

Exxon Valdez Oil Spill Trustee Council

645 G Street, Suite 401, Anchorage, AK 99501-3451 907/278-8012 fax: 907/276-7178



AGENDA

EXXON VALDEZ OIL SPILL TRUSTEE COUNCIL MEETING

MARCH 9, 1998 @ 2:30 P.M.

645 G STREET, ANCHORAGE

3/9/98

12:17 pm

DRAFT

DRAFT

Trustee Council Members:

BRUCE BOTELHO/CRAIG TILLERY
Attorney General/Trustee
State of Alaska/Representative

MICHELE BROWN
Commissioner
Alaska Department of Environmental
Conservation

DEBORAH WILLIAMS
Special Assistance to the Secretary
for Alaska
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

State, Chair

1. Call to Order 2:30 p.m.
- Approval of Agenda
2. Minor Revision to the Homer Spit Small Parcel Resolution* (draft motion will be faxed to each Trustee Council member Monday morning)
3. Executive Session to Discuss Habitat Protection Negotiations - (no action)

* indicates action items

Adjourn - 4:00 p.m.

raw

Federal Trustees

U.S. Department of the Interior
U.S. Department of Agriculture
National Oceanic and Atmospheric Administration

State Trustees

Alaska Department of Fish and Game
Alaska Department of Environmental Conservation
Alaska Department of Law

Homer Spit Motion

By resolution adopted at the Trustee Council meeting on October 3, 1997 the Council authorized expenditure of funds for purchase of the Homer Spit parcels. One of the conditions of that resolution was that an appropriate conservation easement be conveyed by the City of Homer on five adjacent lots to the United States and the State of Alaska. Because of the existence of old landfill debris on lots 6-A and 6-B, T6S, R13W, Sec. 28, S.M., it is hereby moved that the Resolution be modified with respect to lots 6-A and 6-B such that conveyance of an appropriate conservation easement is mandatory with respect to the State of Alaska and is at the option of the United States.

Drafted by ADOL

Reviewed by USDO I

DRAFT

March 7, 1997

AJV originally began discussions with the Department of the Interior over sale or exchange of some of its holdings in 1987. In 1992, the Alaska Legislature appropriated Exxon criminal settlement funds to acquire two AJV parcels. The appropriation was vetoed by Governor Hickel. Discussions began with the EVOS Trustees in 1993. In December, AJV proposed two differing sale options to the Trustees. EVOS indicated that it could not purchase lands prior to its own appraisal but allocated funds for an eventual purchase. The appraisal was not completed until March, 1997. AJV considered the appraisal's conclusions for value so low, that it informed the Trustees through Alex Swiderski by letter in April, 1997 that it could not sell any land or timber parcels at the Trustees' appraised values.

On May 10, 1997 the Trustees formally voted in favor of a \$64 million present value offer for a configuration of its choosing. AJV rejected the offer immediately, both because the appraised values were too low and because the configuration did not include a reasonable balance between timbered and non-timbered lands. We stated by letter of May 23, 1997:

The Afognak Joint Venture is charged by its partners with returning profits. It cannot sell its timber resources for less than its internal estimates of profit under development plans. Even if we succeed in reaching agreement on a land sale, AJV will remain in the timber business. To allow timber resources to be sold at prices near our internal estimates, it will be necessary to include reasonably priced, non-timbered lands in the configuration. The resolution contains some lands which would qualify. We will work with your representatives to identify others.

These two principles have been the basis for the AJV's positions. They have been repeatedly communicated to the EVOS negotiators. Nevertheless, at our last meeting with the EVOS negotiators on March 5, 1998, we were unable to reach accommodation on either point. In spite of our having shown the existence of significant flaws in the Cascade appraisal, the negotiators have been unwilling to consider changes. While they are willing to consider corrective changes to the land appraisal figures, the balance of non-timbered lands in their proposed configuration is too minimal to make up the difference in timber value.

A basic flaw in the EVOS valuation of timber is that the Cascade appraisal does not consider the effect of time. It values timber as of September, 1996, a rather low point in the timber market, as if all of the timber could be removed and sold in a month - clearly a fantasy. To repeat the process with another date, say, April, 1998, would result in another fantasy but with a lower figure. No responsible seller of timber would sell most of its assets at the low point in the market. A seller would retain its best assets to sell when prices were higher. Since the sale of timber from harvest could not take place in an instant, a wise seller would reduce sales during lean periods and increase them in bull markets as AJV has done. Thus, AJV's conversion return analysis considers the value of the timber over the life of the operation, including changes in costs, the cost of money and the historical trends in prices, up and down. This results in a higher value than Cascade's appraisal.

