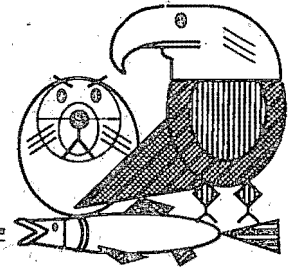


Exxon Valdez Oil Spill Trustee Council

Restoration Office

645 G Street, Suite 401, Anchorage, Alaska 99501-3451

Phone: (907) 278-8012 Fax: (907) 276-7178



AGENDA

EXXON VALDEZ OIL SPILL SETTLEMENT

TRUSTEE COUNCIL MEETING

MAY 31, 1996 @ 1 P.M.

645 G STREET, ANCHORAGE

DRAFT

RECEIVED
5/31/96
8:16 am
JUN 24 1996
DRAFT

Trustee Council Members:

BRUCE BOTELHO/CRAIG TILLERY

Attorney General/Trustee
State of Alaska/Representative

MICHELE BROWN

Commissioner
Alaska Department of Environmental
Conservation

GEORGE T. FRAMPTON, JR./DEBORAH WILLIAMS

Assistant Secretary/Trustee Representative
for Fish & Wildlife & Parks
U.S. Department of the Interior

PHIL JANIK

Regional Forester - Alaska Region
U.S. Department of Agriculture
Forest Service

STEVE PENNOYER

Director, Alaska Region
National Marine Fisheries Service

FRANK RUE

Commissioner
Alaska Department of Fish & Game

Teleconferenced in Juneau, Forest Service Conference Room 541A

FRANK RUE, Chair

Continuation Meeting

1. Call to Order 1 p.m.
- Approval of Agenda
2. Report from Chenega Negotiators
3. Public Comment Period
4. Chenega Acquisition*
5. Prince William Sound Beach Cleanup
6. Executive Session on Habitat Protection and Budget

* indicates possible action item.

Adjourn - 4 p.m.

Trustee Agencies

State of Alaska: Departments of Fish & Game, Law, and Environmental Conservation
United States: National Oceanic and Atmospheric Administration, Departments of Agriculture and Interior

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MAY 31, 1996RESOLUTION OF THE
EXXON VALDEZ OIL SPILL TRUSTEE COUNCILRECEIVED
JUN 24 1996

We, the undersigned, duly authorized members of the Exxon Valdez Oil Spill Trustee Council, after extensive review and after consideration of the views of the public, find as follows:

1. The Chenega Corporation ("Chenega"), an Alaska Native Village Corporation, either owns or is entitled to receive title to the surface estate of certain lands and has expressed a willingness to sell land or interests in lands located along the southwest side of Prince William Sound, consisting of approximately 60,635 acres. These lands were selected and conveyed, or are to be conveyed, pursuant to the Alaska Native Claims Settlement Act ("ANCSA"). The subsurface rights associated with these lands are held by Chugach Alaska Corporation.

2. Chenega desires to sell certain interests in these lands to the United States or the State of Alaska as part of the Trustee Council's program for restoration of the natural resources and services that were injured or reduced as a result of the Exxon Valdez Oil Spill ("EVOS"). These land interests are specifically described in Exhibit A ("the Lands").

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3. The Lands are within the oil spill area as defined by the Trustee Council in the Final Restoration Plan. The Lands are located within the area of Prince William Sound that generally sustained the highest level of injury, with residual oil still persisting on beaches. The natural resources used by the residents of this area suffered significant injuries as a result of the EVOS and some of these resources have yet to recover.

