trust funds.

TRUSTEE DERR seconds.

There being no objection, the motion is approved.

CHAIR NORENE thanks John Morrison for all of his work, and for finding the building. He asks for any comments or questions. There being none, he adjourns the Resource Management Committee.

(Resource Management Committee meeting adjourned at 11:15 a.m.)

ALASKA MENTAL HEALTH TRUST AUTHORITY
RESOURCE MANAGEMENT COMMITTEE MEETING

September 2, 2014

2:00 p.m.

Taken at:
Alaska Trust Land Office
2600 Cordova Street, Suite 100
Anchorage, Alaska 99503

Trustees Present:

Larry Norene, Chair
Laraine Derr
Paula Easley (via speakerphone)
Mary Jane Michael
John McClellan

TLO Staff Present:

Marcie Menefee
John Morrison
Leann McGinnis
Paul Slenkamp (via speakerphone)
Bryan Yackel
Karol Collyer
Carrie Pierce

AMHTA Staff Present:

Jeff Jessee

PROCEEDINGS:

CHAIR NORENE calls the September 2, 2014, meeting of the Resource Management Committee of the Mental Health Trust Authority to order and recognizes the Trustees present. He asks for any announcements. There being none, he moves to the agenda. There being no changes, he moves into the consultations which are primarily timber sales and the management agreement.

MS. MENEFEE introduces Bryan Yackel who is the new project manager and comes from private-sector construction. She states that he is working for John and all are excited to have him

working in the real estate section. She continues that there are three timber sales on the agenda; two can be approved by the Resource Management Committee because of the value and size of the disposal value, and the third would go to the Full Board. She turns it over to Paul Slenkamp.

MR. SLENKAMP states that there are several reasons to move these forward as soon as possible. He continues that the Forest Service continues to have an issue with putting timber out onto the market to keep the current operators in business, and the Big Thorne timber sales have been enjoined a couple of different times, and are moving forward. He explains that it is about a 70-million-board-foot sale that the Forest Service is putting out on Prince of Wales Island, which may help Viking Lumber keep in fiber for a few more years. He states that the fiber supply industry in Southeastern is precarious and has been hand-to-mouth for several years. He continues that it is getting very crucial as these operators are just having a year-to-year fiber supply. He believes that the return to the Beneficiaries can be maximized by placing what fiber we have on the market at this time. With that, he moves to a quick discussion on the Hollis timber sale which utilizes four lots within the Hollis area; 75 acres between the four parcels. This would be a sale that would move mostly young growth. He states that the anticipated return is about 16-million-board feet, and somewhere around \$200,000. He asks for any questions.

TRUSTEE MICHAEL asks about the plan for public awareness, and if there is a buffer that gets kept along the waterfront.

MR. SLENKAMP replies that under Alaska Forest Resources and Practices Act a waterfront buffer is not required. He states that this 30-acre parcel is fairly steep and may not be associated with a subdivision, but the other three parcels are, especially the two waterfront parcels. The TLO has the intention to use this in conjunction with development for subdivision.

MS. MENELEE states that this is selective harvest where the largest, most valuable trees are taken, and trees are left so it actually looks more like a park.

CHAIR NORENE asks for a motion.

TRUSTEE MICHAEL makes a motion that the Resource Management Committee concurs with the Trust Land Office recommendation to dispose of timber through a competitive sale on Trust land in Hollis located on Prince of Wales Island.

TRUSTEE DERR seconds.

There being no objection, the motion is approved.

MS. SLENKAMP moves on to the Exchange Cove parcel which is about 76.57 acres and would also be to Trust advantage to put out as soon as possible to take advantage of the current market conditions. He states that they are still trying to find an access road, and at this point believes that this one will come in by a ramp barge. He continues that the harvest would be approximately 1.5 million board feet with an anticipated higher value because of the cedar component; the hope is to get about \$350,000 revenue over the next couple of years. He adds that he does not anticipate public concern, being in an area that has been historically harvested.

TRUSTEE MICHAEL makes a motion that the Resource Management Committee concurs with the Trust Land Office recommendation to dispose of timber through a competitive sale on Trust land near Exchange Cove located on Prince of Wales Island.

TRUSTEE DERR seconds.

There being no objection, the motion is approved.

MR. SLENKAMP states that item C is Control Lake timber sale, located in the central part of Prince of Wales Island halfway between Klawock and Thorne Bay. It is a major intersection there. He continues that this sale would incorporate the entire 416-acre parcel, and there are 152-unit acres identified. He adds that there is some other incidental timber in other areas within this parcel that may be harvested depending on market and operator preference. He states that he anticipates 5 million board feet of high-value spruce with a hope of at least \$1.2 million of return from this sale.

TRUSTEE MICHAEL states that there are already roads through this area. She asks if there is other activity going on there.

MR. SLENKAMP states that this is the primary transportation corridor on Prince of Wales Island and runs from north to south to Klawock and goes off to the east to Thorne Bay. He continues that there is also some secondary-harvest growth there.

A short discussion ensues.

TRUSTEE McCLELLAN asks if the roads that run through the property are on easements.

MR. SLENKAMP replies that they are on easements, and are actually state highways.

TRUSTEE DERR makes a motion that the Resource Management Committee recommends that the Alaska Mental Health Trust Authority Board of Trustees concur with the disposal of timber through a competitive sale at Control Lake located at Prince of Wales Island.

TRUSTEE MICHAEL seconds.

There being no objection, the motion is approved.

CHAIR NORENE states that item D would need to go to the Board if it passes.

MS. MENELEE states that in discussions with the Attorney General's office, they felt that given the nature of the Trust obligation to maximize revenue and because there is a facet of waiving related fees, they were most comfortable with it going to the Full Board.

MR. SLENKAMP states that the discussion he has entertained through this entire process is one which talks about stabilizing an industry in Southeastern and directly pertains to this. He

continues that putting together timber sales and fiber not only helps sustain an industry, but also maximizes the return from each individual entity. He states that through the years there has been a transportation infrastructure for moving logs through Southeastern, and one of the things those old 50-year contracts did was maintain a lot of tidelands. He explains the leases and the tidelands permits, and then states that after the work is completed those licenses are relinquished. He states that it can be several decades before those log transfer facilities are used again, in which case it is possible to actually have to go through the public permitting process for the area again which are key for transportation. He continues that one of the positives is that these improve the road systems, help to maintain existing road systems which covers the cost of this. He adds that, currently, the Trust cannot maintain their roads. He states that this agreement has excited a number of people; the Governor's Office and the Division of Forestry are very supportive. He adds that this is complicated, but a lot of the due diligence has been done.

