

WHAT IS THE TRUST LAND OFFICE?

The Trust Land Office (TLO) is a unit attached to the Department of Natural Resources that is specifically responsible for managing the land and other natural resources owned by the Alaska Mental Health Trust Authority (The Trust). The TLO generates revenue by leasing and sales of land; real estate investment and development; commercial timber sales; mineral exploration and production; coal, oil and gas exploration and development; and sand, gravel and rock sales.

WHAT IS THE ALASKA MENTAL HEALTH TRUST AUTHORITY?

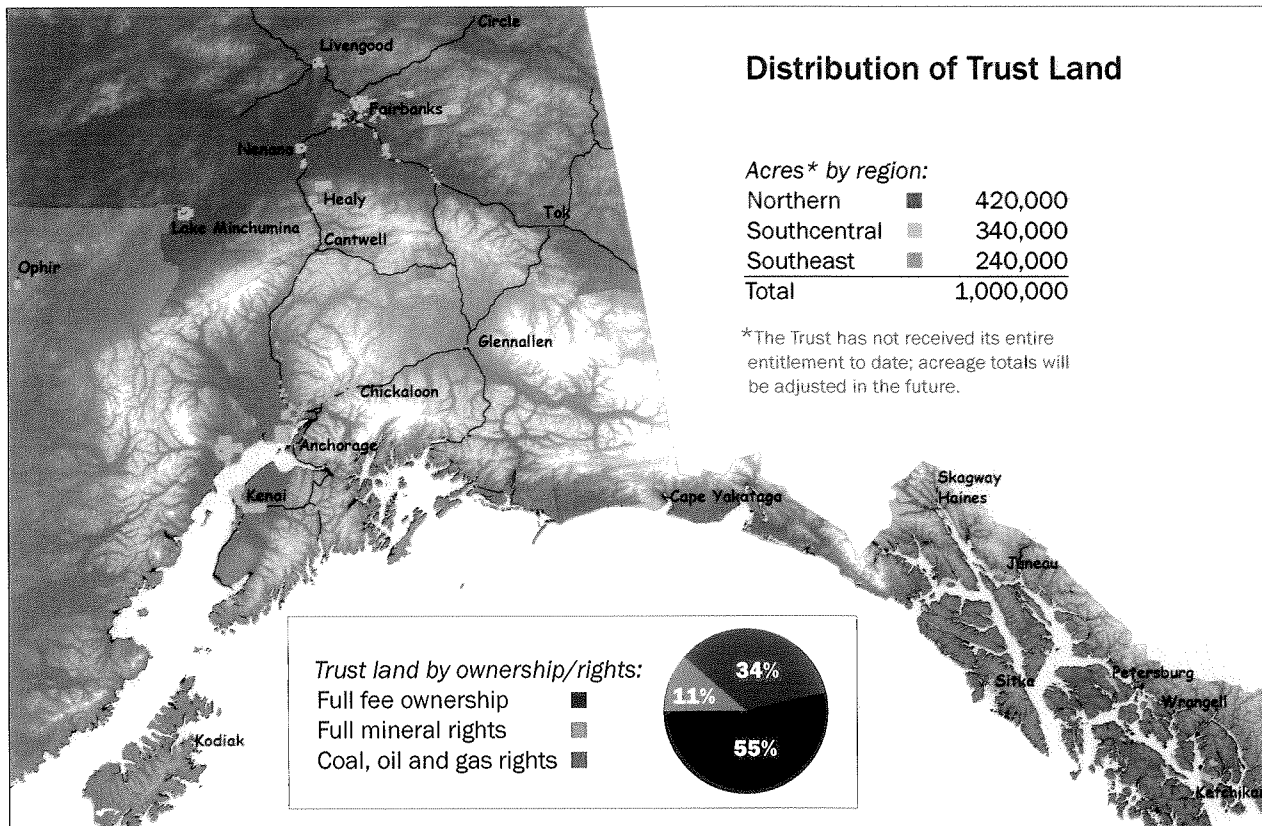
The Trust is a state corporation that administers the Alaska Mental Health Trust, a perpetual trust managed for the benefit of people with mental illness, developmental disabilities, chronic alcoholism and other substance related disorders, Alzheimer’s disease and related dementia, and traumatic brain injury. The Trust operates like a private foundation, using its resources to ensure that Alaska has a comprehensive integrated mental health program. The Trust annually budgets approximately \$26 million to support services and programs for Trust beneficiaries.

WHY DOES THE TRUST OWN LAND?

Prior to statehood, Alaska did not have a mental health system. Individuals with a mental disability, such as a mental illness, Down syndrome, dementia or chronic alcoholism, could be charged as an “insane person at large” and sent by the federal government to a mental hospital in Oregon. In 1956, Congress passed the Alaska Mental Health Enabling Act, entitling the Territory of Alaska to select one million acres of federal land to be used for revenue generation to support mental health services after Alaska became a state.

WHAT IS THE TLO’s STEWARDSHIP ROLE?

In addition to revenue generation, the TLO is charged with managing Trust lands prudently, efficiently and with accountability to The Trust and its beneficiaries. The TLO carries out its stewardship role by managing and protecting the inherent value of The Trust’s real property portfolio for today’s development opportunities and into perpetuity. Preservation responsibilities include evaluating and monitoring a long-term asset management strategy, restoration or reclamation projects, conservation easements and trespass/access controls.