4. The Lands include important habitat for various species of fish and wildlife for which significant injury resulting from the spill has been documented. Based on the comprehensive habitat review process utilized by the Trustee Council, two parcels included within the Lands, Eshamy Bay and Jackpot Bay parcels, are among the highest ranked parcels in the entire oil spill area for restoration of injured resources and reduced services. The Jackpot Bay parcel would be the highest ranked parcel acquired to date as part of the Trustee Council's habitat protection program. Eshamy and Jackpot Bays, located adjacent to the Port Nellie Juan Wilderness Study Area, have the largest populations of wild pink salmon in the Prince William Sound region and together contain twenty-two anadromous streams. Eshamy Bay is also the highest sockeye producing system in western Prince William Sound. Both Jackpot and Eshamy Bays represent the northwestern most range for cutthroat trout. The area has important wintering lakes for, and supports strong populations of, Dolly Varden. The area is an important wintering habitat for harlequin ducks and pigeon

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guillemots. Eshamy Bay has also been documented as having high concentrations of river otters. The remaining Chenega lands, although determined by the comprehensive habitat protection analysis to provide a moderate overall benefit for restoration, still provide high potential benefit for the following key individual injured species and reduced services: pink salmon, black oystercatchers, harbor seals, harlequin ducks, marbled murrelets, pigeon guillemots, sea otters, cultural resources, and subsistence uses. These resources and uses will benefit from acquisition of the Lands by preventing the loss of nesting habitat, maintaining water quality and riparian habitats, and by preventing disturbances to nearshore and intertidal habitat use. The Lands have high scenic value and also support high-value, wilderness-based recreation, including sport hunting and fishing, hiking, and camping. Overall, the Lands were analyzed by the comprehensive habitat protection review process as having nearly the highest benefit for the recovery of resources and associated services injured or reduced by the spill. The Lands provide some of the highest valued habitat for twelve injured resources and four associated services. Of the twelve injured resources found on the Lands, five are still not recovering including: (1) harbor seals; (2) harlequin ducks; (3) marbled murrelets; (4) pigeon guillemots; and (5) sea otters. Further discussion of the benefits from the acquisition of interests in the Lands is described in the attached Restoration Benefits Report.

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5. Existing laws and regulations, including but not limited to the Alaska Forest Practices Act, the Anadromous Fish Protection Act, the Clean Water Act, the Alaska Coastal Management Act, the Bald Eagle Protection Act, and the Marine Mammal Protection Act, are intended, under normal circumstances, to protect resources from serious adverse effects from logging and other developmental activities on private land. However, restoration, replacement, and enhancement of natural resources, and acquisition of equivalent resources and services injured, lost or reduced as a result of the EVOS present a unique situation. Without passing judgment on the adequacy or inadequacy of existing law and regulations to protect resources, biologists, other scientists, and other resource specialists agree that, in their best professional judgment, protection of habitat in the spill-affected area to levels above and beyond those provided by existing law and regulations will have a beneficial effect on recovery of injured resources and lost or diminished services provided by these resources.

6. There is widespread public support for the acquisition of the Lands.

7. The purchase of the interests in the Lands offered by Chenega is an appropriate means to restore a portion of the injured resources and reduced services in the oil spill area. Acquisition of the interests in the Lands is consistent with the Restoration Plan and Final Environmental Impact Statement.

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8. A resolution was passed by the Trustee Council on December 2, 1994 authorizing funding for an offer to purchase a combination of fee simple and conservation easement interests in the Lands. The purchase price authorized for those interests was the final, approved appraised fair market value of the interests plus twenty percent (20%) of the final, approved appraised fair market value, so long as this price did not exceed \$48,000,000. The additional twenty percent was offered to provide Chenega a benefit for selling its interests in the Lands by means of a six year deferred payment schedule.

9. An approved appraisal completed for the Trustee Council determined that the fair market value of the fee and conservation easement interests in the Lands to be acquired is \$8,854,400. This value is based upon the highest and best use of the Lands as recreational use. Although the appraisal estimated a value for the timber inventory located on the Lands as \$56,000,000, the appraiser concluded the total production costs to remove the timber could amount to as much as \$53,000,000. Based on this analysis, it is unlikely that an independent party would currently bid on this timber. Accordingly, the appraisal did not consider the sale of commercial timber rights to be the highest and best use of the Lands and it does not reflect any commodity value for the timber located on the Lands.

