

ALASKA MENTAL HEALTH TRUST AUTHORITY
RESOURCE MANAGEMENT COMMITTEE MEETING

October 26, 2016
1:30 p.m.

Taken at:
3745 Community Park Loop, Suite 120
Anchorage, Alaska

OFFICIAL MINUTES

Trustees present:

Larry Norene, Chair
Russ Webb
Carlton Smith
Laraine Derr
Paula Easley
Jerome Selby
Mary Jane Michael

Trust staff present:

Jeff Jessee
Steve Williams
Miri Smith-Coolidge
Amanda Lofgren
Heidi Wailand
Kevin Buckland
Luke Lind
Mike Baldwin
Carley Lawrence
Carrie Predeger
Katie Baldwin-Johnson
Valette Keller

TLO staff present:

John Morrison
Karsten Eden
Mike Franger
Leann McGinnis
Wyn Menefee
Sarah Morrison
Bryan Yackel
Paul Slenkamp - via teleconference

Also present:

Kathy Craft; Kate Burkhart; Patrick Reinhart; Sherry Henshaw; Faith Myers; Dorrance Collins; Susan Musante; Lisa Cauble; Brenda Moore; Charlene Tautfest.

PROCEEDINGS

TRUSTEE NORENE states that Trustee Smith asked him to preside at this meeting. He calls the meeting to order. He states that all the trustees are present and asks for any announcements. He moves to the agenda and asks if there are any additions or deletions.

TRUSTEE SELBY states that he would like to hear an update on what is happening with the Congressional bill.

TRUSTEE NORENE moves to the approval of the minutes of the August 11th meeting.

TRUSTEE MICHAEL makes a motion to approve the minutes of the August 11, 2016, Resource Management Committee meeting.

TRUSTEE WEBB seconds.

TRUSTEE DERR states that the minutes on the Web site have been changed and wants to know who reviews the minutes and who changes them.

MR. MORRISON asks Leann McGinnis to explain.

MS. MCGINNIS replies that once the full minutes are issued, the TLO staff who speak at the meetings are given the opportunity to review the minutes to make sure the spellings are correct, the file numbers, the dollar amounts; the important things are done correctly. She states that sometimes things do not come across quite as clearly as they should be from the verbatim to the final minutes, and edits are made. She continues that they are then sent back to Northern Lights Realtime & Reporting for the changes to be made to the minutes. She explains that what happened here is that the copies have gotten switched. The intent is not changed, just the specifics.

TRUSTEE DERR states that a paragraph was eliminated, which is more than a spelling change or correction.

MS. MCGINNIS states that she will look to clarify that. She continues that there were some deletions made that were not really accurate and were removed.

TRUSTEE DERR states that her problem is that if something is not accurate and it was declared in the meeting, then whoever edits the minutes should not take the license to delete something if it was not accurate. Those are the minutes of the meeting and should come back then under correction of the minutes at a later time.

TRUSTEE DERR makes a motion to hold these minutes until the tape can be listened to and see exactly what was said.

There being no objection, the minutes will be brought back at the next Resource Management Committee meeting.

TRUSTEE NORENE moves to the Executive Director's report.

EXECUTIVE DIRECTOR'S REPORT

MR. MORRISON asks if everyone had a copy of a comment letter. He states that the sole comment letter was received this morning about the deliberations today for the timber sale. He moves to the first quarter report with an enhanced format. During interim months, the information will be more readily available directly from the State systems for efficiency, as well as accuracy and needs for reporting. Also included and distributed is the FY16 annual reports for the TLO for review and consideration. He adds that no action is needed today, but wanted to make sure that the trustees have that as soon as possible. He moves on to the business of the TLO and states that the land sale bid openings were this morning and we were able to sell 19 of the 50 parcels offered. On the land exchange, some significant time was spent with Senator Murkowski and staff, as well as many others who are very interested in this land exchange legislation. It is Senator Murkowski's intention and sincere belief that the legislation will be advanced during the lame-duck session. He reports that some progress has been made on the issues on Yosemite Drive, and it has gone well. He talks about Aaron O'Quinn, the new PRI employee and his excitement about his new position, and he looks forward to be the resource manager envisioned for this position. He concludes the Executive Director's report.

TRUSTEE NORENE asks for any questions. There being none, he moves on to the Icy Cape Gold and Industrial Heavy Metals Project.

