

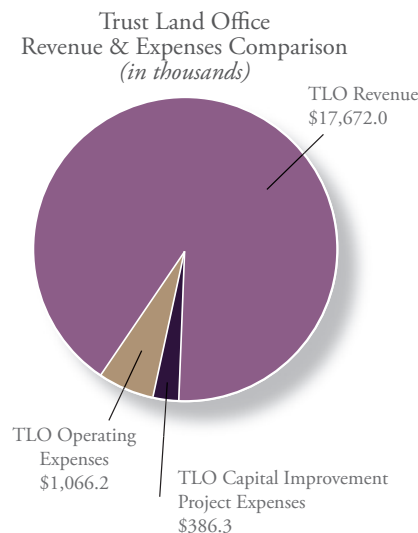
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GENERAL BACKGROUND

The Trust Land Office (TLO), a small 11-person special unit in the Department of Natural Resources (DNR), manages approximately one million acres throughout the state of Alaska on behalf of the Alaska Mental Health Trust Authority (The Trust). Trust land is managed in accordance with state law (AS 38.05.801) and regulations adopted in 1997 (11 AAC 99), which provide in part that Trust land management shall be conducted solely in the best interest of the Alaska Mental Health Trust and its beneficiaries. The regulations also provide that the TLO actions adhere to the following principles:

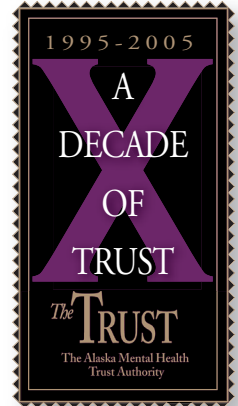
- Maximize long-term revenue from Trust land;
- Protect the corpus;
- Protect and enhance the long-term productivity of Trust land;
- Encourage a diversity of revenue-producing uses of Trust land; and
- Manage Trust land in a prudent and efficient manner, with accountability to The Trust and its beneficiaries.

Revenue-generating uses of Trust land include land leasing and sales; commercial timber sales; mineral exploration and production; coal, oil and gas exploration; sand, gravel and rock sales; and other general uses. Rents, fees and 15 percent of timber revenue from Trust land uses are considered "Spendable Income" and are forwarded to The Trust for use in the following year. Land sale revenue, hydrocarbon and mineral royalties and 85 percent of timber revenue are considered "Principal" and are also forwarded to The Trust for deposit into the The Trust corpus held and managed by the Permanent Fund.



FY05 FINANCIAL OUTCOMES

The TLO exceeded its gross revenue projections by 123 percent, with final revenues equaling about \$17.6 million compared to a goal of \$7.9 million. Much of the revenue was attributable to multi-year transactions, which were not guaranteed to close in FY05 and were, therefore, not included in the FY05 gross revenue projections. It is important to note that Spendable Income exceeded projections by only 15 percent, with a year-end outcome of about \$3.0 million, compared to projections of \$2.6 million. Since The Trust Authority relies heavily on the Spendable Income projections of the TLO, it is important that the projections are both reasonable and conservative so as not to place The Trust in a difficult cash flow position.



A decade of achievement.

A decade of learning.

A decade of growth.

A decade of leadership.

A decade of trust.

Trust Land Office Revenue & Expenses (in thousands)

	<i>Fiscal Year 2000 through Fiscal Year 2005 are Actuals</i>					YEAR IN REVIEW	<i>Fiscal Year 2006 through Fiscal Year 2010 are projected</i>				
	FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10
Revenue	3,630.0	7,538.7	7,723.0	16,856.0	11,312.1	17,672.0	8,300.0	8,600.0	8,800.0	9,000.0	9,000.0
Income	1,381.0	2,116.2	2,520.0	2,625.0	2,643.5	3,009.0	2,600.0	2,600.0	2,800.0	3,000.0	3,000.0
Principal	2,249.0	5,422.5	5,203.0	14,231.0	8,668.6	14,663.0	5,700.0	6,000.0	6,000.0	6,000.0	6,000.0
Expenditures	1,319.0	1,296.4	1,332.3	1,599.0	1,782.4	1,452.5	1,956.7	1,820.4	1,935.0	1,935.0	1,935.0
Operating	712.0	762.0	898.0	970.0	1,057.4	1,066.2	1,306.7	1,270.4	1,285.0	1,285.0	1,285.0
Capital	607.0	534.4	434.3	629.0	725.0	386.3	650.0	550.0	650.0	650.0	650.0
Facilities							100.0	350.0	350.0	350.0	350.0