A short discussion ensues.

CHAIR NORENE asks if there is any chatter in the current campaign dealing with timber resources.

MR. SLENKAMP replies that the Governor has been really supportive of timber, and the Commissioner also reflects that. He adds that there seems to be no shortage of politics in timber.

MR. JESSEE states that if the Trust is going to get with candidates, the message needs to be decided and who will deliver it.

CHAIR NORENE entertains a motion.

TRUSTEE MICHAEL proposes that the Resource Management Committee recommends that the Trust Authority Board of Trustees concur with the TLO executing the Statement of Intent between the University of Alaska, the Department of Natural Resources and the Trust Land Office to promote the Trust's timber management program and cooperatively share facilities associated with timber harvest.

TRUSTEE DERR seconds.

There being no objection, the motion is approved.

CHAIR NORENE states that he will bring this up at tomorrow's meeting, and asks for any thoughts or comments. He asks what else is on the agenda.

MR. JESSEE states that, at the committee's discretion, a subcommittee of Trustees Michael, Webb and McClellan met to talk about the PRI issue. He continues that there has been some more drafting of some language, and this will come up during the working lunch with the Full Board. He adds that he has the latest draft and a PowerPoint that he could share so that people could at least take a look. He adds that the Land Office did a lot of great work putting this together.

CHAIR NORENE agrees to look at it. He adds, that will give an opportunity to study this before tomorrow. He states that if there is nothing further, he will adjourn the meeting.

(Resource Management Committee adjourned at 2:47 p.m.)

To: Larry Norene, Chair
Resource Management Committee
From: Victor Appolloni
Date: 10/22/2014
Re: Seaduck Subdivision - 2014 Statewide Land Sale Program
File 2014-64
Fiscal Year: 2015

Consultation

Proposed RMC Motion:

"The Resource Management Committee concurs with the offering of seven lots in the Seaduck Subdivision near Petersburg through the TLO's Annual Land Sale program."

Background:

Transaction/Resource: The proposed action is to offer seven lots in the Seaduck Subdivision near Petersburg through the TLO's Annual Land Sale program (Land Sale). If not sold in the upcoming 2014 Winter Land Sale, the lots may be re-offered in future competitive or over-the-counter sales.

The lots will be offered through a sealed bid auction and awarded to the highest qualified bidder. Alternatively, the lots may be awarded through a negotiated sale. Purchasers may elect to pay for the lots in full or finance through a TLO sale contract.

Property Description/Acreage/MH Parcel(s): The seven lots are described as Lots 1 through 7 of Trust Land Survey 2014-02, Seaduck Subdivision, within Section 14, T. 60 S., R. 79 E., Copper River Meridian. Each lot contains 0.5 acres more or less. All seven lots are located within Trust parcel CRM-2319.

The physical location of Seaduck Subdivision is approximately 10 miles south of Petersburg via the Mitkof Highway near Papke's Landing.

General Background: The TLO has been selling subdivided lots and small parcels through the Land Sale since 1998 on behalf of The Trust. The parcels offered in the Land Sale are predominantly from pre-existing subdivisions designed and platted by the Department of Natural Resources in the 1970's and 1980's, subdivisions recently developed by the TLO, or parcels under 10 acres in size.

The TLO recently completed subdividing the 5.44 acre Trust parcel into seven half acre lots (Seaduck Subdivision) near the community of Petersburg. The subdivision plat should be finalized in October of 2014 with lots ready to be offered in the 2014 Winter Land Sale.

Anticipated Revenues/Benefits: Based on an appraisal, the TLO anticipates the total value of the seven lots to be \$218,000. Long-term economic benefits to The Trust include returns on the investment of the purchase price (corpus). For those parcels purchased with TLO financing, interest income will be produced from the sale for the term of the contract.

Anticipated Risks/Concerns: There are no significant risks or concerns associated with the project. This assessment is based on the TLO's experience from previous sales. Minor risks include defaults on parcel sales by buyers. These risks will be mitigated through a land sale contract which includes contemporary language to limit risks to The Trust, ensure performance by the buyer, and allow for termination in the case of default.

Project Costs: Project costs are estimated at \$12,500 which includes appraisals, title reports, marketing, and survey/platting costs. All project costs will be funded through the TLO operating budget.

Due Diligence: TLO staff, a contract appraiser and surveyor have all inspected the lots within the last year. Minimum bids will be established via standard appraisals. All lots will have a title report completed prior to issuing a sale contract or quitclaim deed. Contract documents were reviewed by the Attorney General's office; no separate independent review was required.

Alternatives: The primary alternative is to hold the lots for sale in the future. This alternative would miss selling at the high end of the market or best market and delay receipt of revenues from both principal and income. A delay of sales may result in additional costs and risks to The Trust without significant increases in value.

Consistency with the Resource Management Strategy: The proposal is consistent with the "Resource Management Strategy for Trust Land" (RMS), which was adopted November 2013 in consultation with The Trust and provides for the TLO to maximize return at prudent levels of risk, prevent liabilities, and convert nonperforming assets into performing assets. Past experience has demonstrated that it is unlikely that these parcels will appreciate at a rate that would justify holding them for a later sale. It is also not cost effective for The Trust to hold these parcels and incur the associated management costs and liabilities. These sales also meet the general value expectation of setting the minimum bid offer at the appraised value.

Trust Land Office Recommendation: The TLO recommends that it is in The Trust's best interest to offer seven lots in the Seaduck Subdivision through the TLO's Annual Land Sale program.

Applicable Authority: Alaska Statutes 37.14.009(a), and 38.05.801, and 11 AAC 99.

Trust Authority Consultation: This briefing document fulfills the consultation requirements that are applicable to the transaction. In the event that significant changes to the transaction are made necessary by the public notice process, the Trust Authority will be consulted regarding the changes.

Schedule of Actions:

Resource Management Committee Consultation:	October 22, 2014
Complete Best Interest Decision:	October 24, 2014
Public Notice:	October 24, 2014

Exhibit(s):

Exhibit 1 - Location Map



To: Larry Norene, Chair
Resource Management Committee
From: Mike Franger
Date: 10/22/2014
Re: Rosalie Coal Lease – MHT 9400553
Fiscal Year: 2015

Consultation

Proposed RMC Motion:

“The Resource Management Committee recommends that the Trust Authority Board of Trustees concur with the negotiated lease of Trust land near Healy for mining of coal with Usibelli.”

Background:

Transaction/Resource: Negotiated lease of land for coal exploration and development with Usibelli Coal Mine, Inc. (UCM). The primary term of the lease will be ten years. The proposed transaction is serialized as MHT 9400553.