ICY CAPE GOLD AND INDUSTRIAL HEAVY METALS PROJECT

MR. MORRISON asks Dr. Karsten Eden, the Minerals and Energy section chief, to give this consultation and approval memo.

DR. EDEN states that what is needed is to form an entity to develop mineral resources independently or through joint ventures with other commercial interests -- meaning mining companies. He continues that they want to lease the property known as Icy Cape to the newly formed entity and fund this entity for \$2 million to conduct stratigraphic framework and resource drilling. He adds the need to improve existing field camps, the infrastructure; and acquire, equip and deploy a lab for preliminary sample analyses in support of the goal. He goes through the background of Icy Cape and its needs. He briefly goes through Phase 1 and Phase 2, and states that Phase 3 has been supervised by the TLO certified professional geologist and qualified person as defined in NI 43-101 and explains the plan in greater detail. He adds that Phase 4 might consist of a test mining operation through the entity with a pilot plan for producing gold and industrial heavy mineral products for sale. He states that this proposal is consistent with the Resource Management Strategy for Trust land which was adopted in January of 2016, in

consultation with the Trust, and provides for the Trust Land Office to focus first on land or resources at the high end of their market values. He continues that the recommendation is that the allocation of principal funds to form and fund the entity and to complete a lease with the entity so it can conduct the drilling and analysis campaign at Icy Cape, so far in Phase 3. He asks the board to approve the five motions, and explains them in detail.

TRUSTEE EASLEY states that she was appointed to this Trust because of her years of experience with mining and oil and gas and timber projects. She continues that she has been associated and involved with hundreds of mining projects in Alaska and the Western States. She adds that she personally met with Jeff Foley, who was involved in this discovery in the early 1990s, and he thinks this is one of the best prospects to come down the pike. She states that she had a lot of questions, which he answered. He was particularly impressed with the person who will be doing the next phase of analysis, Andrew Grosz. She continues that the due diligence is outstanding, but she is concerned about potential regulatory and environmental roadblocks. She adds that she was told that the \$2 million that is being talked about in investing in this will add a lot of value to the prospect. She states concern about the first two motions.

A discussion ensues on the motions, and the concerns of the trustees in the wording and the meaning behind each motion.

TRUSTEE EASLEY makes a motion that the Resource Management Committee recommends the Alaska Mental Health Trust Authority Board of Trustees approve the formation of an entity by the Trust Land Office for the purpose of advancing the Icy Cape Gold and Industrial Heavy Minerals project by developing and marketing the property and pursuing joint ventures.

There being no second, the motion fails.

A discussion on the wording ensues.

TRUSTEE WEBB states that Motion No. 1 is purely a purpose statement and does not actually authorize anything; a broad-purpose statement is wanted.

The discussion continues.

TRUSTEE WEBB makes a motion that the Resource Management Committee recommends that the Alaska Mental Health Trust Authority Board of Trustees approve the formation of an entity by the Trust Land Office for the purpose of advancing the Icy Cape Gold and Industrial Heavy Minerals project by developing and operating the Icy Cape mineral project and forming joint ventures.

TRUSTEE MICHAEL seconds.

Trustee Easley objects. There being one objection, the motion is approved.

TRUSTEE WEBB makes a motion that the Resource Management Committee recommends the Alaska Mental Health Trust Board of Trustees authorize the executive director of the TLO to

represent the Trust's interests in the project to ensure a successful operation, including, but not limited to, modification to the project, plan, sale of mined goods, financing or other capital considerations and developing proposed joint venture partnerships at appropriate junctures.

TRUSTEE SMITH seconds.

TRUSTEE EASLEY wants all to realize that the trustees are approving going into a mining operation.

Trustee Easley objects. There being one objection, the motion is approved.

TRUSTEE WEBB makes a motion that the Resource Management Committee recommends that the Alaska Mental Health Trust Board of Trustees approve the proposed action to fund the newly formed entity with principal from the Trust Authority Development Account, TADA, fund code 3320, with \$2 million. These funds do not lapse.

TRUSTEE MICHAEL seconds.

TRUSTEE WEBB on his motion, states that Mr. Morrison previously indicated that the source of the funds is immaterial; the matter is simply getting the funds.

MR. MORRISON replies that is correct. He asks to hear from Mr. Buckland.