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10. Although not reflected in the appraisal, the timber located on the Lands represents a significant economic value to Chenega. As is appropriate, the appraisal was based on an analysis of a disinterested buyer and seller and did not consider or reflect economic values that Chenega as the owner might reasonably expect to receive from its timber assets. For instance, it was found by the Forest Service review appraiser from the timber data compiled for the appraisal that, as the landowner, Chenega could take advantage of peak market periods and harvest conditions, as well as selective cutting methods, to realize an economic value of up to \$6 million from the harvest and sale of its timber.

11. In addition, Chenega is a joint venture partner of Koncor Forest Products Company, a Native-owned timber company in Alaska. Chenega has generally pledged its timber assets located on the Lands to the partnership in return for a percentage ownership of Koncor. This ownership interest has, and continues to, generate substantial net income and cash flow to Chenega. In order to sell the Lands and the timber located on the Lands as part of the Trustee Council habitat protection program, the Koncor partnership agreement requires Chenega to withdraw from the partnership, thus requiring Chenega to forego this stream of income and the potential value increase in Koncor.

12. For the Trustee Council's restoration and recovery objectives to be met as expeditiously as possible in the most

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heavily impacted oil spill area it is appropriate to preclude even a selective harvest on the Lands. Chenega has indicated that it can only justify a sale to its shareholders if they are fully compensated for all the economic values associated with its timber assets that Chenega would forego as a result of the sale. Chenega has also asserted that the appraised fair market value does not fairly compensate it for the Lands, which represent the majority of the land selections it received pursuant to ANCSA. Because the purposes of ANCSA include providing local residents both the opportunity to maintain their traditional way of life and their economic viability and self-sufficiency from the lands conveyed, Chenega has indicated it will only sell the Lands if these objectives are maintained and achieved.

13. It is ordinarily the Federal and State Governments' practice to acquire land interests at appraised fair market value. However, Chenega has rejected the Trustee Council's offer to acquire the Lands at the appraised value. Lacking the means to otherwise acquire the Lands in the absence of a mutually agreed to price, the Trustee Council is faced with the choice of foregoing this acquisition or negotiating an acquisition price in excess of the appraised value. Recognizing the above discussed benefits for restoration as well as the substantial public support that has been expressed regarding this acquisition, we conclude that the latter option is preferable. Accordingly, the Trustee Council has negotiated with Chenega in an attempt to reach a mutually agreed

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upon purchase price in excess of the appraised value that is reasonable.

14. Based on these negotiations, the Trustee Council hereby resolves to offer to purchase the Lands from Chenega, subject to the terms and conditions stated below, for a total sum of \$34 million in one lump sum payment or, alternatively, for a total sum of \$36 million paid as follows: \$20 million at closing, \$3 million one year after closing, \$13 million two years after closing. The Trustee Council finds that this offer represents a reasonable price given the substantial benefits for the restoration of the injured natural resources and related services to be achieved by this acquisition; the scope and pervasiveness of the EVOS; the need for protection and restoration of the Prince William Sound ecosystem in general, and this portion of the Sound, which was hardest hit by the oil spill; and the priority of this acquisition to other expenditures of the settlement funds for restoration activities.

THEREFORE, we resolve to provide the funds for the United States, acting through the Forest Service, and for the State of Alaska, to offer to purchase and, if the offer is accepted, to purchase the combination of fee simple and conservation easement interests in the Lands, as described in Exhibit A, pursuant to the following conditions:

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(a) receipt by the United States District Court for the District of Alaska ("District Court") of the annual settlement payments due from Exxon Corporation, et al;

(b) disbursement of these funds by the District Court to the United States and/or to the State for the purpose of this acquisition;

(c) completion of a satisfactory title search ensuring that Chenega is able to convey fee simple title or other interests in a manner that complies with the United States Department of Justice title standards;