Property Description/Acreage/MH Parcel(s): A 160 acre parcel of land in the Healy Valley located in the SE1/4NW1/4, NE1/4SW1/4, and N1/2SE1/4 Section 19, Township 12 South, Range 6 West, Fairbanks Meridian, within a portion of Trust parcel FM-1663-05.

General Background: UCM is in the process of assembling acreage and obtaining the necessary permits to commence exploration and probable development of coal resources in the Healy Valley. It is anticipated that mining would be initiated as early as next year on an adjacent Trust lease which is controlled by UCM. The proposed lease acreage is thought to contain additional coal reserves and would be a logical progression in the mining sequence of the adjacent lease.

Anticipated Revenues/Benefits: Revenue to The Trust includes an annual rental fee based on \$5.00/acre, which will be increased every five years based on the Producer Price Index. The base rental over the initial term of the lease will be \$8,000.00. Any production that occurs will be subject to a 5% gross royalty.

Anticipated Risks/Concerns: There are no unusual risks associated with the proposal. Risks typically associated with this type of activity will be mitigated through compliance with the Alaska Surface Coal Mining Control and Reclamation Act (AS 27.21), which regulates activities on the site from pre-mining to post mine land use. In addition, TLO coal lease terms will be enforced.

Project Costs: No unusual costs are anticipated with the issuance and administration of the proposed lease.

Other Considerations: (1) UCM has operated in this area for years, is well financed, and has all the necessary infrastructure in place to successfully develop the property; (2) UCM has a ready market for any coal produced from the property; (3) the negotiated basis for the transaction is further justified because it affords the opportunity for this relatively small parcel to be explored and developed since the dominant leaseholder in the area (UCM) has assembled the surrounding acreage so as to make it economic for them to explore and develop this parcel.

Due Diligence: The leasing process and the lease terms have been determined as a result of lengthy staff analysis and review. TLO staff is familiar with the proposed lease area, having leased and inspected land in the Healy Creek Valley over the years.

Alternatives: (1) Offer the parcel competitively, which is not warranted for this relatively small acreage; (2) do not offer the land for lease for coal development.

Consistency with the Resource Management Strategy: The proposal is consistent with the “Resource Management Strategy for Trust Land” (RMS), which was adopted in November of 2013 in consultation with The Trust and provides for the TLO to focus first on land or resources at the high end of market values (“best markets”). UCM is anticipating increased demand for coal both domestically and abroad in the near future, which constitutes an increased opportunity for the development of Trust lands in this area for coal production; this supports a “best market” situation for Trust land here. Further, the proposed action is a step toward generating potentially significant revenues from Trust coal resources in this area, consistent with a key Trust land management principle of encouraging a diversity of revenue generating uses of Trust land.

Trust Land Office Recommendation: Lease the described area of interest on a negotiated basis to UCM, Inc., as proposed.

Applicable Authority: Alaska Statutes 37.14.009(a) and 38.05801, and 11 AAC 99.

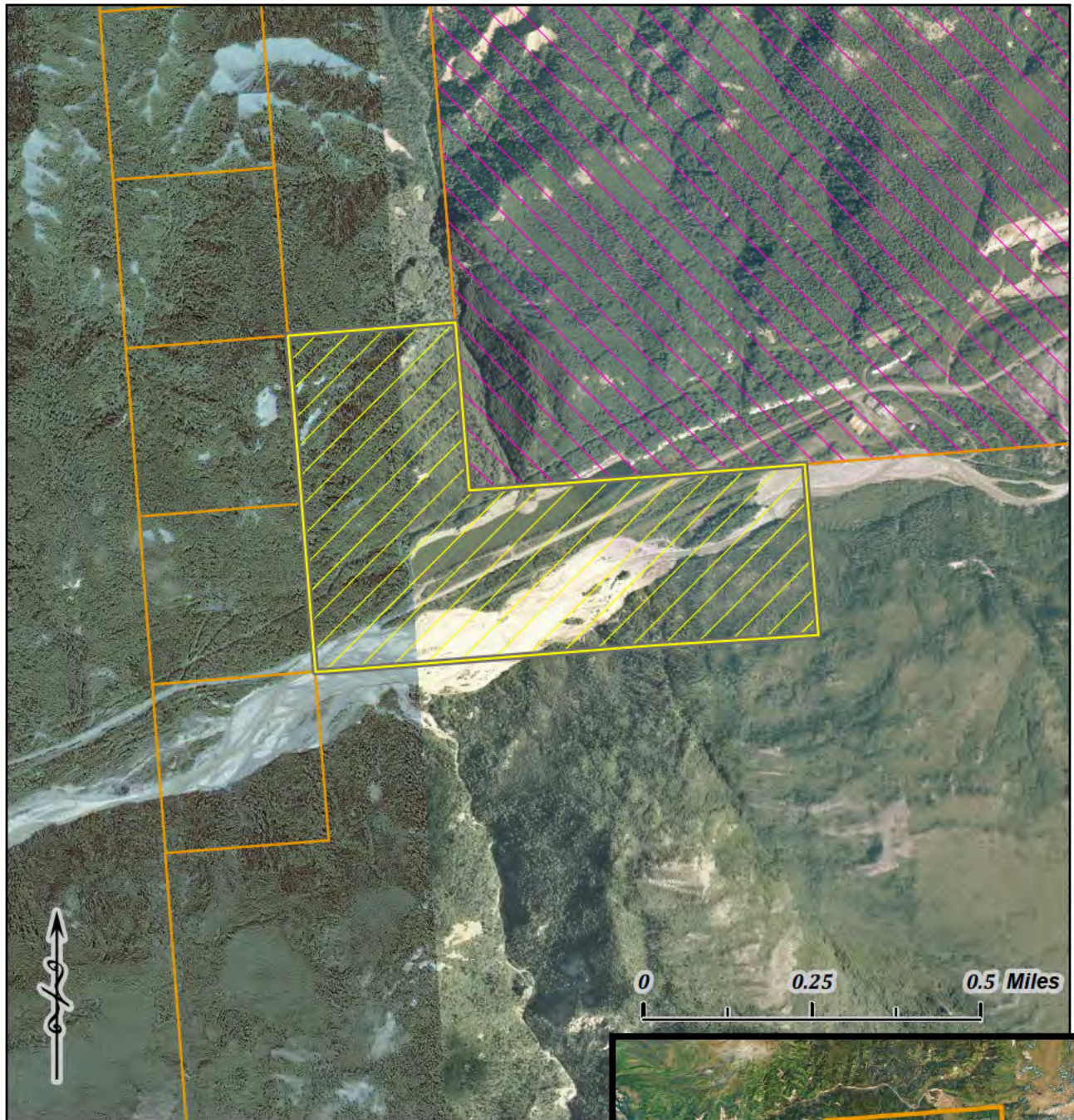
Trust Authority Consultation: This briefing document fulfills the consultation requirements that are applicable to the transaction. In the event that significant changes to the transaction are made necessary by the public notice process, the Trust Authority will be consulted regarding the changes.