MR. BUCKLAND states that, essentially, this would be handled the same as the Real Estate Management Plan special purpose entities and funding it with principal. He continues that he does not see an issue with that and understands that using principal would make sense. This would be treated as an investment.

A short discussion ensues.

TRUSTEE DERR asks how much money is in the TADA.

MR. BUCKLAND replies that there is \$16.7 million in cash, and approximately \$2.1 million cash available, without making further changes to the spending plans.

TRUSTEE DERR asks if this essentially depletes the cash.

MR. BUCKLAND replies yes, but that there is cash in there related to land exchange authorization and items that may not be fully expended in the future, and previously authorized real estate planning investment for development projects that have not been expended.

TRUSTEE DERR asks how to differentiate the fact that is principal and is being used for operating. She states that she thinks that the TADA account is supposed to be used only for principal.

MR. BUCKLAND replies and explains.

There being no objection, the motion is approved.

TRUSTEE WEBB 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 modify or cancel these transactions.

TRUSTEE EASLEY seconds.

There being no objection, the motion is approved.

TRUSTEE WEBB makes a motion that the Resource Management Committee recommends the Alaska Mental Health Trust Board of Trustees concur with the leasing of the parcel known as Icy Cape to the newly formed entity for the purposes of pursuing a mine.

TRUSTEE MICHAEL seconds.

There being no objection, the motion is approved.

TRUSTEE DERR makes a motion that joint ventures must be approved by the Board.

TRUSTEE SELBY seconds.

There being no objection, the motion is approved.

TRUSTEE WEBB states that he would like to explore a couple of things regarding this project because it has been raised in some correspondence recently. He continues that it has been indicated that the TLO, and based on the actions today, the Resource Management Committee, “are using funds in an advanced mine exploration program at Icy Cape with little or no understanding of what is involved in the development of a mine.” He asks Dr. Eden to remind all of his credentials and experience.

DR. EDEN replies that he has been involved in mineral exploration and mine development for 20 years, and started his career in Western Australia, working there and all over the world. He states that his background has been in exploration and mining. As far as the project is concerned, we are working with the best of the best in the industry.

TRUSTEE WEBB asks about the paper that was presented at the conference in South Africa with Dr. Eden and four other gentlemen. He asks for a bit of information about their backgrounds.

DR. EDEN replies that the paper co-authors were Andrew Grosz of Global Mineral Sands and Jeff Foley. Both were conducting the 1991-1992 titanium evaluation project out in Icy Cape, and they have backgrounds in heavy minerals. Andrew Grosz is "the man" in North America, and we are fortunate to have him on board.

TRUSTEE WEBB states that it is their opinion that this is one of the highest potential value projects that any of them have ever been involved with and, in their general estimation, the risk seems low that the money invested in this project would receive no return.

DR. EDEN replies that the risk is pretty low. Everything indicates that there is significant potential out there.

TRUSTEE EASLEY states that she made those statements very clear in the preamble to her discussion.

TRUSTEE WEBB asks, comparing the potential recoverable material there and the value of it, weighed against the \$2 million investment, would it be a balance or imbalance in terms of the investment versus the potential return.

DR. EDEN replies that the potential return would be enormous.

TRUSTEE NORENE asks, in regard to proprietary information, if the trustees have been provided with proprietary information in the executive sessions in the past.

MR. MORRISON replies yes, on two occasions, presentations of proprietary information have been made to the trustees in a confidential nature.

TRUSTEE NORENE asks if further proprietary information has been provided individually to any trustees.

DR. EDEN replies no.

TRUSTEE DERR states that she has one comment. Under the alternatives she suggests that there might be another alternative, do nothing and hope someday that industry will approach. She continues that on the TLO Web site it said that most prospective mineral tracts are typically offered for exploration and development through a competitive leasing process. She adds that while many state of Alaska mining claims exist on Trust land; new mining claims staking is not allowed. Instead Trust minerals, like other Trust resources, are disposed of on a competitive basis. She states that there may be a couple of other alternatives for the next time one of these are done.

DR. EDEN states that competitive lease would not work in Icy Cape.

TRUSTEE NORENE calls a break.

(Break.)

TRUSTEE NORENE calls the meeting back in session, and moves to consultations. There are two items, and he begins with Alaska natural gas negotiated lease.

CONSULTATIONS

MR. MORRISON notes that there has been some administrative turnover in the office and draws attention to the packet. He states that this is not the final version of the document, and apologizes for the error. There are two corrections: on page one under revenue projections, it should say "Up to \$950,000 in bonus bids..." On page two that "bonus bids are based on \$10/acre."