(d) the absence of timber harvesting or other development on the Lands prior to closing;

(e) completion of a purchase agreement(s) and all other documents necessary for conveyance of the interests in the Lands to the United States and/or the State in the form and substance satisfactory to the United States Department of Justice and the Alaska Department of Law;

By unanimous consent and upon execution of the purchase agreement(s) and written notice from the State of Alaska, the United States, and the Executive Director of the EVOS Restoration Program that the terms and conditions set forth herein and in the purchase agreement(s) have been satisfied, we request the Alaska

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Department of Law and the Assistant Attorney General of the Environment and Natural Resources Division of the U.S. Department of Justice to petition the District Court for withdrawal from the District Court Registry account the sum of \$34 million at the time of closing or, if the alternative payment schedule is accepted by Chenega, that the sum of \$20 million be paid at the time of closing, and thereafter, to petition the District Court as follows:

\$3 million one year after the date of closing;

\$13 million two years after the date of closing.

These amounts represent the only amounts due under this resolution to Chenega from the EVOS joint settlement funds in the District Court Registry and no additional amounts are herein authorized to be paid to Chenega from such joint funds.

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Dated this _____ day of _____, 1996 at Juneau, Alaska.

PHIL JANIK
Regional Forester
Alaska Region
USDA Forest Service

BRUCE M. BOTELHO
Attorney General
State of Alaska

GEORGE T. FRAMPTON Jr.
Assistant Secretary for Fish,
Wildlife and Parks

STEVEN PENNOYER
Director, Alaska Region
National Marine Fisheries Service

FRANK RUE
Commissioner
Alaska Department of Fish
and Game

MICHELLE BROWN
Commissioner
Alaska Department of
Environmental Conservation

EXHIBIT A

GENERAL DESCRIPTION OF CHENEGA LANDS

The following description of interests to be acquired is approximate. The exact description and location of interests acquired and interests retained by Chenega will be determined by the the United States and Chenega prior to the execution of any purchase agreement and will include the results of any necessary surveys.

FEE SIMPLE

All Chenega lands north of Dangerous Passage, approximately 37,093 acres, which excludes three development sites retained by Chenega. One development site not to exceed thirty acres will be located in Eshamy Bay, one site not to exceed five acres will be located in Jackpot Bay, and one site not to exceed five acres will be located in Paddy Bay.

All Chenega lands located on Knight Island in T1N., R10E., SMD., Sections 5 and 8, approximately 775 acres.

Total Fee Simple Interests to be acquired: 37,868 acres.

CONSERVATION EASEMENT

Unless otherwise noted, the terms of the conservation easement will address timber and other natural resources uses, limits on development, and public access. All development sites will be limited to uses consistent with restoration objectives.

All remaining Chenega lands on Knight Island, approximately 4,205 acres, excluding a five acre site for development in Thumb Bay and specific one and one-half acre shareholder homesites to be identified by Chenega.

All Chenega lands on Chenega Island in T3N., R8E.; T3N., R7E; T4N., R8E., approximately 12,030 acres, excluding specific one and one-half acre shareholder homesites to be identified by Chenega and three development sites on south Chenega Island not to exceed a total of thirty acres. All remaining Chenega interests on Chenega Island, approximately 3330 acres, to be acquired as a conservation easement for timber only in T2N., R8E., excluding E1/2 of section 8, and the W1/2 of section 9.

All Chenega lands on Pleaides Islands, Whale Bay, and Fleming Island, approximately 3202 acres, excluding a five acre development site at Whale Bay on Flemming Island.

Total Chenega Lands encumbered by the Conservation Easement: 19,437 acres, with an additional 3330 acres constituting a timber only conservation easement.

Exhibit B

Restoration Benefits Report
Chenega Lands

REGION

Southeast Prince William Sound.