Schedule of Actions:

Resource Management Committee Consultation:	October 22, 2014
Trust Authority Consultation:	November 20, 2014
Complete Best Interest Decision:	November 24, 2014
Public Notice:	November 25, 2014

Exhibit(s):

Exhibit 1 - Location Map



*Usibelli Coal Mine, Inc.
Proposed Coal Lease*

- Mental Health Parcels
- Proposed Lease Area
- Existing Lease - ADL 22721



To: Larry Norene, Chair
Resource Management Committee
From: Mike Franger
Date: 10/22/2014
Re: Freegold Ventures Lease Expansion
MHT 9400444
Fiscal Year: 2015

Consultation

Proposed RMC Motion:

"The Resource Management Committee recommends that the Trust Authority Board of Trustees concur with the addition of the requested acreage to the existing lease with Freegold Ventures."

Background:

Transaction/Resource: Lease approximately 1,481 acres of unencumbered Trust mineral estate for mineral exploration and development.

Property Description/Acreage/MH Parcel(s): The subject parcels total approximately 1,481 acres and are located within a portion of Trust parcel F70015. These are irregularly shaped parcels that are located in portions of sections 26 and 35 in Township 3 North, Range 1 East and portions of sections 28-31 in Township 3 North, Range 2 East, Fairbanks Meridian (See Exhibit 1).

General Background: The subject Trust land is located about 25 miles northwest of Fairbanks, in the vicinity of Cleary Summit. It is situated along a mineralized trend that includes several known mineral occurrences. The applicant has been working for a number of years to assemble a relatively large land package in this area, and has been diligently exploring this acreage, having conducted geophysical, drilling, and bulk sampling programs in the area. These efforts have identified a total resource of approximately 6 million indicated and inferred ounces of gold, as reported in the company's most recent (June 2013) NI 43-101 report. The proposed lease acreage is adjacent or in proximity to land the applicant currently leases from The Trust, and will help to solidify the overall lease block to facilitate exploration and development.

Anticipated Revenues/Benefits:

- Lease terms include an annual rental payment ranging from \$10/acre for the first lease term (3 years) to \$15 and \$20/acre for lease terms two, three, and beyond.
- There is an annual work commitment of \$125/acre required for the first lease term and \$250 and \$375/acre for lease terms two and three.
- If production occurs, the lease provides for a sliding scale Net Smelter Return (NSR) production royalty ranging from 1% to 4.5%, depending on the price of gold.

Anticipated Risks/Concerns: No unusual risks are anticipated with the proposed lease expansion. The area has been mined in the past. Risks typically associated with the activities that will be conducted on the lease area will be mitigated through compliance with the permit standards imposed and enforced by state mining regulators. In addition, TLO mining lease terms will be enforced.

Project Costs: No significant costs are anticipated.

Other Considerations: The applicant has been actively conducting exploration activities in this area for a number of years, and has assembled a significant land package that could result in the identification of an economic ore body.

Due Diligence: TLO personnel are familiar with the land proposed to be added to the existing lease. The existing lease terms have been determined as a result of staff analysis and review.

Alternatives:

- Do not expand the existing lease.
- Offer the land through a competitive bidding process which could result in a lessee holding small, uneconomic parcels within the overall lease block, or a lessee that does not have the financial ability to comprehensively explore and potentially develop the area in a timely manner.
- Do not lease the parcels at this time.

Consistency with the Resource Management Strategy: The proposal is consistent with the “Resource Management Strategy for Trust Land” (RMS), which was adopted November 2013 in consultation with The Trust and provides for the TLO to focus on land or resources at the high end of market values (“best markets”). This represents the best opportunity to have these parcels explored and developed. Further, the proposed action is a step toward generating potentially significant revenues from Trust resources in this area, consistent with a key Trust land management principle of encouraging a diversity of revenue generating use of Trust land.

Trust Land Office Recommendation: Add the requested acreage to the existing upland mining lease with Freegold.

Applicable Authority: Alaska Statutes 37.14.009(a) and 38.05.801 and associated regulations at 11 AAC 99.

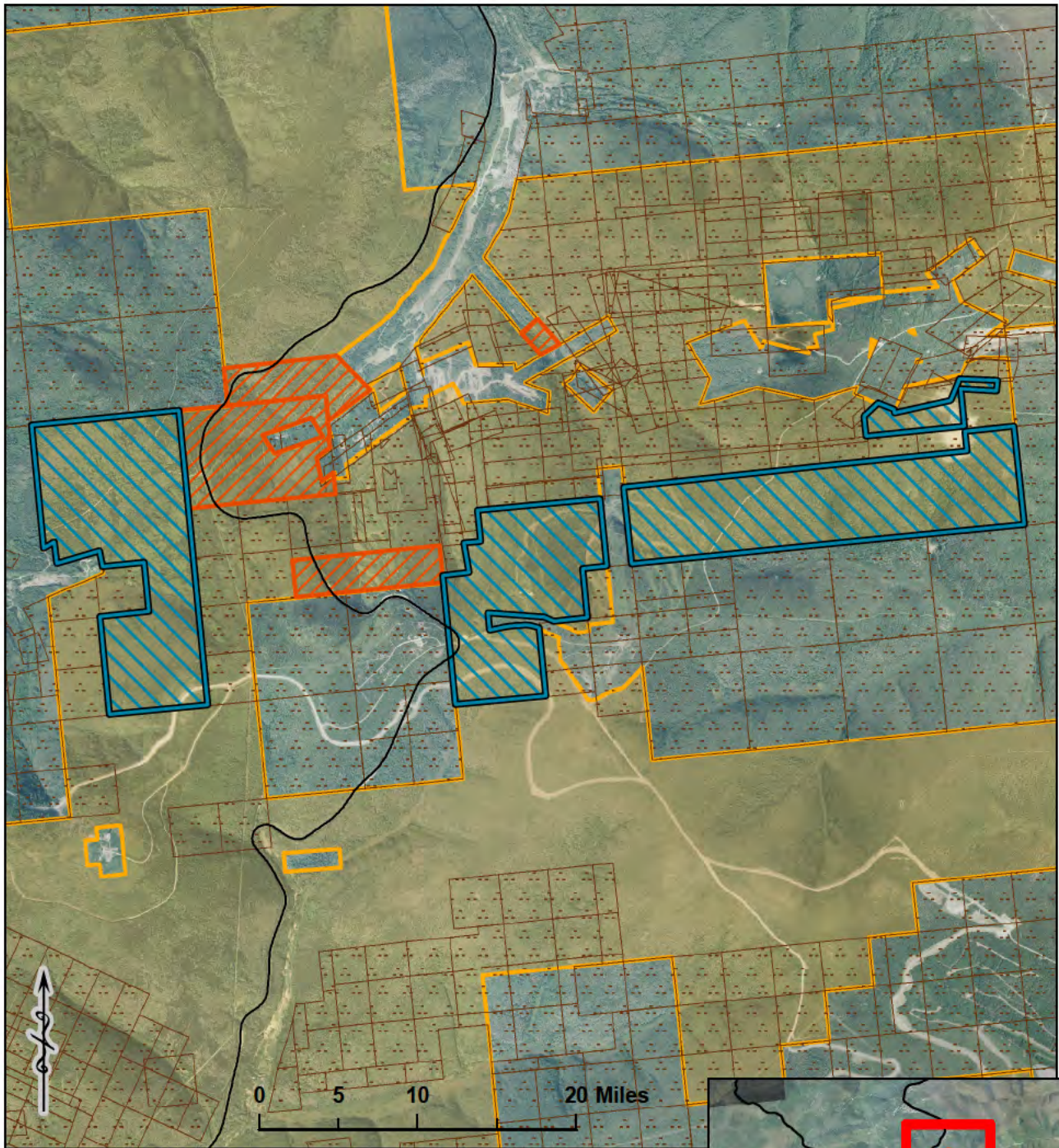
Trust Authority Consultation: This briefing document fulfills the consultation requirements that are applicable to the transaction. In the event that significant changes to the transaction are made necessary by the public notice process, the Trust Authority will be consulted regarding the changes.