In some parcels, AJV's analysis is close to the net value calculated by Cascade. But then Cascade reduces the value by a \$75/mmbf "profit and risk" figure-supposedly so the buyer (EVOS) could reasonably take in \$75/mmbf profit above purchase price when it markets the timber. By this reasoning, if AJV did not sell the timber to the Trustees but harvested it itself, it would not only net all of the income in the Trustees' purchase offer, but also an additional profit of \$75/mmbf. Thus the amount of the return to the AJV from retaining and harvesting the timber would be higher than the EVOS offer.

When such inconsistencies are pointed out in the negotiations, the EVOS negotiators argue that markets change over time and that alternative investments might return higher income than timber. The AJV's valuation reflects and incorporates this principle of change over time, but EVOS is chained to the rigid Cascade appraisal which does not consider the element of time. The negotiators' recognition of change in making this argument is inconsistent with their adherence to the Cascade appraisal's refusal to recognize change.

Unlike every other seller of timber with whom the Trustees have negotiated, AJV has its own cruise and its own evaluations which have been tested against the actual performance of its operations over time. Other sellers have been reliant on the data and the valuation developed by the Trustees. Other sellers have had to pay carrying costs to brokers to market their timber. AJV, through Afognak Native Corporation, markets its own timber. Other sellers have been overly dependent on timber proceeds for their corporate profits and unable to withstand downturns in the market. The two major partners in AJV are each in more secure condition. Koniag (46% of AJV) has many investments of its own and other partnerships in other fields. While AJV timber is an important component of its income stream, it is only one component in a diversified portfolio. Afognak Native Corporation (46% of AJV) is more timber dependent, but it has gained security by creating a permanent fund and investing income from high profit years in the fund. In that way, ANC can rely on its reserve during down times, just as the State of Alaska does.

Nevertheless, AJV is cognizant of the constraints under which the Trustees operate and has attempted to build configurations of land and timber which, with appropriate land values, can bridge our differences. To that end, the AJV partners asked their negotiators to run the proposals put forward by the Trustees at the March 5 meeting and to analyze potential modifications in AJV's most recent proposal of February 23.

In doing so, AJV has tried to bridge this difference in value by modifying its assumptions for unit 1a timber to consider a more pessimistic, poor market scenario. The Unit 1a timber is the least accessible, highest cost timber under consideration in the proposals. Timber in the northern and western portions of unit 1a is much more favorable from an operational perspective for a sale to the Trustees than say, the timber in unit 3a which is not only of high quality, but on level terrain adjacent to the existing road system. AJV has already reduced its valuation of 3a to a stark bottom line. By utilizing these lower market projections for Unit 1a, the AJV has reduced the costs of the proposals by \$4.4 million.

In turn, the Trustees' land values have been estimated using the suggestions made by the negotiators that the Trustees might approve of land values of \$431/acre for non-commercial timber lands (consistent with other EVOS purchases) but would continue to rely upon the Black-Smith appraised value for

timberlands, which is calculated at an average of \$109/acre.

Even with these two adjustments, the balance of non-timbered land in any acceptable configuration must be high enough to return AJV's bottom line analysis for timber and provide at least a modest valuation on the land itself.

In calculating the numbers, AJV cannot agree to a sale of timber in all of 1a and in the agreed upon configuration of 3a unless a substantial amount of non-timber land at reasonable prices is added to the configuration. That, in turn, pushes the overall value over \$80 million, a figure which we have been told, is beyond the EVOS budget.

Instead, the AJV suggests that the Trustees consider a modification of the AJV's offer of February 23. AJV can include the Bluefox Bay Islands, and reduce the size of parcel 1b to that suggested by Alex Swiderski. In addition, it is willing to include the Parcel F timber at its agreed upon value, thereby saving the additional costs of helicopter logging. The AJV offers this package at \$76.01 million, a concession of \$4.3 million in value. By the AJV calculation, the Trustees could, using the standards in place last week, value the same package at \$72.56 million. If the Trustees could make a concession of approximately the same magnitude, an agreement could be reached immediately.

If such an approach is not agreeable, AJV can provide a small configuration with little non-timber based on unit 1a. This proposal would be valued only slightly above the Black-Smith and Cascade appraisals. And if neither approach is agreeable, AJV will assume that a sale is not probable and manage its lands accordingly.