PROPOSED ACQUISITION DESCRIPTION

The Chenega Corporation lands identified to provide habitat protection through fee simple and partial interest acquisition are composed of approximately 70,000 acres along the southwest side of Prince William Sound. Included are Chenega Island and parts of Evans, Latouche, Flemming, and Knight Islands as well as significant areas on the mainland on the west side of Dangerous Passage. Chenega lands have some of the highest ranked parcels in the Comprehensive Habitat Evaluation Process and have been identified as providing potential habitat protection for damaged resources and services linked to the spill.

The area is characterized by mountains with elevations to 2,500 feet. The lower slopes adjacent to lakes, streams and bays are forested with old growth Sitka spruce and western hemlock. Until recently, western Prince William Sound was glaciated and still remains very remote and wild. In the Eshamy and Jackpot area there are 22 anadromous streams of which two (Jackpot and Eshamy) are major producers of pink and sockeye salmon. The area is very important for commercial, sport, and subsistence fishing, with the village of Chenega being the major user. The area is also an important destination point for recreation users.

All lands being considered for acquisition from Chenega Corporation have a split estate with the subsurface ownership with the regional corporation, Chugach Incorporated.

Section 704 of the Alaska National Interest Lands Conservation Act required that within three years (by December 2, 1983), a study with recommendations as to the suitability or unsuitability of wilderness within the Prince William Sound area of the Chugach National Forest be completed and submitted to Congress. The report recommended that some lands be classified as wilderness. The lands recommended for wilderness are contiguous to Chenega lands as shown on the enclosed map. Congress has never acted on the report as submitted. However, all land within the proposed study area is being managed as wilderness area pending action on the study.

RESTORATION BENEFITS

Western Prince William Sound is one of the areas most impacted by the 1989 Exxon Valdez Oil Spill. All resources and services in the area were injured and will benefit from habitat protection.

In the fall of 1993, Chenega Corporation indicated a willingness to consider selling fee simple title to two of their high ranked parcels, Jackpot Bay and Eshamy Bay (CHEO1 and CHEO2). These two parcels are being appraised for fee simple acquisition and consist of approximately 7,900 acres in CHEO1 AND 12,000 acres in CHEO2, for a total of 19,900 acres. On the remainder of the Chenega lands the corporation has proposed selling all timber harvest rights with possible consideration for additional partial interests. The remaining Chenega lands considered available (approximately 36,000 acres) are presently being appraised for timber interests. The lands being appraised for timber include

15,000 acres of moderately ranked lands and 21,000 acres of low ranked lands as evaluated in the Comprehensive Habitat Protection Process.

High value resources and services in the Eshamy/Jackpot area are: pink salmon, sockeye salmon, cutthroat trout, Dolly Varden, bald eagles, black oystercatchers, harbor seals, harlequin ducks, pigeon guillemots, river otters, recreation/tourism, wilderness, and subsistence.

Of the high value resource and services identified on this parcel, sockeye salmon, pink salmon, cutthroat trout, and Dolly Varden susceptible to water quality and potential over-harvest impacts. Bald eagles are generally considered to be more tolerant of development impacts if there is no loss of nesting habitat. Impacts to bald eagles may be mitigated by proper planning and adherence to existing regulations. River otters are considered to be generally tolerant of development if denning habitat is protected. Increasing development has a high potential for user group conflicts if harvest and access are restricted or the numbers of users increase. Subsistence, recreation, and wilderness are all sensitive to development because of the concentrated nature of the resources and topography that support these services. Harlequin ducks are sensitive to disturbance and are highly likely to be impacted by possible developments. Pigeon guillemot colonies require special protection from habitat loss and disturbance.