Schedule of Actions:





Resource Management Committee Consultation:	October 22, 2014
Trust Authority Consultation:	November 20, 2014
Complete Best Interest Decision:	November 24, 2014
Public Notice:	November 25, 2014

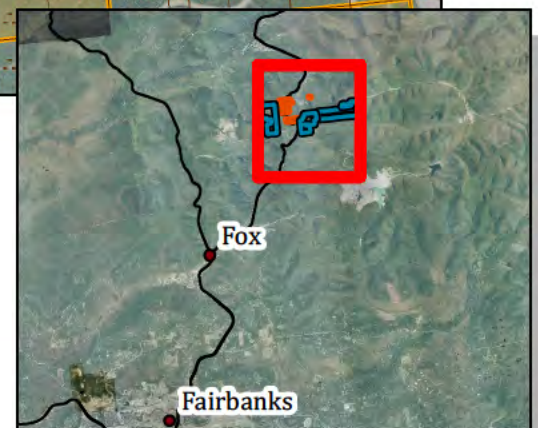
Exhibit(s):

Exhibit 1 - Location Map



Freegold Ventures Lease Expansion

- | | | | |
|---|---|---|----------------------------------|
|  | MHT 9400444 Lease Expansion
(Approximately 1,481.49 Acres) |  | Trust Land |
|  | MHT 9400444 Existing Lease |  | State & Federal
Mining Claims |



TLO Activities through September 30, 2014
25% of the Fiscal Year



Gold mined from a placer operation on Trust land (727 ounces)

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

Highlights

- The TLO has reached 23% of the overall FY15 revenue goals (Principal 3%, Income 50%).
- A Licensee in Wrangell was instructed by the Alaska Department of Environmental Conservation (ADEC) to file a cleanup and disposal plan for contamination on Trust land that was a result of unauthorized activities. ADEC determined that contamination existed only at the surface level and did not impact groundwater. Cleanup could be completed within several days based on equipment availability. ADEC will monitor the property for one year after cleanup. The TLO requires additional cleanup activities by the Licensee that includes excavation of the buried scrap metal and wood sawdust. The Revocable Land Use License will be extended one year to allow the Licensee to complete all cleanup requirements.
- TLO conducted inspections of three parcels adjacent to Fort Wainwright. Numerous parties have contacted TLO regarding acquisition of the parcels for mitigation banking or commercial developments that support Fort Wainwright.
- The Fairbanks North Star Borough contacted the TLO regarding a dilapidated building on Trust land in the Ester area. An inspection revealed that it is a historic mining mill site. The TLO is collaborating with the State of Alaska Abandoned Mine Land Program for eligibility to receive federal funds through DNR to dismantle the mill. This would remove the liability of the mill at no cost to the Trust.
- The Control Lake Timber Sale Invitation for Proposals (IFP) is out for review. This sale is estimated to generate at least \$1.2 million in revenue. The TLO has received positive comments about the offering and expects several proposals. The IFP closes October 17.
- The road project linking Ketchikan to Shelter Cove is moving forward. The project is being driven by the Alaska Department of Transportation (ADOT) and involves Trust, Native, State, and Federal land. The completed road will allow Ketchikan residents to enjoy over a 100 miles of additional roads and provide access to the lands which the Trust will acquire from the proposed Trust Land Exchange.

September Revenue Notes

- Year-to-Date revenue as of September 30, 2014:
 - Principal: \$141,713
 - Income: \$1,979,793
 - Total: \$2,121,506
- Fiscal year to date Oil and Gas Principal revenue goals have not been met. The well operator for Kenai Loop entered bankruptcy May 31, 2014; subsequently, royalty payments are being placed in an escrow account and not distributed to TLO. Additionally, some of the gas production from this field is being derived from adjacent state and private property. A portion of the payments received prior to bankruptcy is being held in a state escrow account pending a final settlement agreement.
- Oil and Gas Income revenue is greater than anticipated due to monthly liquidated damages payments from Buccaneer and a \$300,000 lease extension fee from Cook Inlet Energy.
- The state revenue system is on a modified accrual basis and each year some revenue is deferred from the prior year to the current year. Oil and Gas, Real Estate, Coal, and Land Income revenues are affected and as a result those revenues are higher than budgeted in the first quarter of the fiscal year.
- Income revenue from the Real Estate Investment Plan is slightly lower than budgeted. Cash is being held pending the completion of capital improvement projects for several buildings.
- Harvesting for the Kasaan Timber Sale will not resume until November (depending on the market). This has caused Timber revenue to be less than budgeted.