NOTE: A sheet outlining the proposal follows. Aside from the differences in value, inclusion of subunit F, the islands, and reduction in unit 1b, the proposal also reduces the amount of land offered in unit 1a to correspond with the timber proposal. This eliminates cutover land in unit 1a and narrows value differences. A configuration for Unit 4 remains to be determined. If there are questions, please call Tim Mahoney, 703-519-8933.

Sheet1

CONFIDENTIAL

March 9, 1998

AJV proposal

1a timber
3a--Timber
subunit F
TOTAL TIMBER

TRUSTEE VALUE
CAS Appraisal
\$34,063,026
\$19,145,000
\$700,000
\$53,908,026

TC Appraised
Value
32,745,000
19,145,000
700,000
\$52,590,000

LAND

	Acreage		Acreage	@\$431nc/\$109tim		
1a	17,381	timber	12,173	\$1,326,857	} #112/acre	1,947,000
		non-comm	5,208	\$2,244,648		
1b	2,802	timber	9	\$981	} #108/acre	303,000
		non-comm	2,793	\$1,203,783		
4	15,807	timber	2,283	\$248,847	} #100/acre	1,581,000
configuration to be determined		non-comm	13,524	\$5,828,844		
3a	9,301	timber	7,307	\$796,463	} #139/acre	1,014,000
		non-comm	1,994	\$859,414		
7	2,456	non-comm	2,456	\$1,058,536	} #44/acre	353,000
8	8,742	non-comm	8,742	\$3,767,802		
TOTAL LAND	56,489	TOTAL	56,489	\$17,336,175	105/acre	918,000
Islands	386	@\$3400/ac	386	\$1,312,400	112/acre	43,000

AJV VALUE: \$76,009,666

TRUSTEE VALUE: \$72,556,601

TC \$58,396,000
Appraised
Value

The percentage of valuation made up by timber and land is:

For AJV:

Land
Timber
Islands

For EVOS:

Land
Timber
Islands

23.90%
74.30%
1.80%

Includes land in AJV4-Paramanay
Does not include Little Waterfall Bay
Drainage in 1a

TC proposal

CONFIDENTIAL

LAND & TIMBER

Parcel	Acreage	\$ / per acre	Price
1a	17,447	1990	34,717,511
3a	5,174	3839	19,865,251
7	2,460	400	984,000
8	8742	400	3,496,800
Subtotal	33,823		7,173,562

Sub-parcel F (Land & Timber)	175	4,143	725,000
Subtotal	33,998		59,788,562

Cutover Land at 3a	4,902	139	681,378	328,000
Subtotal	38,900		60,489,940	60,469,940