MR. FRANGER explains that this is a proposal to lease on a negotiated basis 19 Trust oil and gas lease tracts that total about 95,000 acres to Alaska Natural Gas Corporation. He states that all of the tracts are located on the west side of Cook Inlet, in pretty remote areas and that these tracts have been offered for lease in the past. The proposal that Alaska Natural Gas has presented is that they would like to lease this acreage in order to develop the unconventional natural gas resources within these tracts which would be coal bed methane. He explains in greater detail and states the recommendation is to pursue these leases on a negotiated basis.

TRUSTEE WEBB makes a motion that the Resource Management Committee recommends that the Alaska Mental Health Trust Authority Board of Trustees concur with the negotiated leasing of 19 oil and gas lease tracts for exploration and development of the Trust natural gas resources, as proposed.

TRUSTEE SMITH seconds.

There being no objection, the motion is approved.

TRUSTEE NORENE states that the next item is the Juneau Subport subdivision negotiated sale.

MR. MORRISON states his excitement about this particular opportunity to generate some revenue from a particular parcel, and recognizes Bryan Yackel, the project manager, to do the consultation.

MR. YACKEL states that this consultation is for disposal through negotiated sale of a portion of Lot C2 of the Subport Subdivision; a portion of MHT Parcel C20499. In terms of benefit to the Trust, the current offer is for \$1,300,000, which was extended by a group called Develop Juneau Now which is an Alaska-based limited liability corporation. He continues that the terms of the conditions are being finalized, and we are working to evaluate their timeline for development, and the nature of their development. The recommendation is that the committee support the disposal through negotiated sale.

TRUSTEE SMITH states that there needs to be two significant things to know in this case. One is who these folks are, and what the proposed use is going to be.

MR. YACKEL agrees.

TRUSTEE WEBB makes a motion that the Resource Management Committee recommends that the Trust Authority Board of Trustees concur with a negotiated sale by the TLO for the disposal

of a portion of Trust parcel C20499, further referred to as lot C2, or portions thereof, at the Juneau Subport Subdivision.

TRUSTEE MICHAEL seconds.

There being no objection, the motion is approved.

TRUSTEE WEBB asks if this is the parking lot.

MR. YACKEL replies, yes.

TRUSTEE WEBB states that he heard from folks in Juneau all manner of irritation about the fact that the parking lot was closed off. He makes a disclosure, conflict of interest, in that he parked there for many years.

TRUSTEE NORENE moves on to a reconsideration consultation. He states that there are two of them; Petersburg timber harvest, and Ketchikan timber harvest.

MR. MORRISON states that these are two unique items on the agenda and are reconsiderations due to an abundance of caution based on some concerns about previous process. He asks Mr. Slenkamp to continue.

MR. SLENKAMP states that he is the senior resource manager for the Trust Land Office with Forestry. He goes through and highlights some of the key milestones of this land exchange. He continues that after almost a year of negotiation, the Forest Service finally announced a new time and cost estimate which showed that the NEPA process would take at least five years and cost a minimum of \$3 million, without litigation. He adds that the history of the Tongass is very full of litigation, and it is very possible that could overrun that \$3 million. He states that, with the encouragement of the Alaska Forest Association and the remaining timber industry, Senator Murkowski introduced the Alaska Mental Health Trust Land Exchange Act in 2016. The Alaska Mental Health Trust and consultant, the Forest Service and Energy Committee staff worked with many parties to structure the maps and language of this bill to make it acceptable. Senator Murkowski has stated that this bill is a high priority and is supposed to be passed in this lame-duck session. He continues that the shutting down of the timber industry and associated infrastructure may result in a decrease of the value of Trust timber. It is for this reason that the TLO determined to move this project forward. The preferred alternative is to complete the land exchange. He continues explaining and states that this proposal is consistent with the Resource Management Strategy for Trust land that was adopted in January, 2016, with consultation with the Trust. He states that the Trust Land Office recommends to proceed with the competitive T1 timber sale of parcels CRM-2099, 2281, 2282, 2283, if this S3006, our land legislation, does not pass under Congress. The projected revenue is \$2,673,150 to principal, and \$471,522 to income.