High Benefits in the Eshamy/Jackpot area:

Eshamy and Jackpot Bays have the highest number of wild pink salmon in the region with 22 anadromous streams. Eshamy Bay is also the highest sockeye producing system in western Prince William Sound. Both Jackpot and Eshamy represent the northwestern most range for cutthroat trout. The area has important wintering lakes and supports strong populations of Dolly Varden as well as fourteen documented bald eagle nest and important feeding areas. The area is an important breeding area (although lingering damage from the spill is still apparent) and important overwintering area for harlequin ducks. A large colony of pigeon guillemots is located adjacent to the parcel. Eshamy has high concentrations (based on pre-spill documentation) of river otters. The area is a destination for sport fishing from population centers, and it has a high level of recreation with a potential for significantly more. The parcel is an inholding in a wilderness area within the preferred alternative for the Nellie Juan Wilderness Study Area. The parcel also has high value for the village of Chenega.

The remainder of Chenega lands (CHE03) to CHE09) have the following high value resources and services: pink salmon, bald eagles, black oystercatchers, harbor seals, harlequin ducks, marbled murrelets, pigeon guillemots, sea otters, wilderness, cultural resources and subsistence.

On the remainder of Chenega, habitat was rated as high value for eleven resource and services in the comprehensive habitat evaluation process. Acquisition of timber rights for these land would benefit the injured resource and services. Pink salmon are susceptible to water quality and timber harvest impacts. Bald eagles are generally tolerant of development impacts if there is no loss of nesting habitat. Black oystercatchers are sensitive to loss of nesting habitat and disturbance during nesting. Harlequin ducks are highly sensitive to disturbance and loss of nesting habitat. Impacts to harbor seals are not know. Marbled murrelets are sensitive to loss of nesting habitat and disturbance during nesting. Sea otters are sensitive to disturbance during pupping which occurs in May and June. Pigeon guillemot colonies require special protection from habitat loss and disturbance. Subsistence, cultural resources and wilderness are all sensitive to development because of the

concentrated nature of the resources/services and the topography that support them.

The two fee simple parcels are among the most popular recreation destinations in Prince William Sound. They are important sport fish and hunting areas, and have excellent anchorages. They would be managed to maintain and restore habitat and for recreational use. Recreational uses allowed within the area would be those non-developed recreational uses consistent with wilderness.

CHENEGA BAY IRA COUNCIL

P.O. Box 8079 Chenega Bay, Alaska 99574-8079 Phone (907) 573-5132 Fax (907) 573-5120

May 30, 1996

EVOS Trustee Council
Attn: Molly McCammon
Executive Director
645 G Street, Suite 401
Anchorage, AK 99501

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JUN 24 1996

EXXON VALDEZ OIL SPILL
TRUSTEE COUNCIL
ADMINISTRATIVE RECORD

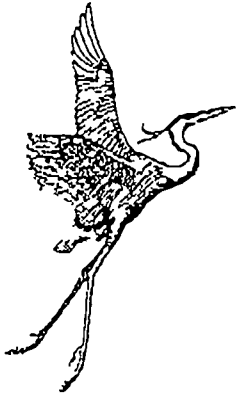
Dear Molly,

When I sent the resolution in regards to the sale of Chenega land I thought that would be enough to convince you that the people of this village who live here are not in favor of the land sale under negotiation between the Trustee Council and Chenega Corporation. Our views are ignored while the views of the environmental organizations are taken as what the people want. We don't think it's fair and we urge you to give us fair treatment.

Respectfully,

Donald P. Kompkoff Sr.

Don Kompkoff
Native Village of Chenega
P.O. Box 8079
Chenega Bay, AK 99574-5132



Nancy Bird

~~to Nancy Bird~~

P O Box 1185 Cordova Alaska 99574 U S A

Telephone (907) 424-7466

RECEIVED

May 31 1996

JUN 1 1996
EXXON VALDEZ OIL SPILL
TRUSTEE COUNCIL
ADMINISTRATIVE RECORD

To Eros Trustee Council

I will be unable to testify this afternoon but want to reiterate my strong support for conservation easements and fee simple purchase on lands in Prince William Sound.

Thank you for your efforts. I believe a deal can be reached that is good for all parties.
Nancy Bird