some of cutover land

Remainder of 1a (Land & Timber)	2,597	2,985	6,609,489
Total	41,457		67,079,429

I:\SWIDERSA\WP\AJV\SHEET1.WPD

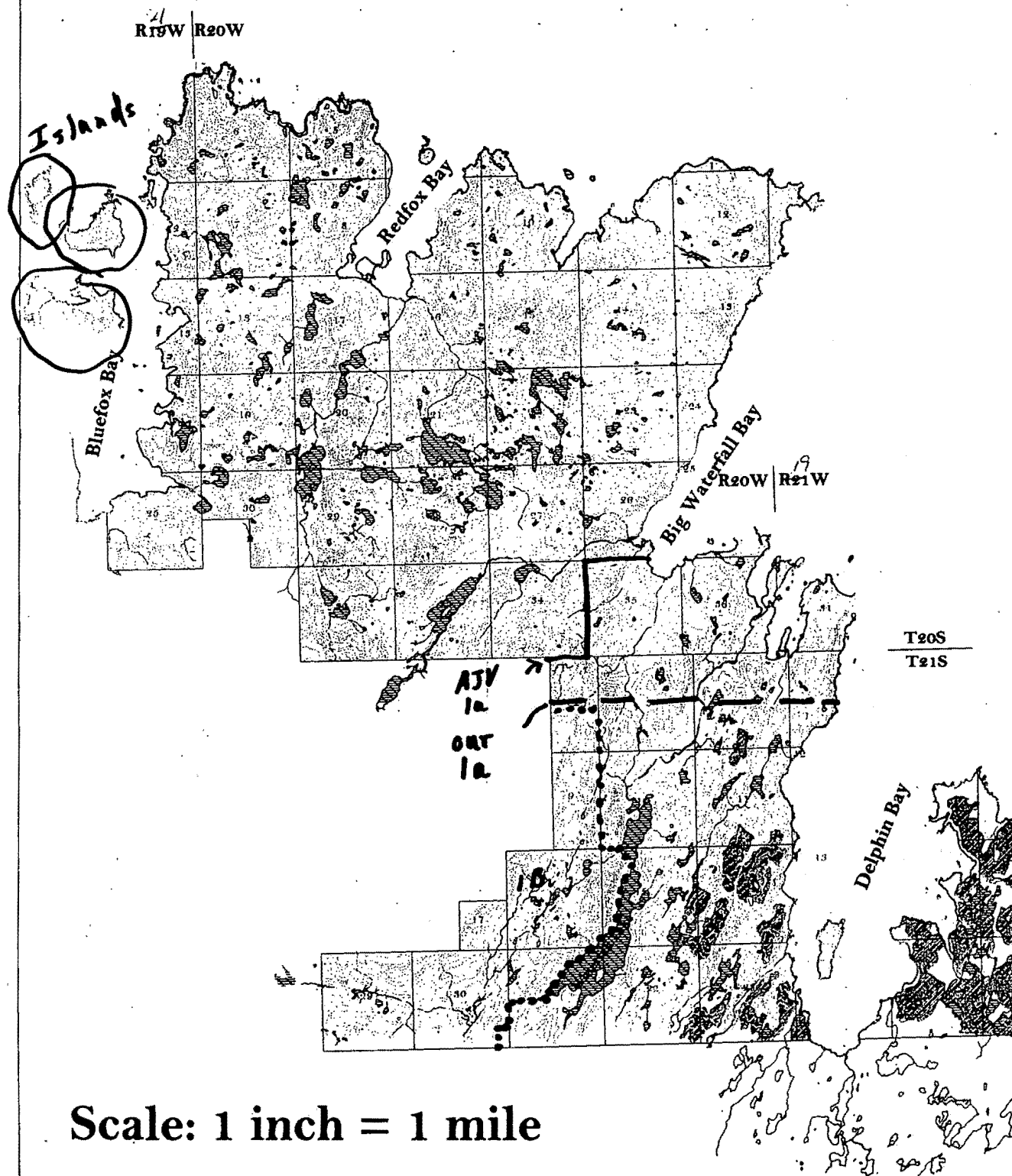
+ 28 acres
+ 16 land - no timber
28.2 acres

\$67,079,429
1,250,000
303,000
\$68,632,429

Includes Little Waterfall Bay drainage in 1a.
No land in AJV4 - Paramanof

Afognak Joint Venture

EVOS Areas 1a and 1b



Exxon Valdez Oil Spill Trustee Council

645 G Street, Suite 401, Anchorage, AK 99501-3451 907/278-8012 fax: 907/276-7178



FAX COMPLETE

FAX COVER SHEET

FAX COMPLETE

To: See distribution Number: _____

From: Molly McCammon Date: march 9, 1998

Comments: _____ Total Pages: 2

Please forward to those listed
below. Thank you

Frank Rue Bill Hines

Jim Wolfe Craig Jillery

Ginny Fay Deborah Williams

This map is for today's TC teleconf.
along w/ the 8 page document faxed earlier.

HARD COPY TO FOLLOW no

Document Sent By: Rebecca

3/27/96

*** MULTI TRANSACTION REPORT ***

TX/RX NO.

9497

INCOMPLETE TX/RX

TRANSACTION OK

[28] 19075867249

S. PENNOYER

[29] 19074652332

FRANK RUE

[31] 19074655070

BROWN-FAY,

[36] 2787022

ALEX-CRAIG

[37] 2714102

D. WILLIAMS

ERROR

[10] 19075867555

WOLFE-GIBBONS

*** ACTIVITY REPORT ***

TRANSMISSION OK

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CONNECTION ID	WOLFE-GIBBONS
START TIME	03/09 13:09
USAGE TIME	03'49
PAGES	8
RESULT	OK

*** MULTI TRANSACTION REPORT ***

TX/RX NO.

9499

INCOMPLETE TX/RX

TRANSACTION OK

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S. PENNOYER

[29] 19074652332

FRANK RUE

[31] 19074655070

BROWN-FAY

[36] 2787022

ALEX-CRAIG

[37] 2714102

D. WILLIAMS

ERROR

[10] 19075867555

WOLFE-GIBBONS

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FAX COVER SHEET

FAXED

To: See below Number: _____

From: Keri Dile Date: March 16, 1998

Comments: _____ Total Pages: 2

Alex Swiderski

Glenn Ellison

Barry Roth

Gina Belt

Maria Lisowski

Barat Laporte

Notice of next

EMS. Trustee

Council meeting

(teleconference).