General Performance Measurements As of September 30, 2014

1. Revenue Analysis:

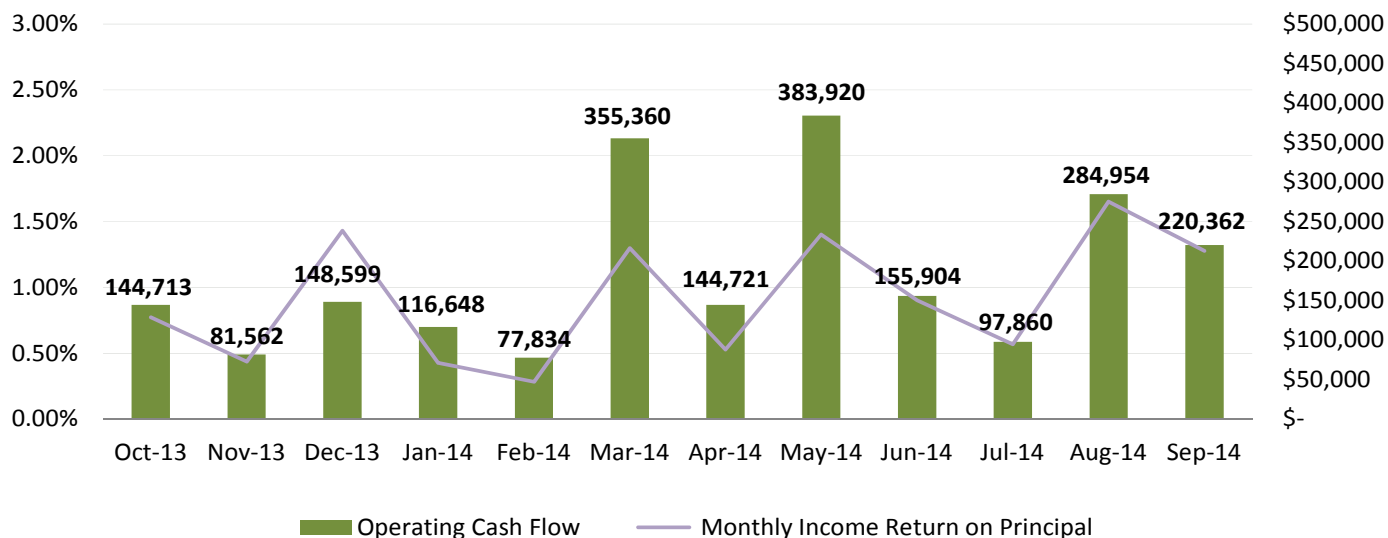
Principal						
	FY14 YTD	FY15 YTD	FY15 YTD Goal	(Under)/Over	FY15 Annual Goal	% of FY15 Annual Goal
Coal	-	-	-	-	-	-
Oil & Gas	696,140	13,880	462,000	(448,120)	1,848,000	1%
Minerals	34,043	-	-	-	2,000,000	0%
Materials	(10,227)	5,211	6,000	(789)	12,000	43%
Timber	2,609	3,049	127,500	(124,451)	382,500	1%
Land	160,572	119,574	242,879	(123,305)	1,200,000	10%
REMP	-	-	-	-	-	-
Real Estate	-	-	-	-	-	-
Total	\$ 883,137	\$ 141,713	\$ 838,379	\$ (696,666)	\$ 5,442,500	3%

Income						
	FY14 YTD	FY15 YTD	FY15 YTD Goal	(Under)/Over	FY15 Annual Goal	% of FY15 Annual Goal
Coal	162,893	75,570	57,000	18,570	151,200	50%
Oil & Gas	5,372	563,710	58,373	505,337	575,000	98%
Minerals	395,930	382,318	340,100	42,218	523,000	73%
Materials	-	-	-	-	-	-
Timber	460	538	22,500	(21,962)	67,500	1%
Land	365,836	340,792	205,599	135,193	845,000	40%
REMP	215,314	230,000	250,000	(20,000)	1,000,000	23%
Real Estate	NA	386,865	195,296	191,569	781,183	50%
Total	\$ 1,145,805	\$ 1,979,793	\$ 1,128,868	\$ 850,925	\$ 3,942,883	50%

Total						
	FY14 YTD	FY15 YTD	FY15 YTD Goal	(Under)/Over	FY15 Annual Goal	% of FY15 Annual Goal
Coal	162,893	75,570	57,000	18,570	151,200	50%
Oil & Gas	701,512	577,589	520,373	57,216	2,423,000	24%
Minerals	429,973	382,318	340,100	42,218	2,523,000	15%
Materials	(10,227)	5,211	6,000	(789)	12,000	43%
Timber	3,069	3,587	150,000	(146,413)	450,000	1%
Land	526,408	460,366	448,478	11,888	2,045,000	23%
REMP	NA	230,000	250,000	(20,000)	1,000,000	23%
Real Estate	-	386,865	195,296	191,569	781,183	50%
Total	\$ 1,813,628	\$ 2,121,506	\$ 1,967,247	\$ 154,259	\$ 9,385,383	23%

Real Estate Management Plan Monthly Report

Cash Flow by Month - Real Estate Investment Portfolio

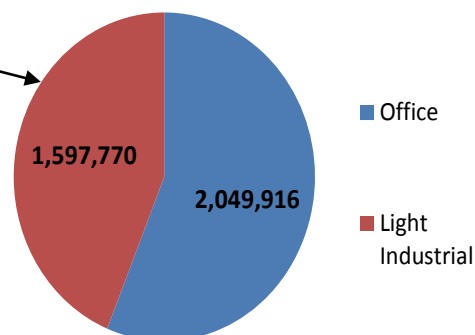


Portfolio Performance by Month

Month	Trust Principal Investment	Operating Cash Flow	Monthly Income Return on Principal
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%
Jun-14	17,248,744	155,904	0.90%
Jul-14	17,248,744	97,860	0.57%
Aug-14	17,248,744	284,954	1.65%
Sep-14	17,248,744	220,362	1.28%
12-Month Average		\$ 184,370	
12-Month Total		\$ 2,212,437	
Inception to Date		\$ 3,647,686	

- 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 and the building was not financed 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.
- ☆ Trust Principal Investment is lower in June due to the financing of the Parks Building for \$10,000,000.
- Cash flow in July is lower due to rent not being paid at 1111 Israel. This issue is being resolved and July rent was received in August.