TRUSTEE WEBB makes a motion that the Resource Management Committee recommends that at its November 17, 2016, board meeting, or as soon thereafter as possible, the Alaska Mental Health Trust Authority Board of Trustees reconsider this consultation and advise whether or not it concurs with the proposed disposal of timber on Trust land near Petersburg through a

negotiated sale sometime after January 15, 2017, unless, by that time, legislation is enacted by Congress directing the Secretary of Agriculture to exchange with the Trust identified and approved National Forest land that is equal in value to the subject parcel.

TRUSTEE MICHAEL seconds.

TRUSTEE WEBB states that the Resource Management Committee considered this sale at the August meeting and made recommendation to the Full Board. The Full Board subsequently scheduled a meeting 12 to 14 days out for consideration, and it was the sole item on the agenda for that board meeting. It was not public- noticed or identified as fully until about two or three days before the actual meeting occurred. All of the trustees have received a good bit of public input regarding this action and the concern some have. He continues that the intention was to have a public process to give information about what was being done, why this was being done, and how it was going to be done so everyone would be fully informed. For a variety of reasons, that was unable to occur at the time. He states that it is appropriate to engage with the public and have an opportunity for them to fully understand what is being done, why and how for input before making a final decision.

TRUSTEE SELBY asks Mr. Morrison if Senator Murkowski and her staff have been briefed on this proposed action today and if there is any anticipated impact on the legislation.

MR. MORRISON replies that there is close contact with Senator Murkowski and her staff. They are aware of this action and coming actions. At the moment, it is not likely to have a negative impact on the legislation.

TRUSTEE NORENE calls the vote.

TRUSTEE SELBY objects. There being no other objections, the motion is approved.

TRUSTEE SMITH asks Mr. Slenkamp if his time line and talking points are available, as reviewed.

MR. SLENKAMP replies that he will make them available.

TRUSTEE DERR states that the public notice is out in regard to the community meetings in Petersburg and Ketchikan, and asks who is attending those meetings.

MR. MORRISON states that tomorrow will be an opportunity for public meeting in Petersburg; then on November 1st will be in Saxman in the afternoon, and then in Ketchikan proper in the evening. He continues that attending from the TLO will be himself, Wyn Menefee, Paul Slenkamp and David Griffin, Southeast land manager; and Carley Lawrence from the Trust Authority Office. He adds that Trustee Smith will also be attending the meetings in Saxman and Ketchikan.

TRUSTEE NORENE moves to Item 3.

MR. MORRISON states that this is the same scenario as the previous timber consultation, and recognizes Mr. Slenkamp.

MR. SLENKAMP states that this proposed timber sale disposes commercially viable timber on Trust land located in Ketchikan, Alaska. The proposed sale is composed of lands near the community that have high visibility and have a highly used public trail. The Deer Mountain Trail transects the western portion of the parcel, with the peak of Deer Mountain comprising the northwest corner. The remainder of the parcel is visible from the Tongass Narrows, which is utilized by cruise ships, the Alaska Marine Highway and many individuals. The parcel was included in the three-parcel land sale with the U.S. Forest Service in 2002. Two of the three parcels in that sale were sold, and this one was not. He continues that this sale will benefit the Trust with \$1,785,000 in principal and \$335,000 in income. The Trust Land Office will conduct public meetings to address some concerns on November 1st in Saxman and Ketchikan.

TRUSTEE WEBB makes a motion that the Resource Management Committee recommends that at the November 17, 2016, board meeting, or as soon thereafter as possible, the Alaska Mental Health Trust Authority Board of Trustees reconsider this consultation and advise whether or not it concurs with the proposed disposal of timber on Trust land near Ketchikan through a negotiated sale sometime after January 15, 2017, unless, by that time, legislation is enacted by Congress directing the Secretary of Agriculture to exchange with the Trust identified and approved National Forest land that is equal in value to the subject parcel.

TRUSTEE SMITH seconds.

TRUSTEE SELBY objects. There being no other objections, the motion is approved.

MR. MORRISON reiterates that this process the board is going through is really a precursor to the public process whereby the public will have ample opportunity to provide comment.

TRUSTEE NORENE asks for any other item to come before the Resource Management Committee. There being none, he asks for a motion to adjourn.

TRUSTEE WEBB makes a motion to adjourn the Resource Management Committee.

There being no objection, the meeting is adjourned.

(Resource Management Committee meeting adjourned at 3:35 p.m.)