I will send you

an agenda

Monday morning first thing.

Keri Dile

HARD COPY TO FOLLOW _____

Document Sent By: Keri Dile

3/27/96

Federal Trustees

U.S. Department of the Interior

U.S. Department of Agriculture

National Oceanic and Atmospheric Administration

State Trustees

Alaska Department of Fish and Game

Alaska Department of Environmental Conservation

Alaska Department of Law

*** MULTI TRANSACTION REPORT ***

TX/RX NO.

9452

INCOMPLETE TX/RX

TRANSACTION OK

[36] 2787022

ALEX-CRAIG

[38] 2715827

G. BELT

[42] 7863640

G. ELISON

[43] 19075867251

M. LISOWSKI

[45] 12022083877

B. ROTH

ERROR

*** ACTIVITY REPORT ***

TRANSMISSION OK

TX/RX NO. 9453

CONNECTION TEL 2762594

CONNECTION ID

START TIME 03/06 14:18

USAGE TIME 01'01

PAGES 2

RESULT OK

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FAX COVER SHEET

FAXED

To: **Restoration Work Force**

From: Ken Dele Date: March 6, 1998

Comments: Total Pages: 2

Notice of next Trustee Council
meeting (teleconference).
I will fax you an agenda
first thing Monday morning.
Ken

RESTORATION WORK FORCE MEMBERS INCLUDE:

- | | |
|-------------------------------|-----------------|
| Belt, Gina | |
| - Berg, Catherine | - Fay, Ginny |
| - Fries, Carol | - Rice, Bud |
| Gibbons, Dave | - Spies, Bob |
| - C. Slater/B. Hauser | - Holbrook, Ken |
| - Bartels, Leslie/Lisa Thomas | - Wright, Bruce |
| - Miraglia, Rita | |

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FAX SENT BY: Ken Dele

1/10/97

*** MULTI TRANSACTION REPORT ***

TX/RX NO.

9463

INCOMPLETE TX/RX

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[09] 19075867589

JUNEAU OFFICE

[10] 19075867555

WOLFE-GIBBONS

[13] 19077896608

MORRIS-WRIGHT

[15] 2698918

CAROL FRIES

[16] 2672450

RITA MIRAGLIA

[17] 2713992

KEN HOLBROOK

[18] 2672464

SULLIVAN-SLATER

[19] 7863636

L. BARTELS

[20] 7863350

C. BERG

[21] 2572517

B. RICE

[31] 19074655070

BROWN-FAY

[35] 15103737834

B. SPIES

[38] 2715827

G. BELT

ERROR

Exxon Valdez Oil Spill Trustee Council

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FAX COVER SHEET

TO TRUSTEE COUNCIL MEMBERS AND ALTERNATES:

FAXED

Botelho, Bruce
Brown, Michele
Bosworth, Rob
Hines, Bill
Janik, Phil

Pennoyer, Steve
Rue, Frank
Tillery, Craig
Williams, Deborah
Wolfe, Jim

FROM:

Keri Okle

DATE:

3/16/98

TOTAL PAGES:

2

Notice of next Trustee Council
meeting (teleconference).

I will fax you an agenda first
thing Monday morning.

Keri Okle

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FAX SENT BY:

Keri Okle

Federal Trustees

U.S. Department of the Interior
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National Oceanic and Atmospheric Administration

State Trustees

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Alaska Department of Environmental Conservation
Alaska Department of Law

*** MULTI TRANSACTION REPORT ***

TX/RX NO.

9455

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JUNEAU OFFICE

[25] 19075867840

P. JANIK

[26] 19074652075

B. BOTELHO

[28] 19075867249

S. PENNOYER

[29] 19074652332

FRANK RUE

[31] 19074655070

BROWN-FAY

[36] 2787022

ALEX-CRAIG

[37] 2714102

D. WILLIAMS

ERROR

Exxon Valdez Oil Spill Trustee Council

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FAX COVER SHEET

FAX COMPLETE

To: See below Number: _____

From: Keri Hile Date: March 9, 1998

Comments: _____ Total Pages: 2

Alex Swiderski
Glenn Ellison
Barry Roth
Gina Belt
Maria Lisowski
Barat LaPorte

Agenda for
2:30 Trustee
Council meeting.