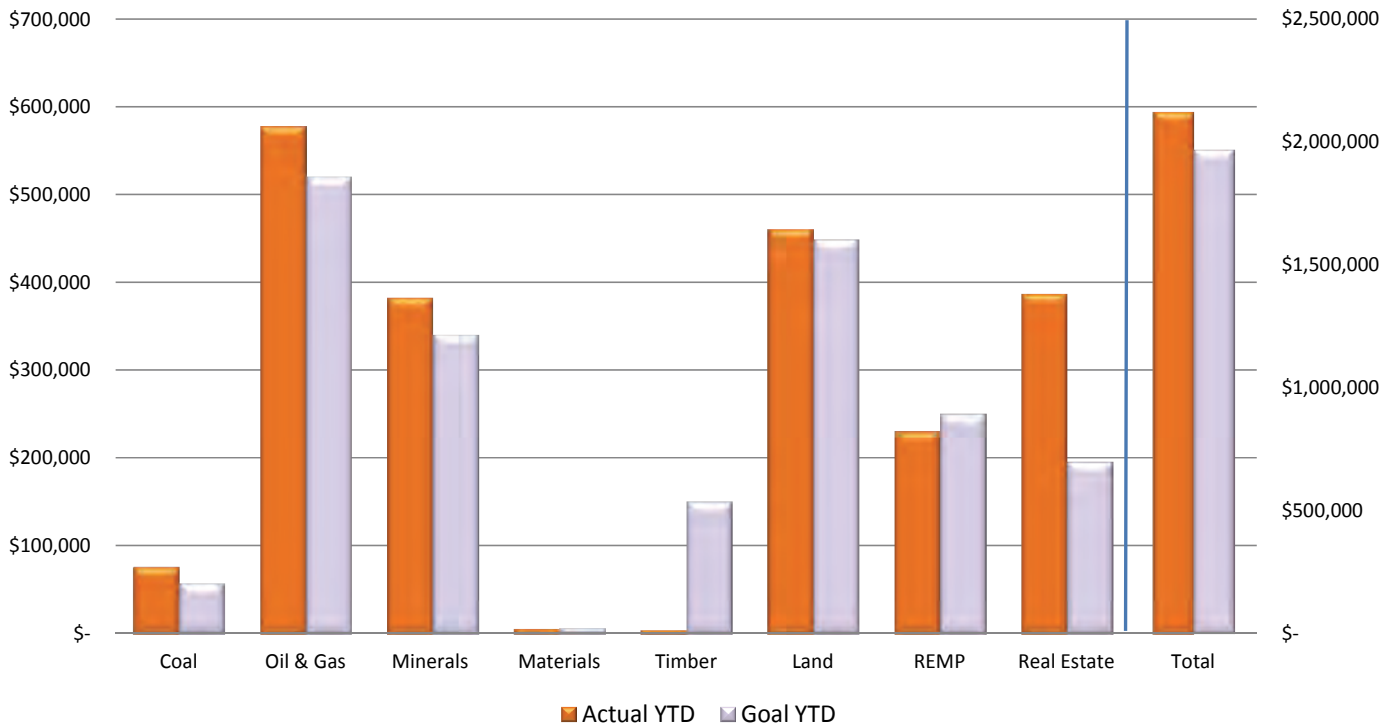
Cash Flow by Property Type Inception to Date



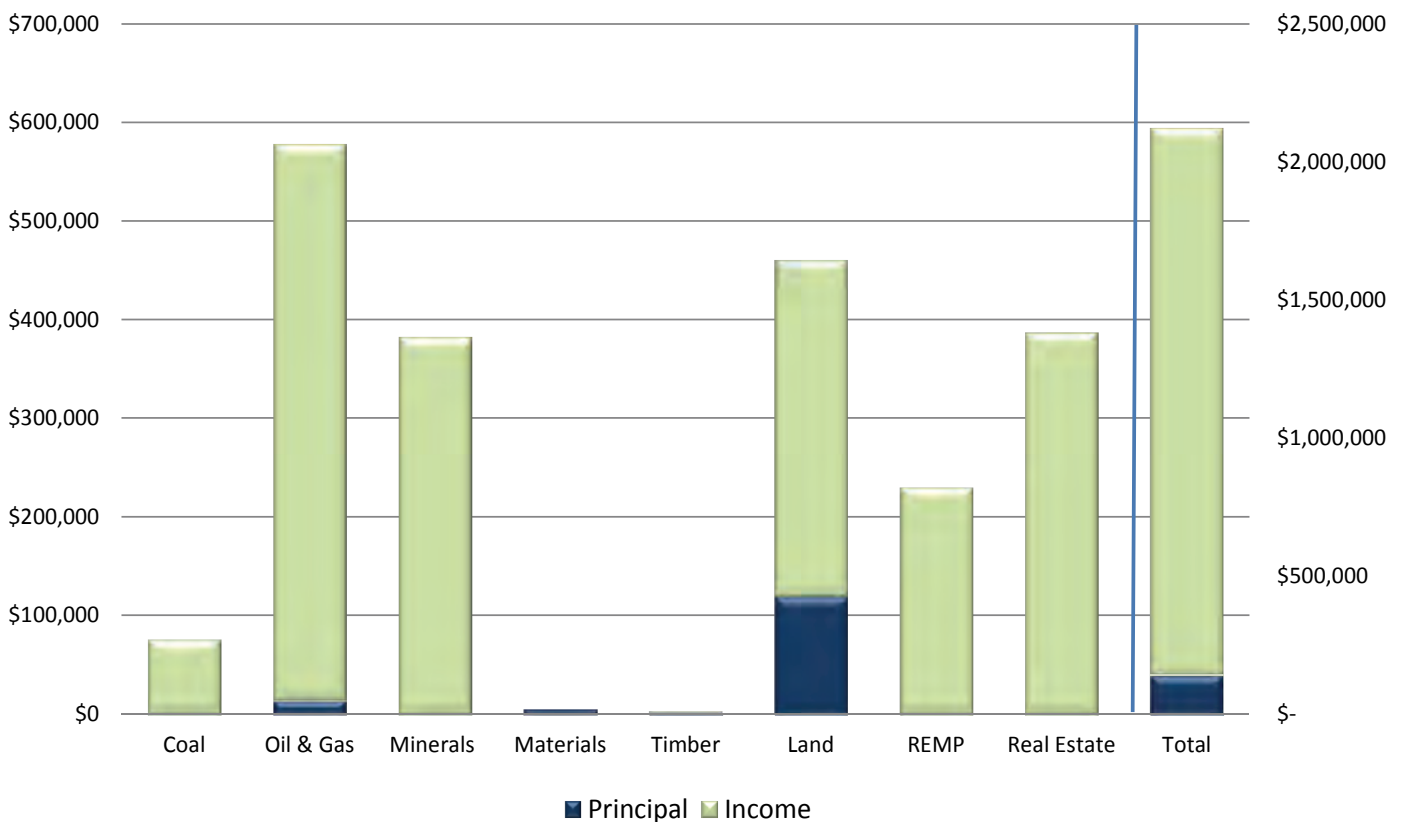
Portfolio Value

Asset Basis	37,200,619
Asset Appreciation/(Depreciation)	484,595
Current Asset Value	37,685,214
Equity	18,280,854 48.51%
Debt	19,404,360 51.49%