FUTURE FOCUS

The TLO will continue efforts to diversify its revenue generating activities with a special emphasis on 1) increasing the spendable income revenue stream and 2) replacing diminishing timber revenues with other revenue sources. Key projects for the upcoming year include:

- Issuing commercial leases on Tract 1 of the U-Med Professional Park Subdivision and Tract D-2 of the Providence-Chester Creek Subdivision for an anticipated income of \$450,000 per year;
- Completing the sale of downtown Juneau property to the City and Borough of Juneau for expansion of their convention and performing arts center;
- Establishing a property management program for facilities in Anchorage;
- Completing renovations to the Trust Authority Building;
- Completing the Wrangell 8 Mile Timber Sale, and manage the Leask Lake Timber Sale for harvesting commercial timber on Trust land;
- Offering about 100 parcels for sale in the Trust's annual land sale;
- Developing new subdivisions for future sales in Haines and along the Kenai River, and for leasing in south Fairbanks; and
- Completing a Leadership Anchorage project identifying potential public and institutional lands (PLI zoning) for beneficiary uses in the Anchorage Bowl.

OUTCOME HIGHLIGHTS FOR THE YEAR

The real estate program and Community Enhancement Initiative accounted for over 76 percent (about \$13.4 million) of gross revenue. Successful efforts included the sale of about 4,060 acres of waterfront property in Gustavus to The Nature Conservancy and Department of Natural Resources for \$3.2 million, the completion of the reconfigured MHTL Subdivision into Providence-Chester Creek Subdivision and the pay-off of Providence Hospital's \$3.4 million dollar promissory note for Tract A, U-Med District in Anchorage.

The TLO completed its 8th annual land sale, selling 58 parcels through a sealed bid process with a value of \$3,176,570. New subdivisions were completed at West Lake and Twin Island Lake, both in the Mat-Su Borough, with full sell-out in the 2004 land sale, valued at \$776,000.

The Trust also acquired ownership of an office building located in midtown Anchorage. The building, formerly known as the Family Resource Center, has been renamed the Trust Authority Building and is the future home of the Alaska Mental Health Trust Authority.

FY2005 timber revenue accounted for over 16 percent (about \$2.8 million) of gross revenue, with sales in Wrangell and the combined areas of Signal Mountain, Gravina Island and Minerva Mountain. The TLO also signed a contract with Alcan Forest Products LP for the multi-year Leask Lake Timber Sale with revenues anticipated from FY2006 through FY2010.

The Cook Inlet Oil & Gas Lease Sale conducted in the fall of 2004 resulted in \$780,000 in income to The Trust from bonus bids and first year rental payments. Overall, the oil and gas program accounted for over 6 percent (about \$1.1 million) of gross revenue with about 150,000 acres under lease.

The minerals and materials program accounted for almost 2 percent of gross revenue (about \$356,000). AngloGold Ashanti was the successful bidder for the competitive lease offering northwest of Salcha (Caribou Creek) resulting in a lease of about 5,060 acres of land. Freegold Ventures LTD USA was the high bidder for 750 acres of Trust mineral land north of Cleary Summit, and the TLO received its second royalty payment of \$68,000 from the Fort Knox Gold Mine near Fairbanks.

As part of its ongoing efforts to diversify revenue, the TLO entered into a license (with expectations of a lease) with the Alaska Rainforest Sanctuary in Ketchikan. Visitors to the sanctuary have the opportunity to view the rainforest from the walking bridge or cruise the 'zip line' high up in the rainforest.

Photo Courtesy of the Alaska Rainforest Sanctuary, Ketchikan, Alaska



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