Real Estate Questions

• Why real estate?
• Why debt?
• Interest only debt?
• Portfolio vs facility debt? Ask Carol……..
• Under what conditions can the Trust deploy principal?
Real Estate Questions

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Trust Land Office
Annual Revenue FY1995 - FY2019

Total Revenue Generated: $222.5

FY95  FY96  FY97  FY98  FY99  FY00  FY01  FY02  FY03  FY04  FY05  FY06  FY07  FY08  FY09  FY10  FY11  FY12  FY13  FY14  FY15  FY16  FY17  FY18  FY19

Minerals & Materials
Coal, Oil, & Gas
Lands
Timber
Real Estate/REMP

Color Key:
- Minerals & Materials
- Coal, Oil, & Gas
- Lands
- Timber
- Real Estate/REMP
Permanent Fund Performance

PERMANENT FUND RETURN

From APFC Website – May 18, 2020
Total Revenue Generated: $222.5
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# Why Debt?

## Conceptual Debt Analysis

<table>
<thead>
<tr>
<th></th>
<th>No Debt</th>
<th>50% Debt</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Building A</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Investment Value</strong></td>
<td>$1,000,000.00</td>
<td>$1,000,000.00</td>
</tr>
<tr>
<td><strong>Amount of Debt</strong></td>
<td>0</td>
<td>$500,000.00</td>
</tr>
<tr>
<td><strong>Amount Invested</strong></td>
<td>$1,000,000.00</td>
<td>$500,000.00</td>
</tr>
<tr>
<td><strong>Market rent</strong></td>
<td>8%</td>
<td>8%</td>
</tr>
<tr>
<td><strong>Revenue</strong></td>
<td>$80,000.00</td>
<td>$80,000.00</td>
</tr>
<tr>
<td><strong>Interest on Debt</strong></td>
<td>0%</td>
<td>4%</td>
</tr>
<tr>
<td><strong>Debt Service</strong></td>
<td>$-</td>
<td>$20,000.00</td>
</tr>
<tr>
<td><strong>Cash Flow</strong></td>
<td>$80,000.00</td>
<td>$60,000.00</td>
</tr>
<tr>
<td><strong>Gross Return on Investment</strong></td>
<td><strong>8.00%</strong></td>
<td><strong>12.00%</strong></td>
</tr>
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<th>Amort Debt</th>
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<td>Revenue</td>
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<td>$80,000.00</td>
<td>$80,000.00</td>
</tr>
<tr>
<td>Principal on Debt</td>
<td>$-</td>
<td>$-</td>
<td>$16,500.00</td>
</tr>
<tr>
<td>Interest Rate</td>
<td>0%</td>
<td>4%</td>
<td>4%</td>
</tr>
<tr>
<td>Interest Paid</td>
<td>$-</td>
<td>$20,000.00</td>
<td>$20,000.00</td>
</tr>
<tr>
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The TLO
Fundamental Unanswered Question

• Can the Trust deploy principal to enhance Trust assets?
• What do the statute and regulations allow?
  – Open to interpretation
  – Audit did not resolve
  – There are two ways to resolve the issues:
    • Through the courts
    • Legislative action
• Working with the Legislature is better!
Discussion
Thank you