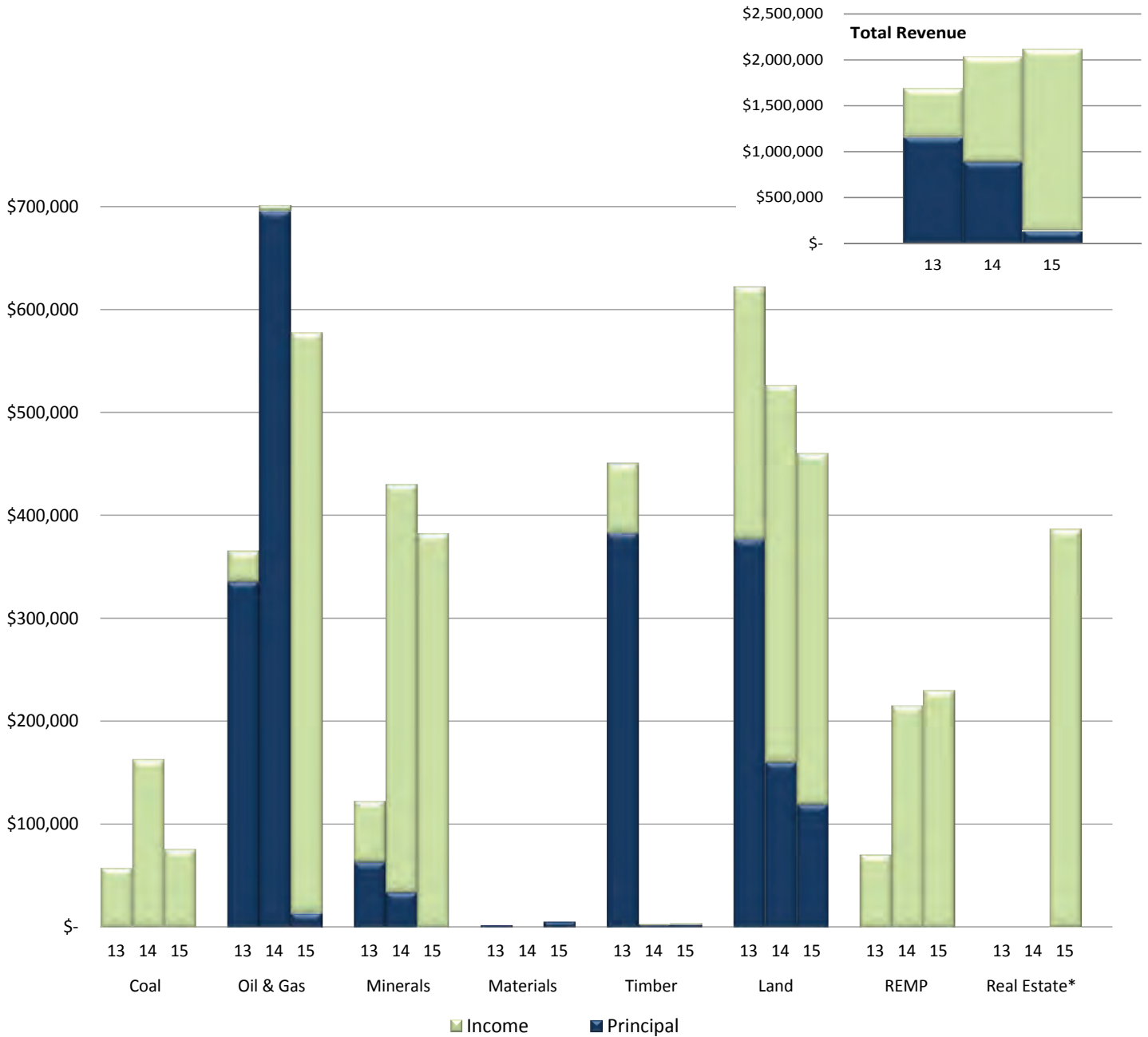
FY15 YTD Revenue vs. FY15 Revenue Goal As of September 30, 2014



FY15 YTD Revenue - Principal and Income As of September 30, 2014



Revenue as of September 2014 Fiscal Year to Date – Principal and Income FY2013 - FY2015



*Real Estate was not tracked separately in FY13 and FY14. Real Estate revenue was included with Land.

General Performance Measurements As of September 30, 2014

2. Operating Budget:

AR 37169	Original Appropriation	Line Item Transfer	Current Appropriation	Expended	Balance	% Expended
Personnel	2,664,400	(45,000)	2,619,400	579,065	2,040,335	22%
Travel	123,200	-	123,200	10,482	112,718	9%
Services	1,229,300	45,000	1,274,300	42,786	1,231,514	3%
Commodities	54,500		54,500	2,093	52,407	4%
Capital Outlay	-	-	-	-	-	NA
Total	\$ 4,071,400	-	\$ 4,071,400	\$ 634,426	\$ 3,436,974	16%

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	58,203	25%	-	7,061	51,142	12%
Land Sale Program Support*	116,218	100%	59,978	40,022	16,218	34%
Total	\$ 361,913		\$ 59,978	\$ 126,382	\$ 175,553	35%

4. Capital Funds - Other

	Budget	% Complete	Encumbered	Expended	Unobligated Balance	% Expended
Trust Land Exchange FY14-15	2,250,000	25%	96,656	18,221	2,135,123	1%
Harding Lake Subdivision*	74,750	100%	3,187	71,563	-	96%
Island Lake Road Construction*	25,040	100%	-	22,044	2,996	88%
Two Fish Lake Road Construction*	46,820	100%	-	46,772	48	100%
Tract C-2 Pre-Development*	1,950,000	100%	17,107	1,745,296	187,597	90%
Total	\$ 4,346,610		\$ 116,950	\$ 1,903,896	\$ 2,325,764	44%

5. Income Funds - Other

	Budget	% Complete	Encumbered	Expended	Unobligated Balance	% Expended
Icy Bay Road Maintenance	50,000	97%	10,528	39,472	-	79%
Total	\$ 50,000		\$ 10,528	\$ 39,472	\$ -	79%

*Project is complete. Closeout pending administrative items .