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Document Sent By: Keri Hile

3/27/96

3/6
Keri fax this to
the TC, RWF (in house
folks too), Barat LaPorte,
Alex, Glenn,
Barry, Gina, & Maria
Monday 2 M. When you get
to work.

Exxon Valdez Oil Spill Trustee Council

645 G Street, Suite 401, Anchorage, AK 99501-3451 907/278-8012 fax: 907/276-7178



FAX COVER SHEET

FAX COMPLETE

To: See below Number: _____

From: Keri Hile Date: March 9, 1998

Comments: _____ Total Pages: 2

Alex Swiderski

Glenn Elison

Barry Roth

Gina Belt

Maria Lisowski

Barat LaPorte

Agenda for
2:30 Trustee
Council meeting.

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Document Sent By: Keri Hile

3/27/96

03/09/98

08:39

907 276 7178

EV Restoration

001

*** ACTIVITY REPORT ***

TRANSMISSION OK

TX/RX NO. 9470

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CONNECTION ID

START TIME 03/09 08:38

USAGE TIME 01'01

PAGES 2

RESULT OK

03/09/98

08:51

907 276 7178

EV Restoration

001

*** MULTI TRANSACTION REPORT ***

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9467

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TRANSACTION OK

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ALEX-CRAIG

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G.BELT

[42] 7863640

G.ELISON

[43] 19075867251

M.LISOWSKI

[45] 12022083877

B.ROTH

ERROR

Exxon Valdez Oil Spill Trustee Council

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FAX COVER SHEET

FAX COMPLETE

To: Restoration Work Force

From: Keri Hik Date: March 9, 1998

Comments: Total Pages: 2

Agenda for 2:30
Trustee Council meeting

RESTORATION WORK FORCE MEMBERS INCLUDE:

Belt, Gina
Berg, Catherine
Fries, Carol
Gibbons, Dave
C. Slater/B. Hauser
Bartels, Leslie/Lisa Thomas
Miraglia, Rita

Fay, Ginny
Rice, Bud
Spies, Bob
Holbrook, Ken
Wright, Bruce

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FAX SENT BY: Keri Hik

1/10/97

*** MULTI TRANSACTION REPORT ***

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TRANSACTION OK

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JUNEAU OFFICE

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WOLFE-GIBBONS

[13] 19077896608

MORRIS-WRIGHT

[15] 2698918

CAROL FRIES

[16] 2672450

RITA MIRAGLIA

[17] 2713992

KEN HOLBROOK

[18] 2672464

SULLIVAN-SLATER

[19] 7863636

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[20] 7863350

C. BERG

[21] 2572517

B. RICE

[31] 19074655070

BROWN-FAY

[35] 15103737834

B. SPIES

[38] 2715827

G. BELT

ERROR

Exxon Valdez Oil Spill Trustee Council

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FAX COVER SHEET

TO TRUSTEE COUNCIL MEMBERS AND ALTERNATES:

Botelho, Bruce
Brown, Michele
Bosworth, Rob
Hines, Bill
Janik, Phil

Pennoyer, Steve
Rue, Frank
Tillery, Craig
Williams, Deborah
Wolfe, Jim

FROM: Keri Hile

DATE: 3/9/98 TOTAL PAGES: 2

Agenda for 2:30 pm
Trustee Council meeting.

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FAX SENT BY: Koki

Federal Trustees

U.S. Department of the Interior
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National Oceanic and Atmospheric Administration

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Alaska Department of Law

*** MULTI TRANSACTION REPORT ***

TX/RX NO. 9468

INCOMPLETE TX/RX

TRANSACTION OK	[09] 19075867589	JUNEAU OFFICE
	[25] 19075867840	P. JANIK
	[26] 19074652075	B. BOTELHO
	[28] 19075867249	S. PENNOYER
	[29] 19074652332	FRANK RUE
	[31] 19074655070	BROWN-FAY
	[36] 2787022	ALEX-CRAIG
	[37] 2714102	D. WILLIAMS

ERROR

Natalie Phillips

Ariss Sturgulewski

Rick Steiner

Doug Mutter

Greg Petrick

~~none~~

OK R good!!

Molly, Keri went through the interested folks list (those who want to know about upcoming TC mtg.). These are the names that leaped out at her. Could you make a note by each name indicating if they should receive the notice or not?

Please give this directly to Keri,

Thanks!

R