CURRENT PROJECTS ON TRUST LAND

MINERAL:

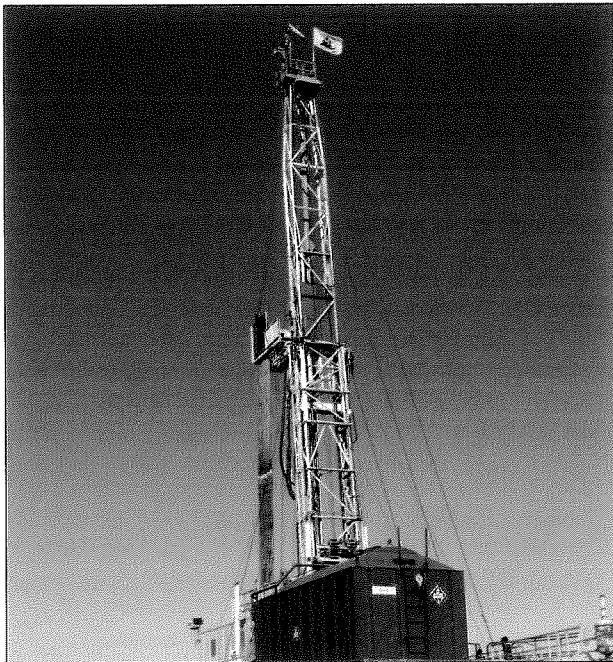
Most of the mineral assets managed by the TLO are located on Trust land in the Interior and Southeast Alaska. Prospective mineral tracts are typically offered for exploration and development through a competitive leasing process. There has been heightened interest in leasing Trust land for gold exploration in recent years. Development of the Ft. Knox Mine and exploration at Livengood are the most visible producing and developing mines. In addition, there are several placer leases on Trust land where miners are re-mining historical workings. When completed, they will use modern reclamation techniques to restore the land for future Trust uses.

COAL and UNDERGROUND COAL GASIFICATION:

A large portion of original Trust land was specifically selected for its abundance of coal and associated revenue-generating potential. The Trust holds active coal leases near Tyonek, Healy and Chickaloon. In addition, about 167,000 acres are under coal exploration licenses for deep coal deposits which could lead to leases being developed as Underground Coal Gasification units. Products from these leases could range from syn-gas used to power electric turbines to sulfur-free diesel or aviation fuel.

OIL and GAS:

The Trust holds oil and gas interests throughout the Cook Inlet area and Nenana Basin. Leases have been executed with five companies and approximately 120,000 acres are currently leased. Extensive seismic work and test drilling are underway on Trust land on both sides of Cook Inlet.



Natural gas well on Trust land on the Kenai Peninsula



Gold-bearing granite mined at Ft. Knox near Fairbanks

TIMBER:

The Trust's forest resources are located throughout Alaska. Timber sales have accounted for about 25 percent of the TLO's income over the last few years. The Trust is working with the U.S. Forest Service on a land exchange that would allow the TLO to maximize The Trust's assets and maintain revenue while preserving old growth forests bordering seven communities in Southeast Alaska.



Ken Graham Photo

Orthopedic Physicians Anchorage building on Trust land in U-Med District

REAL ESTATE:

Some land owned by The Trust is located in areas that are well suited for residential or commercial use. These lands are made available to the public through commercial and residential leasing and an ongoing residential and commercial subdivision program. Real estate investments and developments are selected for their long-term income potential for The Trust.

LAND SALES and MANAGEMENT:

Land sales and land use activities have contributed more than 50 percent of the total revenue generated by the TLO from inception. Trust lands generate revenue throughout the state in the form of leases, licenses, and easements. TLO land managers also sell Trust land through either the annual competitive land sale program or negotiated land sales.

Managing Resources: Increasing Assets for Beneficiaries

Under board of trustee direction and in accordance with state statute, the Trust Land Office is specifically responsible for managing the land and other non-cash assets of The Trust. The TLO generates revenue through leasing and sales of land; real estate investment and development; commercial timber sales; mineral exploration and production; coal, oil and gas exploration and development; and sand, gravel and rock sales.

In addition to revenue generation, the TLO is charged with managing Trust lands prudently, efficiently and with accountability. The TLO carries out its stewardship role by managing and protecting the inherent value of The Trust's portfolio for today's development opportunities and into perpetuity. Preservation responsibilities include evaluating and monitoring a long-term asset management strategy, restoration or reclamation projects, conservation easements, and access controls.

Minerals & Materials

- Fort Knox produced significant royalties during the year as the result of high gold prices and low cost production.
- A lease was signed with Kinross Gold Corporation to explore and develop resources at the Ophir Block.
- PacRim Coal submitted one of two Alaska Surface Coal Mining Control and Reclamation Act permits for the Chuitna coal project; submissions were also completed for wetlands and air permits.

Land

- The annual competitive land sale generated revenues of \$1.1 million.
- Two Fish Lake and Island Lake road construction projects were completed.
- Work continued to increase revenue generation from existing utilities infrastructure. These agreements are long-term, steady streams of income revenue.
- The Municipality of Anchorage approved the request to consolidate tracts and vacate certain easements in the Community Park Alaska subdivision. The action netted an increase of eight acres of developable land at Bragaw and Northern Lights.

Forestry

- A timber sale was executed near Wrangell and is expected to generate \$575,000 over the life of the contract.

Real Estate

- The acquisition of the IRS mail sorting facility in Ogden, Utah, under a long-term lease to the U.S. General Services Administration, was finalized. The facility will produce over \$500,000 of annual income revenue.
- A lease for a tract in the University-Medical District in Anchorage was finalized, initially bringing in over \$116,000 per year. Rents will increase over the 70-year term, potentially totaling \$14 million.

Oil & Gas

- Aurora Gas developed new access at Nicolai Creek, North Cook Inlet, and obtained permits to drill a new gas well.
- Buccaneer Energy produced gas from the Kenai Loop Field Pad No. 1, which was joined by a second producing well in the second half of the year. Royalties for the year exceeded \$2 million.

